

Securities code: 6504



To Our Shareholders
131st Term (Fiscal 2006) Annual Business Report

(April 1, 2006–March 31, 2007)

Fuji Electric Holdings Co., Ltd.

To Our Shareholders

The operating environment during fiscal 2006, ended March 31, 2007, was marked by solid performance underpinned by strong economic growth in the Asian economy, especially in China.

Fiscal 2006 was the first year of our medium-term management plan, a three year plan that defines our business objectives until fiscal 2008. Following this plan, the Group leveraged its collective synergy to attain “an operating margin of not less than 5%.”

While net sales were slightly higher this fiscal year compared with the previous year, the indicators of profit, our operating income, ordinary income and net profit all performed outstandingly, beating the Company’s previous all-time highs and enabling the Group to obtain an operating margin (operating income divided by net sales) of 5.1% and thus achieve the target set for this fiscal year.

Fuji Electric Holdings has decided to pay a year-end dividend of ¥4.00 per share. At the Board of Director held on May 24. This means the total annual dividend will amount to ¥8.00 per share, an increase of ¥1.00 per share compared to the previous year.

Fuji Electric Group will continue to strive to provide further profitability through concentrating management resources in growth businesses and reforming business structures. Through placing a concerted effort to reinforce corporate governance and internal controls the Group is doing its utmost

to build shareholder confidence. I would like to express my sincere appreciation for your encouragement to date, request your continuing Understanding and support for the Fuji Electric Group in the fears ahead.

June 2007

President and Representation Director
Haruo Ito

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I. Status of the Corporate Group

1. Financial performance and business progress

(1) Overview

A nationwide trend of reduced investment in public works, the high cost of raw materials, and a stock adjustment of intermediate goods for the IT industry all negatively affected the business environment of the Fuji Electric Group over the course of the current fiscal term. Despite this however, the business environment was favorable thanks to strong growth in the Asian economy, particularly in China, coupled with an increase in private corporate investment within Japan.

In this climate, while vigorously channeling its management resources into growth areas, the Group has embarked upon measures to strengthen cost competitiveness. As a result the consolidated business performance for the year were as follows.

Net sales increased in the segments of Energy & Electric Systems, which included a large-scale electric generation plant; ED&C Drive Systems, which expanded both domestically and overseas on account of the high demand from private enterprise capital private investment; and Electronic Devices, which expanded in the areas of semiconductors and disk storage devices. Net sales were not as strong in the Retail Systems segment however, as demand for vending machines and coin/bill validators was lower than the previous year.

Although the high prices of materials impacted profits, dynamic strategies to increase orders led to increase in net sales and the introduction of reforms to business methods successfully reduced costs. Through this, and through relocating our human resources to best suit the changes to the business structure, we achieved vastly improved operating income, ordinary income and net income compared with the previous year and bettered all previous record revenue highs. As a result the Group obtained an operating margin (operating income divided by net sales) of 5.1% and thus achieve the target (no less than 5%) set for this fiscal year.

By segment, profit increased in Energy & Electric Systems, ED&C Drive Systems, and Electronic Devices, but decreased in Retail Systems.

As a result, the operating results and financial position of the Fuji Electric Group for fiscal 2006 and the previous three fiscal years were as follows:

Fiscal 2006 (April 1, 2006 to March 31, 2007)

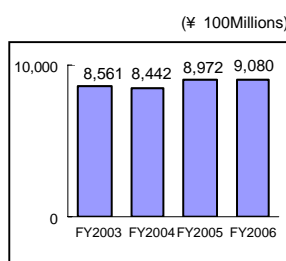
| | | |
|---------------------------|------------------|-------------------------|
| Net sales | ¥908.0 billion | (Up 1.2% YoY) |
| Operating income | ¥46.2 billion | (Up 12.7% YoY) |
| Ordinary income | ¥48.7 billion | (Up 16.6% YoY) |
| Net income | ¥23.1 billion | (Up 24.4% YoY) |
| Net income per share (¥) | ¥32.37 | (Up 6.67 duplicate YoY) |
| Total assets (¥ Millions) | ¥1,024.8 billion | (Up 3.5% YoY) |

Results of the previous three fiscal years

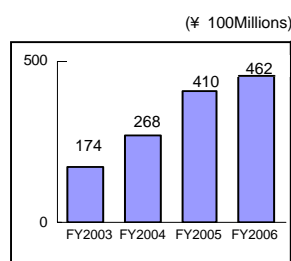
| Classification | 128th term Fiscal 2004 | 129th term Fiscal 2005 | 130th term Fiscal 2006 |
|------------------------------|---------------------------|---------------------------|---------------------------|
| Net sales (¥ Million) | 856,100 | 844,200 | 897,200 |
| Operating income (¥ Million) | 17,400 | 26,800 | 41,000 |
| Ordinary income (¥ Million) | 13,900 | 22,200 | 41,800 |
| Net income (¥ Million) | 5,500 | 7,700 | 18,600 |
| Net income per share (¥) | 7.46 | 10.69 | 25.70 |
| Total assets (¥ Million) | 908,000 | 882,400 | 990,000 |

(Note) From the 131st term (Fiscal 2006), consolidated financial statements were prepared based on "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standard No. 5) and "Implementation Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Implementation Guidance No. 8)

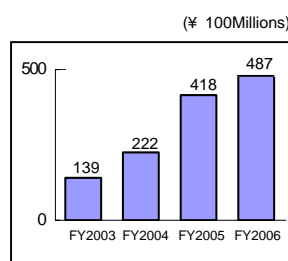
■Net sales



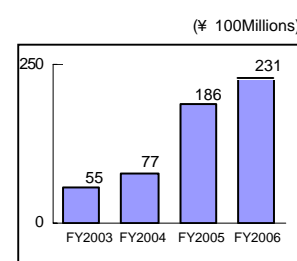
■Operating income



■Ordinary income



■Net income



(2) Segment Information

The Fuji Electric Group is engaged in a wide range of business activities including the development, production, sales, and service provision of products across the five segments of Energy & Electric Systems, ED&C · Drive Systems, Electronic Devices, Retail Systems and Others.

As of March 31, 2007, the Fuji Electric Group had 18 consolidated subsidiaries in Energy & Electric Systems Department including the core company Fuji Electric Systems Co., Ltd., 15 in ED&C · Drive Systems Department including the core company Fuji Electric FA Components & Systems Co., Ltd., 15 in Electronic Devices Department including the core company Fuji Electric Device Technology Co., Ltd., 4 in Retail Systems Department including the core company Fuji Electric Retail Systems, and 8 in the Others segment. There are also 7 cross-segment consolidated subsidiaries (shared-sales companies), which bring the total number of consolidated subsidiaries to 67.

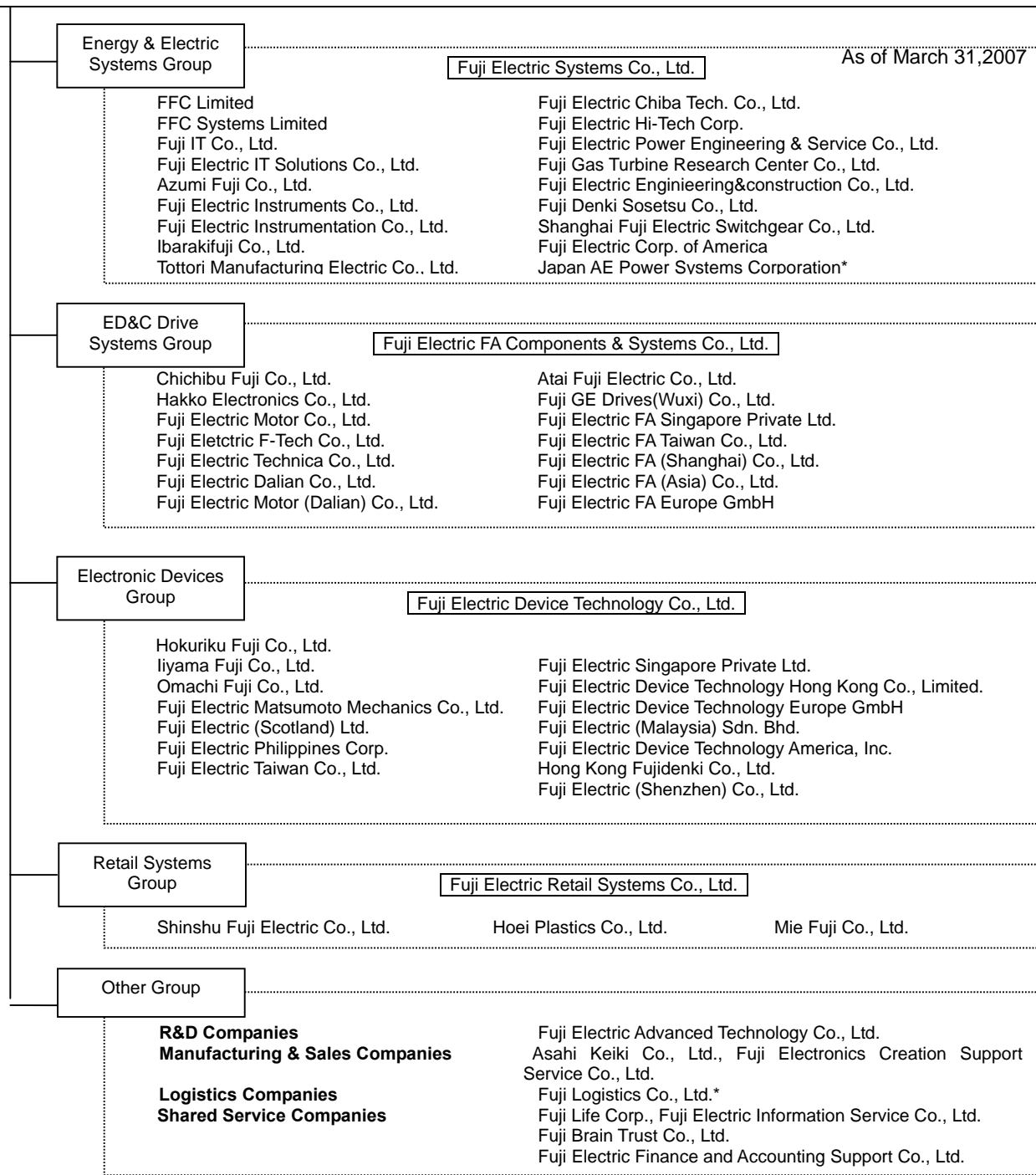
Changes in consolidated subsidiaries in fiscal of the year are as follows.

New: Atai Fuji Electric Co., Ltd., Fuji Technosurvey Co., Ltd., Fuji Electronics Creation Support Service Co., Ltd.

Excluded: Fuji Electric Storage Device Co., Ltd. and Fuji Electric Imaging Device Co., Ltd. (both combined with Fuji Electric Device Technology on April 1, 2006), Fuji Semiconductor, Inc. (both combined with U.S. Fuji Electric Inc. to form the current Fuji Electronic Device Technology America, Inc.)

Also, on April 1, 2007, Fuji Electric Systems Co., Ltd. spun off its water environmental business into the Company's wholly-owned subsidiary Fuji Electric Water Environmental Systems Co., Ltd. according to the absorption-type divestiture method. To strengthen and expand the water environmental business, the Company is in negotiation with NGK Insulators Ltd. to merge Fuji Electric Water Environmental Systems with NGK Water Environmental Systems, a wholly-owned subsidiary of NGK Insulators, Ltd. are proceeding.

Fuji Electric Holdings Co., Ltd. (Holding Company)



Shared sales companies;
Fuji EIC Co., Ltd. Hoei Denki Company Ltd. Chubu Fuji Electric Co., Ltd. Kyusyu Fuji Electric Co., Ltd. Hokkaido Fuji Electric Co., Ltd. Tohoku Fuji Electric Co., Ltd. Nishinohon Fuji Electric Co., Ltd.

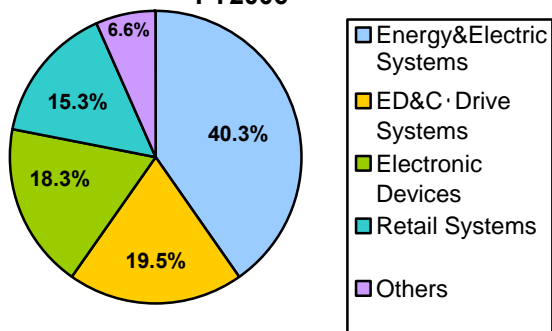
(Notes) 1. Companies marked with an asterisk (*) are accounted for under the equity//method affiliates.
2. In the segments of Energy and Electric Systems, ED&C Drive Systems, Electronic Devices, and Retail Systems the companies inside the rectangles (core companies) have the powers to execute orders

Operating Results by segment

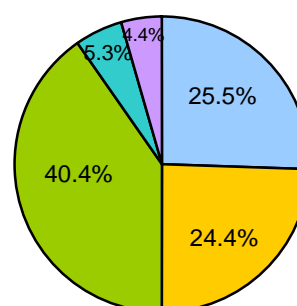
(¥million)

| | 131 st term FY2006 | | | 130 th term FY2005 |
|-----------------------------|--|-------------------|---------------|----------------------------------|
| | | | Change (%) | |
| Energy and Electric Systems | Sales | 401,855 | 100.9 | 398,197 |
| | Operating income (Operating margin) | 12,161 (3.0%) | 173.1 | 7,024 (1.8%) |
| ED&C Drive Systems | Sales | 193,909 | 106.2 | 182,511 |
| | Operating income (Operating margin) | 11,593 (6.0%) | 146.7 | 7,903 (4.3%) |
| Electronic Devices | Sales | 182,399 | 105.2 | 173,402 |
| | Operating income (Operating margin) | 19,222 (10.5%) | 105.6 | 18,195 (10.5%) |
| Retail Systems | Sales | 152,571 | 94.1 | 162,195 |
| | Operating income (Operating margin) | 2,507 (1.6%) | 42.7 | 5,873 (3.6%) |
| Others | Sales | 65,505 | 125.5 | 52,200 |
| | Operating income | 2,105 | 98.5 | 2,136 |
| | (Operating margin) | (3.2%) | | (4.1%) |
| Sub-total | Sales | 996,241 | 102.9 | 968,508 |
| | Operating income | 47,590 | 115.7 | 41,133 |
| Eliminate/Corporate | Sales | -88,182 | - | -71,231 |
| | Operating income | -1,381 | - | -120 |
| Total | Sales | 908,059 | 101.2 | 897,277 |
| | Operating income | 46,208 | 112.7 | 41,012 |
| | (Operating margin) | (5.1%) | | (4.6%) |

Share of Net Sales by Segment
FY2006



Share of Operating Income by Segment
FY2006



(Note) Segment-by-segment ratios of net sales and operating income are calculated based on amounts prior to elimination of and adjustment for amounts generated by internal transactions among segments. (Calculations use the amounts listed in the "Sub-total" row of the above table.)

Energy and Electric Systems Group

《Main Businesses》

e-Solutions

Information systems, radiation monitoring systems, industrial instruments, energy solutions

Environmental systems

Water treatment and water environment systems, waste treatment and recycling systems

Industrial and transportation systems

Power electronics, instrumentation plant systems, electrical machinery equipment for facilities, clean room facilities, transportation equipment and systems, power supply equipment

Electric power systems

Thermal power plant equipment, hydroelectric power plant equipment, nuclear power-related equipment

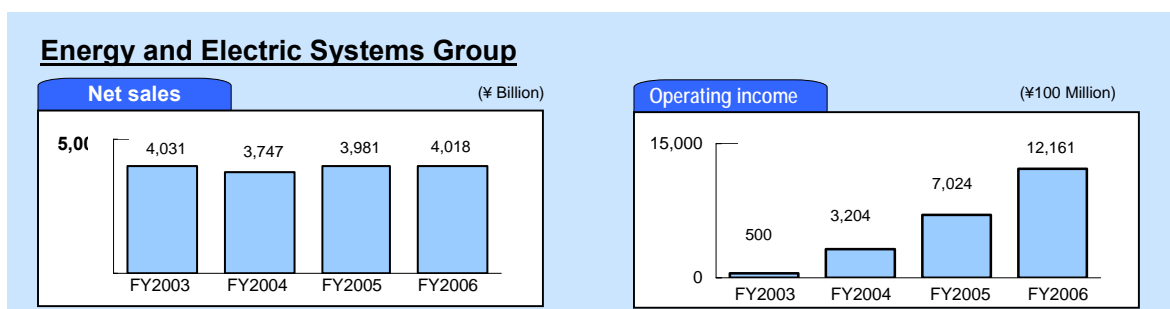
Plant facility construction business

Electrical equipment, air-conditioning, water supply and drainage installation work

The Energy & Electric Systems Group posted sales of ¥401.8 billion, an increase of 0.9% year on year. Operating income rose by 73.1%, year on year, to ¥12,161 million.

Operational focus of the segment

In light of the favorable business climate both in Japan and overseas, the segment focused on the expanding areas of private-industry and overseas businesses while also making concerted efforts to further strengthen management quality by structurally reforming business operations. Specifically, as a response to the ongoing reduction in investments by the public sector in Japan, the segment structurally reformed the businesses aimed at the private sector by personnel relocating and reassessing operational systems to gain a more strategic positioning in this area. Also, the segment carried out such reforms R&D businesses as readying a system to make strong components and establishing a mass-production plant for thin-film amorphous solar cells in Kumamoto Prefecture, which is now in operation.



Field-by-field overview

Sales in the e-solutions field rose year on year due to better performance in radiation management systems for electric power companies and systematic electric power distribution systems. Operating income grew due to an increased emphasis on achieving profitability in information systems.

Environmental systems posted lower sales due to less orders for water treatment systems, which was a result of the shrinking public-sector investment in Japan.

Sales Industrial plants field increased considerably, driven by the solid private spending in Japan, with strong sales of electrical facilities and equipment to general private industry demand, particularly in the steel and chemical industries. Favorable profits were also achieved through cost reduction initiatives.

The booming energy demand overseas, particularly Asia, solid performance in respect to geothermal power generation facilities for the overseas market and a large order for a thermal power generation facility for IPPs (independent power providers) in Japan all contributed to a huge leap in sales and a positive turnaround in profit for the electric power systems business.

Both sales and operating income of the plant facility construction business increased year on year due to large construction projects for the electric power industry and general private industry.

ED&C · Drive Systems Group

《Main Businesses》

Electric distribution & control (ED&C) components

Magnetic contactors, manual motor starters, operation indicators, molded-case circuit breakers, earth-leakage circuit breakers, high-voltage vacuum circuit breakers, low-voltage/high-voltage fuses, gas detectors, energy management equipment

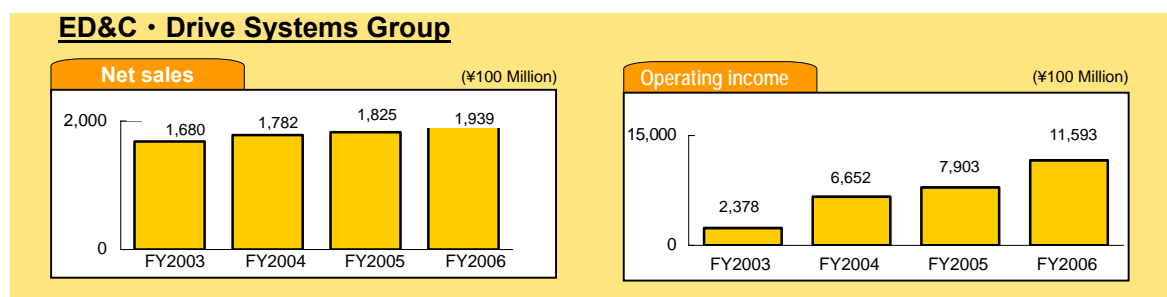
Control & drive systems

General-purpose inverters, servomotor systems, motors, programmable logic controllers, programmable operation displays

Sales in the ED&C · Drive Systems Group increased 6.2% year on year to ¥193.9 billion, and operating income rose 46.7% from the previous fiscal year to ¥115.93 million.

Operational focus of the segment

In the domestic market, attention was focused on not only intensifying sales activities in the industries with good prospects to take full advantage off booming private sector capital investment, but also on expanding operations in the fields of energy conservation and the environment. In the overseas market, the segment placed a strong sales emphasis on those products suited to the global market as we stepped up sales and strengthened production systems in Asia, particularly China. Overall cost reduction was also obtained through profitability enhancement activities such as reducing waste and redundancy and decommissioning certain machine models.



Field-by-field overview

In the field of electric distribution and control (ED&C) components, concerted sales efforts directed at the favorable main customer layer such as in the area of fabrication and machinery led to higher sales in energy management equipment and such main products as magnetic contactors and low-voltage fuses. Sales were also strong in the overseas market in Asia, particularly China as sales expansion efforts continued to be focused on products built to overseas ratings standards. As a result, sales for the field rose year on year and operating income also increased year on year as the rise in sales and the overall cost reductions

outweighed the detrimental influence of the high price of raw materials.

In control and drive systems, we launched new products to expand our lineup of inverters and servomotor systems. In Japan, sales of such products as inverters increased as we focused on promoting new products for the automobile industry and makers of such machinery as cranes and pumps. Overseas, sales jump markedly as the main product lineup was in high demand, particularly those oriented for the Chinese market. As a result, both sales and operating income rose considerably year on year.

Electronic Devices

《Main Businesses》

Semiconductors

Power supply ICs, insulated gate bipolar transistor (IGBT) modules, power discrete devices, hybrid devices, pressure sensors

Storage devices

Aluminum and glass magnetic disks, aluminum substrates

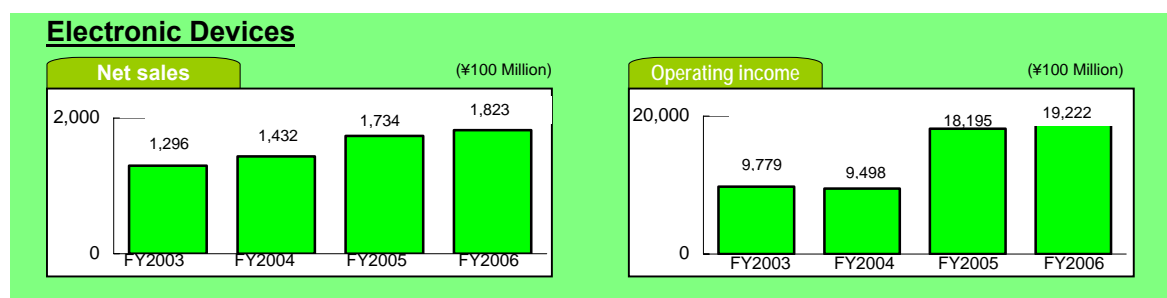
Imaging devices

Photoconductive drums, peripheral imaging devices

Net sales in electronic devices rose 5.2% year on year to ¥182.3 billion, while operating income rose 5.6% year on year to ¥19,222 million.

Operational focus of the segment

The definitive business characteristics of the segment are rapid advancements in technology and remarkable changes in market environments. The focus in the year was on the establishment of profitable systems that encourage high growth as outlined in the mid-term plan. The resulting world-wide business expansion and the customer intensive one-to-one sales push translated to an expansion in sales. Also, in addition to an energetic drive to improve the production performance of IGBT modules and storage devices, the segment strove for advancements in technological development and for a sustainable reduction in production costs.



Field-by-field overview

In semiconductor devices, active investment to increase the production of IGBT modules to meet the exploding demand for this mainstay product for the manufacturing industry market resulted in expanded sales. With respect to products for the information equipment power supply market, there was high growth centering on the mainstay products of driver ICs for plasma TVs, and multi-chip power devices. Improvements made to the production system strengthened the assembling capacity for discrete products and multi-chip power devices for power supplies. We also achieved a growth in sales for such automobile electrical

components as MOSFET and IGBT modules. As a result, both sales and operating income increased year on year.

In storage devices, the large growth of the HDD (Hard Disk Drives) market can be attributed to our expanded capacity for producing aluminum substrates and glass substrates and our switchover to facilities that are compatible with perpendicular magnetic recording methods. In the 2.5 inch glass magnetic disk range, we started mass production in June 2006 of 80GB vertical-direction magnetic storage disks. As a result, sales and operating income both rose year on year.

Sales in imaging devices also performed well because of an increase in sales to large-order customers. An intensive production facilities for imaging devices at Fuji Electric (Shenzhen) Co., Ltd. has been in full operation since September 2006. It provides a production system with excellent efficiency and cost competitiveness. As a result, operating income rose year on year, but sales decreased year on year because of changes to the dates of the fiscal terms of overseas subsidiaries.

Retail Systems Group

《Main Businesses》

Vending machines, food service equipment and currency handling systems

Vending machines, beverage dispensers, tea servers, coin mechanisms and bill validators, automatic change dispensers, contactless IC card systems

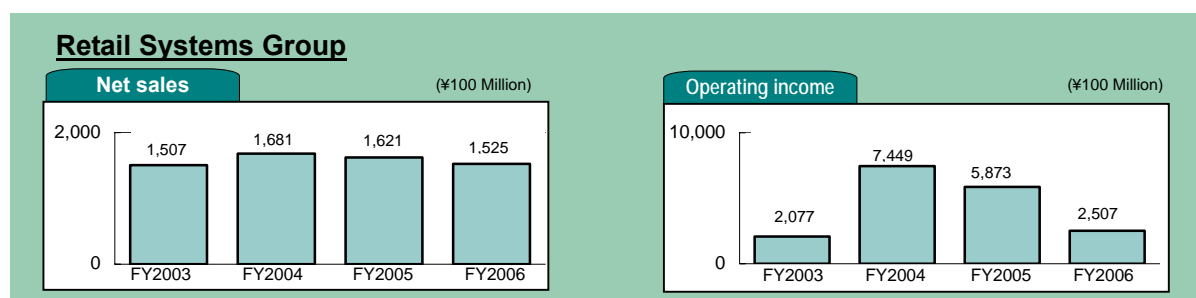
Cold-chain equipment

Freezing and refrigerated showcases, energy-saving systems for retail premises, modularized store construction systems

Retail Systems posted a decline in sales of 5.9% year on year to ¥152.5 billion, while operating income fell 57.3% to ¥2,507 million.

Operational focus of the segment

The group has been vigorously developing new types of change dispensers for the distribution market and developing and improving equipment for e-money as these machines are growing increasingly prevalent. In the cold-chain equipment field, we have been engaged in initiatives to increase profitability to best take advantage of the increasing sales we are obtaining from energetic sales activities and business field expansion. Are also working on modification techniques to equip existing cigarette vending machines with age verification functions.



Field-by-field overview

In the vending machines, food service equipment and currency handling system field, sales of the field's mainstay products, beverage dispensers were sluggish for reasons such as irregular weather patterns. In addition to this, although shipments of cigarette vending machines with age verification functions functionality have started, sales for cigarette vending machines were slow because of a decline in the number of equipment purchased by customers. With respect to currency handling systems, contactless IC cards are now on the market but the demand that accompanied the introduction of new bank notes has ended and there has also been a fall in demand for leisure equipment. As a result, sales and operating income for the segment both considerably dropped year on year.

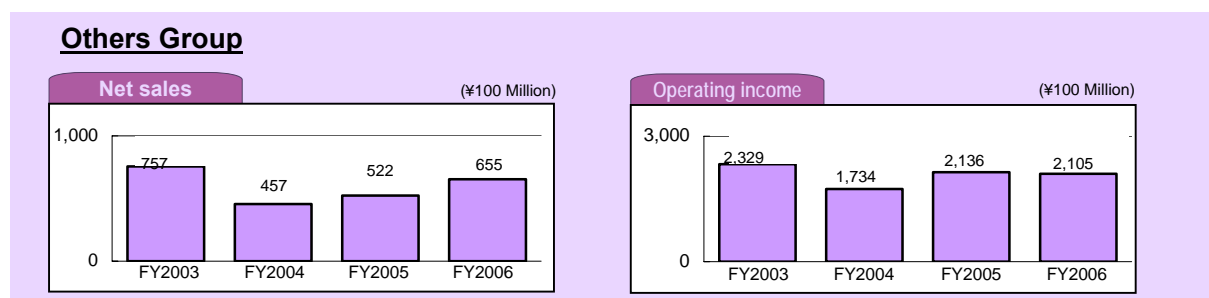
In the cold-chain equipment field, energetic sales activities using proposal-based sales, expansion of business areas, and collaboration with merchants and companies in other industries all contributed to growth in this field. Meanwhile, in store materials and interior fittings, we have expanded our selection of modularized store construction systems. Sales continued to increase strongly because of new orders from a major convenience chain. As a result of the above, segment sales and operating income were higher than the previous-year level but operating income fell due to an increase in expenses, mainly for sales promotion initiatives.

Others Group

《Main Businesses》

Real estate operations, insurance agency services, travel agency services, financial services, printing and information-related services, research and development, personnel and administration, staffing services

Net sales increased 25.5% year on year to ¥65.5 billion—strongly influenced by the consolidation of a company that manufactures and sells printed circuit boards—and operating income declined 1.5% year on year to ¥2,105 million.



2 Group Research and Development Activities

The Fuji Electric Group enhanced technology development and basic research with a view to strengthening core technologies where Fuji Electric is already strong, and made strategic investments in core technologies to accelerate the market launch of distinct new products.

Details on the Group's research and development activities follow below.

Energy & Electric Systems Segment

In the power electronics business, focus has been on constructing a design platform and using this platform in the commercialization of medium capacity inverters for variable speed drive applications, which effectively sped up development. In other developments, we have developed the "8000 Series," a large capacity high voltage UPS (uninterruptible power supply) for momentary power dropouts, and completed the "GX100/200 Series" lineup, which are highly efficient mini UPSs to further enhance our UPS product lineup.

In the measuring equipment business, we have developed sensors possessing the dual functionality of differential pressure sensitivity and pressure sensitivity. Also, we have successfully developed flow-rate transmitters that are more compact with higher precision. In other developments, we developed an in-line laser gas analyzer capable of continuous measuring and monitoring and expect this development will, in the future, expand into an environment measuring business.

ED&C Drive Systems Segment

In the electric distribution and components business, we have developed the "G-Twin Series," which are MCCBs and ELCBs (moulded case circuit breakers and earth leakage circuit breakers) that have global compatibility by having rating certification for the new JIS/IEC (Japan and Europe), GB (China) and UL (USA). These products are also fully compliant with the EU (European Union) environmental regulation RoHS Directive

In the control and drive systems business, we developed "FRENIC-MEGA Series," which are general-purpose inverters with built-in suppression of harmonic function that comply with the EMC (electromagnetic compatibility) regulations as required for global products. These products have control performance that is the top level of international standards, and functions that provides optimal performance for various end uses.

Electronic Devices Segment

In the power semiconductors business, we developed and commercialized the IGBT-IPM (Intelligent Power Module), which consists of an optimized package assembled on the proprietary, low-loss, extremely damage resilient, compact U Series IGBT chip, for use as a power control unit in hybrid automobiles.

In the storage devices business, we continued to make advancements in the technological development of perpendicular magnetic recording media in response to the need for greater storage volume and higher recording precision. We have established the technology for 270 gigabit per square inch surface recording precision, and currently our goal is to begin mass production of the world's maximum volume 160 gigabyte/disk for 2.5 inch hard disks.

Retail Systems Segment

In the vending machine business, we developed a can vending machine that uses the safe CO₂ as the refrigerant of the refrigeration device, which has a very low global warming coefficient, and "FOOD-X" a general purpose food vending machine that can be used to sell a wide range of merchandize of different shapes including bread and rice balls.

In the currency equipment business, we developed "ECS07" an automatic currency converter, which achieves accurate cash management and transaction settlement terminal equipment for e-money and credit cards that use contactless IC technology, which is rapidly being embraced by the general public.

In the field of new enterprises and core technology, we currently have 17 electric power generation devices that use phosphoric acid fuel cells operating in the field, which is contributing to a reduction in primary energy and reduced CO2 emissions. We are working towards popularizing this technology by reducing costs and looking for new markets.

We carried out test trials in Mie Prefecture and other places of electric power generation devices that use polymer electrolyte fuel cells to verify that the durability and reliability could be achieved in practical application. In September last year, we exceeded 11,000 operating hours, which was the top level performance in the industry. Operation is still presently ongoing and we are continuing our endeavors to develop and commercialize this equipment.

In the area of product development and particularly our design activities, we are working to speed up development by achieving better efficiency. We are working on the construction of technology platforms, particularly for electronics technology and we are starting to see benefits in the Group from these results respectively.

3 Group Capital Investment

For the mid-term business plan from fiscal 2006 to fiscal 2008 we plan to invest ¥190 billion over the full three years to hasten the advancement of our vigorous investment into greater business sector, and focus, particularly in the fields of greatest promise. In the first year of this mid-term business plan, we invested a total of ¥71.4 billion including leases. Details are as follows.

In the storage devices business of the Electronic Devices segment, the Group upgraded glass and aluminum substrate production lines at the Yamanashi Plant operated by Fuji Electric Device Technology, and at Fuji Electric (Malaysia) Sdn. Bhd. in order to meet rising demand in the growing hard disk drive (HDD) market. In addition to PC applications, this growth is being driven by the increasing use of HDDs in consumer electronics products. In the semiconductor business, new production facilities were installed at the Matsumoto Plant operated by Fuji Electric Device Technology for electronic automotive components and plasma display IC's, power devices for industrial applications, as well as other products. In the imaging devices business, buildings were extended and production lines were relocated at Fuji Electric (Shenzhen) Co., Ltd. to consolidate production bases for organic photoconductive drums (OPCs) in China.

In the Energy & Electric Systems segment, to support the Group's full-fledged entry into the solar cell business, a solar cell production facility at the Fuji Electric Systems Kumamoto Plant was successfully established, and operation of this plant has started. Also a new production center was established in Wuxi to expand the measuring equipment business into China.

In the ED&C Drive Systems Group, short circuit generators have been upgraded to strengthen the development of the electrical distribution and control (ED&C) business. Facilities have also been expanded to improve production performance of low voltage circuit breakers. In the inverter business, the production complexes of Kobe and Suzuka were integrated into the Suzuka complex, where production has started.

In the Retail Systems segment, construction of a new integrated business office at Fuji Electric Retail Systems' Saitama Plant was completed and work has started to strengthen development and improve the efficiency of operations. In other developments, a development building has been built at the Mie plant to speed up the development lead time and improve the quality of development.

In other areas of research and development, the Group has established a test and evaluation facility that can be used for new processes for the next generation of magnetic recording media. Also, a process development facility has been established to improve the quality of organic EL panels.

4. Group Financing

On the first of June, 2006, the Group issued ¥30.0 billion in bonds with stock acquisition rights (Euro yen convertible bonds maturing in 2016). The procured funds were allocated as capital investment funds for future growth areas.

Additionally, ¥40.0 billion in unsecured straight bonds was issued and the total amount was allocated for the redemption of bonds.

5. Group Issues to be Addressed

We expect Japan's economy to continue to grow moderately. Although there are causes for concern, such as a slowdown in the U.S. economy that is expected to raise the value of the yen to the dollar, and high raw material prices, capital investment from the private sector is expected to increase, and domestic and overseas demand is expected to increase.

In the international economy, a steady increase in investments directed at corporate capital investment is expected in Asia, particularly China, and overall, the continuation of a firm recovery is forecast.

In this business environment, the challenge of the Fuji Electric Group is to follow the new "Fiscal 2006 to Fiscal 2008 Mid-Term Management Plan" to strengthen the company's revenue base by firmly seizing growth opportunities, and build a foundation for the targeted growth of the final year. In fiscal 2007, the Group will concentrate on the following strategies.

Management Targets for FY2008

| Item | FY2008 targets | FY2006 results |
|--------------------|---------------------|----------------|
| Net sales | ¥1 trillion or more | ¥908.0 billion |
| Operating margin | 7% or higher | 5.1% |
| D/E ratio* (times) | 1.0 or lower | 1.1 |

*The D/E ratio is the ratio of financial obligations to shareholders' equity. It is preferable for a company to have a greater level of equity than debt (meaning a ratio of 1.0 or less).

Flexibly position activities to suit market trends and actively focus management resources in the most strongly performing of Group operations while vigorously developing overseas business in Asia, particularly China as these regions have the highest future potential for growth.

Continue and expand our efforts to reduce redundancy and waste in all segments, including the Operations and Management Group, by placing key importance on the visibility and circulation of material and information and striving to further strengthen cost competitiveness through the Group's reform activities (Seven Activities of Profit)

Ensure thorough compliance by strengthening corporate risk management and building an appropriate and highly reliable internal control system based on the Financial Instruments and Exchange Law to respond sincerely to societal expectations of the Group.

The Group is committed to the above initiatives, and will contribute to the development of society through its corporate activities while striving to maximize the Group's corporate value.

Towards that end, we will greatly appreciate the ongoing understanding and support of all shareholders going forward.

6. Policies relating to decisions on the dividend of surplus (funds) etc.

The Company holds the basic policy of striving to return profits to shareholders. Integral to this policy are the Company's endeavors to enhance shareholder equity by improving the revenue capacity of the Group, strengthen the management base and ensure there are adequate internal reserves to invest in the infrastructure and R&D necessary for future growth.

Crucial to this basic policy with respect to the dividend of surplus is ensuring stable and continual provision. To this end, Company decides on the dividend payment amount after considering the consolidated business performance of the fiscal year, the investment plans for the R&D and infrastructure necessary for future growth, and the business environment.

With respect to internal reserves, the Company has allocated ¥100 billion for R&D and ¥190 billion for vigorous capital investment for the next three years to further select and focus on business areas and advance and accelerate strategic investment in select businesses. In addition, the Company is taking effective action to reform the Group's operations, expand overseas businesses, utilize human resources and create and expand the corporate value of the group.

The Company's position with respect to stock acquisition is that treasury stock can be used to supplement the dividend of surplus and provide flexibility to measures to return profits to shareholders as judged appropriate depending on the business environment and the Company's cash flow position.

In addition to the above, the Company may pursue when necessary the matters referred to in Clause 1 of Article 459, while adhering to the above basic policy.

If the Company chooses to pursue a matter referred to in Clause 1 it is possible for decisions to be by resolution of the General Meeting of Shareholders instead of by resolution of the Board of Directors.

Based on the abovementioned basic policy, the Company decided by resolution at the meeting of the Board of Directors, held May 24, 2007, to pay a year-end dividend for the fiscal year of ¥4 per share on the grounds that ¥23,142 million in consolidated net profit for the fiscal year was appropriated, which is the Group's all-time best net profit result and taking all relevant matters into consideration, including returning profit to shareholders and securing the internal reserves to strengthen growth businesses in line with the mid-term management plan.

This makes the dividend payment for the full fiscal year to be ¥8 per share which is ¥1 per share more than the previous year.

7. Employees of the Group

| Business group | Number of employees (persons) | Year-on-year change (persons) |
|---------------------------|----------------------------------|-------------------------------|
| Energy & Electric Systems | 9,787 | (414) |
| ED&C Drive Systems | 5,214 | 124 |
| Electronic Devices | 5,328 | 129 |
| Retail Systems | 2,965 | (50) |
| Others | 1,916 | 146 |
| Entire Company (common) | 141 | 8 |
| Total | 25,351 | (57) |

- (Note) 1. Employees included in the “entire company (common)” represent those who cannot be classified into specific groups.
2. The number of employees of the Company at year-end is 141 (a increase of 8 persons from the end of the previous year).

8. Major lenders

Since the finance subsidiary intensively handles the Group’s finance functions under the holding company system, there are no major lenders.

| Name of Lenders | Balance of Loans (¥ Million) |
|--|------------------------------|
| Mizuho Corporate Bank,Ltd. | 14,816 |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 13,620 |
| Japan Bank for International Cooperation | 8,051 |
| Development Bank of Japan | 7,251 |

9. Main facilities of the Group

(1)The Company

| | |
|--|--|
| Head office | 1-1 Tanabe Shinden, Kawasaki-ku, Kawasaki |
| Administrative office of the head office | 1-11-2 Osaki, Shinagawa-ku, Tokyo (Gate City Osaki East Tower) |

(Note) The above head office is the registered head office, and actual operations have been conducted in the administrative office of the head office.

(2)Energy & Electric Systems Group

Domestic facilities

| | |
|-----------------------|---|
| Production facilities | Kawasaki, Nankan-machi Kumamoto, Hino, Kobe, Suzuka, Ichihara |
| Sales facilities | Shinagawa-ku (Tokyo), Sapporo, Sendai, Toyama, Osaka, Nagoya, Fukuoka, Hiroshima, Takamatsu |

Overseas facilities

| |
|---|
| Shanghai Fuji Electric Switchgear Co., Ltd. (China), Fuji Electric Corp. of America |
|---|

(3)ED&C Drive Systems Group

Domestic facilities

| | |
|-----------------------|--------------------------------|
| Production facilities | Konosu, Otawara, Suzuka, |
| Sales facilities | Chuo-ku (Tokyo), Osaka, Nagoya |

Overseas facilities

| |
|---|
| Fuji Electric Dalian Co., Ltd. (China), Fuji Electric Motor (Dalian) Co., Ltd. (China), Atai Fuji Electric Co.,Ltd. (Taiwan) Fuji GE Drives (Wuxi) Co., Ltd. Fuji Electric FA Singapore Private Ltd., Fuji Electric FA Taiwan Co., Ltd., Fuji Electric FA (Shanghai) Co., Ltd. (China), Fuji Electric FA (Asia) Co., Ltd. (Hong Kong), Fuji Electric FA Europe GmbH (Germany) |
|---|

(4)Electronic Devices Group

Domestic facilities

| | |
|-----------------------|-------------------------------------|
| Production facilities | Matsumoto, Minami Alps |
| Sales facilities | Shinagawa-ku (Tokyo), Osaka, Nagoya |

Overseas facilities

| |
|---|
| Fuji Electric (Scotland) Ltd., Fuji Electric Philippines Corp., Fuji Electric Taiwan Co., Ltd., Fuji Electric Singapore Private Ltd., Fuji Electric Device Technology Hong Kong Co., Limited, Fuji Electric Device Technology Europe GmbH (Germany), Fuji Electric (Malaysia) Sdn. Bhd., Fuji Electric Device Technology America, Inc., Hong Kong Fujidenki Co., Ltd., Fuji Electric (Shenzhen) Co., Ltd. (China) |
|---|

(5)Retail Systems Group

| | |
|-----------------------|--|
| Production facilities | Yokkaichi, Konosu |
| Sales facilities | Chiyoda-ku(Tokyo), Sapporo, Sendai, Yokohama, Kanazawa, Nagoya, Osaka, Hiroshima, Takamatsu, Fukuoka |

(6)Others, Common

| | |
|------------------------|---|
| Development facilities | Hino, Matsumoto, Ichihara, Kawasaki, |
| Sales facilities | Chuo-ku (Tokyo), Osaka, Nagoya, Fukuoka, Sapporo, Sendai, Hiroshima |

10. Important subsidiaries of the corporate group

| | | | |
|------------------------------------|---------|--|--------|
| Company name | | Fuji Electric Systems Co., Ltd | |
| The Company's capital contribution | | 100% | |
| Major business | | Development, manufacturing and sales of various equipment and systems related to social infrastructure for industries, public works, energy, transportation, etc., and related service provision | |
| Net sales (¥ Million) | 260,105 | Net assets (¥ Million) | 37,684 |
| Operating income (¥ Million) | 7,518 | Capital (¥ Million) | 25,000 |
| Net income (¥ Million) | 2,195 | Number of employees | 5,149 |
| Company name | | Fuji Electric FA Components & Systems Co., Ltd | |
| The Company's capital contribution | | 100% | |
| Major business | | Development, manufacturing and sales of control equipment, power grid equipment, control and drive systems, and gas related equipment provision | |
| Net sales (¥ Million) | 102,730 | Net assets (¥ Million) | 15,551 |
| Operating income (¥ Million) | 5,149 | Capital (¥ Million) | 10,000 |
| Net income (¥ Million) | 2,133 | Number of employees | 1,908 |
| Company name | | Fuji Electric Device Technology Co., Ltd. | |
| The Company's capital contribution | | 100% | |
| Major business | | Development, manufacturing and sales of semiconductor devices, storage devices and imaging devices | |
| Net sales (¥ Million) | 147,732 | Net assets (¥ Million) | 37,815 |
| Operating income (¥ Million) | 13,951 | Capital (¥ Million) | 10,000 |
| Net income (¥ Million) | 9,409 | Number of employees | 1,876 |
| Company name | | Fuji Electric Retail Systems Co., Ltd. | |
| The Company's capital contribution | | 100% | |
| Major business | | Development, manufacturing and sales of vending machines, food service equipment, monetary service equipment, cold-chain equipment, etc., and related service provision | |
| Net sales (¥ Million) | 151,301 | Net assets (¥ Million) | 41,956 |
| Operating income (¥ Million) | 2,638 | Capital (¥ Million) | 9,789 |
| Net income (¥ Million) | 526 | Number of employees | 2,558 |
| Company name | | Fuji Electric Advanced Technology Co., Ltd. | |
| The Company's capital contribution | | 100% | |
| Major business | | Research and development of basic technologies, new technologies and new products | |
| Net sales (¥ Million) | 14,836 | Net assets (¥ Million) | 1,019 |
| Operating income (¥ Million) | 733 | Capital (¥ Million) | 450 |
| Net income (¥ Million) | 41 | Number of employees | 542 |

- (Note) 1. Fuji Electric Systems Co., Ltd., Fuji Electric FA Components & Systems Co., Ltd., Fuji Electric Device Technology Co., Ltd., and Fuji Electric Retail Systems Co., Ltd. are the companies (core companies) that have entire authorization for business execution and entire responsibility for performance of the groups: Energy & Electric Systems Group, ED&C Drive Systems, Electronic Devices, and Retail Systems, respectively.
2. Fuji Electric Advanced Technology Co., Ltd. is a research and development company of the Fuji Electric Group.

II. Overview of the Corporate Group and the Company (as of March 31, 2007)

1. Stock information

- (a) Authorized shares: 1,600,000,000
 (b) Issued and outstanding shares: 746,484,957
 (c) Number of shareholders: 52,506 (a decrease of 1,322 from the end of the previous term)
 (d) Shareholdings by type of shareholder

| Classification | Number of shareholders (persons) | Number of shares (shares) | Voting rights (%) |
|---|----------------------------------|---------------------------|-------------------|
| Financial institutions/Securities firms | 181 | 318,870,785 | 42.72 |
| Other domestic corporations | 723 | 136,654,280 | 18.31 |
| Foreigners | 358 | 132,595,471 | 17.76 |
| Individuals and others | 51,244 | 158,364,421 | 21.21 |
| Total | 52,506 | 746,484,957 | 100.00 |

- (Notes) 1. "Other domestic corporations" includes shares exceeding the number of shares on the substantial shareholder list recorded in the name of the Japan Securities Depository Center, Inc.,
 2. "Individuals and others" includes treasury shares stock.

(e) Major ten shareholders

| Name | Capital contribution to the Company | |
|---|-------------------------------------|--------------------------|
| | Number of shares (1,000s) | Capital contribution (%) |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 74,636 | 10.44 |
| FUJITSU LIMITED | 74,333 | 10.40 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 48,376 | 6.77 |
| Asahi Mutual Life Insurance Company | 23,266 | 3.25 |
| Mizuho Corporate Bank, Ltd. | 22,254 | 3.11 |
| Mizuho Trust & Banking Co., Ltd. (Employee Retirement Benefit Trust, Mizuho Corporate Bank Account) | 14,734 | 2.06 |
| The Furukawa Electric Co., Ltd. | 13,422 | 1.88 |
| FANUC LTD. | 13,421 | 1.88 |
| The Sumitomo Trust & Banking Co., Ltd. | 12,086 | 1.69 |
| Furukawa Co., Ltd. | 11,025 | 1.54 |

- (Notes) 1. Percentage of shares held is calculated excluding treasury stock.
 2. Including shareholders who hold one-tenth or more of the total outstanding shares, top 10 of major shareholders are listed in above list.
 3. Treasury stock of 31,601 thousand shares is excluded from the above list of major shareholders.

III. Type of Bonds With Stock Acquisition Rights (As of 31st March 2007)

Fuji Electric Holdings Co., Ltd. Euro yen convertible bonds maturing 2016 with stock acquisition rights

| Issued date | Total amount of issued price | Total amount of remaining price | Conversion price |
|----------------|------------------------------|---------------------------------|------------------|
| June 1st, 2006 | ¥30 Billion | ¥30 Billion | ¥968 |

IV Status of Directors and Auditors

1. Directors and Auditors

| Name | Position or responsibility in the Company, or main occupation |
|-------------------|---|
| Haruo Ito | President and Representative Director |
| Kuniyoshi Saito | Executive Vice President and Representative Director |
| Tadashi Sekizawa | Director |
| Eisuke Masada | Outside Director |
| Tadashi kudo | Outside Director |
| Koich Harashima | Director |
| Takashi Kamochi | Director Auditor |
| Masanori Tsuji | Director |
| Zenta Morita | Standing Auditor |
| Katsumi Yoshida | Standing Auditor |
| Tsuyoshi Nagahama | Outside Auditor |
| Shiro Okuda | Outside Auditor |
| Yuzuru Fujita | Outside Auditor |

(Note) 1. Tadashi Sekizawa worked for a subsidiary of the Company some 40 years ago. By that reason, he does not satisfy the requirements for candidates for outside directors as defined in Article 2, Item 15, of the Company Law. He has, however, lengthy managerial experience as a company director in the manufacturing industry, and in the role of the Group's management supervisor he serves as a part-time director who is not engaged in day-to-day business.

2. The financial, accounting and other expertise possessed by each auditor is as follows:
- Standing Auditor Zenta Morita is highly knowledgeable about human resources and corporate legal matters, which he has gained from his longstanding career in the Company in many areas of management, including clerical officer, manager of an affiliated company, and department manager of the legal compliance department.
 - Standing Auditor Katsumi Yoshida is highly knowledgeable about financial and accounting matters, which he has gained from his longstanding career in the Group including top positions in corporate management.
 - Outside Director Tsuyoshi Nagahama is highly knowledgeable about legal, financial and accounting matters, which he has gained from his career as an attorney of law working in areas including corporate legal matters, merger and acquisition, securities transaction, and legal matters about finance.
 - Outside Auditor Shiro Okuda is highly knowledgeable of overall corporate management, particularly in financial and accounting areas, which he has gained from his career in a manufacturing company, where he served as company director, company representative, executive vice president and director in charge of the financial department.
 - Outside Director Yuzuru Fujita is highly knowledgeable of overall corporate management, which he has gained from his career in a financial institution, where he served as company representative and president.

3. The responsibilities of Directors have been changed as below since April 1, 2007.

| | |
|------------------|--|
| Koichi Harashima | Head of Technology and Intellectual Property Management Office |
| Takashi Kamochi | Head of Marketing Planning Office |
| Masanori Tsuji | General Manager of Craft " Monotsukuri " Office |

2. Material Concurrent responsibility and representative status (including at other companies) of Directors and Auditors

| Position | Name | Responsibility and representative status (including at other companies) |
|----------|-------------------|--|
| Director | Haruo Ito | (Outside) Director, MIYACHI CORPORATION |
| | Tadashi Sekizawa | Senior Executive Advisor, FUJITSU LIMITED |
| | Eisuke Masada | Professor, Tokyo University of Science Chairman, Electric Technology Research Association |
| | Tadashi Kudo | Advisor, Mizuho Bank, Ltd. Outside Director, Meiji Seika Kaisha, Ltd. Corporate Statutory (Outside) Auditor, ITOCHU Corporation Corporate Statutory (Outside) Auditor, The Furukawa Electric Co., Ltd. |
| | Koichi Harashima | President and CEO, Fuji Electric Advanced Technology Co., Ltd. Non-executive Director, FCC Limited |
| | Masanori Tsuji | (Outside) Director, FUJI TRANSPORT SYSTEMS CO., LTD. Non-executive Director, Fuji Electric Advanced Technology Co., Ltd. |
| Auditor | Zenta Morita | Part-time Auditor, Fuji Electric Device Technology Co., Ltd. Part-time Auditor, Fuji Electric Retail Systems Co., Ltd. |
| | Katsumi Yoshida | Part-time Auditor, Fuji Electric Systems Co., Ltd. Part-time Auditor, Fuji Electric FA Components & Systems Co., Ltd. |
| | Tsuyoshi Nagahama | Attorney, Partner, of Anderson Mori & Tomotsune Corporate (Outside) Auditor, Computer Engineering & Consulting, Ltd. |
| | Shiro Okuda | Director, The Furukawa Electric Co., Ltd. Corporate (Outside) Director, Asahi-Seiki Manufacturing Co., Ltd. |
| | Yuzuru Fujita | Representative Director and President CEO, Asahi Mutual Life Insurance Company Outside Director, FUJI KYUKO CO., LTD. Outside Auditor, ADEKA CORPORATION Corporate (Outside) Auditor, The Yokohama Rubber Company, Limited Auditor, ZEON Corporation Outside Auditor, NIPPON EXPRESS CO., LTD. Outside Auditor, The Furukawa Electric Co., Ltd. Outside Auditor, Nippon Light Metal Company, Ltd. |

1. Director Eisuke Masada retired from the position of visiting professor of Tokyo University of Science on March 31, 2007.
2. Director Eisuke Masada's representative position of other companies are as follows as of April 1, 2007:

| | |
|---------------|--|
| Eisuke Masada | Chairman, Electric Technology Research Association Chairman, Railway Technical Research Institute |
|---------------|--|

3. Remuneration for Directors and Auditors

(1) Policy on the determination of remuneration

Remuneration for the Company's Directors and Auditors should be in line with the expectations of the shareholders, allowing for the acquisition and retention of top talent along with incentives to improve performance. The company will determine remuneration systems and remuneration levels for Directors and Auditors corresponding to their respective duties.

The Company undertakes frequent reviews as to the appropriateness and the necessity of revision of these systems and levels, taking into account changes in the business environment and objective data from outside.

a) Executive Directors

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

i) Base remuneration

Base remuneration shall be paid as a monthly financial sum determined in advance, applicable to that senior management rank. A portion of the remuneration of Executive Directors, applicable to that senior management rank, shall be contributed to the Employee Shareholders Association to actively promote the acquisition of shares in the Company.

ii) Executive performance remuneration

The total amount of executive performance remuneration shall be within one percent of the consolidated net income for the fiscal year prior to the date of payment in order to make the linkage with consolidated results for each fiscal year more transparent.

b) Non-executive Directors and Auditors

Remuneration for Non-executive Directors and Auditors shall be paid as base remuneration as a monthly financial sum determined in advance, applicable to that senior management rank, since Non-executive Directors and Auditors are charged with the duty of supervising or auditing the execution of duties across the entire group.

Non-executive Directors and Auditors may acquire stock in their Company at their own discretion.

Based on the policy above, the Company will submit an agenda item concerning revised remuneration for Directors and Auditors at the 139th Ordinary General Meeting of Shareholders to be convened on June 26, 2007.

(2) Remuneration amounts paid to directors and Auditors

| | Payees (number of persons) | Payment (¥ Millions) |
|---------------------|----------------------------|----------------------|
| Directors | 8 | 249 |
| (Outside Directors) | (2) | (7) |
| Auditors | 5 | 66 |
| (Outside Auditors) | (3) | (12) |

(Notes) 1. Remuneration to directors and Auditors include only the remuneration for service as director or Auditor; they exclude the employee salary portion in the case of directors or Auditors who concurrently earn salaries as employees.

2. Remuneration to Directors includes an estimated amount of Directors' bonus of the term.

3. Remuneration to Directors and Auditors includes a increase in reserve for retirement benefits of the term.

4. In addition to the abovementioned items, subject to approval of Item 3, "Payments of retirement remuneration to retiring Director, and final payments marking the termination of the system of retirement bonuses for Directors and Auditors" that will be submitted to the 131st Ordinary General Meeting of Shareholders, a total amount of JPY 38 million will be paid to two Directors, whose term will expire at the conclusion of this Ordinary General Meeting of Shareholders. Also, a total amount of JPY 132 million will be paid to six Directors (excluding two Directors who have already resigned before the end of this term) and five Auditors as a final lump payment related to the termination of the system of retirement bonuses for Directors and Auditors.

5. The Company paid a total amount of ¥312 million retirement benefits to three retired directors and one retired auditor based on the resolution of the 130th Ordinary General Meeting of Shareholders held on June 27, 2006.

V. Status of Outside Directors and Outside Auditors

1. Concurrent positions of executive directorship, outside directors, and outside auditors held in other companies

(Including the relationship that the Company holds with the other company that the outside director concurrently serves as executive officer and director.)

(as of March 31, 2007)

| | Name | Status of interlocking |
|------------------|-------------------|---|
| Outside Director | Tadashi Kudo | Outside Director, Meiji Seika Kaisha, Ltd. Outside Auditor, ITOCHU Corporation Outside Auditor, The Furukawa Electric Co., Ltd. |
| Outside Auditor | Tsuyoshi Nagahama | Outside Auditor, Computer Engineering & Consulting, Ltd. |
| | Shiro Okuda | Outside Director, Asahi-Seiki Manufacturing Co., Ltd. |
| | Yuzuru Fujita | Representative Director, Asahi Mutual Life Insurance Company The Company has agreed to the Fund Donation Contract between Mutual Life Insurance. (the above mentioned company) Outside Director, FUJI KYUKO CO., LTD. Outside Auditor, ADEKA CORPORATION Outside Auditor, The Yokohama Rubber Company, Limited Outside Auditor, ZEON CORPORATION Outside Auditor, NIPPON EXPRESS CO., LTD. Outside Auditor, The Furukawa Electric Co., Ltd. Outside Auditor, Nippon Light Metal Company, Ltd. |

2. Major activities

| | Name | Status of attendance and activities |
|------------------|-------------------|--|
| Outside Director | Eisuke Masada | Attended all 16 meetings of the Board of Directors held in fiscal 2006, and offered advice and suggestions based principally on the viewpoint of an expert in electrical engineering and considerable insight. |
| | Tadashi Kudo | Attended 9 of the 11 meetings of the Board of Directors held since he was appointed to his position on June 27, 2006, and offered advice and suggestions based principally on his management experience in financial institutions and considerable insight. |
| Outside Auditor | Tsuyoshi Nagahama | Attended all 16 meetings of the Board of Directors held in fiscal 2006, along with all 6 meetings of the Board of Auditors, and offered advice and suggestions based principally on his experience as a lawyer well versed in Company Law and considerable insight. |
| | Shiro Okuda | Attended 14 of the 16 meetings of the Board of Directors held in fiscal 2006, along with all 6 meetings of the Board of Auditors, and offered advice and suggestions based principally on his experience in business management in manufacturing and considerable insight. |
| | Yuzuru Fujita | Attended 10 of the 16 meetings of the Board of Directors held in fiscal 2006, along with 5 of the 6 meetings of the Board of Auditors, and offered advice and suggestions based principally on his management experience in financial institutions and considerable insight. |

(Note) Director Tadashi Sekizawa does not meet the requirements of outside directors as stipulated in Article 2, Item (15) of the Company Law, because he worked as a full-time employee in one of the Company's subsidiaries approximately 40 years ago. However, given his experience in business management as an executive with many years experience in manufacturing, he serves as a non-executive director in a non-operational role, taking primarily responsibility of management of the Group Company, charged with the duty of supervising the management of the Group.

3. Outline of Limited Liability Agreement with Outside Directors

The Company concluded an agreement, based on laws and the Articles of Incorporation of the Company, with both Outside Director and Outside Auditor, to limit the liability for damages caused to the Company by non-performance of their duties. The Outside Director and Outside Auditor shall pay the Company whichever is the a higher amount of 6 million or the minimum liability based on the Company Law. The liability limitation described above shall be limited to cases where the Outside Directors and the Outside Auditor performed the duties that became the cause of liability in good faith and without gross negligence.

After concluding the agreement, the Company will set articles to provide instruction limiting the duties of Outside Directors to duties of due diligence and providing guidance on executing these duties sincerely and will do its best to ensure the propriety of the duties of Outside directors.

VI. Matters related to Accounting Auditor

1. Designation of accounting auditor

Ernst & Young ShinNihon

2. Accounting auditor remuneration for the period

| Category | Payment amounts (¥ million) |
|--|--------------------------------|
| (i) Remuneration and other amounts payable by the Company for the period | 39 |
| (ii) Total profit on cash and other financial assets payable by the Company and its subsidiaries | 265 |

(Note) In the audit contract between the Company and the accounting auditor, no distinction is made in the amounts of auditing fees under the Commercial Code and audit fees under the Securities and Exchange Law. For this reason, no distinction can be made and the sum of these two is entered in the total amount under (i) above.

3. Policy for determining Independent Auditor dismissal or non-reappointment

If any matters or circumstances surrounding the Independent Auditor apply to any of the items under Article 340, Paragraph 1 of the Commercial Code, and the Board of Auditors deems dismissal appropriate, the Independent Auditor will be dismissed.

If the Company for any reason deems it appropriate to dismiss or chooses not to reappoint the Independent Auditor, at the request of the Board of Auditors or with its concurrence, such dismissal or non-reappointment becomes a matter for the general shareholders meeting.

VII. Contents of Decision on Development of the Group's System for Ensuring Proper Administration of Business

On May 16, 2006 and April 26, 2007, the Company passed a resolution at a meeting of its Board of Directors as follows, to develop the Group's system, as specified in Article 362, Paragraph 4, Item (6) of the Company Law and Article 100, Paragraphs 1 and 3, each items of the Company Law Enforcement Regulations, based on the provisions of Article 362, Paragraph 5 of the Company Law.

1. Purpose

The basic management policy of the Fuji Electric Group is to develop generation-leading, innovative technologies that incorporate cutting-edge environmental features, while at the same time deepening relationships of trust with local communities, customers, business partners and other stakeholders as a good corporate citizen of the global community. The Group also seeks to satisfy customers and contribute to society by providing socially beneficial products and businesses, and in doing so, maximizing Group corporate value and fulfilling management responsibilities entrusted by shareholders.

In order to actualize this basic management policy, as the holding company for the Fuji Electric Group, the Company will endeavor to develop a system for ensuring proper administration of business.

2. System for Ensuring Proper Administration of the Company and the Fuji Electric Group

(1) System for ensuring that directors and employees carry out their duties in accordance with the law and the Articles of Incorporation

- (i) The Fuji Electric Group's management system uses a pure holding company structure in order to completely divide Group management and oversight from business execution, clarify the authority and responsibilities of both functions, and reinforce corporate governance. The organizational structure consists of a holding company (the Company), which is responsible for management and oversight, and operating companies, which carry out the business execution function. Details on the structure follow below.
 - The holding company structure serves to separate the management/oversight function from the business execution function. Consequently, the Company has adopted the auditor governance model.
 - In order to clarify the authority and responsibilities of the holding company and the operating companies, holding company Directors do not concurrently hold positions as core company Directors.
 - In order to clarify management responsibilities and respond rapidly to changes in the operating environment, the term of office of Group company Directors is set at until the Ordinary General Meeting of Shareholders corresponding to the final fiscal year ending within one year of appointment.
 - In order to ensure the effectiveness of audits of operating companies by the Company, the Company's full-time Auditors are appointed to serve as Auditors for core companies.
- (ii) Managers at the Company and Group companies are required to repeatedly explain and ensure full awareness of management principles applicable to the entire Fuji Electric Group as well as the spirit behind the Fuji Electric Charter of Corporate Behavior, which serves as a code of behavior for all executives and employees.
- (iii) The company will establish and promote a compliance system as follows, based on the "Fuji Electric Group Compliance Regulations" and the "Fuji Group Compliance Program."
 - The Group Compliance Promotion Committee is chaired by the Company's President and Representative Director. It strives to ensure full compliance with laws and social

norms pertaining to the Fuji Electric Group.

- The Fuji Electric Group Compliance Program systematizes internal rules, daily monitoring, auditing, education and other areas for each law and regulation connected with the business activities of the Fuji Electric Group.
- Legal training is conducted for all full-time executives of Group companies and compliance education is conducted for employees based on the Fuji Electric Group Compliance Program.
- The Business Ethics Helpline facilitates communication between Group company employees and the President of the Company, the Group's holding company, using a route that is independent of normal lines of communication. This is intended to prevent actions that violate the law, Articles of Incorporation, and Group or internal rules before they occur and aid early discovery of such actions.

(iv) Internal auditing divisions at the Company and core companies under the jurisdiction of their respective companies' presidents conduct audits of their own companies and their companies' subsidiaries. In addition, in order to ensure the effectiveness of internal auditing of the Group as a whole, information on various activities is shared at the Group Auditing Committee, which consists of members of internal auditing divisions at the Company and core companies, and the Fuji Electric Group Internal Auditing Subcommittee, which is made up of members of internal auditing divisions at principal Group companies.

(2) System for saving and managing information pertaining to Director performance

The Fuji Electronic Group Document Management Regulations will be formulated in order to accurately save and manage records of important business execution by the Fuji Electric Group at Group companies and to ensure that Directors and Auditors acquire knowledge of the records. The regulations establish procedures for Directors, Auditors and managers involved in saving and storing records regarding access to the information. The Company's Auditors are also consulted in advance with regard to formulating, amending, or eliminating regulations.

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

- (i) The Fuji Electric Group Risk Management Regulations will be formulated in order to systematically manage operational risks faced by the Fuji Electric Group. Based on these regulations, Group companies will establish appropriate risk management systems for their business divisions (including their subsidiaries). In addition, a system for managing specific Group-wide risks will be established for the Group as a whole. The system involves the creation of departments in the Company to manage each type of risk.
- (ii) The Company's internal auditing division audits risk management progress at core companies and reports the results to the Company's president.
- (iii) Based on the Fuji Electric Group Emergency Response Guidelines, Directors in charge of crisis management are designated and a communication system and response headquarters are established for when emergency situations occur. These measures are intended to minimize the impact of emergency situations on the Group.

(4) System for ensuring effective business execution by Directors

- (i) Decision-making authority and responsibilities with respect to business execution within the Group will be clarified in accordance with resolutions of the Board of Directors that define and determine executive duties for Directors, Regulations of the Board of Directors and Fuji Electric Group Management Regulations.
- (ii) An Executive Committee has been established as a permanent corporate body to advise the Company's president. It is made up of the Company's full-time Directors, the President of each core company and other individuals. The committee deliberates on

important matters pertaining to Group management and formulates reports. The Company's Representative Director communicates the deliberations and reports of the Executive Committee to the Company's Board of Directors.

- (iii) In order to formulate annual and medium-term management plans for the Group as a whole and to share information within the Group, the Executive Committee and the Company's Board of Directors confirm, evaluate and review progress for each business division on a monthly basis.

(5) System for ensuring the proper administration of the Company and the Fuji Electric Group

- (i) The respective roles to be played by each Group company under the pure holding company structure are clarified in accordance with the Fuji Electric Group Management Regulations and efforts are made to optimize operations for the Group as a whole.
- (ii) As the holding company, the Company has responsibility for maximizing corporate value for the Group as a whole and works to enhance systems to ensure proper administration from the perspective of the entire Group for the items discussed above.

In order to appropriately comply with the requirements for internal control and evaluation systems for financial reporting, which are stipulated in the Securities and Exchange Law (Financial Instruments and Exchange Law), a project system will be organized with the Company's Representative Director serving as chief officer, and preparations will be made for its implementation.

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

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

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

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

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

- (i) The Company actively recruits outside Auditors and, as stated in 1) above, appoints the Company's full-time Auditors to serve as Auditors at core companies in order to ensure the effectiveness of audits by the Company as the holding company for the Group.
- (ii) The Fuji Electric Group Board of Auditors is made up of auditors affiliated with the Company and core companies. The Fuji Electric Group Auditor Committee is made up of auditors from large companies within the Group, as defined by the Company Law. The board and the committee work to communicate auditing policies that pertain to the Group as a whole. The Auditing Liaison Committee comprises Auditors from the Company and core companies, members of internal audit divisions, and accounting auditors. This committee is involved in strengthening communication among all auditing bodies and ensuring the effectiveness of auditing practices for the Group as a whole.

VIII. Basic policy on control of the Company

1. Details of the basic policy

The Group's corporate mission is laid down in the Fuji Electric Group's Corporate Philosophy: "We pledge as responsible corporate citizens in a global society to strengthen our trust with communities, customers and partners. Our mission is to 'contribute to prosperity,' 'encourage creativity' and 'seek harmony with the environment.' Our management policy to fulfill our mission entails our commitment to: (1) Customer Satisfaction and Expectation: With innovative technologies and a dedication to customer service, we strive to satisfy the needs of our customers and anticipate their future requirements. (2) Growth and Profitability: We are committed to grow as a firm, sustaining responsible operations and profits. In so doing, we can share these benefits with our stockholders, our corporate members and the societies in which we live. (3) Individuality: People are the source of our strength. We respect individuality, and challenge one another to realize our full potential."

In implementing this philosophy, the Fuji Electric Group continues to amass unique technologies, experience and know-how, and strives to develop and maintain good relations with various stakeholders, including customers, partners, communities, and employees. These are Fuji Electric Group's precious tangible and intangible assets, the corporate DNA, and resources that support the creation of corporate value for the Group.

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

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

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

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

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

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

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

(1) Measures to raise the corporate value through the Fiscal 2006-2008

The Group aims to expand the significance of the Group's presence, by boosting consolidated net sales to over ¥ 1.0 trillion through the Fiscal 2006-2008 Mid-term Management Plan, and setting operating margins to over 7% as a management target, with further improvement of profitability.

To accomplish these targets, the Group aims to make effective use of management resources, build a business mix balanced between profitability and growth potential, to become an organic business entity combining the industry's strongest specialist. The Group will pay more intense attention to its operation, and actively innovate in areas where Fuji Electric is already strong, and pursue more dynamic management by leveraging the characteristics of the pure holding company system.

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

The Company will, based on 1. Details of the Basic Policy above, strive to establish an internal system in view of any potential or actual purchases of the Company's shares that threaten the Group's corporate value or the mutual benefit of the shareholders.

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

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

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

The Board resolved at the meeting of the Board of Directors on April 26, 2007 that the measures referred to in 2. above are means (1) to maintain and enhance the corporate value of the Group over the mid-term, and (2) to establish internal systems to respond to large-scale purchases of the Company's shares that threaten the Group's corporate value or the mutual benefit of the shareholders. Hence, the Board of Directors confirmed that these measures comply with the basic policy in 1., and neither measure represents a threat to the mutual benefit of the shareholders or a means to maintain the members of the current top management team in their positions.

This resolution was unanimously resolved under plenary attendance of Directors and Auditors (including Outside Directors and Outside Auditors). Further, the resolution was unanimously agreed upon at the Board of Auditors Meeting on the same day, provided that the measures described in 2 above are properly taken.

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- (Notes)
1. Amounts less than a unit are rounded down in the Business Report.
 2. In the number of shares in the Business Report, odd lot share amounts of less than one thousand (1000 shares) are rounded down.
 3. "Fuji Electric Group" and the "Group" referred to in the Business Report shall mean "Corporate Group", stated in Article 120, Paragraph 2 of the Company Law enforcement rules.
 4. The business object in the future, stated in the Business Report is calculated based on given assumptions that we assess to be reasonable at the time of writing the Business Report. The description may differ from the actual results, and we cannot guarantee the accuracy of the content.

Consolidated Balance Sheets

(as of March 31, 2007)

| [Assets] | (¥Millions) | [Liabilities] | (¥Millions) |
|---|------------------|--|------------------|
| Current assets | 483,401 | Current liabilities | 508,255 |
| Cash and time deposits | 19,247 | Notes and accounts payable, trade | 197,361 |
| Notes and accounts receivable, trade | 259,107 | Short-term loans | 84,528 |
| Inventories | 149,716 | Commercial paper | 28,000 |
| Deferred tax assets | 18,454 | Accrued expense | 47,344 |
| Other current assets | 38,077 | Income taxes payable | 9,366 |
| Allowance for doubtful accounts | -1,201 | Advance received | 26,766 |
| | | Other current liabilities | 114,887 |
| | | Long-term liabilities | 232,023 |
| Long-term assets | 541,198 | Corporate bonds | 110,000 |
| Tangible fixed assets | 169,557 | Long-term borrowings | 37,380 |
| Buildings and structures | 82,989 | Deferred tax liabilities | 68,041 |
| Machinery, equipment and delivery equipment | 23,438 | Allowance for retirement benefits | 12,151 |
| Tools, furniture and fixtures | 7,128 | Allowance for director and auditor retirement benefits | 1,032 |
| Land | 35,534 | Other | 3,417 |
| Construction in progress | 20,465 | | |
| Intangible fixed assets | 8,736 | Total liabilities | 740,278 |
| Software | 5,900 | | |
| Other | 2,835 | [Net assets] | |
| | | Capital stock | 192,277 |
| Investments and other assets | 362,905 | Common stock | 47,586 |
| Investment securities | 300,915 | Capital surplus | 46,713 |
| Long-term loans | 1,762 | Retained earnings | 88,175 |
| Prepaid pension costs | 46,327 | Treasury shares | -6,985 |
| Deferred tax assets | 5,686 | Valuation and translation adjustments | 82,614 |
| Other | 9,164 | Unrealized gains on securities, net of taxes | 82,563 |
| Allowance for doubtful accounts | -951 | Differed gains or losses on hedges | 30 |
| | | Foreign currency translation adjustments | 21 |
| Bond issue expenses | 231 | | |
| | | Minority interests in consolidated subsidiaries | 9,661 |
| | | Total net assets | 284,553 |
| Total assets | 1,024,832 | Total liabilities and net assets | 1,024,832 |

Consolidated Statements of Income (from April 1, 2006 to March 31, 2007)

| | (¥ Millions) | (¥ Millions) |
|--|--------------|--------------|
| Net sales | | 908,059 |
| Cost of sales | | 708,836 |
| Gross profit | | 199,222 |
| Selling, general and administrative expenses | | 153,013 |
| Operating income | | 46,208 |
| Non-operating income | | |
| Interest and dividend income | 3,709 | |
| Miscellaneous income | 4,037 | 7,746 |
| Non-operating expenses | | |
| Interest expenses | 3,868 | |
| Miscellaneous expenses | 1,324 | 5,193 |
| Ordinary income | | 48,762 |
| Extraordinary income | | |
| Gain on sales of fixed assets | 55 | |
| Gain on sales of investment securities | 1,434 | |
| Gain on return of retirement benefit trust | 991 | |
| Gain on revision of retirement benefit plan | 357 | 2,839 |
| Extraordinary loss | | |
| Loss on sales and disposal of fixed assets | 2,509 | |
| Loss on valuation of investment securities | 417 | |
| Special retirement payments | 2,458 | |
| Special product repair expenses | 1,900 | |
| Loss on special inventories depletion | 1,389 | |
| Other | 2,451 | 11,126 |
| Net income before adjustments of income taxes | | 40,474 |
| Corporate, inhabitant and business tax | 14,077 | |
| Adjustments of income taxes | 2,268 | 16,346 |
| Loss for minority shareholders | | 984 |
| Net income | | 23,142 |

(4) Consolidated Statement of Changes in Net Assets

(¥ million)

| | Shareholders' Equity | | | | |
|--|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Common stock | Paid-in capital | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance as of March 31, 2006 | 47,586 | 46,713 | 88,175 | (6,887) | 175,587 |
| Changes during the fiscal year | | | | | |
| Dividends of surplus | | | (5,719) | | (5,719) |
| Bonuses for Directors and Auditors appropriated from retained earnings | | | (207) | | (207) |
| Net income | | | 23,142 | | 23,142 |
| Purchase of treasury stocks | | | | (99) | (99) |
| Disposal of treasury stocks | | 3 | | 2 | 5 |
| Changes due to increase in consolidated subsidiaries | | | (505) | | (505) |
| Changes due to merger of consolidated subsidiaries and non-consolidated subsidiaries | | | 73 | | 73 |
| Changes during the fiscal year in items other than shareholders' equity (net) | | | | | |
| Total changes during the fiscal year (net) | — | 3 | 16,783 | (97) | 16,690 |
| Balance as of March 31, 2007 | 47,586 | 46,717 | 1074,959 | (6,985) | 192,277 |

| | Valuation and translation adjustments | | | | Minority interests | Total net assets |
|--|--|------------------------------------|--|---|--------------------|------------------|
| | Unrealized holding gains on securities, net of taxes | Deferred gains or losses on hedges | Foreign currency translation adjustments | Total valuation and translation adjustments | | |
| Balance as of March 31, 2006 | 100,029 | — | (544) | 99,485 | 9,817 | 284,890 |
| Changes during the fiscal year | | | | | | |
| Dividends of surplus | | | | | | (5,719) |
| Bonuses for Directors and Auditors appropriated from retained earnings | | | | | | (207) |
| Net income | | | | | | 23,142 |
| Purchase of treasury stocks | | | | | | (99) |
| Disposal of treasury stocks | | | | | | 5 |
| Changes due to increase in consolidated subsidiaries | | | | | | (505) |
| Changes due to merger of consolidated subsidiaries and non-consolidated subsidiaries | | | | | | (73) |
| Changes during the fiscal year in items other than shareholders' equity (net) | (17,466) | 30 | 565 | (16,870) | (156) | (17,027) |
| Total changes during the fiscal year (net) | (17,466) | 30 | 565 | (16,870) | (156) | (337) |
| Balance as of March 31, 2007 | 82,563 | 30 | 21 | 82,614 | 9,661 | 284,553 |

Important basic matters for the preparation of consolidated financial statements

1. Matters related to the range of consolidation

(1) Number of consolidated subsidiaries

67 companies (Names of main companies: Fuji Electric Systems Co., Ltd., Fuji Electric FA Components & Systems Co., Ltd., Fuji Electric Device Technology Co., Ltd., Fuji Electric Retail Systems Co., Ltd.)

3 companies such as Fuji Electronics Creation Support Service Co., Ltd. were added for fiscal 2006 due to increased materiality. 2 consolidated subsidiaries, Fuji Electric Imaging Device Co., Ltd. Fuji Electric Storage Device Co., Ltd., were merged by Fuji Electric Device Technology Co., Ltd. Fuji Semiconductor, Inc. (consolidated subsidiary) was absorbed by Fuji Electric Corp. of America (changed company name into Fuji Electric Device Technology America, Inc. through merger.

(2) Names of main non-consolidated subsidiaries

Fuji Relate Co., Ltd.

Total assets, net sales, net income and retained earnings of non-consolidated subsidiaries are small amounts individually, and not material to the consolidated financial statements as a whole.

2. Matters related to the application of equity method

(1) Number of affiliates to which the equity method is applicable

2 companies (Fuji Logistics Co., Ltd., Japan AE Power Systems Corporation)

(2) Since non-consolidated subsidiaries and affiliates (Korea FA System Co., Ltd., etc.), to which the equity method is not adopted, were not material to net income and retained earnings individually and as a whole, investments in these companies were accounted for using the cost method, rather than the equity method.

3. Matters related to the fiscal years of consolidated subsidiaries

Some consolidated subsidiaries' fiscal year end are end of December. Those companies, conducted the provisional settlement of accounts on the Company's consolidated settlement date.

4. Matters related to accounting policies

(1) Valuation of major assets

(i) Securities

Other securities

For those with market value:

Stated at market value based on market prices, etc. at year-end. (Valuation gains or losses are reported in the shareholders' equity, and sales costs are determined by the moving average method.)

For those without market value:

Stated at cost as determined by the moving average method

(ii) Inventories

a) Products and work-in-process

Stated at cost as determined by the specific identification method or the periodic average method. But products of certain consolidated subsidiaries are stated based on the latest purchase cost method.

b) Raw materials and supplies

Stated at cost as determined by the last purchase cost method

(iii) Derivatives

Stated at cost as determined by the last purchase cost method

(2) Depreciation of major fixed assets

(Tangible fixed assets)

The declining balance method is mainly used.

But the Company and its consolidated subsidiaries in Japan use the straight-line method for buildings acquired on or after April 1, 1998 (excluding building improvements)

(3) Standards for recording major allowances

(i) Allowance for doubtful accounts

To provide for possible bad debt losses, the Company records an allowance based on

historical percentage for ordinary receivables and an estimated amount for specific uncollectible receivables.

(ii) Allowance for retirement benefits

To provide for payments of retirement benefits of employees, the Company records an amount recognized to have accrued at year-end based on estimated amounts of retirement benefit obligations and pension assets at year-end. Differences arisen due to the change of accounting standards are expensed over 10 years.

Past service liabilities are expensed based on the straight-line method using years less than the average remaining service period of employees at the time of the accrual.

An actuarial difference is expensed based on the straight-line method from the fiscal year following its accrual over an average remaining service period of employees at the time of the accrual.

(iii) Allowance for director and auditor retirement benefits

To provide for payments of retirement benefits of directors and auditors, the Company and consolidated subsidiaries records an amount recognized to have accrued at year-end based on estimated amounts of retirement benefit obligations based on internal rules.

(4) Standards for the conversion of important foreign currency assets or liabilities to the Japanese currency

Foreign currency receivables and payables are converted to yen based on the spot exchange rate at year-end, and conversion gain or loss is recorded in the income statement.

Also, assets, liabilities, revenues and expenses of foreign subsidiaries are converted to yen based on the spot exchange rates at the year-ends of these foreign subsidiaries, and conversion gains or losses are included in the foreign exchange translation adjustment of the net assets.

(5) Accounting for important lease transactions

Finance leases other than those which are deemed to transfer ownership of leased assets to lessees are accounted for as ordinary operating leases.

(6) Accounting for important hedges

The deferred hedge method is used. Also, forward exchange contracts for which the requirements for allocation are met are accounted for based on the allocation method, and interest rate swaps for which the requirements for special processing are met are accounted for based on the special method.

(7) Other important matters for the preparation of consolidated financial statements

(i) Accounting for consumption taxes

Consumption taxes are accounted for based on the tax exclusion method.

(ii) Adoption of the consolidated tax payment system

The Company adopts the consolidated tax payment system.

(iii) From the fiscal year under review, the Company prepares Consolidated financial statements based on the Corporate Calculation Regulations (Ordinance of the Ministry of Justice No. 13 of 2006).

5. Matters related to the valuation of assets and liabilities of consolidated subsidiaries

The assets and liabilities of consolidated subsidiaries are valued using the full mark-to-market method.

6. Matters related to the amortization of consolidated adjustment account

Consolidated adjustment account is equally amortized over 5 years.

7. Changes in Accounting Policies

Accounting standards for presentation of net assets in the balance sheet

Effective from the fiscal year ended March 31, 2007, the Company has adopted the "Accounting Standard for Presentation of Net Assets in the Balance Sheet (Accounting Standards Board Statement No. 5)" and the "Implementation Guidance for Accounting Standard for Presentation of Net Assets in the Balance Sheet (Financial Accounting Standards Implementation Guidance No. 8)" both issued by the Accounting Standards Board of Japan on December 9, 2005. The amount corresponding to the conventional "Shareholders' Equity" in the balance sheet is 274,861 million yen.

Notes to consolidated balance sheets

1. Pledged assets and liabilities related to pledged assets

| | |
|---|---------------------|
| Pledged assets: | |
| Cash and time deposits | ¥60 million |
| Buildings and structures | ¥25,331 million |
| Machinery, equipment and delivery equipment | ¥20 million |
| Land | ¥15,187 million |
| Investment securities | <u>¥737 million</u> |
| Total | ¥41,338 million |

| | |
|--|------------------------|
| Liabilities related to the above pledged assets: | |
| Notes and accounts payable, trade | ¥217 million |
| Short-term loans | ¥6,965 million |
| Long-term borrowings | <u>¥14,389 million</u> |
| Total | ¥21,571 million |

2. Accumulated depreciation of tangible fixed assets ¥241,303 million

3. Contingent liabilities (guarantee of debts)

| | |
|--|---------------------|
| Guaranteed debts for loans from financial institutes | |
| For employees | ¥5,966 million |
| 2 other companies | <u>¥900 million</u> |
| Total | ¥6,867 million |

Notes to Consolidated Statement of Changes in Net Assets

1. Class and total number of shares outstanding, and the class and total number of treasury shares

| (Thousand shares) | | | | |
|--------------------------|--|---|---|--|
| | Number of shares as of March 31, 2006 130th term FY 2005 | Number of shares increased during shares increased during FY 2006 | Number of shares decreased during shares increased during FY 2006 | Number of shares as of March 31, 2007 131st term FY 2006 |
| Issued shares | | | | |
| Common share | 746,484 | – | – | 746,484 |
| Total | 746,484 | – | – | 746,484 |
| Treasury shares | | | | |
| Common shares (Notes) | 31,447 | 164 | 10 | 31,601 |
| Total | 31,447 | 164 | 10 | 31,601 |

Notes: 1. Increase in treasury shares of common shares by 164 thousand is due to buy-back of fractional shares.

2. Decrease in treasury shares of common shares by 10 thousand are due to sales of fractional shares to shareholders.

2. Notes to dividend

(1) Amount of dividend paid

| Resolution | Class of shares | Amount of dividend (Million yen) | Dividend per share (yen) | Entitlement date | Effective date |
|--|-----------------|----------------------------------|--------------------------|--------------------|------------------|
| Ordinary General Meeting of Shareholders as of June 27, 2006 | Common shares | 2,860 | 4.0 | March 31, 2006 | June 27, 2006 |
| Meeting of the Board of Directors as of October 30, 2006 | Common shares | 2,859 | 4.0 | September 30, 2006 | December 4, 2006 |

(2) Dividends, of which the entitlement date was in the year ended March 31, 2007 and the effective date will be in the next fiscal year

| Resolution | Class of shares | Amount of dividend (Million yen) | Resource of dividend | Dividend per share (yen) | Record date | Effective date |
|--|-----------------|----------------------------------|----------------------|--------------------------|----------------|----------------|
| Meeting of the Board of Directors as of May 24, 2007 | Common shares | 2,859 | Retained earnings | 4.0 | March 31, 2007 | June 5, 2007 |

Per share information

| | |
|--------------------------|---------|
| (1) Net assets per share | ¥384.53 |
| (2) Net income per share | ¥32.37 |

Consolidated Statements of Cash Flow (from April 1, 2006 to March 31, 2007)

(Reference)

| | ¥ Millions |
|---|------------------|
| 1. Cash flows from operating activities | |
| Net income before adjustments of income taxes | 40,474 |
| Depreciation expenses | 17,544 |
| Increase/decrease of trade receivable | -19,967 |
| Increase/decrease of inventories | -7,116 |
| Increase/decrease of trade payable | 15,367 |
| Increase/decrease of advances received | -3,937 |
| Others | -15,172 |
| Cash flows from operating activities | 27,191 |
| 2. Cash flows from investing activities | |
| Cash payment for the acquisition of tangible fixed assets, securities and investment securities | -35,603 |
| Cash receipt for the sales of tangible fixed assets, securities and investment securities | 4,529 |
| Others | -3,367 |
| Cash flows from investing activities | -34,440 |
| 1 + 2 Free cash flows | [-21,676] |
| 3. Cash flows from financing activities | |
| Net increase/decrease of short-term borrowings | 1,326 |
| Net increase/decrease of commercial paper | -19,700 |
| Proceeds from long-term loans and bond issue | 163,913 |
| Expenditure from long-term loans payable and redemption of bonds | -120,659 |
| Others | -6,124 |
| Cash flows from financing activities | 18,755 |
| 4. Effect of exchange rate changes on cash and cash equivalents | 213 |
| 5. Net increase (decrease) in cash and cash equivalents (1 + 2 + 3 +4) | -2,707 |
| 6. Cash and cash equivalents at beginning of year | 21,413 |
| 7. Increase/decrease in cash and cash equivalents resulting from the change of consolidated subsidiaries | 429 |
| 8. Cash and cash equivalents at end of year | 19,135 |

Non-Consolidated Balance Sheet

(as of March 31, 2007)

| [Assets] | (¥Millions) | [Liabilities] | (¥Millions) |
|--|----------------|--|----------------|
| Current assets | 29,043 | Current liabilities | 65,030 |
| Cash and time deposits | 11 | Commercial paper | 18,000 |
| Short-term loans receivable | 20,004 | Bond (due in one year or less) | 40,000 |
| Accounts receivable-others | 7,737 | Income taxes payment | 4,225 |
| Other deferred tax assets | 126 | Other current liabilities | 2,805 |
| Others | 1,162 | | |
| | | Long-term liabilities | 167,608 |
| Long-term assets | 429,315 | Corporate bonds | 110,000 |
| Tangible fixed assets | 1,638 | Long-term borrowings | 1,050 |
| Buildings | 1,055 | Deferred tax liabilities | 55,899 |
| Land | 370 | Allowance for retirement benefits | 504 |
| Other | 212 | Allowance for director and auditor retirement benefits | 153 |
| | | | |
| Intangible fixed assets | 302 | Total liabilities | 232,638 |
| Software | 77 | | |
| Other | 225 | [Net assets] | |
| | | | |
| Investments and other assets | 427,374 | Common stock | 147,414 |
| | | Capital stock | 47,586 |
| Investment securities | 250,099 | Capital surplus | 56,800 |
| Affiliates' shares | 108,163 | Capital reserve | 56,777 |
| Capital contributions | 388 | Other capital surplus | 22 |
| Long-term loans | 68,300 | Retained earnings | 50,206 |
| Other | 754 | Profit reserve | 11,515 |
| Provision of allowance for investment loss | -332 | Other retained earnings | 38,691 |
| | | Voluntary reserve | 26,793 |
| Assets brought forward | 231 | General reserve | 11,897 |
| Bond issue expenses | 231 | Treasury stock | -7,178 |
| | | Unrealized gain on securities, net of taxes | 78,537 |
| | | Valuation and translation adjustments | 78,537 |
| | | | |
| | | Total Net assets | 225,951 |
| Total assets | 458,590 | Total liabilities and shareholders' equity | 458,590 |

Non-Consolidated Statement of Income
(from April 1, 2005 to March 31, 2006)

| [Ordinary profit and loss] | ¥ Millions | ¥ Millions |
|--|------------|--------------|
| Operating profit and loss | | |
| Operating revenue | | 16,932 |
| Operating expenses | | 11,101 |
| Operating income | | 5,830 |
| Non-operating profit or loss | | |
| Non-operating income | | |
| Interest and dividend income | 3,749 | |
| Miscellaneous income | 260 | 4,010 |
| Non-operating expenses | | |
| Interest expenses | 1,593 | |
| Miscellaneous expenses | 53 | 1,647 |
| Ordinary income | | 8,193 |
| [Extraordinary profit or loss] | | |
| Extraordinary income | | |
| Gain on return of retirement benefit trust | 88 | 88 |
| Extraordinary loss | | |
| Loss on sales and disposal of fixed assets | 805 | |
| Loss on valuation of investment securities | 899 | |
| Provision of allowance for Loss on subsidiaries' stock | 332 | 2,038 |
| Net income before income taxes | | 6,244 |
| Corporate, inhabitant and business tax | -567 | |
| Adjustments of income taxes | 691 | 123 |
| Net income | | 6,120 |

Non-Consolidated Statement Changes of Net Assets

(From April 1, 2006 to March 31, 2007)

(Millions of yen)

| | Shareholders' equity | | | | | | | | | |
|---|----------------------|-----------------|-----------------------|-----------------------|-------------------|-------------------------|-----------------------------------|-------------------------|----------------|----------------------------|
| | Capital stock | Capital surplus | | | Retained earnings | | | | Treasury stock | Total stockholders' equity |
| | | Capital reserve | Other capital surplus | Total capital surplus | Legal reserve | Other retained earnings | | Total retained earnings | | |
| | | | | | | General reserve | Retained earnings brought forward | | | |
| Balance as of March 31, 2006 | 47,586 | 56,777 | 18 | 56,796 | 11,515 | 26,793 | 11,547 | 49,855 | (7,081) | 147,157 |
| Changes during the fiscal year | | | | | | | | | | |
| Cash dividends* | | | | | | | (5,719) | (5,719) | | (5,719) |
| Bonuses for Directors and Auditors* | | | | | | | (50) | (50) | | (50) |
| Net income | | | | | | | 6,120 | 6,120 | | 6,120 |
| Repurchase of treasury shares | | | | | | | | | (99) | (99) |
| Disposal of treasury shares | | | 3 | 3 | | | | | 2 | 5 |
| Net changes in items other than shareholders' equity during the fiscal year | | | | | | | | | | |
| Total changes during the non-consolidated fiscal year | - | - | 3 | 3 | - | - | 350 | 350 | (97) | 256 |
| Balance as of March 31, 2007 | 47,586 | 56,777 | 22 | 56,800 | 11,515 | 26,793 | 11,897 | 50,206 | (7,178) | 147,414 |

| | Valuation and translation adjustments | | Total net assets |
|---|--|---|------------------|
| | Net unrealized gain on available-for-sale securities | Total valuation and translation adjustments | |
| Balance as of March 31, 2006 | 95,030 | 95,030 | 242,187 |
| Changes during the fiscal year | | | |
| Cash dividends | | | (5,719) |
| Bonuses for Directors and Auditors* | | | (50) |
| Net income | | | 6,120 |
| Repurchase of treasury shares | | | (99) |
| Disposal of treasury shares | | | 5 |
| Net changes in items other than shareholders' equity during the fiscal year | (16,493) | (16,493) | (16,493) |
| Total changes during the non-consolidated fiscal year | (16,493) | (16,493) | (16,236) |
| Balance as of March 31, 2007 | 78,537 | 78,537 | 225,951 |

Notes to non-consolidated financial statements

1. Notes to the matters related to the important accounting policy

(1) Securities are valued as follows.

Stocks of subsidiaries and affiliates: Stated at cost as determined by the moving average method

Other securities:

For those with market value: Stated at market value based on market prices, etc. at year-end. (Valuation gains or losses are reported in the shareholders' equity, and sales costs are determined by the moving average method.)

For those without market value: Stated at cost as determined by the moving average method

2. Method of depreciation

The declining balance method is used for depreciation of tangible fixed assets. But the Company uses the straight-line method for buildings acquired on or after April 1st 1998 (excluding building improvements).

3. Accounting for significant allowances and reserves

(1) Allowance for retirement benefits

As for allowance for retirement benefits, the Company records an amount recognized to have accrued at year-end based on estimated amounts of retirement benefit obligations and pension assets at year-end, in order to provide for payments of such retirement benefits of employees.

Past service liabilities are expensed based on the straight-line method using years less than the average remaining service period of employees at the time of the accrual. An actuarial difference is expensed based on the straight-line method from the fiscal year following its accrual over an average remaining service period of employees at the time of the accrual.

The year-end balance of allowance for retirement benefits before deducting pension assets related to the retirement benefit trust and the offsetting year-end balance of pension assets related to the retirement benefit trust are ¥473 million and ¥468 million, respectively, based on the lump-sum retirement allowance system, and ¥963 million and ¥464 million, respectively, based on the corporate pension fund system.

(2) Reserve for retirement benefits for directors and auditors

As for the retirement benefit payments to directors and auditors, the Company records the anticipated amount payable at each fiscal year-end in accordance with the bylaws of the Company.

(3) Allowance for investment loss to subsidiaries and affiliates

The allowance for investment loss reserve shall be funded in conformity with the financial conditions.

4. Method of processing lease transactions

For lease transactions other than those for which the transfer of ownership rights to the lessee is recognized, the accounting process will follow the methods for regular lease transactions.

5. Important matters that form the basis for the creation of other accounting documents

i) Accounting process for consumption tax etc.

The method used depends on the tax system.

ii) Application of the consolidated tax payment

The consolidated tax payment system is applied.

iii) Beginning from the current term, financial statements will be prepared based on Regulations for Corporate Accounting (Justice Ministry Ordinance 13, February 7, 2006)

6. Changes of important accounting policy

Accounting standards for presentation of net assets in the balance sheet

Effective from the fiscal year ended March 31, 2007, the Company has adopted the "Accounting Standard for Presentation of Net Assets in the Balance Sheet (Accounting Standards Board Statement No. 5)" and the "Implementation Guidance for Accounting Standard for Presentation of Net Assets in the Balance Sheet (Financial Accounting Standards Implementation Guidance No. 8)" both issued by the Accounting Standards Board of Japan on December 9, 2005. The amount corresponding to the conventional "Shareholders' Equity" in the balance sheet is 225,951 million yen.

Notes to non-consolidated balance sheets

(2) Notes to balance sheets

| | |
|---|------------------------|
| (i) Accumulated depreciation of tangible fixed assets | ¥60 million |
| (ii) Contingent liabilities (guarantee of debts) | |
| The Company provides guarantees for the other companies' and employees' loans from financial institutes | |
| Fuji Electric Finance and Accounting Support Co., Ltd. | ¥22,464 million |
| FUJI ELECTRIC (MALAYSIA) SDN.BHD. | ¥9,916 million |
| For employees | ¥5,613 million |
| 2 other companies | <u>¥657 million</u> |
| Total | <u>¥38,651 million</u> |
| (iii) Receivables from and payables to affiliates | |
| Short-term receivables from affiliates | ¥27,666 million |
| Long-term receivables from affiliates | ¥68,316 million |
| Short-term payables to affiliates | ¥1,153 million |

(3) Notes to Statements of income

| | |
|-----------------------------|-----------------|
| Transaction with affiliates | |
| Operating revenue | ¥16,932 million |
| Operating expenses | ¥7,379 million |

(3) Notes to Statement of Changes in Net Assets

Notes to Consolidated Statement of Changes in Net Assets

1. Class and total number of treasury shares outstanding as of March 31, 2007
- | | |
|---------------|-------------------|
| Common shares | 31,601,376 shares |
|---------------|-------------------|

(5) Tax effect accounting

Significant components of the Company's deferred tax assets and liabilities

| | |
|---|--------------------------|
| Deferred tax assets | |
| Loss carried forward | ¥5,029 million |
| Investment securities | ¥915 million |
| Allowance for retirement benefits | ¥584 million |
| Tangible fixed assets | ¥359 million |
| Others | <u>¥392 million</u> |
| Gross deferred tax assets | ¥7,282 million |
| Less valuation allowance | <u>(¥5,535 million)</u> |
| Total deferred tax assets | ¥1,746 million |
| Deferred tax liabilities | |
| Unrealized gain on securities | (¥53,499 million) |
| Investment securities | (¥3,703 million) |
| Gain on establishment of pension trust fund | <u>(¥316 million)</u> |
| Gross deferred tax liabilities | <u>(¥57,519 million)</u> |
| Net deferred tax assets (liabilities) | <u>(¥55,772 million)</u> |

(6) Fixed assets using under financial lease contracts

In addition to fixed assets recorded on the balance sheets, the Company uses certain electronics devices and computers based on finance lease contracts which do not transfer ownership.

1. Amounts equivalent to acquisition costs, accumulated depreciation and year end balance of leased items
(¥Millions)

| | Acquisition cost equivalent | Accumulated depreciation equivalent | Year end balance equivalent |
|-------|-----------------------------|-------------------------------------|-----------------------------|
| | 40 | 25 | 14 |
| Total | 40 | 25 | 14 |

2. Year end balance equivalents of unexpired lease expenses

| | |
|---------------|--------------------|
| Within 1 year | ¥5 million |
| Over 1 year | <u>¥9 million</u> |
| Total | <u>¥15 million</u> |

3. Lease paid, depreciation equivalents and interest paid equivalents.

| | |
|---------------------------|-------------|
| Lease paid | ¥13 million |
| Depreciation equivalents | ¥12 million |
| Interest paid equivalents | ¥0 million |

4. Computation method of depreciation equivalents

Depreciate by regarding lease term as useful life and using straight-line method without leaving any residual value

5. Computation of interest equivalents

The difference between the total lease payment amount and acquisition cost of leased items is taken as interest equivalents and interest method is used to allocate to each semi-annual accounting period.

(7) Related party transactions

1. Subsidiaries and affiliates

(¥Millions)

| | Company name | Voting rights ratio holding (held by) | Relationship of related parties | Detail of transaction | Transaction Amount | Account name | Year end balance |
|------------|--|---------------------------------------|---|--|-----------------------------|--|----------------------------|
| Subsidiary | Fuji Electric Systems Co., Ltd. | Holding directly 100% | Acceptance of entrusted research and development Interlocking directorate | Receiving revenue on entrusted research (Note 1) | 2,835 | - | - |
| Subsidiary | Fuji Electric Advanced Technology Co., Ltd | Holding directly 100% | Consignment of research and development Interlocking directorate | Paying consigned research costs (Note 2) | 5,452 | - | - |
| Subsidiary | Fuji Electric Finance and Accounting Support Co., Ltd. | Holding directly 100% | Loan of funds Providing guarantees on liabilities | Loan of funds (Note 3) Receipt of interest on loan (Note 3) Guarantees on liabilities (Note 4) | 87,800 911 22,464 | Short-term loans Long-term loans Receivable -others - | 20,000 67,800 3 - |
| Subsidiary | FUJI ELECTRIC (MALAYSIA) SDN. BHD. | Holding indirectly 100% | Providing guarantees on liabilities | Guarantees on liabilities (Note 5) | 9,916 | - | - |

Condition of transactions and determination policy for condition of transactions

- (Notes) 1. Revenue on entrusted research from Fuji Electric Systems Co., Ltd. is recorded on the Company's accounting books together since they are basic research for whole group and static research and development of new business and new products. Revenue on entrusted research from Fuji Electric FA Components & Systems Co., Ltd, Fuji Electric Device Technology Co., Ltd., and Fuji Electric Retail Systems Co., Ltd. also recorded on the Company's accounting books together by the same method as Fuji Electric Systems Co., Ltd..
2. Consigned research costs to Fuji Electric Advanced Technology Co., Ltd is paid sourcing Revenue on entrusted research listed above note (1).
3. Interest rate of the loan to Fuji Electric Finance and Accounting Support Co., Ltd. is decided considering the interest rate in the financial market.
4. The guarantees are provided for commercial paper, lease liabilities and borrowing of.
5. The guarantees are provided for FUJI ELECTRIC (MALAYSIA) SDN. BHD.'s borrowing from banks.

(8) Per share information

| | |
|----------------------|---------|
| Net assets per share | ¥316.07 |
| Net income per share | ¥8.56 |

Supplementary statement

(1) Details of tangible and Intangible fixed assets

| Item | Category | Balance at beginning of term | Increase during the current term | decrease during the current term | Balance at end of term | Accumulated depreciation | Depreciation amount during the current term | Book balance |
|-------------------------|-----------|------------------------------|----------------------------------|----------------------------------|------------------------|--------------------------|---|--------------|
| Tangible fixed assets | Buildings | 5,144 | 2 | *1 3,035 | 2,111 | 1,056 | 98 | 1,055 |
| | Land | 352 | 18 | 0 | 370 | – | – | 370 |
| | Other | 1,311 | 10 | *2 413 | 908 | 695 | 65 | 212 |
| | total | 6,809 | 31 | 3,448 | 3,391 | 1,752 | 163 | 1,638 |
| Intangible fixed assets | Software | 265 | 2 | 16 | 251 | 174 | 50 | 77 |
| | Other | 363 | 1 | 14 | 350 | 125 | 42 | 225 |
| | Total | 628 | 4 | 30 | 602 | 300 | 92 | 302 |

*1 The major component of the decrease was a disposal of ¥3,032 million in buildings and fixtures in Yokosuka City.

*2 The major component of the decrease was a disposal of ¥366 million in machinery equipment in Yokosuka City.

(2) Details of allowance reserve

(Million yen)

| Item | Balance at beginning of term | Increase during the current term | Decrease during the current term | | Balance an end of term |
|--|------------------------------|----------------------------------|----------------------------------|-------|------------------------|
| | | | Purpose | Other | |
| Allowance for retirement benefits | 537 | 113 | 137 | *1 8 | 504 |
| Allowance for director's retirement bonuses | 393 | 72 | 312 | – | 153 |
| Allowance for investment loss for affiliates | – | 332 | – | – | 332 |

*1 The decrease in others for the current term was an ¥8 million funds transfer as advanced payment of pension expenses.

(3) Details of operating expenses

(million yen)

| Item | Accounts | Explanation |
|-------------------------|----------|-------------|
| Advertisement | 543 | |
| Directors' remuneration | 217 | |
| Employees' salary | 1,613 | |
| Retirement benefit | -162 | |
| Depreciation expenses | 214 | |
| Rental expenses | 689 | |
| Library expenses | 83 | |
| Tax and dues | 445 | |
| Traveling expenses | 207 | |
| Communication expenses | 34 | |
| Research expenses | 6,195 | |
| Other | 1,019 | |
| Total | 11,101 | |

Transcript of Account Auditor's Audit Report on Consolidated Financial Statements

Independent Auditor's Report

May 18, 2007

The Board of Directors
Fuji Electric Holdings Co., Ltd.

Ernst & Young ShinNihon

Kenji Endo (Seal)
Designated and Engagement Partner
Certified Public Accountant

Hiroshi Kobayashi (Seal)
Designated and Engagement Partner
Certified Public Accountant

Nobuhiro Nasu (Seal)
Designated and Engagement Partner
Certified Public Accountant

Tomohisa Yura (Seal)
Designated and Engagement Partner
Certified Public Accountant

We have audited the Consolidated Balance Sheet, Consolidated Statement of Income, Consolidated Statement of Shareholders' Equity, and Notes to the Consolidated Financial Statements of Fuji Electric Holdings for the consolidated fiscal year beginning on April 1, 2006 and ended on March 31, 2007, in accordance with Paragraph 4, Article 444 of the Company Law. Responsibility for preparation of these financial statements lies with the Company's management. Our responsibility is to express an opinion on these financial statements from an independent perspective.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those auditing standards require that an Accounting Auditor obtain reasonable assurance that consolidated financial statements contain no material misstatements. An audit includes an assessment, on a test basis, of the overall presentation of consolidated financial statements, including accounting principles used, application of those principles, and estimates made by management. We believe that, as a result of our audits, we have obtained a reasonable basis upon which to express our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of Fuji Electric Holdings and its consolidated subsidiaries for the related consolidated fiscal year, in conformity with accounting principles generally accepted in Japan.

There are no interest relationships either between the Company and our audit corporation or between the Company and the Designated Employees and Engagement Partners that are required to be reported by the Certified Public Accountant Law.

(English Translation of the Independent Auditors' Report Originally Issued in the Japanese Language)

Transcript of Account Auditor's Audit Report on Consolidated Financial Statements

Independent Auditors' Report

May 18, 2007

The Board of Directors
Fuji Electric Holdings Co., Ltd.:

Ernst & Young ShinNihon

Kenji Endo (Seal)
Designated and Engagement Partner
Certified Public Accountant

Hiroshi Kobayashi (Seal)
Designated and Engagement Partner
Certified Public Accountant

Nobuhiro Nasu (Seal)
Designated and Engagement Partner
Certified Public Accountant

Tomohisa Yura (Seal)
Designated and Engagement Partner
Certified Public Accountant

We have audited the statutory financial statements, namely, non-consolidated Balance Sheet, Statement of Income, Statement of Changes in Shareholders' Equity, Notes to the Non-Consolidated Financial Statements, and detailed statements of Fuji Electric Holdings for the 131st business year beginning on April 1, 2006 and ended on March 31, 2007, in accordance with Item 1, Paragraph 2, Article 436 of the Company Law. Responsibility for preparation of these financial statements and detailed statements lies with the Company's management. Our responsibility is to express an opinion on these financial statements from an independent perspective.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those auditing standards require that an Accounting Auditor obtain reasonable assurance that non-consolidated financial statements and detailed statements contain no material misstatements. An audit includes an assessment, on a test basis, of the overall presentation of non-consolidated financial statements and detailed statements, including accounting principles used, application of those principles, and estimates made by management. We believe that, as a result of our audits, we have obtained a reasonable basis upon which to express our opinion.

In our opinion, the non-consolidated financial statements and detailed statements referred to above present fairly, in all material respects, the financial position and results of operations of Fuji Electric Holdings for the business year under review, in conformity with accounting principles generally accepted in Japan.

There are no interest relationships either between the Company and our audit corporation or between the Company and the Designated Employees and Engagement Partners that are required to be reported by the Certified Public Accountant Law.

Transcript of the Board of Auditors' Report

AUDIT REPORT

The Board of corporate Auditors deliberated on the execution of duties by directors during the 131st term from April 1, 2006 to March 31, 2007, based on the audit reports prepared by each auditor and pursuant to deliberation prepared this Audit Report. The Board reports as follows:

1. Method and Contents of Audit by Corporate Auditors and the Board

The Board set the audit policy, audit plan, etc., debriefed Corporate Auditors on the status of execution and results of their audits, debriefed Directors and Accountant Auditors on the status of execution of their duties, and requested explanations as needed. While maintaining proper communication with Directors and internal audit staff and other employees, and made efforts to establish the environment for collecting department information and auditing, and participated in the meetings of the Board of Directors and other important meetings, received reports from such as the Directors and employees regarding performance of the duties, sought explanations as necessary, also examined important authorized documents and associated information, and studies the operations and status of assets at the head office and principal offices. In addition, we monitored and verified the content of the resolution of the Board of Directors concerning the maintenance of the system for ensuring that the performance of the duties by the Directors complied with laws and regulations and the Company's Articles of Incorporation, and other systems for securing appropriate performance of duties stipulated in Item (1-3), Article 100 of the Enforcement Regulations of the Company Law and the status of the system based on such resolution (Internal Control System).

We delivered the contents of each of the major details described in the basic policy of Item (1), each of endeavors of Item (2), Article 127 of the Enforcement Regulations of the Company Law based on the status of deliberation of the Board of Directors.

With respect to subsidiaries, we maintained proper communication and exchange information with Directors and Auditors at major subsidiaries, we received reports with respect to their business from subsidiaries as necessary. Based on the aforementioned methods, we examined the Business Reports and accompanying detailed statements for this business year.

Furthermore, we monitored and verified whether the Accounting Auditor maintained its independence and implemented appropriate audits, and we received reports from the Accounting Auditor regarding the performance of its duties and sought explanations as necessary. In addition, we received notice from the Accounting Auditor that "the System for ensuring that duties are performed properly" (matters set forth in each item of Article 159 of the Company Accounting Regulations) is organized in accordance with the "Quality Management Standards Regarding Audits" (Business Accounting Council, October 28, 2005) and other relevant standards, and sought explanations as necessary. Based on the above, methods, we examined the non-consolidated statutory report (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated of shareholders' equity, notes to non-consolidated statutory report) and accompanying statements, and consolidated statutory report (consolidated balance sheet, consolidated statement of income, consolidated of shareholders' equity, notes to consolidated statutory report) for this business year.

2. Results of Audit

(1) Results of audit of business report and its supporting schedules

- (a) The business report and its supporting schedules present fairly the status of the Company in conformity with the relevant laws and Articles of Incorporation.
- (b) No misconduct or material fact running counter to the relevant laws or Articles of Incorporation has been found in respect of execution of Directors' duties.
- (c) The contents of the resolutions of the Board of Directors on the internal control system are fair and reasonable. No item worthy of special mention has been found in respect of

execution of Directors' duties concerning the relevant internal control system.

- (d) There are no findings of matters or circumstances applicable to the basic policy relating to the posture or behavior of the person in control of the decision of financial or business policy of the company as stated in the business report. Each of the endeavors (*torikumi*) described in Item 2 of Article 127 of the Commercial Code and Corporation Law of Japan, as stated in the business report, are in line with the basic policy, do not damage the common profit of the shareholders of the Company, and are not contrived to maintain the position of the Directors of the Company.
- (2) Results of audit of financial statements and their supporting schedules
The audit methods adopted and the results of audit rendered by Ernst & Young ShinNihon Independent Auditors, are fair and reasonable.
- (3) Results of audit of consolidated financial statements
The audit methods adopted and the results of audit rendered by Ernst & Young ShinNihon Independent Auditors, are fair and reasonable.

May 23, 2007

Board of Corporate Auditors
Fuji Electric Holdings

Zenta Morita (Seal)
Standing Auditor

Katsumi Yoshida (Seal)
Standing Auditor

Tsuyoshi Nagahama (Seal)
Auditor

Shiro Okuda (Seal)
Auditor

Yuzuru Fujita (Seal)
Auditor

Investor Information (Reference)

Fiscal year from April 1 to March 31 of the following year

Ordinary General Meeting of Shareholders: June

Shareholder meeting record date: March 31

Year-end dividend payment record date: March 31

Month of year-end dividend payment: June

The Company is allowed to decide the matters related to year-end dividends by the resolution of the Board of Directors Meeting based on the laws and regulations, and the Articles of Incorporation of the Company. In that case, documents concerning the payment of year-end dividends will be sent to your registered address with the notice of convocation of Ordinary General Meeting of Shareholders.

Interim dividend payment record date: September 30

Month of interim dividend payment: December

Method of Public Notification:

The Company uses electronic notification and posts information on its corporate website (<http://www.fujielectric.co.jp>). When unavoidable circumstances render electronic notification impossible, information is published in the *Nihon Keizai Shimbun* newspaper.

Stock transfer agents:

The Chuo Mitsui Trust and Banking Company, Limited
33-1, Shiba 3-chome, Minato-ku, Tokyo 105-8574

Agency's administration office (postal address and telephone enquiries):

Stock Transfer Agency Dept., The Chuo Mitsui Trust and Banking Company, Limited
8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-0063
Telephone: 0120-78-2031 (Toll-free dial available only in Japan)

Secondary agents:

Nationwide branches of the Chuo Mitsui Trust and Banking Company, Limited
Head office and nationwide branches of Japan Securities Agents, Ltd.

Share listings: Tokyo, Osaka, Nagoya and Fukuoka stock exchanges

Stock code: 6504