

Financial performance

1. Analysis of Business Results

Financial Performance for Fiscal 2007 (ending March 31, 2008)

In fiscal 2007, the year ended March 31, 2008, the business environment for the Fuji Electric Holdings Group was strong during the first half due to high growth in China and other Asian economies and increased domestic private-sector capital investment. During the second half, however, the environment was adversely affected by further steep rises in crude oil and raw material prices, revisions to the building standard law of Japan, and the sub-prime housing loan problem in the U.S. Furthermore, the future outlook has recently become increasingly uncertain, with signs of weakness in market conditions for electronic components and global semiconductor shipments.

Against this backdrop, during the interim fiscal year of the medium-term management plan, the Fuji Electric Holdings Group endeavored to strengthen its earnings structure by reliably grasping growth opportunities. Moreover, to lay the foundations for the achievement of the goals in the final fiscal year of the plan, we continued to actively channel management resources into growth areas and worked to strengthen our cost competitiveness via Group-wide business process reengineering (BPR) and other measures. As a result, the Group posted the following consolidated earnings results in fiscal 2007.

Net sales exceeded the level of the previous fiscal year. In the Energy & Electric Systems Group, net sales were higher than in the previous year, as the Group stepped up endeavors in major sectors to capitalize on the favorable business environment. In the ED&C·Drive Systems Group, control and drive system sales were robust, but overall segment sales were lower than in the previous year due to a sluggish domestic market for ED&C components. In the Electronic Devices Group, net sales increased only slightly year on year. As the Group made aggressive capital investments, sales of semiconductors increased, particularly in the industrial sector, but sales of magnetic disk fell far below our initial estimate. Net sales in the Retail Systems Group also exceeded the previous year's level, thanks to the capture of demand for work to outfit existing cigarette vending machines with age verification functionality and expanded sales of currency handling systems.

In the second half, sales growth slowed primarily in the ED&C components sector, the control and drive systems sector, and the semiconductors sector, reflecting the impact of deterioration in the domestic market and the slowdown in the U.S. economy, as well as the appreciation of the yen, and the weakness of business conditions for electronic components and other products.

On the profit front, operating income, ordinary income, and net income all declined year on year. In the magnetic disk business, where we made aggressive capital investments, we were unable to generate sufficient sales volume to compensate for an increase in depreciation and other fixed costs, due to the impact of a decline in sales at major customers in the first half and industry realignment. Consequently, earnings in the Electronic Device Group declined substantially year on year.

In the second half, however, the magnetic disk business saw a recovery in both production volume and shipment volume. This resulted from the fact that we boosted production, brought forward the conversion to perpendicular magnetic recording technology, and further accelerated activities to develop products based on customers' specifications.

As a result, the operating results of the Fuji Electric Group for fiscal 2007 were as follows:

Fiscal 2007 (April 1, 2007 to March 31, 2008)

Net sales	¥922.1 billion	(Up 1.6% YoY)
Operating income	¥35.8 billion	(Down 22.3% YoY)
Ordinary income	¥35.8 billion	(Down 26.6% YoY)
Net income	¥16.7 billion	(Down 27.4% YoY)

Segment Information

[Energy & Electric Systems Group]

YoY change: sales rose 2.0%; operating income increased 9.0%

Net sales in this overall segment in fiscal 2007 rose 2.0% year on year to ¥409.8 billion, while operating income increased 9.0% year on year to ¥13,253 million.

Throughout the year, the Energy & Electric Systems Group strove to restructure business operations and strengthen the management structure with the aim of reinforcing operations in the private sector. As a result, we capitalized on the favorable business environment and managed to achieve an increase in sales and operating income.

In the automation and solutions business, sales rose compared with the previous year thanks mainly to large information systems projects, but operating income declined due primarily to the impact of higher investment in the solar cell business.

In the environmental systems business, both sales and operating income were down year on year due to a decline in water treatment system projects stemming from the contraction of the public-sector market in Japan.

In electrical machinery engineering business, net sales and operating both grew substantially year on year, lifted by an increase in large projects in steel and other private-sector industries. Orders were also robust mainly due to projects related to mainstay sectors such as steel, chemicals, and electrical and electronic equipment.

Sales of electric power systems fell sharply compared to the previous year, reflecting a decrease in large orders for thermal power plant equipment, but operating income rose on the back of an improvement in profit margins. Orders posted a solid performance, mainly for geothermal power generation equipment, in response to rising electric power demand in Asia and other regions.

In the plant facility construction business, sales declined due to a drop in large projects, but operating income increased due to a rise in profit margins on small and medium-sized projects.

[ED&C•Drive Systems Group]

YoY change: sales declined 1.1%; operating income dropped 7.6%

Net sales in this overall segment declined 1.1% year on year to ¥191.7 billion, and operating income dropped 7.6% to ¥10,712 million.

In the domestic market, the segment pursued sales expansion in buoyant sectors in the face of a slowdown in the growth of private-sector capital investment. Overseas, we endeavored to reinforce our manufacturing and sales bases in China, which has maintained rapid growth, and to bolster the sales network in North America. We also worked to expand sales of global products. In terms of profits, we promoted a total reduction in costs through measures such as the consolidation of models with the aim of further strengthening the management structure.

In the ED&C components business, sales declined year on year. We focused our efforts on reinforcing sales expansion activities in buoyant sectors such as machine tools and intensifying marketing activities by shifting staff to marketing divisions, but sales were adversely affected by weak market conditions mainly in the transportation systems sector. Operating income also declined in response to the impact of lower sales, an increase in fixed costs, and a steep rise in raw material prices, even though we promoted total cost cutting through the consolidation of models and other measures.

In the control and drive systems business, we focused on expanding sales of new inverters and servosystems. In the domestic market, we concentrated on boosting sales in buoyant sectors, such as semiconductors and cranes, and sales recorded an increase. Overseas,

sales rose sharply mainly in China, Europe, and North America. As a result, sales in this segment were up year on year, but in the second half, they became sluggish and fell below our initial estimate due to deterioration in the domestic market. Operating income increased, as higher sales offset an increase in fixed costs and a steep rise in raw material prices.

[Electronic Device Group]

YoY change: sales rose 1.3%; operating income declined 57.5%

Net sales in this overall segment rose 1.3% to ¥184.8 billion, but operating income declined 57.5% to ¥8,162 million.

The definitive business characteristics of the segment are dramatic changes in market environments and rapid technological innovation.

In fiscal 2007, the segment boosted production capacity by making aggressive capital investments and, in the semiconductor business, it expanded the plant in the Philippines and established a new semiconductor manufacturing company in Malaysia. In the magnetic disk business, we completed the conversion to equipment compatible with the perpendicular magnetic recording method ahead of schedule, and established a solid foundation for a substantial recovery next fiscal year. In addition, we endeavored to achieve a continued reduction in the cost of manufacturing. We also carried out a review of the R&D organization based on the viewpoint of the market and customers.

In the semiconductor business, sales of power supplies for information devices decreased, reflecting sluggish growth in the plasma TV market, but sales of mainstay IGBT modules for industrial use expanded, as we aggressively invested in capacity expansion to meet burgeoning demand. Sales of automotive electronic devices also grew in response to the launch of new products. As a result, both sales and operating income were higher than in the previous year. In the second half, however, earnings were adversely affected by customers' inventory adjustments in Japan and overseas due to the impact of the economic slowdown.

The magnetic disk business was adversely influenced by a decline in sales at major customers and industry realignment in the first half. In the second half, however, production volume and shipment volume grew, as we boosted production capacity and converted to perpendicular magnetic recording technology ahead of schedule, and further accelerated activities to develop products based on customers' specifications. In the case of perpendicular magnetic recording media, the Fuji Electric Holdings Group achieved full-scale mass production of 2.5-inch glass substrate media (160GB/disk) and 3.5-inch aluminum substrate media (334GB/disk), the largest capacity in the world. As a result, sales remained flat year on year, but operating income was down sharply year on year, as we were unable to generate sufficient sales volume to compensate for an increase in depreciation and other fixed costs.

Imaging device sales fell year on year due to a decline in product prices, but operating income was higher than in the previous year, as we promoted the streamlining of production.

[Retail Systems Group]

YoY change: sales rose 4.0%; operating income increased 12.4%

Net sales in this overall segment rose 4.0% year on year to ¥158.7 billion, while operating income increased 12.4% to ¥2,817 million.

The goals of this segment are to strengthen the earnings structure and expand the scope of operations in growth sectors. During fiscal 2007, we endeavored to carry out restructuring centered on enhancing the earning power of vending machines and to expand sales of cold-chain equipment and currency handling systems, with the main focus on contactless IC cards.

In the vending machines, food service equipment, and currency handling systems business, beverage dispensers recorded a drop in sales in response to sluggish industry demand stemming from curtailed investment by large-scale customers. However, vending machine sales

rose year on year thanks to a favorable performance by cigarette vending machines with age verification functions and work to outfit existing cigarette vending machines with age verification functionality. Sales of currency handling systems also grew strongly on the back of business discussions regarding large-scale orders for automatic change dispensers and billing devices for copy machines as well as an increase in sales of new models of electronic settlement systems. As a result, sales in this segment rose year on year, and operating income grew, as restructuring and cost reductions centered on reducing fixed costs absorbed the impact of a steep rise in the price of steel materials and other products.

In the cold-chain equipment business, capital investment in the food distribution industry declined sharply mainly due to revisions to the building standard law of Japan and weak consumer spending. However, as we expanded aggressive order activities centered on existing store refurbishment and special location projects, sales exceeded the level of the previous year. Operating income declined year on year, mainly due to the impact of an increase in expenses associated with the reinforcement of the marketing organization and a steep rise in raw material prices.

[Others]

YoY change: sales declined 0.3%, operating income rose 18.1%

Net sales in this overall segment declined 0.3% year on year to ¥65.2 billion, and operating income rose 18.1% to ¥2,485 million.

Consolidated Forecasts for Fiscal 2008

The outlook for the management environment surrounding the Fuji Electric Holdings Group in fiscal 2008 has become increasingly uncertain due to such factors as the slowdown in the U.S. economy stemming from the subprime housing loan problem, the foreign exchange trend of the weakening U.S. dollar and strengthening yen, and a steep rise in crude oil and raw material prices. However, as corporate capital investment demand is still resilient, moderate growth is projected over the long term.

Furthermore, although the economic slowdown in the U.S. has intensified, we expect overseas economies in general to continue to recover on the back of high growth in emerging economies such as China, India, and Russia.

Against this backdrop, in the final fiscal year of the medium-term management plan that began in the fiscal year ended March 31, 2007, we will endeavor to create a strong Fuji Electric Group by making even more organic use of the Group's core technologies and human resources while responding swiftly to changes in the market environment, in order to proactively seize growth opportunities leading further into the future. To that end, in terms of reforms aimed at new growth, we will reform the Group management structure, reform Group business management, and introduce reforms involving Group personnel and organizations. As part of these reforms, we will integrate the ED&C·Drive Systems Group within the Energy & Electric Systems Group, and revise business categories in an effort to strengthen our business portfolio. Based on this initiative, we aim to further increase earnings by thoroughly bolstering "solutions and services based on power electronics technology" (drive business) as well as "process automation, factory automation, socio-automation and solutions and services" (automation business), which we regard as the businesses that will newly drive the Group's earnings growth.

For fiscal 2008, the Group has adopted the following consolidated earnings forecasts. These are based on U.S. dollar/yen exchange rate assumptions of ¥100 = US\$1 in the first half and ¥95 = US\$1 in the second half.

Consolidated Business Forecasts

(¥ Billion)

	Fiscal 2007 (Actual)	Fiscal 2008 (Forecast)	YoY Change (%)
Net sales	922.1	925.0	0.3
Operating income	35.8	42.0	17.0
Ordinary income	35.8	42.0	17.3
Net income	16.7	20.0	19.1

Forecasts by Segment

(¥ Billion)

	Net Sales			Operating Income		
	Fiscal 2007 (Actual)	Fiscal 2008 (Forecast)	YoY Change (%)	Fiscal 2007 (Actual)	Fiscal 2008 (Forecast)	YoY Change (%)
Energy & Electric Systems	409.8	550.0	34.2	13.2	22.5	69.8
ED&C • Drive Systems	191.7	-	-	10.7	-	-
Electronic Devices	184.8	235.0	27.2	8.1	16.0	96.0
Retail Systems	158.7	148.0	-6.8	2.8	4.0	42.0
Others	65.2	49.0	-24.9	2.4	1.5	-39.6
Elimination and Corporate	-88.2	-57.0	-	-1.5	-2.0	-
Total	922.1	925.0	0.3	35.8	42.0	17.0

The new Energy & Electric Systems Group aims to be the company with the highest growth and highest earnings in the industry, propelled by the drive business and the automation business resulting from the integration. By strategically carrying out business integration, the drive business will expand the system solutions sector on a worldwide basis, with a core focus on low-cost, high-quality components and engineering capabilities that match customers' needs. At the same time, the automation business aims to combine sensors and IT solutions, provide high-value-added services based on the keyword "safety," and cater to the needs of the global market.

In the case of the Electronic Device Group, the semiconductor business aims to increase production capacity for IGBT modules, the mainstay product, and expand sales in industries where strong growth is expected as well as sales related to automotive electronic devices. Furthermore, in the power supplies for information devices business, we intend to bolster the technology marketing organization related to China and other Asian countries and expand sales by boosting overseas production capacity. Meanwhile, the magnetic disk business will make full use of production lines that were completely converted to perpendicular magnetic recording technology in fiscal 2007 and thereby fulfill market requirements for large storage capacity. In addition, we aim to achieve a substantial earnings recovery by acquiring new customers, actively promoting new models based on customers' specifications, and pursuing further improvements in productivity and a reduction in the cost of manufacturing. In the case of the imaging device business, as the market is projected to expand based on growth in color devices, we intend to introduce new products for color devices.

As vending machines are subject to a challenging market environment, the Retail Systems Group aims to expand sales of high-value-added vending machines that support a contribution to society by focusing on vending machines that emphasize energy saving and environmental conservation. In the case of currency handling systems, we aim to secure earnings by establishing a development and production framework that responds to a dramatically changing market environment and developing marketing activities with an emphasis on profits. In the case of cold-chain equipment, we will endeavor to ensure orders by further stepping up the provision of products and services that are tailored to market needs. At the same time, we will

strive to secure sales and profits by promoting an increase in productivity and cost reductions and thoroughly cutting expenses.

2. Analysis of Financial Position

(¥ Billion, times)

	Fiscal 2006 (Year-end March 31, 2007)	Breakdown (%)	Fiscal 2007 (Year-end March 31, 2008)	Breakdown (%)	YoY Change
Total assets	1,024.8	100.0	1,035.9	100.0	11.1
Interest-bearing debt	299.9	29.3	356.2	34.4	56.3
Shareholder's equity	274.8	26.8	254.4	24.6	-20.4
Debt-equity ratio	1.1		1.4		0.3

*1 Shareholders' equity = Total net assets – Minority interests

*2 D/E ratio = Interest-bearing debt/ Shareholders' equity

Total assets as of March 31, 2008 were ¥1,035.9 billion, ¥11.1 billion higher than on March 31, 2007. Current assets increased by ¥47.8 billion, mainly due to a rise in trade receivables and inventories. Long-term assets, on the other hand, declined by ¥36.9 billion. Although net property, plant and equipment increased due to aggressive capital investment, mainly by the Electronics Devices Group, other investment securities declined due to revaluation.

The balance of interest-bearing debt stood at ¥356.2 billion, compared to ¥299.9 billion at the end of the previous fiscal year, due mainly to the issuance of corporate bonds and commercial paper.

Total net assets came to ¥263.2 billion as of March 31, 2008, down ¥21.2 billion year on year, due mainly to a decline in unrealized gains on other securities. Retained earnings rose, however. Shareholders' equity, defined as total net assets minus minority investments in consolidated subsidiaries, declined by ¥20.4 billion year on year to ¥254.4 billion. The debt-equity ratio rose 0.3 percentage points to 1.4 times.

Cash Flows

(¥ Billion)

	Fiscal 2006	Fiscal 2007	YoY Change(%)
Cash flow from operating activities	12.7	-13.1	-25.9
Cash flow from investing activities	-34.4	-36.6	-2.2
Free cash flow	-21.6	-49.8	-28.2
Cash flow from financing activities	18.7	54.2	35.4
Cash and cash equivalents	19.1	22.0	2.9

Free cash flow, defined as the sum of operating and investing cash flows, was negative ¥49.8 billion on a consolidated basis, compared with negative ¥21.6 billion during the previous fiscal year, marking a year on year deterioration of ¥28.2 billion.

Cash flow from operating activities

Net cash used in operating activities was ¥13.1 billion, compared to net cash provided in the previous fiscal year of ¥12.7 billion. While the Company posted income before income taxes and minority interests, this use of cash primarily reflected an increase in trade receivables and inventories. Cash flow from operating activities deteriorated by ¥25.9 billion year on year.

Cash flow from investing activities

Net cash used in investing activities totaled ¥36.6 billion, compared to net cash used in the previous fiscal year of ¥34.4 billion. This was due mainly to aggressive capital investment, primarily by the Electronic Devices Group. Cash flows from investing activities deteriorated by ¥2.2 billion year on year.

Cash flow from financing activities

Net cash provided by financing activities totaled ¥54.2 billion, compared to net cash provided in the previous fiscal year of ¥18.7 billion. This primarily reflected an increase in corporate bonds and commercial paper.

As a result, cash and cash equivalents on a consolidated basis as of March 31, 2008 increased by ¥2.9 billion from the previous fiscal year-end, to ¥22.0 billion.

3. Basic Policy Regarding Distribution of Earnings; Dividends for Fiscal 2007 and 2008

The Fuji Electric Group's basic policy is to enhance shareholders' equity by increasing the earnings potential of the Group, through steps to strengthen the business foundation and secure retained earnings to support the R&D and capital investment necessary for future growth, while also returning profits to all shareholders.

In accordance with this policy, The Fuji Electric Holdings Group strives to pay stable and continuous dividends from retained earnings, and determines the amount of dividends after taking into account consolidated operating results for the fiscal year, plans for R&D and capital investment aimed at future growth, and the business environment.

The Group intends to make effective use of internal reserves in order to generate and increase Group corporate value. For example, the Group is conducting R&D activities, making capital investments, taking effective action to reform the Group's operations, expanding overseas businesses, and utilizing human resources in an effort to promote further business prioritization and accelerate vigorous investment in areas where the Group's strengths lie.

The Group's position with respect to treasury stock acquisition is that treasury stock can be used to supplement dividends from retained earnings and provide flexibility to measures to return profits to shareholders as judged appropriate depending on the business environment and the Group's cash flow position.

For fiscal 2007, Fuji Electric intends to pay a year-end dividend of ¥4 per share. With the addition of the interim dividend of ¥4 per share, this makes the dividend payment for the full fiscal year ¥8 per share.

The Company has not yet determined the payment of dividends for fiscal 2008.

4. Risk Factors

The Fuji Electric Group works to mitigate business risk and other risks in a systematic and methodical manner. However, there are various risks, such as those listed below, which could have a negative impact on the operating results and financial position of the Fuji Electric Group. As of March 31, 2008, the following factors were judged to have a potential future impact on the operations of the Fuji Electric Group.

(1) Risks related to changes in the operating environment

- (a) Material and component prices in international markets have been rising due to rapidly increasing demand for raw materials associated with economic expansion in the BRIC countries, particularly in China, and protracted geopolitical instability related to conditions in

the Middle East. Operating results could be negatively affected in the event the Group is unable to adequately respond to further increases in raw material and component prices.

- (b) The Fuji Electric Group's sales are affected by domestic economic trends, including private and public sector investment. The performance of the Electronic Devices business is closely correlated to market conditions in the electronics industry. Consequently, the Group's operating results could be affected in the event of sudden changes in the supply-demand balance or intensified competition resulting in sharp declines in prices in the electronics industry.
- (c) The Fuji Electric Group is seeking to expand its overseas presence, with a particular focus on the Chinese and other Asian market. Specifically, the Group is actively working to increase sales of control and drive systems, semiconductors, magnetic disks and other products in China. Consequently, the Group's operating results could be affected in the event of deterioration in the Chinese economy or unexpected changes to economic policy.
- (d) Based on an established set of management criteria, the Fuji Electric Group systematically employs forward-exchange contracts to minimize the risk of exchange rate fluctuations on its operating results. However, the forward-exchange contract policy is not capable of entirely mitigating exchange-rate risk. Consequently, fluctuations in exchange rates, primarily between the yen and the U.S. dollar, may have a negative impact on the operating results and financial position of the Group.
- (e) The Fuji Electric Group's interest-bearing debt totaled ¥356.2 billion as of March 31, 2008. A higher-than-anticipated increase in interest rates may lead to a significant additional interest payment burden, which could have an impact on the operating results of the Group.

(2) Risks related to product quality

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

(3) Matters associated with investments

The Fuji Electric Holdings Group rapidly channels its management resources into businesses in which growth is anticipated, and then makes capital investments and R&D investments with the aim of expanding and developing these businesses. Some of these investments may not be recovered, especially as the disk media sector and the semiconductor sector both require large funding, have short product cycles, and face volatile product supply and demand dynamics and intensifying competition. If in fact investments are not recovered, this could have an impact on the Group's business performance.

(4) Risks related to technology development

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

(5) Risks related to overseas business activities

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

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

(6) Risks related to intellectual property

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

(7) Matters associated with alliances

The Fuji Electric Holdings Group will actively engage in business cooperation with third parties based on joint ventures, alliances, and other methods with the aim of strengthening its competitiveness in various business fields. In the case of these measures, cooperative relationships with applicable third parties are indispensable, but if the integration of business strategies, technologies, products, personnel, and so forth is not conducted smoothly due to differences in terms of systems, cultures, and other such matters, and sufficient results are not achieved, this could have an impact on the Group's business performance.

(8) Risks related to human resources

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

(9) Risks related to leak of personal information

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

(10) Risks related to major natural disasters

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

(11) Risks related to soil contamination

Based on the international standard for environmental protection systems, the Group works to prevent, measure and monitor soil contamination at its operating sites. Prior to selling any land, the Group carries out soil surveys and takes other appropriate steps in accordance with relevant

laws and regulations. However, as a result of these measurements and surveys, the Group may incur costs for soil remediation measures, which could have a negative impact on the operating results of the Group.

(12) Risks related to retirement benefit liabilities

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

(13) Risks related to compliance

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

(14) Risks related to lawsuits and other legal proceedings

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