Environmental Management

We at Fuji Electric are united in tackling environmental issues based on our policy of contributing to society by developing our energy-related business globally.

Message from the Environmental Officer

**Problem: Looking at Our Business Activities from a Global Perspective and Promoting Environmental Management to Reduce our Environmental Impact**

The main pillars of Fuji Electric's Environmental Vision 2020 are to stop global warming, create a recycling-oriented society, and meet our corporate social responsibilities. To achieve these aims, we will promote environmental management, and contribute to the protection of the global environment by providing energy-conserving and energy-creating products and technologies. We will also undertake proactive measures to reduce environmental impact through our own production activities.

Fiscal 2011 provided us with an opportunity to review how we look at energy supply and demand. We reduced energy consumption substantially by accelerating our development of products and technologies that contribute to energy conservation, performing energy-saving diagnostics in Japan and overseas bases, and stepping up our rollout of energy conservation measures across the organization.

In response to Japanese government requests to conserve electricity in the Tokyo Electric Power Co. service area, we strove to cut peak power consumption by transferring production to other locations in Japan and overseas, shifting to nighttime production, and installing high-efficiency devices. At the same time, we introduced a power monitoring system to verify our legal compliance. As a result of our activities, we succeeded in reducing peak power consumption by 41%.

As energy-related values and needs are growing increasingly diverse, in the future we believe that existing structures will need to be reformed. Fuji Electric is taking the lead in this area. In response to global environmental trends and stakeholder input, we are introducing improvements and reforms and developing energy-related business globally, based on our power electronics technologies. Through these efforts, we will contribute to the realization of a sustainable society.

**Environmental Vision 2020**

As a Company that has positioned energy and the environment at the heart of its business activities, Fuji Electric recognizes that reducing any burden imposed on the global environment is both an important social responsibility and key priority.

Accordingly, we formulated the Fuji Electric Environmental Vision 2020 in April 2009 to serve as a signpost and to provide direction for our medium- to long-term environmental activities. In addition to reducing the environmental load of our production activities, we aim to be lead the energy and environment field by helping to lessen the environmental impact on society as a whole through our products.
Environmental Policies

Fuji Electric's basic policies on environmental protection were established in 1992, declaring within and outside the Company its efforts to address diverse global environmental issues. We also began working to reduce the environmental impact of our business activities.

We revise our policies when necessary in light of societal changes. To coincide with the launch of the “New Fuji Electric” in April 2011, we added contributions to the environment through energy-related businesses as well as global-scale undertakings.

Environmental Management

Environmental Management Organizational Framework

Fuji Electric has positioned efforts aimed at protecting the environment as an important component of its CSR activities. At the same time, the Company adopts a global approach toward environmental management and addressing the needs of an ever-changing society.

Fuji Electric established the Global Environmental Protection Committee reporting directly to the president. This committee is charged with deliberating and determining the basic, comprehensive environmental management measures for the Company. Comprised of the officers responsible for environmental management at Fuji Electric's principal factories and affiliated companies, we also hold sessions of the Fuji Electric Global Environmental Promotion Responsibility Council when necessary to look into the development of major policies and solutions with respect to new issues and as forum through which to exchange information. Moreover, we have set up sub-committees and working groups (WGs) to resolve specific issues by theme.
Fuji Electric's Organization

Fuji Electric Environmental Management Promotion Structure

Environmental Management in accordance with ISO 14001

Fuji Electric has put in place environmental management systems at all of its production operations and sales bases in Japan as well as all of its overseas production operations and is pursuing third-party certification.

The Status of ISO 14001 Certification (As of March 31, 2012)

<table>
<thead>
<tr>
<th>Consolidated businesses and operational sites</th>
<th>Japan</th>
<th>Overseas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of sites</td>
<td>31</td>
<td>11</td>
</tr>
<tr>
<td>Acquired</td>
<td>30</td>
<td>9</td>
</tr>
<tr>
<td>Not acquired</td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

Implementing Internal Environmental Audits

Since fiscal 2003, Fuji Electric has continued to conduct annual environmental site inspections of ISO 14001-certified sites.

In fiscal 2011, inspections were conducted at 24 of 30 sites in Japan, and six of nine sites overseas. As for previous inspections, steps were taken to ascertain the level of compliance with applicable environmental laws and regulations and to assess environmental risks.

In addition, efforts were made to promote the Environmental Management 3-Year Rolling Plan, formulated in fiscal 2011, at each base with the ultimate aim of achieving Fuji Electric's Environmental Vision 2020. While sharing the goals established under the Plan and Vision, explanations were provided regarding revisions to applicable legislation including Japan’s water Quality Pollution Control Act as well as steps taken to tighten regulations. Internal environmental audits also provide a means through
Bolstering Environmental Activities (Operating Green Factories and Green Office Evaluation Systems)

Activities based on an environmental management system (EMS) are the focus of Fuji Electric's environmental efforts at each of its operating locations.

In fiscal 2011, we introduced a Green Factory / Green Office Evaluation System to bolster the effectiveness of our EMS activities. This system defines evaluation items for environmental activities at each business site, which are directly linked with the medium- to long-term targets in our Environmental Vision 2020. The system specifies certain business activities (such as the percentage of sales derived from environmental businesses, the number of environmental products developed, the contribution to a reduction in society's CO2 emissions resulting from our products), and certifies as a Green Factory / Green Office each business site that achieves the top “gold” level for three years in succession.

Through these activities, we are augmenting efforts at each business site toward the achievement of our Environmental Vision 2020 objectives.

In the current fiscal year, we used this system to evaluate 28 EMS business sites in Japan. A total of 25 sites received a “gold” rating for having made improvements in all categories year on year, and no site earned a lower evaluation than in the preceding fiscal year. Going forward, we will endeavor to ensure that all business sites earn a “gold” evaluation.

Green Factory/Green Office Evaluation Factors

- Environmentally friendly products and services
- CO2 reduction
- Reduced waste and efficient use of resources
- Chemical substance management and reduction of toxic atmospheric emissions
- Reduction of environmental risk and compliance
- Communication with local communities

Reinforcing Environmental Risk Management (Drawing Up Environmental Risk Maps)

To promote environmental management, we believe that in addition to the environmental contribution of our products, we must reinforce risk management at each of the business sites that make these products and maintain stable production systems. To this end, we have created an “environmental risk map” for all our production sites in Japan.

This map contains historical data for each business site (such as their history of using chemical substances, history as legally specified facilities, and history of building extensions or reconstruction), thereby recording the background of each division.

We use this map when conducting environmental inspections at business sites to make local confirmation more effective and enhance risk management.

Going forward, we plan to add information about the utility of plant facilities and equipment that uses energy. Making visible the extent to which each business site uses water, electricity, gas, and other resources should contribute to energy and resource conservation efforts at each business site.

Environmental Accounting

Fuji Electric introduced environmental accounting in fiscal 2000 as a key means of assessing environmental management performance. Using the 2005 guidelines released by Japan's Ministry of the Environment, we established in-house calculation methods for environmental preservation costs and benefits. Each year, we ascertain and analyze these costs and benefits and disclose this information to the public.

Stance toward Environmental Accounting Calculations

We calculate “direct benefits,” such as revenue from sales of valuable items and energy conservation, as well as “estimated benefits,” which is a conversion to monetary value of the energy-savings benefit from the use by customers of existing environmentally friendly products (such as vending machines and some inverters) and energy-creating products (such as solar cells and geothermal systems).

Fiscal 2011 Achievements

Environmental conservation costs totaled ¥16.08 billion, with investment at ¥1.44 billion and expenses at ¥14.64 billion. The environmental conservation benefit totaled ¥19.99 billion, including revenue from sales of valuable items at ¥1.04 billion, savings from energy conservation of ¥0.12 billion, and estimated benefits of ¥18.83 billion.

Environmental investment in fiscal 2011 was largely directed toward energy conservation equipment. An amount totaling ¥259 million was spent on the renewal of air conditioning equipment and the installation of fuel cells in the Kawasaki and Fukiage areas. Moving forward, Fuji Electric will continue to engage in systematic investment while expanding energy conservation products.
### Environmental Conservation Costs and Benefits (Fiscal 2011)

Period covered: April 1, 2011 to March 31, 2012
Scope: 13 business sites + 17 consolidated subsidiaries (nine subsidiaries in Japan and eight overseas subsidiaries)

#### Environmental Conservation Costs (Fiscal 2011)

<table>
<thead>
<tr>
<th>Categories corresponding to business operations</th>
<th>Main Content</th>
<th>Total (Compared to the previous term)</th>
<th>Breakdown</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costs within the business area</td>
<td></td>
<td></td>
<td>Amount invested</td>
</tr>
<tr>
<td>1 Pollution prevention costs</td>
<td>Cost of improving and maintaining atmospheric and wastewater emission treatment facilities and sound dampening equipment</td>
<td>1,535 (△798)</td>
<td>870</td>
</tr>
<tr>
<td>2 Global environmental conservation costs</td>
<td>Installation and maintenance of energy efficient equipment</td>
<td>576 (+98)</td>
<td>504</td>
</tr>
<tr>
<td>3 Materials recycling costs</td>
<td>Waste reduction, maintenance and management costs</td>
<td>389 (△41)</td>
<td>9</td>
</tr>
<tr>
<td>2 Upstream/downstream costs</td>
<td>Cost of processing discarded products</td>
<td>21 (△19)</td>
<td>0</td>
</tr>
<tr>
<td>3 Management costs</td>
<td>Costs of environmental education for employees, environmental management systems operation, monitoring and measurement of environmental impact, environmental conservation measures</td>
<td>844 (+238)</td>
<td>14</td>
</tr>
<tr>
<td>4 R&amp;D costs</td>
<td>R&amp;D costs for environmental conservation, such as energy conservation</td>
<td>13,608 (+1,988)</td>
<td>558</td>
</tr>
<tr>
<td>5 Social activity costs</td>
<td>Greenery preservation, greening costs, and the cost of supporting environmental activities</td>
<td>10 (△1)</td>
<td>1</td>
</tr>
<tr>
<td>6 Environmental damage costs</td>
<td>Cost of excavation and processing of contaminated ground, charges for the impact of pollution</td>
<td>61 (△64)</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>16,079 (+2,062)</td>
</tr>
</tbody>
</table>

#### Economic Benefit of Environmental Conservation Measures (Fiscal 2011)

<table>
<thead>
<tr>
<th>Categories</th>
<th>Main details</th>
<th>Total (Compared to the previous term)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>Amount received from sale of valuable items for recycling</td>
<td>1,049 (△139)</td>
</tr>
<tr>
<td>Savings</td>
<td>Reduction of expenses through energy conservation, reduction of landfill waste, reduction of water bill through water conservation</td>
<td>117 (+86)</td>
</tr>
<tr>
<td>Estimated benefit</td>
<td>Energy reduction through the use of environmentally friendly products by customers</td>
<td>18,830 (△357)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>19,996 (△410)</td>
</tr>
</tbody>
</table>

**Note 1:** The "estimated benefit" is calculated as the economic benefit of energy savings when products with improved energy efficiency are used by customers, and is converted using the following formula:

\[
\text{Benefit (¥)} = \sum (\text{annual amount of electrical power consumed by former equipment} - \text{annual amount of electrical power consumed by customer})
\]
power consumed by new equipment) × Volume shipped annually in Japan × Electrical power standard cost (electrical power standard cost: ¥10/kWh)

**Note 2:** The "estimated benefit" includes environmentally friendly products such as solar cells, vending machines, cash counters, gas alarm equipment and LED lighting.