

Contributing to the realization of a sustainable society will win Fuji Electric further endorsement.



On behalf of Fuji Electric, I would like to express our sincere gratitude to our stakeholders for their continued support and understanding.

Contributing to Society through Energy-Related Businesses

Fuji Electric aims to develop with society sustainably. Therefore, we have set out a management policy calling on us to *through our innovation in energy technology, we contribute to the creation of responsible and sustainable societies and achieve further growth through our global business expansion.*

For Fuji Electric, technologies for electricity and thermal energy, based on power electronics technologies, are core technologies the Company has honed continually since its foundation. These technologies play a pivotal role in our energy-related businesses, which operate in three sectors: *energy creation*, providing clean environmentally-friendly energy; *energy conservation*, realizing efficient energy use; and *energy management*, linking them optimally. Through our energy-related businesses, we are working to help solve such environmental issues as global warming and energy-related problems.

Fiscal 2012 Management Policy

Expand energy-related businesses

Contribute to the realization of a safe, reliable, and sustainable society through technologies for electricity and thermal energy

Globalize

Build overseas businesses to expand our business on a global scale

Realize concerted strength as a team

- Realize concerted strength through diverse personnel / organizations
- Make effective use of overseas personnel

Michihiro Kitazawa

President and Representative Director
Fuji Electric Co., Ltd.

Revenue and Earnings Up for Fiscal 2011 Despite Tough Conditions

Looking back, fiscal 2011, which ended March 31, 2012, began under exceptional circumstances. The Great East Japan Earthquake made component and material procurement problematic and restricted power supplies. Consequently, we were unable to announce a business results forecast until July. Meanwhile, business conditions overseas were challenging. As well as a worsening of the global economy stemming from Europe's financial crisis, China's economic growth softened, and there was severe flooding in Thailand.

Amid these business conditions, Fuji Electric took a range of measures to address the following problems.

1. The deceleration of operational implementation and dispersing of responsibility
2. The wide range of Fuji Electric's operations centered on *energy and environment*
3. The insufficient market orientation of business management
4. The weakening of manufacturing capabilities
5. The need to step up operational restructuring to enable responsiveness to market changes (Magnetic Disks and Vending Machines business segments)

Tackling the first problem, we further enabled integrated business management by abolishing the holding company system and re-launching the "New Fuji Electric" as an operating company in April 2011. At the same time, we reduced the number of executive officers from 53 to 18 to speed up decision making and clarify responsibility.

As for the second problem, we reviewed the system through which we realize *energy creation, energy conservation, and energy management* based on power electronics technologies and reorganized business segments.

Regarding the third problem, we rebuilt our business management system to make it more oriented

towards markets and customers. This new system comprises the newly established Corporate Marketing Headquarters and Sales Headquarters, which prepares sales strategies that reflect market trends and customer needs and is responsible for sales. This reorganization led to the preparation of a long-term business management policy, the 10-Year Vision, and a 3-Year Rolling Plan, which sets out medium-term goals.

In response to the fourth problem, we positioned the Saitama Factory as the production technology division's mother plant and developed operations accordingly.

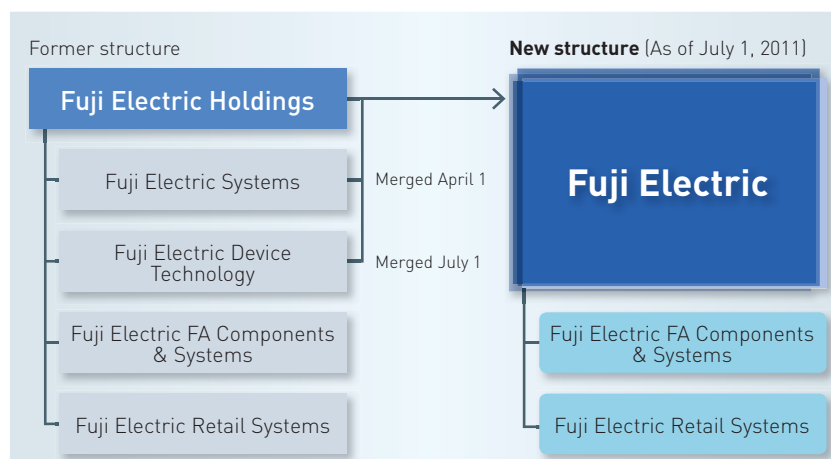
For the last problem, we consolidated respective operations at a single location, which enhanced efficiency and reduced fixed cost significantly, thereby realizing a dramatic improvement in profitability and moving the Magnetic Disks business and the Vending Machines business segment into the black.

The above summarizes the main issues and our measures to address them in fiscal 2011.

As a result of these measures, net sales for fiscal 2011 rose 2.1% year-on-year, to ¥703.5 billion. We achieved this due to higher revenue from the Energy, Social Systems, Power Electronics, and Electric Distribution and Control (ED&C) Components business segments, despite tough business conditions caused by a lackluster market from the beginning of the fall and by appreciation of the yen.

Also, operating income saw a steep 61.6% year-on-year increase, to ¥19.3 billion, reflecting the realization of operating income by the Magnetic Disks business and the Vending Machines business segment and rigorous cost reduction. However, the drive business of the Power Electronics business segment—a mainstay of the Company's revenue and earnings—recorded a significant decline in earnings because cost reductions could not offset the higher selling, general and administrative expenses resulting from efforts to step up worldwide sales. Furthermore, the semiconductor business of the Electronic Devices business segment saw earnings decline due to unfavorable exchange rates and a rise in fixed cost accompanying advance investment. Restoring the earning power of these two businesses is one of our main tasks going forward.

Birth of the "New Fuji Electric"



Formation of Solid Foundation for Business Management in Fiscal 2012

■ Reorganizing Businesses Based on a Medium-to-Long-Term Viewpoint

At the beginning of fiscal 2012, we reformed the organization of our businesses in light of problems and shifts in business conditions that had emerged during the previous fiscal year.

As well as establishing a new Global Business Group with a view to expanding global operations, we underwent reorganization in April 2012 to consolidate seven former business segments into five business segments: Power and Social Infrastructure, Industrial Infrastructure, Power Electronics, Electronic Devices, and Food and Beverage Distribution. Incorporating the substation business assumed from Japan AE Power Systems Corporation into the Company enabled the creation of the Power and Social Infrastructure business segment, which encompasses all smart community operations—from power generation through to power demand-side operations. Furthermore, the Great East Japan Earthquake has prompted a reevaluation of food safety and reliability. Against this backdrop, we merged store distribution operations and the Vending Machines business segment to form the Food and Beverage Distribution business segment. Through this business segment we aim to develop new products and create new businesses by combining technologies for electrical energy that we have cultivated over many years with heating and cooling technologies. Also, we incorporated the ED&C Components business segment into the Power Electronics business segment with the intention of strengthening operations by realizing synergies with the Power Electronics business segment. This reorganization has established a structure for advancing energy-related businesses that are founded on our technologies for electricity and thermal energy.

■ Formation of Solid Foundation for Business Management

In fiscal 2012, amid economic conditions in which the

Business Segments for FY2012

FY2011 Segments

Segment	Subsegment
Energy	
Industrial Systems	
Social Systems	Energy Distribution
	Store Distribution
	Social Information
Power Electronics	
Electronic Devices	
ED&C Components	
Vending Machines	

FY2012 New Segments

New Segment	New Subsegment
Power and Social Infrastructure	Power Generation
	Social Infrastructure
Industrial Infrastructure	Industrial Plants
	Facilities
Power Electronics	Drive
	Power Supply
	ED&C Components
Electronic Devices	Semiconductors
	Magnetic Disks
Food and Beverage Distribution	Vending Machines
	Store Distribution

outlook is becoming increasingly uncertain, we will tackle the following three priority tasks to global operations.

Strengthen Manufacturing Capabilities and Increasing Earning Power through Rigorous Cost Reduction

We believe that the source of manufacturers' competitive strength lies in their facilities and equipment and production technology capabilities. Within Fuji Electric, as engineers and technicians reach retirement, the number of key personnel supporting manufacturing is declining. Moreover, our manufacturing capabilities have weakened due to our response to the appreciation of the yen in the early 2000s: We accelerated the transfer of manufacturing to areas outside of Japan, mainly to China, while expanding production outsourcing to reduce cost.

To achieve this successfully we must have the ability to manufacture products that are competitive in markets around the world, which means it is critical that we strengthen our manufacturing capabilities—the core of any manufacturer. With this in mind, we concentrated the mother plant functions of the production technology division at our Saitama Factory. As well as bolstering production technology capabilities and adopting a “black box” approach to core technologies, facilities, and equipment, we have begun fostering production engineers and technicians who will be able to contribute to operations at overseas manufacturing bases.

In addition, we will enhance profitability by lowering purchasing cost through the expansion of global purchasing and centralized purchasing while realizing rigorous cost reduction.

Improve Cash Flows by Rigorously Reducing Inventories

Aiming to create cash flows, we will advance operational reform through supply chain management that entails a reduction in lead times and inventories while pursuing a

selection and concentration investment strategy. These initiatives will increase earnings and create cash flows, which we will exploit to fund mergers and acquisitions (M&As) aimed at realizing our growth strategy and expanding operations overseas.

Advance Local Design and Manufacturing for Local Consumption to Expand Global Operations

For overseas operations, positioning Asia and China as priority regions with strong growth potential, the newly established Global Business Group will prepare global strategies aimed at expanding operations. Furthermore, we will establish a local self-contained

business model. In other words, we will conduct in-depth marketing locally and design and develop products locally based on the needs identified, purchase and manufacture locally, and sell products for local consumption.

In addition, plans call for further expanding and enhancing sales bases in Asia, China, and South America. In particular, we want to step up operational collaborations with local companies in Asia. Furthermore,

we intend to accelerate the establishment of overseas operational foundations by increasing local personnel and developing "global" personnel.

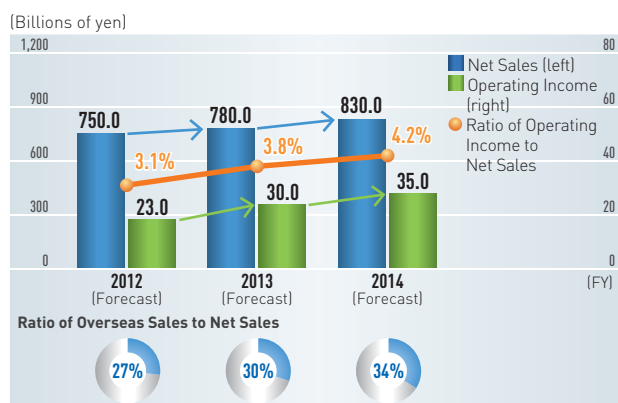
Through these initiatives, we expect to achieve year-on-year increases of 6.6% in net sales for fiscal 2012, to ¥750 billion; 19.5% in operating income, to ¥23 billion; and 10.2% in net income, to ¥13 billion.

Aiming to Expand Global Operations Based on 3-Year Rolling Plan

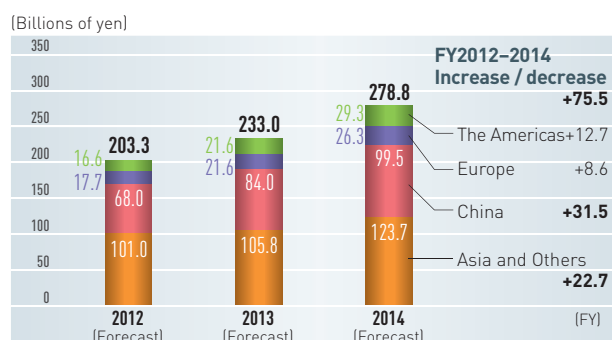
As part of our 3-Year Rolling Plan launched from the current fiscal year, our goal for fiscal 2014 is to increase net sales by 11% to ¥830 billion, and 52% in operating income, to ¥35 billion, as compared to the current fiscal year. In order to achieve sustainable profitability and growth, we will curb capital investment by implementing a strategy of selection and concentration for the power semiconductors business while allocating management resources to power electronics products that

use power semiconductors and to industrial- and social infrastructure-related businesses, which operate systems businesses centered on such power electronics. Focusing efforts on expanding operations globally mainly through energy-related businesses in China and Asia, we plan to increase overseas sales ¥75.5 billion in fiscal 2014. We are striving to grow our overseas sales to account for 34% of net sales in fiscal 2014, up from 27% for fiscal 2012.

Net Sales / Operating Income



Overseas Sales



Realizing Concerted Strength as a Team, Contributing to the Realization of a Safe, Reliable, and Sustainable Society

Fuji Electric pledged participation in the United Nations Global Compact (GC) in 2010. We view the 10 universally accepted principles in the areas of human rights, labour, the environment, and anti-corruption as vital guidelines in our global business development. Accordingly, we have reflected the GC in the Fuji Electric Code of Conduct, which we are putting into practice. Furthermore, in fiscal 2011 we used the corporate social responsibility (CSR) international standard ISO 26000 to categorize our CSR tasks and identified our CSR goals. To realize these goals, we will advance CSR-based business management as a global company.

In July 2012, we set out a new brand slogan: "Innovating Energy Technology," clearly expressing our business domain and the value we provide. Based on our commitment of leading to a responsible and sustainable society through our pursuit of innovation in

electric and thermal energy technology, our approximately 28,000 employees worldwide will realize concerted strength as a team as they help customers around the world and create a company that truly contributes to the realization of a safe, reliable, and sustainable society.

In closing, we would like to ask for the continued support and understanding of all our stakeholders.

July 2012

Michihiro Kitazawa

President and Representative Director
Fuji Electric Co., Ltd.