

Securities code: 6504

To Our Shareholders
137th Term (Fiscal 2012) Annual Business Report

(April 1, 2012–March 31, 2013)

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Business Report (April 1, 2012–March 31, 2013)

[Business Overview]

Overview

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

In this environment, the Company pushed forward with initiatives geared toward advancing the management policy of “expand energy-related businesses.” At the same time, we worked to reinforce management foundations by pursuing improved profitability through thorough cost reductions, strengthening manufacturing capabilities, improving cash flows by reducing inventories, and developing sales and production foundations to expand overseas operations.

(Note) As used in this Business Report, the expression “Fuji Electric” refers to the company group comprising the Company, its subsidiaries, and affiliates.

Fiscal 2012 (April 1, 2012 to March 31, 2013)

Classification	137th term Fiscal 2012	Increase/Decrease
Net sales	¥745.8 billion	Up ¥42.2 billion YoY
Operating income	¥22.0 billion	Up ¥2.7 billion YoY
Ordinary income	¥25.7 billion	Up ¥7.2 billion YoY
Net income	¥26.4 billion	Up ¥14.6 billion YoY
Net income per share	¥36.90	Up ¥20.38 YoY
Total assets	¥765.6 billion	Down ¥27.3 billion YoY

Consolidated business results for fiscal 2012 were as follows.

Net sales increased ¥42.2 billion year on year, to ¥745.8 billion, largely due to the contributions of large-scale contracts in the power generation business and the depreciation of the Japanese yen.

Operating income improved ¥2.7 billion year on year, to ¥22.0 billion. This was because the benefits of thorough cost reduction measures as well as the business restructuring initiatives implemented in the previous fiscal year outweighed the impacts of intensified cost competition.

Likewise, ordinary income improved ¥7.2 billion year on year, to ¥25.7 billion.

Net income improved ¥14.6 billion year on year, to ¥26.4 billion, representing a new record high.

Free cash flows increased ¥16.2 billion year on year, to ¥31.1 billion, due to an increase in profits as well as a thorough reduction of inventories through supply chain reforms such as shortening of lead times.

Business Segment Overview

(¥ billion)

Business segment	Classification	136th term Fiscal 2011	137th term Fiscal 2012	Change (%)
Power and Social Infrastructure	Net sales	156.6	198.9	127%
	Operating income	12.0	11.6	97%
Industrial Infrastructure	Net sales	110.5	115.6	105%
	Operating income	4.4	5.0	115%
Power Electronics	Net sales	150.8	141.6	94%
	Operating income	3.8	2.6	69%
Electronic Devices	Net sales	112.2	113.6	101%
	Operating income (loss)	(0.2)	(1.4)	—
Food and Beverage Distribution	Net sales	115.5	112.1	97%
	Operating income	2.3	6.4	284%
Others	Net sales	112.6	116.9	104%
	Operating income	2.6	2.9	109%
Sub-total	Net sales	758.2	798.7	105%
	Operating income	24.9	27.2	109%
Eliminate/Corporate	Net sales	(54.7)	(52.9)	—
	Operating income (loss)	(5.6)	(5.2)	—
Total	Net sales	703.5	745.8	106%
	Operating income	19.3	22.0	114%

(Note) The number of business segments decreased from eight (8) to six (6) during the current fiscal year, and the figures for fiscal 2011 with regard to each segment are stated after reclassifying them in accordance with the classification of business segments after such change.

Results by Business Segment

[Power and Social Infrastructure]

Net sales rose 27% year on year, to ¥198.9 billion, and operating income worsened ¥0.4 billion year on year, to ¥11.6 billion.

Sales in the power generation business were up year on year due to large scale orders for thermal power plants, but operating results worsened due to the heavy impacts of intensified cost competition. In the social infrastructure business, demand for solar power generation systems rose following the launch of the feed-in tariff scheme for renewable energy, and the energy distribution business drove year-on-year improvements in net sales and operating results accordingly.

TOPICS

Delivery of highly efficient thermal power generation system

Responding to rising expectations for highly efficient thermal power generation, the Company delivered its very first gas-turbine combined cycle power generation system to Yoshinoura thermal power station of Okinawa Electric Power Company, Incorporated.

Brisk demand for solar power generation systems

Boosted by the launch of the feed-in tariff scheme for renewable energy in Japan, demand for solar power generation systems increased sharply, and the Company has been aggressively expanding sales activities.

[Industrial Infrastructure]

Net sales rose 5% year on year, to ¥115.6 billion, and operating income improved ¥0.7 billion year on year, to ¥5.0 billion.

In the industrial plant business, sales increased year on year due to relatively firm replacement demand in Japan. Sales also increased in the facilities business, which benefited from domestic replacement demand and revenues from large-scale projects overseas.

While operating results in both businesses were impacted by intensified cost competition, these impacts were outweighed by the benefits of the higher sales and lower costs, and overall operating results improved year on year for this business segment accordingly.

TOPICS

Delivery of large-capacity rectifiers

The Company delivered large capacity rectifiers for the world's largest aluminum smelting plant in the United Arab Emirates.

Reinforcement of overseas sales and engineering bases

Aiming to expand the plant business overseas, the Company reinforced engineering capabilities in Singapore and Indonesia.

[Power Electronics]

Net sales decreased 6% year on year, to ¥141.6 billion, and operating income worsened ¥1.2 billion year on year, to ¥2.6 billion.

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

TOPICS

Speeding up the launching of overseas-specification products

The Company is speeding up the development and launch of products for Asia and Europe that are designed to meet local needs such as inverters used for air conditioners, and global UPS.

Domestic and overseas business expansion of rapid chargers for electric vehicles

Responding to the expected popularization of rapid chargers for electric vehicles, the Company, while pushing forward with domestic sales, has developed and launched products compliant with U.S. safety standards.

[Electronic Devices]

Net sales increased 1% year on year, to ¥113.6 billion, and operating loss worsened ¥1.2 billion year on year, to ¥1.4 billion.

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

TOPICS

Establishment of Fuji Electric Tsugaru Semiconductor Co., Ltd.

Aiming to strengthen semiconductors for automobiles, which are expected to grow, and distribute the risks of pre-process production, the Company established Fuji Electric Tsugaru Semiconductor Co., Ltd. by purchasing the Tsugaru Factory of Renesas Northern Japan Semiconductor, Inc.

Entry into market for household air conditioners

In response to the rising demand for inverters in electrical products in China and Asia, the Company entered the semiconductor market for household air conditioners.

[Food and Beverage Distribution]

Net sales decreased 3% year on year, to ¥112.1 billion, and operating income improved ¥4.2 billion year on year, to ¥6.4 billion.

In the vending machine business, there was strong replacement demand for energy-saving environmentally friendly vending machines, and the launch of coffee machines for convenience stores contributed to sales improvements. However, sales declined year on year after sales of the food and beverage items sold in vending machines were stopped. In the store distribution business, sales rose as a result of automatic change dispenser replacement demand as well as increased orders for freezing, refrigerating, and energy-saving facilities for convenience stores and other establishments. Overall operating results improved for this business segment due

to the benefits from the business restructuring initiatives implemented in the previous fiscal year as well as cost reductions and the introduction of new products.

TOPICS

Responding to the rising preference for electricity-saving vending machines

Answering the rising demand for eco-friendly vending machines, the Company worked hard to satisfy the demand to replace to eco-friendly vending machines models such as hybrid heat pump vending machines that realize substantial energy savings compared with previous machines

Development of coffee machine for convenience stores

Through working closely with its convenience store clients, the Company has developed and is now delivering a coffee machine that can serve high quality, aromatic coffee.

[Others]

Net sales rose 4% year on year, to ¥116.9 billion, and operating income improved ¥0.2 billion year on year, to ¥2.9 billion.

Research and Development Activities

In fiscal 2012, our efforts were focused on research and development to create product lineups, which are expected to lead to a responsible and sustainable society, by pursuing cutting-edge energy technologies.

The following provides an overview of these activities.

In the Power and Social Infrastructure business, Fuji Electric participated in next-generation energy and social systems demonstration projects in Kitakyushu City and Kansai Science City (so-called “Keihanna Science City”) and other related demonstration projects at home and abroad. At Japan’s first full-scale social experiment of dynamic pricing of electricity in Kitakyushu City’s demonstration project, it was confirmed that power consumption was reduced by 16% or more (according to figures released by the city).

In the Industrial Infrastructure business, we developed and launched a built-in block-based “module-type data center,” which stores a server, UPS and power receiving and distributing equipment by block. We also expanded the lineup of the mainstay controller MICREX-SX Series by adding such models as those used for high-speed synchronous control and those compatible with open networks.

Furthermore, we developed and launched a vibration sensor, aiming to apply it to structure health monitoring for quickly diagnosing the deterioration of building and bridge structures and their safety in times of disaster.

In the Power Electronics business, we developed the PVI Series, a high-efficiency power conditioner for large photovoltaic power generation systems, using our proprietary technology AT-NPC 3-Level Conversion Circuit. The PVI Series was given the Agency of Natural Resources and Energy Director’s Award as fiscal 2012 superior energy conserving machinery at an awards ceremony held by the Japan Machinery Federation. We also developed and launched the FRENIC-Ace Series, a high-performance, general-purpose inverter that enables users to choose a unit according to the usage with its customizable logic function. Furthermore, we developed and launched the 32-63AF class G-TWIN Λ Series, MCCB (molded case circuit breaker) and ELCB (earth leakage circuit breaker), that conform to the world’s major standards.

In the Electronic Devices business, we developed and began to mass-produce and ship an intelligent power module (IGBT-IPM), which has two built-in inverters for the drive motor and generator, for use in plug-in hybrid vehicles.

In the Food and Beverage Distribution business, we developed and launched a vending machine that can maintain temperatures required for beverages for up to 16 hours in the daytime without using power for cooling, by upgrading the conventional peak-cut function and applying new heat storage and insulation technologies.

In the new technologies and core technologies, we have been jointly developing silicon carbide (SiC) devices with the National Institute of Advanced Industrial Science and Technology by utilizing open innovation. In fiscal 2012, for the first time in Japan, we commercialized and launched an industrial inverter equipped with a hybrid module, which combines an SiC schottky barrier diode (SiC-SBD) with Si-IGBT.

Capital Investment

In fiscal 2012, we made total investments of ¥31.8 billion, including those for leasing. In the power electronics and semiconductor businesses, to cope with a decrease in demand caused by a weak market, we made proactive investments from a medium- to long-term perspective and strengthened the business system to prepare for a recovery in the market.

Key investments were as follows.

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

In the Electronic Devices business, to reinforce production capacity of power semiconductors, which are used in new energy-related products and eco-friendly products, we invested in facilities for front-end processes mainly in the Yamanashi area and established a production base for post-processes in Shenzhen, China.

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

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

In the Power and Social Infrastructure and Industrial Infrastructure business, we invested in the replacement of production facilities.

Financing

In fiscal 2012, we redeemed bonds worth ¥60.0 billion in total: 20th unsecured bonds in the amount of ¥20.0 billion in April 2012, 21st unsecured bonds in the amount of ¥20.0 billion in September 2012 and 22nd unsecured bonds in the amount of ¥20.0 billion in January 2013. Meanwhile, we issued bonds worth ¥20.0 billion in total: 25th unsecured bonds worth ¥15.0 billion and 26th unsecured bonds worth ¥5.0 billion in June 2012.

As a result, our consolidated financial obligations as of the end of March 2013 decreased by ¥29.1 billion year on year to ¥226.7 billion, leaving net financial obligations, calculated by deducting cash and cash equivalents from financial obligations, of ¥187.0 billion (a drop of ¥4.6 billion year on year).

TOPICS

CSR Activities

- Environmental Protection

We have formulated Environmental Vision 2020 which focuses on three activities: Stop Global Warming, Create a Recycling-Oriented Society, and Meet our Corporate Social Responsibilities. And under this vision, we are promoting activities for environmental protection.

In fiscal 2012, we embarked on efforts to slim plants, aiming to optimize energy by coordinating electric and heat-energy technologies, in which the Company has strengths, with production plans.

- Diversity

We promote diversity under the management policy of “exercising integrated power as a team while respecting the motivation of various human resources” and through activities for obtaining employees’ candid opinions.

Regarding women’s active involvement in business, among others, as a key issue, we implement ability development training and a mentor system, in which senior employees give guidance and advice to later entrants. The aim is to help female employees build up their career and provide them with an opportunity to be promoted to corporate executives.

As for foreign employees and disabled employees, we are working hard to establish an environment they find it easy to work in, using the results of questionnaire surveys. Furthermore, we are implementing measures for developing local staff at overseas bases and promoting them to higher positions.

Highly evaluated for the results of these measures, Fuji Electric was selected in the “Diversity Management Selection 100” project of the Ministry of Economy, Trade and Industry.

- Social Contributions

Under the basic policy of helping to solve regional issues by utilizing personnel and technologies, which have been cultivated through business activities, we focus on “protecting the natural environment” through efforts such as woodland and field restoration activities and “supporting next-generation education” in ways such as holding a science class.

In fiscal 2012, we organized “Environmental School” for local elementary school students in Uenohara, Yamanashi Prefecture, which has been engaged in field restoration since 2009, with high hopes that the students would discuss the issues of fallow acreage and the environment.

In the science classes, lessons were carried out using energy-related programs and the products of Fuji Electric. We hope an increasing number of children will come to like science and understand how studying at school is connected with society.

Issues for fiscal 2013

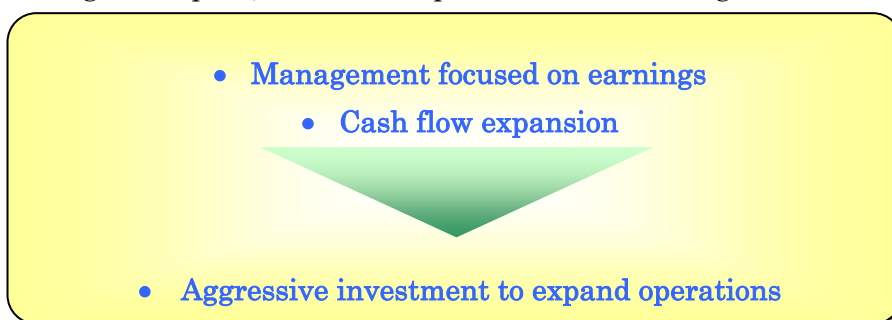
■ Basic policies for fiscal 2013

Under its management policy, “leading to a responsible and sustainable society by innovating energy technologies,” Fuji Electric is expanding businesses through providing equipment and systems that use energy efficiently.

In particular, we will aim to offer equipment and systems that can further reduce energy consumption in the industrial business, our strong area. To this end, we are accelerating our efforts to maximize synergies among the Industrial Infrastructure, Power Electronics and Power Semiconductor businesses.

In fiscal 2013, we will continue to promote earning-focused management as was the case in fiscal 2012. With such management, we will expand cash flows, and proactively invest the created cash in the Industrial Infrastructure business, Power Electronics business and production lines for 6-inch SiC devices, the next-generation power semiconductor, hoping this will lead to expanding businesses in the future.

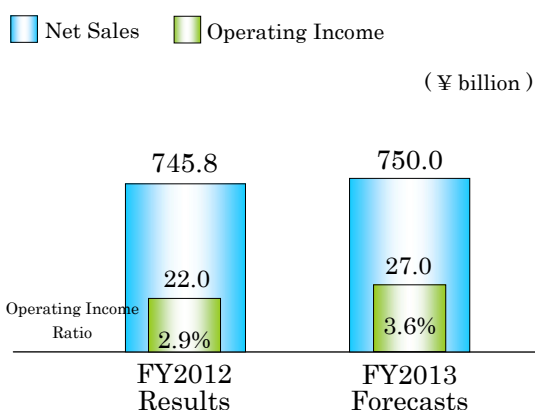
As for the direction of and processes for business expansion over the medium term, we will notify shareholders of them after we have formulated a medium-term management plan, which we expect to finalize during the first half of fiscal 2013.



■ Consolidated business results forecasts and priority measures by business segment

The consolidated business results forecasts for fiscal 2013 and priority measures by business segment are as follows.

Consolidated business results forecasts



Net sales are expected to be ¥750.0 billion for fiscal 2013, up 1% year on year. Operating income is projected to be ¥27.0 billion, up ¥5.0 billion.

Priority measures by business segments**● Power and Social Infrastructure**

We will work to increase orders for thermal and geothermal power generation systems in Asia and other overseas markets. We will also expand orders and sales of solar power generation systems, which are expected to continue experiencing strong demand in Japan. Further, development initiatives pertaining to next-generation smart meters will be advanced together with preparations for the mass production of these meters. At the same time, we will endeavor to commercialize smart communities.

● Industrial Infrastructure

Domestically, Fuji Electric will focus on redeveloping social infrastructure to revitalize Japan and on energy-saving and environmental businesses. Overseas, business expansion efforts will be focused on Asia. In addition to improving the cost competitiveness of transformers, which form the foundation of infrastructure, we will combine sensor systems and power electronics to further differentiate our measurement control systems business. Moreover, coordination between plant system and equipment construction ventures will be strengthened, and we will expand application of our expertise in these fields to new markets and fields, such as overseas markets and the air conditioning and heat management field.

● Power Electronics

Fuji Electric will pursue the development of globally competitive products such as its mainstay inverters, uninterruptible power supply systems (UPS), and power conditioners (PCS). Developed products will be actively introduced into the market. Further, production will be expanded at our new factory in Thailand, which serves as a global production base, and we will work to make our products more competitive. Further, the development of products employing next-generation power semiconductors (silicon carbide (SiC) devices) will be an area of focus as these semiconductors help reduce electricity usage and contribute to the miniaturization of equipment.

● Electronic Devices

Fuji Electric will improve production efficiency by installing production lines for 6-inch next-generation power semiconductors and utilizing processing lines for 8-inch wafers. The Company will also expand production in Malaysia, China, the Philippines, and other overseas sites in pursuit of higher levels of competitiveness.

● Food and Beverage Distribution

Fuji Electric will offer new, differentiated vending machines, such as those that include provisions for shifting the burden of peak-hour electricity usage. The Company will also expand its business in China. In the store distribution business, we will expand businesses targeting the convenience store industry, develop currency handling systems for use overseas, and develop businesses in new fields such as refrigerated distribution services utilizing our heating and cooling technologies.

[Dividends of Surplus]

Policies Relating to Decisions on the Dividend of Surplus, etc.

We intend to return profit gained through business activities to shareholders. At the same time—while maintaining and strengthening our management foundation—we intend to appropriate profit for consolidated shareholders' equity in order to secure internal reserves for research and development, capital investment, human resources, and other investments reflecting a medium-to-long-term viewpoint.

We will determine the amount of dividends to be paid from retained earnings in light of the above medium-to-long-term business cycle; our policy of paying stable and continuous dividends; and comprehensive consideration of the business results of the relevant fiscal year, research and development and capital investment plans for future growth, and business conditions.

We regard the acquisition of treasury stock as a flexible mechanism to supplement dividends when warranted by the cash flow position.

Moreover, in accordance with the capital strategy prescribed by Article 459, Paragraph 1 of the Companies Act, this action shall be conducted with a view to strengthening consolidated shareholders' equity.

Also in accordance with Article 459, Paragraph 1 of the Companies Act, this will be decided by resolution of the Board of Directors, or the Ordinary General Meeting of Shareholders.

Year-End Dividend for Fiscal Year Ended March 31, 2013

Based on the Policies relating to decisions on the dividend of surplus, etc. described in the above, the Company resolved to pay a year-end dividend of ¥3 per share at the meeting of the Board of Directors held on May 23, 2013, with due consideration given to the consolidated operating results for the current and next period, financial conditions, and other factors.

The annual dividend for the fiscal year 2012 amounted to ¥5 per share including the amount of interim dividend.

[Consolidated Financial Results and Trends in Assets]

Classification	134th term Fiscal 2009	135th term Fiscal 2010	136th term Fiscal 2011	137th term Fiscal 2012
Net sales (¥ billion)	691.2	689.1	703.5	745.8
Operating income (¥ billion)	0.9	11.9	19.3	22.0
Ordinary income (loss) (¥ billion)	(0.5)	7.2	18.6	25.7
Net income (¥ billion)	6.8	15.1	11.8	26.4
Net income per share (¥)	9.46	21.14	16.52	36.90
Total assets (¥ billion)	908.9	805.8	792.8	765.6
Annual dividend per share (¥)	1.5	4.0	4.0	5.0

[Remuneration for Directors and Auditors]

Policy on the Determination of Remuneration

The Company set the policy on determination of remuneration for the Company's Directors and Auditors as described below.

In paying remuneration etc. to Directors and Auditors of the Company, the Company considers its duty to respond to the mandate of the shareholders, acquire and maintain excellent personnel and provide incentive for improvement in earnings performance, and it has in place a remuneration system with set remuneration levels.

While considering changes in the business environment and data objectively compiled by third parties, the Company continuously examines the suitability of the remuneration system and the remuneration levels and whether there is a need to make changes.

1. Standing Directors (Note)

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

(1) 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 Standing Directors, applicable to that senior management rank, shall be contributed to the Director Shareholding Association to share the economic interests of shareholders and as an incentive to make management aware of share value.

(2) Performance-related remuneration

Performance-related remuneration shall only be paid in instances in which dividends are paid to shareholders from retained earnings. 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.

2. Outside Directors and Auditors

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

Outside Directors and Auditors may acquire stock in the Company at their own discretion.

Total Amount of Remuneration Paid to Directors and Auditors for Fiscal 2012

	Payees (persons)	Payment (¥ million)
Directors	13	310
(Outside)	(4)	(22)
Auditors	7	80
(Outside)	(5)	(22)

- (Notes) 1. The above payees include four Directors (one of whom was an Outside Director) and two Auditors (two of whom were Outside Auditors) who retired at the conclusion of the 136th Ordinary General Meeting of Shareholders held on June 26, 2012.
2. The amounts of remuneration for Directors shown above do not include performance-related remuneration for fiscal 2012 because the payment amounts of said remuneration are not clear at the time of the preparation of this Business Report.
3. In addition to the above payment, the Company paid ¥64 million in performance-related remuneration to Standing Directors (eight Directors) for fiscal 2011.
4. In addition to the above payment, the Company paid ¥7 million to employees who concurrently assumed the office of Director (two employees) as salary for employees.
5. As described earlier in "Policy on the determination of remuneration," a portion of the base remuneration of Standing Directors shall be contributed to the Director Shareholding Association with the obligation to acquire stock of the Company. The following table shows the amount contributed to the Director Shareholding Association, including voluntary contributions, together with the amount of stock of the Company acquired.

	Contribution to Director Shareholding Association (¥ million)	Stock of the Company acquired (thousands of shares)
Directors	26	133
Auditors	4	20

- (Note) As used in this Business Report, the expression "Standing Directors" refers to executive directors as prescribed in Article 2, Item 15 of the Companies Act.

[Corporate Overview]

Stock Information (as of March 31, 2013)

1. Authorized shares: 1,600,000,000
2. Issued and outstanding shares: 746,484,957
3. Number of shareholders: 57,988 (a decrease of 5,134 from the end of the previous term)
4. Shareholdings by type of shareholder

Classification	Number of shareholders (persons)	Number of shares (shares)	Ratio of shareholding (%)
Financial institutions/Securities firms	129	260,408,206	34.89
Other domestic corporations	634	132,758,194	17.78
Foreigners	364	142,813,858	19.13
Individuals and others	56,861	210,504,699	28.20
Total	57,988	746,484,957	100.00

(Note) "Individuals and others" includes treasury shares stock.

5. Top ten shareholders

Name	Capital contribution to the Company	
	Number of shares (thousands of shares)	Ratio of shareholding (%)
FUJITSU LIMITED	74,333	10.40
Japan Trustee Services Bank, Ltd. (Trust Account)	54,266	7.59
The Master Trust Bank of Japan, Ltd. (Trust Account)	39,406	5.51
Asahi Mutual Life Insurance Company	23,266	3.26
Mizuho Corporate Bank, Ltd.	22,254	3.11
Furukawa Electric Co., Ltd.	13,422	1.88
FANUC LTD	13,421	1.88
FURUKAWA CO., LTD.	11,025	1.54
Fuji Electric Employee Shareholding Association	9,280	1.30
Mizuho Trust & Banking Co., Ltd.	7,991	1.12

(Notes) 1. Treasury stock of 31,913,522 shares is excluded from the above list of top 10 shareholders.

2. Ratio of shareholding is calculated by deducting the number of treasury stocks from the total number of shares outstanding based on the provisions of the Ordinance for Enforcement of the Companies Act.

Type of Bonds with Stock Acquisition Rights (as of March 31, 2013)

FUJI ELECTRIC 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 1, 2006	¥30.0 billion	¥0.5 billion	¥968

Status of Directors and Auditors

1. Directors and Auditors

Name	Positions and direct duties in the Company	
Michihiro Kitazawa	Representative Director President and Director	President General Management
Yoshio Okuno	Representative Director	Executive Vice President Assistant to President Sales Management Corporate General Manager, Global Business Group
Hisao Shigekane	Representative Director	Executive Vice President Assistant to President Corporate General Manager, Corporate Management Planning Headquarters General Manager, Export Administration Office In charge of compliance management and crisis management
Hiroaki Kurokawa	Outside Director	
Motoyuki Suzuki	Outside Director	
Takashi Okimoto	Outside Director	
Michio Abe	Director	Senior Managing Executive Officer Corporate General Manager, Production and Procurement Group
Takamichi Hamada	Director	Senior Managing Executive Officer In charge of external affairs and marketing
Naoto Yoneyama	Director	Managing Executive Officer Corporate General Manager, Power and Social Infrastructure Business Group In charge of the Construction Business Act
Keiichi Hirata	Standing Auditor	
Toshio Shinozaki	Standing Auditor	
Takahiko Ito	Outside Auditor	
Yoshiki Sato	Outside Auditor	
Akiko Kimura	Outside Auditor	

(Notes) 1. We expect Outside Directors to play roles in strengthening the management supervisory function and ensuring adequacy and appropriateness of decision-making related to the execution of business. To this end, Mr. Hiroaki Kurokawa, who has experience as a manager in the manufacturing industry, Mr. Motoyuki Suzuki, who is an expert of environmental engineering, which is closely related to Fuji Electric's business activities, and Mr. Takashi Okimoto, who has experience as a manager in financial institutions, were selected as Outside Directors at the General Meeting of Shareholders as persons who have an understanding of the Fuji Electric's management, as well as insights and experience necessary for making multifaceted management decisions.

Mr. Hiroaki Kurokawa, Mr. Motoyuki Suzuki and Mr. Takashi Okimoto are reported as Independent Officers as stipulated by the Securities Listing Regulations of the Financial Instruments and Securities Exchange.

2. We expect Outside Auditors, along with Outside Directors, to be conducive to ensuring the adequacy and legality of decision-making related to the execution of business, as well as to play roles in strengthening the management audit function, by giving advice and making suggestions about the entire spectrum of management activities at meetings of the Board of Directors and on other occasions. To this end, Mr. Takahiko Ito, who concurrently serves as Standing Auditor of a listed company, Mr. Yoshiki Sato, who is a

manager in a financial institution, and Ms. Akiko Kimura, who is an attorney, were selected as Outside Auditors at the General Meeting of Shareholders upon obtaining approval at a meeting of the Board of Auditors as persons who have expertise and experience necessary for performing audits.

Mr. Takahiko Ito, Mr. Yoshiki Sato, and Ms. Akiko Kimura are reported as Independent Officers as stipulated by the Securities Listing Regulations of the Financial Instruments and Securities Exchange.

3. The financial, accounting and other expertise possessed by each Auditor is as follows:
- Standing Auditor Keiichi Hirata is highly knowledgeable about human resources, labor and overall management operations, which he has gained from his longstanding career in Fuji Electric in many areas of management, including manager of a listed subsidiary, human resources and general affairs.
 - Standing Auditor Toshio Shinozaki is highly knowledgeable about finance, accounting and overall management operations, which he has gained from his longstanding career in Fuji Electric in many areas of risk and business management, including manager of a listed affiliate, finance and specified agents.
 - Outside Auditor Takahiko Ito is highly knowledgeable of financial and accounting matters and overall corporate management, which he has gained from his career as Standing Auditor at a listed company, and as person in charge of human resources, general affairs and procurement operations in a manufacturing company.
 - Outside Auditor Yoshiki Sato is highly knowledgeable of financial and accounting matters and overall corporate management, which he has gained from his career in a financial institution, where he serves as a representative director.
 - Outside Auditor Akiko Kimura is highly knowledgeable about legal, financial and accounting matters thanks to her involvement as a lawyer in many corporate legal matters, securities transactions and financial and legal affairs.
4. Positions and direct duties of a Director in the Company were changed as follows on April 1, 2013.
- | | | |
|--------------|-------------------------|---|
| Yoshio Okuno | Representative Director | Executive Vice President
Assistant to President
Sales Management
Corporate General Manager, Global Sales Group |
|--------------|-------------------------|---|

2. Significant Concurrent Positions of Directors and Auditors

(1) Directors

Name	Significant concurrent positions
Hiroaki Kurokawa	Senior Advisor, FUJITSU LIMITED
Motoyuki Suzuki	Auditor (Non-standing), Tokyo Institute of Technology Visiting Professor, the Open University of Japan Chairman, Central Environmental Council, Ministry of the Environment (retired on January 5, 2013)
Takashi Okimoto	President and Representative Director, Chuo Fudosan Co., Ltd. (assumed on June 29, 2012) Chairman, Seiwa Sogo Tatemono Co., Ltd. (retired on June 28, 2012) Outside Director, DAIICHI SANKYO COMPANY, LIMITED (retired on June 22, 2012) Outside Director, FUJITSU LIMITED Outside Corporate Auditor, Kobe Steel, Ltd.
Michio Abe	Director (Non-standing), Fuji Electric Retail Systems Co., Ltd. (retired on September 30, 2012)

(Notes) 1. Information in parenthesis () describes Directors whom assumed office of, or retired from concurrent positions during the period under review.

2. FUJITSU LIMITED, where Mr. Takashi Okimoto serves a concurrent position, holds a 9.96 percent interest in the total shares outstanding of the Company. Meanwhile, the Company holds an 11.03 percent interest in the total shares outstanding, (including shares held as trust assets relating to retirement benefit trusts), of FUJITSU LIMITED.
3. Besides the above, there is no noteworthy relationship based on Article 124 of the Ordinance for Enforcement of the Companies Act between the Company and the other companies where Outside Directors serve concurrent positions.

(2) Auditors

Name	Significant concurrent positions
Toshio Shinozaki	Outside Auditor, FUJI FURUKAWA ENGINEERING & CONSTRUCTION CO., LTD. Auditor (Non-standing), Fuji Electric Retail Systems Co., Ltd. (retired on September 30, 2012)
Takahiko Ito	Standing Auditor, Furukawa Electric Co., Ltd. Outside Auditor, FUJI FURUKAWA ENGINEERING & CONSTRUCTION CO., LTD.
Yoshiki Sato	President and Representative Director, Asahi Mutual Life Insurance Company Outside Auditor, NIPPON PISTON RING CO., LTD. (retired on June 28, 2012) Outside Auditor, FURUKAWA CO., LTD. (retired on June 28, 2012) Outside Corporate Auditor, The Yokohama Rubber Company, Limited Outside Auditor, ADEKA CORPORATION (assumed on June 22, 2012)
Akiko Kimura	Attorney, Advisor of Anderson Mori & Tomotsune

- (Notes) 1. Information in parenthesis () describes Auditors whom assumed office of, or retired from concurrent positions during the period under review.
2. FUJI FURUKAWA ENGINEERING & CONSTRUCTION CO., LTD., where Mr. Takahiko Ito serves a concurrent position, is a subsidiary of the Company and has business transactions including orders for engineering work with the Company.
 3. The Company has a business relationship that includes borrowing funds with Asahi Mutual Life Insurance Company, where Mr. Yoshiki Sato serves a concurrent position. Asahi Mutual Life Insurance Company holds a 3.12 percent interest in the total shares outstanding of the Company. Meanwhile, the Company has made a contribution equivalent to 0.60 percent to the total foundation funds of Asahi Mutual Life Insurance.
 4. FURUKAWA CO., LTD. where Mr. Yoshiki Sato serves concurrent positions, holds a 1.48 percent interest in the total shares outstanding of the Company. Meanwhile, the Company holds a 2.13 percent interest in the total shares outstanding of FURUKAWA CO., LTD.
 5. Besides the above, there is no noteworthy relationship based on Article 124 of the Ordinance for Enforcement of the Companies Act between the Company and the other companies where Outside Auditors serve concurrent positions.

3. Status of Outside Directors and Outside Auditors

(1) Major activities

(i) Outside Directors

Name	Number of Board of Directors meetings attended and held	Opinions offered
Hiroaki Kurokawa	12 of the 13 meetings	Offered necessary opinions concerning business management of Fuji Electric including the following items at the Board of Directors meetings as appropriate, based on his extensive experience and considerable insight as an experienced manager in the manufacturing sector for electronics and telecommunication equipment <ul style="list-style-type: none"> - Necessity of stepping up efforts to improve the management base - Requirement to level booking of sales and profits
Motoyuki Suzuki	13 of the 13 meetings	Offered necessary opinions concerning business management of Fuji Electric including the following items at the Board of Directors meetings as appropriate, based on his professional standpoint and considerable insight in the environmental engineering. <ul style="list-style-type: none"> - Necessity of a business strategy that takes economic policies into consideration - Appropriate way to expand overseas business
Takashi Okimoto	8 of the 10 meetings	Offered necessary opinions concerning business management of Fuji Electric including the following items at the Board of Directors meetings as appropriate, based on his extensive experience and considerable insight as a manager in financial institutions. <ul style="list-style-type: none"> - Appropriate way to raise funds in the medium-to long-term - Appropriate way to carry out IR activities

(Note) Mr. Takashi Okimoto assumed his position as a Director at the conclusion of the 136th Ordinary General Meeting of Shareholders held on June 26, 2012, so the number of Board of Directors meetings attended and held are counted after his assumption.

(ii) Outside Auditors

Name	Number of Board of Directors meetings attended and held Number of Board of Auditors meetings attended and held	Opinions offered
Takahiko Ito	10 of the 13 meetings 7 of the 10 meetings	Offered necessary opinions at meetings of the Board of Directors as appropriate, concerning the contents of meeting items and the Fuji Electric's business activities, based on his professional experience as Standing Auditor of a listed company, and extensive experience and insight as officer and highly ranked management members in the manufacturing industry. Also, at the Board of Auditors, confirmed the legality of business activities overall from the viewpoint of ensuring legal compliance, and offered appropriate opinions.
Yoshiki Sato	9 of the 10 meetings 7 of the 7 meetings	Offered necessary opinions at meetings of the Board of Directors as appropriate, concerning the contents of meeting items and the Fuji Electric's business activities, based on his extensive experience and considerable insight as a manager in financial institutions. Also, at the Board of Auditors, confirmed the legality of business activities overall from the viewpoint of ensuring legal compliance, and offered appropriate opinions.
Akiko Kimura	10 of the 10 meetings 7 of the 7 meetings	Offered necessary opinions at meetings of the Board of Directors as appropriate, concerning the contents of meeting items and the Fuji Electric's business activities, based on her professional experience as an attorney. Also, at the Board of Auditors, confirmed the legality of business activities overall from the viewpoint of ensuring legal compliance, and offered appropriate opinions.

(Note) Mr. Yoshiki Sato and Ms. Akiko Kimura assumed their positions as an Auditor at the conclusion of the 136th Ordinary General Meeting of Shareholders held on June 26, 2012, so the number of Board of Directors meetings attended and held and the number of Board of Auditors meetings attended and held are counted after their assumption.

(2) Outline of Limited Liability Agreement with Outside Directors and Outside Auditors

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 higher amount of ¥6 million or the minimum liability based on the Companies Act. 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 and Outside Auditors, 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 and Outside Auditors.

Matters related to Accounting Auditor

1. Designation of accounting auditor ERNST & YOUNG SHINNIHON LLC

2. Accounting auditor remuneration for the period

Category	Payment amounts (¥ million)
(i) Remuneration and other amounts payable by the Company for the period	169
(ii) Total profit on cash and other financial assets payable by the Company and its subsidiaries	321

(Notes) 1. In the audit contract between the Company and the accounting auditor, no distinction is made in the amounts of auditing fees under the Companies Act and audit fees under the Financial Instruments and Exchange Act. For this reason, no distinction can be made and the sum of these two is entered in the total amount under (i) above.

2. The total profit under (ii) above includes the amount the Company paid as compensation to the accounting auditor for advisory services related to International Financial Reporting Standards, that is entrusted as services (non-audit services) other than those stipulated in Article 2, Paragraph 1, of the Certified Public Accountants Act.

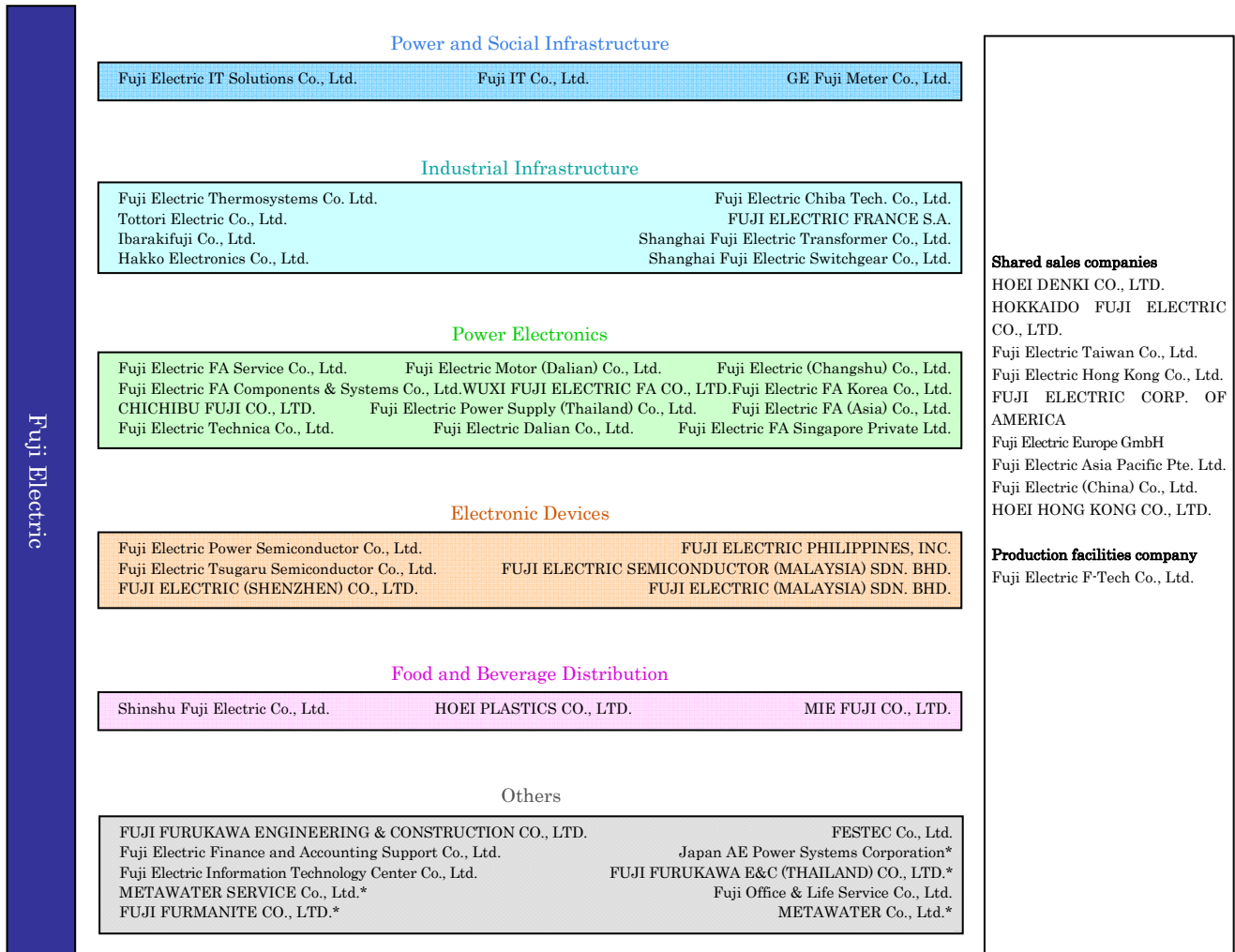
3. Policy for determining accounting auditor dismissal or non-reappointment

If any matters or circumstances surrounding the accounting auditor apply to any of the items under Article 340, Paragraph 1 of the Companies Act, and no improvement is expected, the accounting auditor will be dismissed with the consent of all of the Auditors.

In addition, if it is deemed impossible for the accounting auditor to perform his/her duties properly, the Company shall submit a proposal concerning dismissal or non-reappointment of the relevant accounting auditor to the general shareholders meeting, with the consent of the Board of Auditors.

[The Fuji Electric Group]
Group companies

(as of March 31, 2013)



- (Notes) 1. Companies marked with an asterisk (*) are accounted for as equity method affiliates.
 2. The following changes occurred among consolidated subsidiaries and an equity method affiliate during the fiscal year under review.
 New consolidated subsidiaries: Fuji Electric Tsugaru Semiconductor Co., Ltd., METAWATER SERVICE Co., Ltd.
 Excluded from consolidation: Fuji Electric Retail Systems Co., Ltd.

Important subsidiaries of the corporate group

Company name	Fuji Electric FA Components & Systems Co., Ltd.		
The Company's capital contribution	63.2%		
Major business	Development, manufacturing and sales of control and power distribution equipment.		
Net sales (¥ billion)	42.4	Net assets (¥ billion)	25.7
Operating income (loss)(¥ billion)	1.6	Capital (¥ billion)	7.6
Net income (loss)(¥ billion)	1.9	Number of employees	883

(Note) On October 1, 2012, Fuji Electric Retail Systems Co., Ltd. was absorbed in an absorption-type merger with the Company as the surviving company and ceased to exist.

Important Corporate Realignment

- The Company caused our wholly-owned subsidiary to take over part of the business of Japan AE Power Systems Corporation in an absorption-type corporate split, which is a joint venture for the power transmission and distribution among the Company, Hitachi, Ltd. and Meidensha Corporation, as of April 1, 2012 in association with the dissolution of the joint venture and the Company absorbed the subsidiary and succeeded to the power transmission and distribution business.
- On July 1, 2012, in order to purchase Tsugaru Factory of Renesas Northern Japan Semiconductor Inc., a wholly-owned subsidiary of Renesas Electronics Corporation, the Company purchased the all of the shares of the company which was spun off from Renesas Northern Japan Semiconductor, Inc.'s Tsugaru Factory and established Fuji Electric Tsugaru Semiconductor Co., Ltd., a wholly-owned subsidiary of the Company.
- On October 1, 2012, the Company absorbed Fuji Electric Retail Systems Co., Ltd., a wholly-owned subsidiary engaged in the development, manufacture and sale of vending machines, etc. and related service provision.

Main Facilities of the Group (as of March 31, 2013)

1. Power and Social Infrastructure

Production facilities	Kawasaki
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2. Industrial Infrastructure

Domestic facilities

Production facilities	Hino, Ichihara
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Overseas facilities

FUJI ELECTRIC FRANCE S.A., Shanghai Fuji Electric Transformer Co., Ltd. (China), Shanghai Fuji Electric Switchgear Co., Ltd. (China)
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3. Power Electronics

Domestic facilities

Production facilities	Suzuka, Ami machi (Ibaraki), Kobe, Konosu, Otawara
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Overseas facilities

Fuji Electric Motor (Dalian) Co., Ltd. (China), WUXI FUJI ELECTRIC FA CO., LTD. (China), Fuji Electric Power Supply (Thailand) Co., Ltd., Fuji Electric Dalian Co., Ltd. (China), Fuji Electric (Changshu) Co., Ltd. (China), Fuji Electric FA Korea Co., Ltd. (South Korea), Fuji Electric FA (Asia) Co., Ltd. (China), Fuji Electric FA Singapore Private Ltd.
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4. Electronic Devices

Domestic facilities

Production facilities	Matsumoto, Minami Alps, Nankan machi (Kumamoto)
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Overseas facilities

FUJI ELECTRIC (SHENZHEN) CO., LTD. (China), FUJI ELECTRIC PHILIPPINES, INC., FUJI ELECTRIC SEMICONDUCTOR (MALAYSIA) SDN. BHD., FUJI ELECTRIC (MALAYSIA) SDN. BHD.

5. Food and Beverage Distribution

Production facilities	Yokkaichi, Ueda
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6. Others, Common

Domestic facilities

Sales facilities	Shinagawa-ku (Tokyo), Chiba, Saitama, Sapporo, Sendai, Toyama, Kanazawa, Nagoya, Chiryu, Osaka, Kobe, Fukuoka, Hiroshima, Takamatsu, Naha
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Overseas facilities

Fuji Electric Taiwan Co., Ltd., Fuji Electric Hong Kong Co., Ltd. (China), FUJI ELECTRIC CORP. OF AMERICA, Fuji Electric Europe GmbH (Germany), Fuji Electric Asia Pacific Pte. Ltd. (Singapore), Fuji Electric (China) Co., Ltd., HOEI HONG KONG CO., LTD. (China), FUJI FURUKAWA E&C (THAILAND) CO., LTD.

Employees of Fuji Electric (as of March 31, 2013)

Business segment	Number of employees (persons)	Year-on-year change (persons)
Power and Social Infrastructure	4,277	277
Industrial Infrastructure	2,897	(180)
Power Electronics	5,524	(117)
Electronic Devices	6,689	40
Food and Beverage Distribution	1,985	(35)
Others	3,584	(2)
Total	24,956	(17)

(Note) The number of employees of the Company at the end of March 2013 is 10,901 (an increase of 1,480 from the end of the previous year). This number significantly increased from the end of the previous year since the Company absorbed Fuji Electric Retail Systems Co., Ltd., a wholly-owned subsidiary engaged in the development, manufacture and sale of vending machines, etc. and related service provision as of October 1, 2012 and other factors.

Major lenders (as of March 31, 2013)

Name of lenders	Balance of loans (¥ billion)
Mizuho Corporate Bank, Ltd.	28.8
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	18.6
Resona Bank, Limited	8.0
Mizuho Trust & Banking Co., Ltd.	7.9

Basic Policy on System of Internal Controls

Based on the provisions of Article 362, Paragraph 5 of Companies Act, the Board of Directors of the Company will construct an internal control system, as provided for in Article 362, Paragraph 4, Item 6 of the Companies Act and each Item of Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act as follows.

(1) System for ensuring that Directors and employees carry out their duties in accordance with laws, regulations, and the Articles of Incorporation

- (i) Under the following corporate governance system, the Company shall ensure management transparency and soundness.
 - To clarify management responsibilities and respond rapidly to changes in the operating environment, the term of office of Directors of Fuji Electric companies shall be one (1) year.
 - To strengthen management supervision and management audit functions, and ensure the appropriateness of managerial decisions related to the execution of important business, the Company will invite outside directors and outside auditors with relevant qualities.
- (ii) Managers at Fuji Electric companies are required to repeatedly explain and ensure full awareness of management principles applicable to the entire Fuji Electric, as well as the spirit behind the Criteria 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 internal regulations, to ensure the transparency and soundness of business execution.
 - The Compliance Promotion Committee is chaired by the Representative Director of the Company. It will ensure full compliance with laws, regulations, and social norms pertaining to Fuji Electric companies.
 - The Company will establish a compliance program that systematizes roles and responsibilities in terms of internal rules, daily monitoring, auditing, education, and other areas for each law and regulation, and carry out the program in accordance with the annual plan.
 - Compliance training is conducted for all full-time executives of Fuji Electric companies.
 - The Company will establish an internal reporting system that facilitates communication between Fuji Electric company employees and the President of the Company, using a route that is independent of normal lines of communication. This is intended to prevent actions that violate laws, regulations, Articles of Incorporation, or internal rules before they occur, and aid the early discovery of such actions.
 - The establishment and promotion of the above systems will also enable each Fuji Electric company to provide an organized response aimed at rejecting antisocial forces and groups that threaten public order and the safety of private citizens.
- (iv) Internal auditing divisions of the Company under the jurisdiction of the respective company presidents conduct audits of the Company and subsidiaries. In addition, to ensure effective internal auditing, information on various activities is shared within the committee, which consists of members of internal auditing divisions of the Company and subsidiaries.

(2) System for retaining and managing information pertaining to the performance of Directors

Internal regulations will be formulated to ensure accurate retention and management of records of important business executed by Fuji Electric companies and to ensure that Directors and Auditors acquire knowledge of records. The regulations establish procedures for Directors, Auditors, and managers involved in saving and storing records regarding access to 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 internal regulations will be formulated to systematically manage operational risks faced by Fuji Electric. Based on these regulations, Fuji Electric companies will establish appropriate risk management systems, and a system for managing specific group-wide risks will be established for Fuji Electric as a whole. The system involves the designation of departments within the Company to manage each category of risk.
- (ii) The Company will establish an emergency response manual to minimize damage incurred at the time of a crisis, such as a major disaster. The manual will prescribe the directors in charge of crisis management and establishment of a conference system and response headquarters to be activated when an emergency occurs.
- (iii) The internal auditing division audits the progress of risk management at companies and subsidiaries and reports the results to the president.

(4) System for ensuring effective execution of business by Directors

- (i) The Company will adopt the executive officer structure to separate management and execution, and accelerate decision-making procedures. The division of duties of each executive officer will be clarified by a resolution of the Board of Directors.

In addition, the internal regulations that prescribe the duties and authority of executive officers and employees will be formulated to clarify decision-making authority and locus of responsibilities with regard to business execution.

- (ii) A management meeting will be established as a permanent corporate body to advise the Company's president. It will comprise the Company's executive officers and other individuals, and will deliberate on important matters pertaining to the management of Fuji Electric as a whole and formulate reports. The Company's Representative Director will communicate the deliberations and reports of the management meeting to the Company's Board of Directors as necessary.
- (iii) To formulate annual and medium-term management plans for Fuji Electric and to share information within Fuji Electric, the management meeting and the Company's Board of Directors will confirm, evaluate, and review progress for each business division on a monthly basis.

(5) System to ensure reliable financial reporting

The Company will formulate internal regulations to ensure the appropriateness of documents and other information related to financial settlements as stipulated by the Financial Instruments and Exchange Act. Based on these regulations, each Fuji Electric company will build internal controls for financial reporting, appropriately conduct evaluations and reporting, and report the results of evaluations to its Board of Directors.

(6) System for ensuring the appropriate administration of the Company and Fuji Electric companies

- (i) The Company will formulate internal regulations that prescribe authority and responsibilities. Based on these regulations, each Fuji Electric company will ensure systematic and efficient management.
- (ii) The Company will enhance systems to ensure appropriate administration from the perspective of Fuji Electric as a whole for the items discussed above, to maximize the corporate value of Fuji Electric.

In addition, the Company will request the formulation of a basic policy on the establishment of a system that ensures subsidiaries and affiliates conduct appropriate business activities as stipulated by the Companies Act, and will ensure the effectiveness of such systems.

(7) 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.

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

Internal regulations will be established to ensure Auditors acquire sufficient information 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 the performance of duties by Directors.

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

- (i) The Company recruits outside auditors who understand the management of the Fuji Electric companies and have expertise and experience necessary to conduct audits.
- (ii) A committee comprising Auditors from the Company and subsidiaries, which are large companies as defined by the Companies Act, and a committee comprising Auditors, members of internal audit divisions, and accounting auditors work to strengthen communication among all auditing bodies and ensure the effectiveness of auditing practices for Fuji Electric companies as a whole.

Basic Policy on Control of the Company

1. Details of the basic policy

In implementing the Corporate philosophy and continue to improve corporate value, Fuji Electric 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 the Fuji Electric's precious tangible and intangible assets, the Fuji Electric's DNA, and resources that support the creation of corporate value for Fuji Electric.

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 Fuji Electric are increasing corporate value in the medium-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 Fuji Electric 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 Company's shares or tables proposals which do not contribute to the corporate value of Fuji Electric 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 corporate value of Fuji Electric or the mutual benefit of the shareholders.

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

(1) Initiatives to improve corporate value of Fuji Electric

As our basic strategy for sustainable growth, Fuji Electric aims to create growth on the global market based on our power electronics technologies cultivated over many years, which handle electrical energy universally, backed by energy and environmental investments projected to take place in many countries.

To realize this, we will rapidly shift our managerial resources to the field of "energy and the environment," aiming to maximize our corporate value and create CSR management as a "company that contributes to the global society through business."

(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 corporate value of Fuji Electric 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 corporate value of Fuji Electric 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

Because the measures referred to in 2. above are means: (1) to maintain and enhance the corporate value of the Company over the medium-term, and (2) to establish internal systems to respond to large-scale purchases of the Company's shares that threaten the corporate value of Fuji Electric or mutual benefits of shareholders, the Board confirmed and resolved at a meeting of the Board of Directors that these measures comply with the basic policy in 1., and neither measure represents a threat to the mutual benefits of the shareholders or is a means to maintain the members of the current top management team in their positions.

Further, the resolution was unanimously agreed upon at a Board of Auditors meeting, provided that the specific operations of the measures described in 2. above are conducted properly.

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- (Notes) 1. Amounts less than a unit are rounded to the nearest yen in the Business Report.
2. In the number of shares in the Business Report, odd lot share amounts of less than one thousand (1,000 shares) are rounded down.
3. 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, 2013)

[Assets]	(¥Millions)	[Liabilities]	(¥Millions)
Current assets	424,706	Current liabilities	380,466
Cash and deposits	39,750	Notes and accounts payable-trade	129,934
Notes and accounts receivable-trade	216,852	Short-term loans payable	62,594
Merchandise and finished goods	42,464	Commercial papers	28,000
Work in process	39,294	Current portion of bonds	10,000
Raw materials and supplies	25,963	Lease obligations	11,832
Deferred tax assets	18,047	Accrued expense	39,242
Other	42,735	Income taxes payable	2,918
Allowance for doubtful accounts	(401)	Advances received	39,620
		Other	56,323
Noncurrent assets	340,721	Noncurrent liabilities	169,424
Property, plant and equipment	168,442	Bonds payable	40,500
Buildings and structures	73,249	Long-term loans payable	85,623
Machinery, equipment and vehicles	21,541	Lease obligations	18,555
Tools, furniture and fixtures	4,145	Deferred tax liabilities	7,626
Land	36,201	Provision for retirement benefits	11,681
Leased assets	23,920	Provision for directors' retirement benefits	266
Construction in progress	9,383	Other	5,170
Intangible fixed assets	12,706	Total liabilities	549,890
Software	4,795		
Other	7,911	[Net assets]	
Investments and other assets	159,572	Shareholders' equity	174,824
Investment securities	119,464	Capital stock	47,586
Long-term loans receivable	1,259	Capital surplus	46,734
Prepaid pension cost	27,885	Retained earnings	87,620
Deferred tax assets	4,381	Treasury stock	(7,115)
Other	8,379	Accumulated other comprehensive income	19,747
Allowance for doubtful accounts	(1,798)	Valuation difference on available-for-sale securities	20,383
		Deferred gains or losses on hedges	(83)
Deferred assets	135	Foreign currency translation adjustments	(551)
Bond issue expenses	135	Minority interests	21,100
Total assets	765,563	Total net assets	215,672
		Total liabilities and net assets	765,563

Consolidated Statements of Income

(from April 1, 2012 to March 31, 2013)

	(¥ Millions)	(¥ Millions)
Net sales		745,781
Cost of sales		587,457
Gross profit		158,323
Selling, general and administrative expenses		136,330
Operating income		21,992
Non-operating income		
Interest and dividends income	2,880	
Miscellaneous income	5,879	8,760
Non-operating expenses		
Interest expense	3,729	
Miscellaneous expenses	1,308	5,038
Ordinary income		25,714
Extraordinary income		
Gain on sales of noncurrent assets	29	
Gain on sales of investment securities	750	
Insurance income	265	1,045
Extraordinary loss		
Loss on disposal of noncurrent assets	404	
Loss on valuation of investment securities	520	
Impairment loss	6,446	
Loss on liquidation of subsidiaries	827	
Settlement package	700	
Other	1,242	10,141
Income before income taxes		16,617
Income taxes-current	5,725	
Income taxes-deferred	(17,152)	(11,426)
Income before minority interests		28,044
Minority interests in income		1,676
Net income		26,368

Consolidated Statement of Changes in Net Assets

(from April 1, 2012 to March 31, 2013)

(¥ Millions)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2012	47,586	46,734	63,438	(7,110)	150,648
Changes of items during the period					
Dividends from surplus			(2,858)		(2,858)
Net income for the year			26,368		26,368
Purchase of treasury stock				(5)	(5)
Disposal of treasury stock		(0)		0	0
Change of scope of equity method			672		672
Net changes of items other than shareholders' equity					-
Total changes of items during the period	-	(0)	24,181	(5)	24,176
Balance at March 31, 2013	47,586	46,734	87,620	(7,115)	174,824

	Accumulated other comprehensive income				Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Total accumulated other comprehensive income		
Balance at April 1, 2012	18,848	(81)	(5,838)	12,928	19,640	183,217
Changes of items during the period						
Dividends from surplus				-		(2,858)
Net income for the year				-		26,368
Purchase of treasury stock				-		(5)
Disposal of treasury stock				-		0
Change of scope of equity method				-		672
Net changes of items other than shareholders' equity	1,534	(1)	5,286	6,819	1,459	8,279
Total changes of items during the period	1,534	(1)	5,286	6,819	1,459	32,455
Balance at March 31, 2013	20,383	(83)	(551)	19,747	21,100	215,672

Non-Consolidated Balance Sheet

(as of March 31, 2013)

[Assets]	(¥Millions)	[Liabilities]	(¥Millions)
Current assets	286,740	Current liabilities	277,424
Cash and deposits	3,481	Notes payable-trade	70
Notes receivable-trade	3,844	Accounts payable-trade	126,027
Accounts receivable-trade	148,982	Short-term loans payable	27,300
Merchandise and finished goods	16,211	Commercial papers	28,000
Work in process	30,025	Current portion of bonds	10,000
Raw materials and supplies	16,399	Current portion of long-term loans payable	3,976
Advance payments-trade	14,976	Lease obligations	7,077
Deferred tax assets	13,143	Accounts payable-other	1,333
Short-term loans receivable	1,009	Accrued expense	28,361
Accounts receivable-others	15,714	Income taxes payable	866
Deposits paid	9,333	Advances received	33,442
Other	13,768	Deposits received	7,323
Allowance for doubtful accounts	(150)	Other	3,644
Noncurrent assets	304,095	Noncurrent liabilities	144,735
Property, plant and equipment	88,253	Bonds payable	40,500
Buildings	38,737	Long-term loans payable	77,160
Structures	1,968	Lease obligations	9,419
Machinery and equipment	4,009	Deferred tax liabilities	8,385
Vehicles	23	Provision for retirement benefits	6,059
Tools, furniture and fixtures	1,677	Asset retirement obligations	1,770
Land	26,199	Other	1,440
Leased assets	9,502		
Construction in progress	6,133	Total liabilities	422,159
Intangible fixed assets	5,954	[Net assets]	
Software	2,595	Shareholders' equity	148,188
Other	3,359	Capital stock	47,586
Investments and other assets	209,887	Capital surplus	56,817
Investment securities	94,986	Capital reserve	56,777
Stocks of subsidiaries and affiliates	76,462	Other capital surplus	39
Capital contributions	543	Retained earnings	51,094
Long-term loans receivable	636	Legal reserve	11,515
Prepaid pension cost	33,489	Other retained earnings	39,579
Other	5,830	Retained earnings brought forward	39,579
Allowance for doubtful accounts	(1,422)	Treasury stock	(7,309)
Allowance for loss on investments in subsidiaries and affiliates	(637)	Valuation and translation adjustments	20,623
Deferred assets	135	Valuation difference on available-for-sale securities	20,712
Bond issue expenses	135	Deferred gains or losses on hedges	(89)
		Total net assets	168,811
Total assets	590,970	Total liabilities and net assets	590,970

Non-Consolidated Statements of Income

(from April 1, 2012 to March 31, 2013)

	(¥ Millions)	(¥ Millions)
Net sales		454,120
Cost of sales		362,135
Gross profit		91,984
Selling, general and administrative expenses		84,756
Operating income		7,227
Non-operating income		
Interest and dividends income	16,477	
Other	1,865	18,342
Non-operating expenses		
Interest expense	2,189	
Other	813	3,003
Ordinary income		22,567
Extraordinary income		
Gain on sales of noncurrent assets	5	
Gain on sales of investment securities	708	
Gain on extinguishment of tie-in shares	2,615	3,329
Extraordinary loss		
Loss on disposal of noncurrent assets	170	
Loss on valuation of investment securities	322	
Loss on valuation of stocks of subsidiaries and affiliates	768	
Impairment loss	6,420	
Settlement package	700	
Provision of allowance for loss on investments in subsidiaries and affiliates	637	
Other	903	9,923
Net income before income taxes		15,973
Income taxes-current	1,256	
Income taxes-deferred	(6,195)	(4,939)
Net income		20,913

Non-Consolidated Statement of Changes in Net Assets

(from April 1, 2012 to March 31, 2013)

(¥ Millions)

	Shareholders' equity									
	Capital stock	Capital surplus			Legal reserve	Retained earnings			Treasury stock	Total stockholders' equity
		Capital reserve	Other capital surplus	Total capital surplus		Other retained earnings	Retained earnings brought forward	Total retained earnings		
Balance at April 1, 2012	47,586	56,777	39	56,817	11,515	26,793	(5,269)	33,039	(7,304)	130,138
Changes of items during the period										
Dividends from surplus				-			(2,858)	(2,858)		(2,858)
Net income for the year				-			20,913	20,913		20,913
Reversal of general reserve				-		(26,793)	26,793	-		-
Purchase of treasury stock				-					(5)	(5)
Disposal of treasury stock			(0)	(0)					0	0
Net changes of items other than shareholders' equity				-						-
Total changes of items during the period			(0)	(0)		(26,793)	44,848	18,054	(5)	18,049
Balance at March 31, 2013	47,586	56,777	39	56,817	11,515	-	39,579	51,094	(7,309)	148,188

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at April 1, 2012	18,853	(84)	18,768	148,907
Changes of items during the period				
Dividends from surplus			-	(2,858)
Net income for the year			-	20,913
Reversal of general reserve			-	-
Purchase of treasury stock			-	(5)
Disposal of treasury stock			-	0
Net changes of items other than shareholders' equity	1,859	(4)	1,854	1,854
Total changes of items during the period	1,859	(4)	1,854	19,904
Balance at March 31, 2013	20,712	(89)	20,623	168,811