

Securities code: 6504

To Our Shareholders
140th Term (Fiscal 2015) Annual Business Report

(April 1, 2015–March 31, 2016)

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Business Report (April 1, 2015–March 31, 2016)

[Business Overview]

Overview

In the fiscal year ended March 31, 2016, in the Company's operating environment, a recovery trend was seen overseas in the United States and principal European countries, but the economic slowdown in China and other Asian countries became even more pronounced. In Japan, while the growing sense of uncertainty in overseas markets resulted in sluggish conditions in certain sectors during the second half of the fiscal year, the overall trend was that of gradual recovery.

In this environment, the Company defined the basic policies of complete the FY2015 Medium-Term Management Plan, and advanced growth strategies in preparation for the next medium-term management plan. We also pushed forward with measures to expand the power plant business as well as operations in the Industrial Infrastructure and Power Electronics segments and overseas businesses while also pursuing improvements in overall profitability.

Fiscal 2015 (April 1, 2015 to March 31, 2016)

Classification	140th term Fiscal 2015	Increase/Decrease
Net sales	¥813.6 billion	Up ¥2.9 billion YoY
Operating income	¥45.0 billion	Up ¥5.7 billion YoY
Ordinary income	¥45.6 billion	Up ¥2.5 billion YoY
Profit attributable to owners of parent	¥30.6 billion	Up ¥2.7 billion YoY
Basic earnings per share	¥42.90	Up ¥3.74 YoY
Total assets	¥845.4 billion	Down ¥59.1 billion YoY

Consolidated business results for the fiscal year ended March 31, 2016, were as follows.

Net sales increased ¥2.9 billion year on year, to ¥813.6 billion. By business segment, Power and Social Infrastructure, Industrial Infrastructure, Power Electronics, and Others saw increased net sales, while Electronic Devices and Food and Beverage Distribution saw net sales decline.

Operating income improved ¥5.7 billion year on year, to ¥45.0 billion. This improvement was largely attributable to increased profitability stemming from cost reductions. Ordinary income increased ¥2.5 billion, to ¥45.6 billion. At the same time, profit attributable to owners of parent rose ¥2.7 billion, to a new record-high of ¥30.6 billion.

While we failed to meet the net sales target of ¥850.0 billion described in the FY2015 Medium-Term Management Plan, largely due to expectation-exceeding deterioration in market conditions, we succeeded in meeting our operating income target of ¥45.0 billion.

Business Segment Overview

(¥ billion)

Business segment	Classification	139th term Fiscal 2014	140th term Fiscal 2015	Change (%)
Power and Social Infrastructure	Net sales	169.2	175.5	104%
	Operating income	7.8	9.7	125%
Industrial Infrastructure	Net sales	191.4	202.0	106%
	Operating income	11.1	13.0	116%
Power Electronics	Net sales	200.9	203.0	101%
	Operating income	7.6	7.8	102%
Electronic Devices	Net sales	137.2	119.8	87%
	Operating income	8.1	9.9	122%
Food and Beverage Distribution	Net sales	119.1	115.0	97%
	Operating income	8.5	7.8	92%
Others	Net sales	61.2	62.6	102%
	Operating income	1.9	2.3	124%
Sub-total	Net sales	879.0	877.8	100%
	Operating income	45.0	50.5	112%
Eliminate/Corporate	Net sales	(68.3)	(64.3)	—
	Operating income (loss)	(5.7)	(5.5)	—
Total	Net sales	810.7	813.6	100%
	Operating income	39.3	45.0	114%

(Note) The makeup of the businesses grouped in each business segment of “Power and Social Infrastructure,” “Industrial Infrastructure” and “Power Electronics” changed during the current fiscal year with the change in the organization structure, and the figures of “Change” are calculated after reclassifying the figures for fiscal 2014 in accordance with the classification of business segments after such change.

Results by Business Segment

[Power and Social Infrastructure]

Net sales increased 4% year on year, to ¥175.5 billion, and operating income improved ¥1.9 billion year on year, to ¥9.7 billion.

In the power plant business, net sales were up year on year as the increase in orders for thermal power, geothermal power, and hydropower generation facilities outweighed the decrease in orders for solar power generation systems. In the social engineering systems business, net sales were up year on year due to higher sales centered on smart meters. In the social information business, net sales were relatively unchanged year on year. Overall, the segment saw improved operating results due to higher net sales and the benefits of cost reduction efforts.

TOPICS

Acquisition of a power plant service company

We acquired a U.S.-based power plant service company. The Company has extensive track records in delivering thermal and geothermal power generation facilities in the Americas. Through the acquisition, we will expand our service business by accumulating technologies and expertise.

[Industrial Infrastructure]

Net sales increased 6% year on year, to ¥202.0 billion, and operating income improved ¥1.8 billion year on year, to ¥13.0 billion.

In the transmission and distribution business, net sales were up year on year due to contributions from large-scale overseas orders. Net sales in the industrial plant business were up year on year due to strong energy saving and replacement demand in Japan as well as increased data center-related orders. Despite lower demand resulted from economic slowdown in China, net sales were up year on year in the industrial and instrumentation equipment business due to robust domestic demand. The equipment construction business saw a year-on-year increase in net sales following higher orders for installation of electrical equipment and air-conditioning equipment. Overall, the segment saw improved operating results due to higher net sales and the benefits of cost reduction efforts.

TOPICS

Acquisition of engineering companies aimed at expanding business in Asia

We conducted M&As in India and Vietnam with the aim of acquiring engineering skills and sales channels to expand our business in Asia. We are strengthening business bases for the Industrial Infrastructure and Power Electronics businesses.

[Power Electronics]

Net sales increased 1% year on year, to ¥203.0 billion, and operating income improved ¥0.2 billion year on year, to ¥7.8 billion.

In the drive business, net sales decreased year on year as a result of a decline in demand due to the bearish state of the Chinese market. Operating results, meanwhile, were relatively unchanged year on year, despite the lower sales, due to the benefits of cost reduction efforts. In the power supply business, net sales were up year on year due to higher demand for power supply equipment in Japan as well as the benefits of the consolidation of Fuji SMBE Pte. Ltd., and its subsidiaries, and operating results improved following the rise in sales. In the ED&C components business, net sales were down year on year as a result of the decline in demand from domestic machinery equipment manufacturers as well as in overseas markets, but operating results were up year on year as the benefits of cost reduction efforts counteracted the lower net sales.

TOPICS

Acquisition of a specialized manufacturer aimed at expanding the railway vehicle business in North America

We acquired a railway vehicle door opening and closing device manufacturer in North America with a large railway vehicle market, aiming to acquire sales channels and personnel. In addition, we developed a factory for railway vehicle electrical equipment in Virginia and it has commenced production.

[Electronic Devices]

Net sales decreased 13% year on year, to ¥119.8 billion, and operating income improved ¥1.8 billion year on year, to ¥9.9 billion.

In the semiconductors business, net sales and operating results worsened year on year due to the impacts of sluggish demand resulted from the bearish state of the Chinese market in the industrial field and the power supply application field, lower demand from major domestic customers centered on machine tools in the industrial field, and reduced sales of certain vehicles equipped with the Company's products in the automotive field. In the magnetic disks business, net sales were down year on year due to the negative impacts of changes in the ratios of sales for specific models, but operating results improved as the benefits of efforts to reduce fixed and other costs outweighed the impact of lower net sales.

TOPICS

Strengthening of overseas production capabilities

As part of the effort to promote local production and local consumption, we have

expanded the back-end production processes for power semiconductors at factories in Malaysia, China, and the Philippines. In addition, we have established a more solid management base through the integration of subsidiaries engaging in the power semiconductor and magnetic disks business in Malaysia.

[Food and Beverage Distribution]

Net sales decreased 3% year on year, to ¥115.0 billion, and operating income worsened ¥0.7 billion year on year, to ¥7.8 billion.

In the vending machine business, net sales and operating results worsened year on year because the impacts of the reduced vending machine demand in Japan stemming from limited investment among domestic beverage manufacturers outweighed the benefits of increased sales following the expansion of operations in the Chinese market. In the store distribution business, net sales and operating results improved year on year as a result of higher sales of freezing and refrigerating facilities for convenience stores.

TOPICS

Increase in production capacity aimed at expanding the vending machine business in China

We made an investment to increase the production capacity to 50,000 units/year (about double that of the previous year) in China, where demand for vending machines is increasing.

[Others]

Net sales increased 2% year on year, to ¥62.6 billion, and operating income improved ¥0.5 billion year on year, to ¥2.3 billion.

Research and Development Activities

In fiscal 2015, 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, we developed and sold outdoor type 555kVA-PCS for solar power generation systems. With no air conditioning and high efficiency, we have expanded the series in addition to the existing 1,000 kVA products. In addition, we developed a supply and demand management system for new power producers and suppliers with an eye on the full liberalization of the electricity market and started to provide a cloud service on April 1, 2016 in partnership with NTT DATA Corporation and KYOWA EXEO CORPORATION.

In the Industrial Infrastructure business, we developed and sold an aerosol analyzer which provides real-time automated measurement of major components of PM2.5 (particulate matter with a diameter of 2.5 micrometers or less) in the atmosphere such as black carbon, nitrate, and sulfate. The system has enabled automated analysis at 15-minute intervals, although it was a process that used to take a few hours. We developed and commercialized mid-sized (30 kW) exhaust heat recovery type steam generation heat pumps. The pumps can be installed separately within factories and generate steam with high efficiency from low-temperature (60–80°C) heat exhaust. We developed and sold “Wearable Remote Operation Support Package” designed to share images and audio via the Internet. It enables users to give appropriate instructions and support to fieldworkers from a remote location.

In the Power Electronics business, we developed and exhibited, as a reference, dustproof and waterproof inverters with the totally-enclosed self-cooled system by leveraging a low-power-loss feature, which is a key feature of SiC devices. The inverters can be installed in a wet, steamy, and dusty environment such as in areas for food and machine processing. We developed and sold an air-conditioning inverter for the Asian market called the FRENIC-eHVAC series. In addition to the existing energy saving and specialized functions, the new series has expanded the number of customized logic steps, which are simplified PLC functions, from 14 to 200. We jointly developed a converter-inverter that uses SiC modules developed for The Tokaido Shinkansen (bullet train) cars with Central Japan Railway Company. We are currently conducting the world’s first test run of a rapid-transit railway with the prototype installed on N700 Series cars. We developed and sold a backup power system F-DC POWER for data center servers. By reducing the number of power conversion steps from three to one with the use of rack-mounted DC power supplies, the system contributes to achieving energy-saving and reducing introduction cost.

In the Electronic Devices business, we developed and sold 7th-generation IGBT modules for various purposes such as general-purpose inverters, machine tools, and new energy fields. We developed the latest chip technologies and the latest package with an efficient operating life under high-temperature environments, raising the maximum temperature guaranteed in continuous operation from the conventional 150°C to 175°C.

In the Food and Beverage Distribution business, we developed showcases with a built-in refrigeration unit which are currently in the process of undergoing a demonstration test. Since no piping is needed to connect with outside refrigeration units, they give greater freedom for expansion and layout changes.

Capital Investment

In fiscal 2015, we made investments totaling ¥27.7 billion, including those for leasing. Our capital investment policy focused on increasing production capacity based on local design, local production, and local consumption, developing next-generation power semiconductors (e.g., SiC, 7th-generation IGBTs), facilitating research and development in the Power Electronics business, and constructing a building to integrate bases for the railcar equipment business.

With the aim of accelerating the development of new technologies and products, we completed the construction of development centers for our Tokyo Factory (company-wide research) and Matsumoto Factory (power semiconductors) while starting the construction of the Power Electronics Technical Center at our Suzuka Factory.

Key investments were as follows.

In the Power and Social Infrastructure business, we made an investment for new products of smart meters and also invested in streamlining of automation lines. In the power generation business, we invested in renewing machine processing facilities.

In the Industrial Infrastructure and Power Electronics businesses, we invested in expanding production lines aimed at increasing the cost competitiveness of Fuji Electric Manufacturing (Thailand). We made an investment in automatic assembly lines to promote the domestic production of small motors at our Suzuka Factory. In the ED&C components business segment, we made an investment in production facilities for new products.

In the Electronic Devices business, we made a capital investment in a semiconductor front-end process in order to expand production models at our Tsugaru Factory.

Outside Japan, we made a capital investment in the Philippines in order to increase production of IPM (intelligent power modules, a power semiconductor element).

In the Food and Beverage Distribution business, we invested in the automation of assembly lines in Japan while making a capital investment in China to increase production of vending machines in line with the growth of the beverage market.

Financing

In fiscal 2015, we redeemed the 25th series of unsecured bonds in the amount of ¥15.0 billion in June 2015 and issued the 28th series of unsecured bonds in the amount of ¥15.0 billion in September 2015. Meanwhile, we repaid loans payable using free cash flows.

As a result, our consolidated financial obligations as of the end of March 2016 decreased by ¥6.5 billion year on year to ¥184.7 billion, leaving net financial obligations, calculated by deducting cash and cash equivalents from financial obligations, of ¥153.9 billion (a drop of ¥5.4 billion year on year).

TOPICS

CSR Activities

- Environmental Protection

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

In fiscal 2015, we constructed a company-wide research and development center at our Tokyo Factory and it will serve as a global headquarters for development. We also built a development center at our Matsumoto Factory for power semiconductors. We facilitated energy saving at both centers with the introduction of leading-edge, high-efficiency equipment.

Specifically, we introduced LED lighting throughout the buildings, energy-saving air-conditioning systems, and energy management systems.

At our Matsumoto Factory, we have reduced the amount of energy to almost half compared to the existing buildings.

We are making ongoing improvements at both centers after their construction by visualizing the amount of energy for each floor.

- Diversity

We are continuously working on enhancing diversity under the management policy of “Maximize our strengths as a team, respecting employees’ diverse ambition.” Regarding “enabling women to play active roles” in particular, we provided young and mid-career female employees with a training program for career development in fiscal 2015 in addition to implementing initiatives such as a mentoring system among female employees. To expand the employment of disabled persons, we are continuously promoting the expansion of job categories.

In addition, we have implemented a wide range of activities to promote diversity including our efforts for creating work environments that are easy to work in and a good work-life balance through such measures as improving the leave system to encourage male employees to participate in child care.

As a result of these activities, we were selected as the FY2015 “Nadeshiko Brand” by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange.

- Social Contributions

Guided by our basic policy to contribute to local communities with human resources and technologies developed through business activities, we have set the focus themes of “protecting the natural environment,” “promoting youth development,” and “giving aid for activities to reconstruct the Tohoku region.” We have conducted our activities both at home and abroad mainly in areas where our offices including group companies are located.

To promote youth development, we held science classes for elementary school students, provided training for practical science skills for teachers, and offered corporate seminars.

Regarding giving aid for activities to reconstruct the Tohoku region, we have

continued to provide support for Fukushima Prefecture. In addition to using food produced in Fukushima Prefecture at staff canteens and selling local produce, which are activities we have been doing since fiscal 2013, we gathered picture books from our employees and sent them as gifts to children in Fukushima to support NPOs in their activities to deliver picture books to those children. In addition, we supported an NPO, which is commissioned to operate PEP Kids Koriyama, an indoor playground operated by Koriyama City, Fukushima Prefecture, to renew playground and other equipment.

Challenges to be addressed

The Company formulated the FY2018 Medium-Term Management Plan “Renovation 2018” in April 2016. Guided by the basic policy “Further Renovation of Fuji Electric,” the Company will strive to “Advance growth strategies” and “Strengthen profitability.”

- Advance growth strategies

In the business environment surrounding the Company, in Japan, expansion of investments in high-efficiency power generation and renewable energy are forecast, due to the liberalization of electricity retailing. Reconstruction of social and industrial infrastructure in response to the Tokyo Olympics and aging of facilities as well as expansion of IoT services to ensure safety, security, and energy saving are also expected to take place in Japan. In global markets, investments in social infrastructure are expected to increase due to greater energy demand in emerging countries. In addition, investments to achieve automation and increase efficiency of production facilities are expected to increase in line with the advancement of industries and technologies.

In this business environment, we will strive to expand business by creating high-value-added products that meet customer demand while expanding overseas operations through conducting additional mergers and acquisitions. By business segment, we will thoroughly strengthen the Social Infrastructure, Industrial Infrastructure, and Power Electronics businesses.

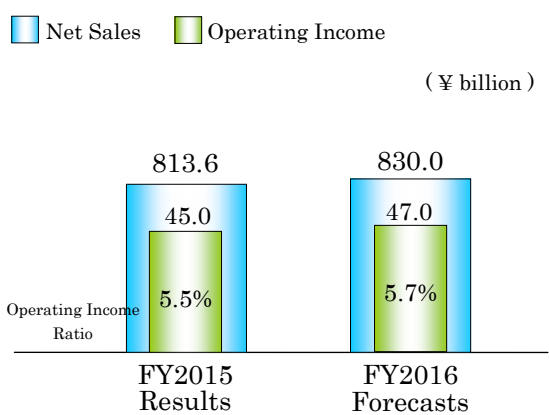
- Strengthen profitability

We have continued to advance the “Pro-7 Activity” as a company-wide campaign in which improvement in business quality is thoroughly worked on in order to prevent wasteful cost and loss cost, etc. from occurring while conducting a zero-based review of all costs of business activities. Going forward, we will revitalize this Pro-7 Activity to improve profitability.

■ Consolidated business results forecasts and priority measures by business segment

The consolidated business results forecasts for fiscal 2016 and priority measures by business segment are as follows.

Consolidated business results forecasts



Net sales are expected to be ¥830.0 billion for fiscal 2016, up 2.0% year on year. Operating income is projected to be ¥47.0 billion, up ¥2.0 billion.

Priority measures by business segments

- Power and Social Infrastructure

The Power and Social Infrastructure business segment will work to capture orders for thermal power generation facilities and geothermal power generation facilities, expand service operations, and strengthen fuel cell and other operations in the new energy field. At the same time, this segment will secure a strong share in the domestic smart meter market while addressing the increased production of meters in Japan and will also promote sales of cloud-based supply and demand management systems for PPS (power producer and supplier).

- Industrial Infrastructure

The Industrial Infrastructure business segment will advance integrated service businesses that encompass everything from diagnosis to maintenance and upgrades as it seeks to steadily capture energy-saving and replacement demand. This segment will also strengthen solutions operations targeting data centers and logistics, plant factories, and other facilities. We will integrate the human resources, technologies, and engineering capabilities acquired through mergers, acquisitions, and collaboration in regions centered on Asia in order to grow local operations in these regions.

- Power Electronics

The Power Electronics business segment will expand systems operations in the motion control and factory automation fields based on automation needs while pursuing increased sales through the quick launch of new products, including those that employ next-generation power semiconductors. In addition, the segment will further promote increased local production and consumption of products overseas and also standardize products and expand manufacturing of products in-house to boost competitiveness.

- Electronic Devices

In the semiconductor business, the Electronic Devices business segment will increase overseas production and further reduce costs on a global scale to enhance competitiveness. In the industrial field, this segment will pursue sales growth while accelerating development of new products for the SiC power semiconductor and automotive field with the aim of creating promising new power electronics.

- Food and Beverage Distribution

The Food and Beverage Distribution business segment will expand its vending machine business in China, Asia, and other markets while boosting cost competitiveness by developing high-value-added products and pursuing further cost reductions. In the store distribution business, the segment will strive to increase orders of store equipment for convenience stores and other stores while developing new products.

[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 development, 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, 2016

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 ¥5 per share at the meeting of the Board of Directors held on May 26, 2016, 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 2015 amounted to ¥10 per share including the amount of interim dividend.

[Consolidated Financial Results and Trends in Assets]

Classification	137th term Fiscal 2012	138th term Fiscal 2013	139th term Fiscal 2014	140th term Fiscal 2015
Net sales (¥ billion)	745.8	759.9	810.7	813.6
Operating income (¥ billion)	22.0	33.1	39.3	45.0
Ordinary income (¥ billion)	25.7	36.7	43.1	45.6
Profit attributable to owners of parent (¥ billion)	26.4	19.6	28.0	30.6
Basic earnings per share (¥)	36.90	27.41	39.16	42.90
Total assets (¥ billion)	765.6	810.8	904.5	845.4
Annual dividend per share (¥)	5.0	7.0	9.0	10.0

[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

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.

(i) Base remuneration

Base remuneration shall be paid as a monthly financial sum determined in advance, applicable to that senior management rank.

A portion of the remuneration of 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.

(ii) Performance-related remuneration

Performance-related remuneration shall be paid only 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 profit 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 2015

	Payees (persons)	Payment (¥ million)
Directors	9	263
(Outside)	(3)	(22)
Auditors	5	80
(Outside)	(3)	(22)

(Notes) 1. The amounts of remuneration for Directors shown above do not include performance-related remuneration for fiscal 2015 because the payment amounts of said remuneration are not clear at the time of the preparation of this Business Report.

2. In addition to the above payment, the Company paid ¥85 million in performance-related remuneration to Standing Directors (six Directors) for fiscal 2014.
3. In addition to the above payment, the Company paid ¥26 million to two employees who concurrently assumed the office of Director (an employee) as salary for an employee.
4. 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	19	39
Auditors	2	4

(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, 2016)

1. Authorized shares: 1,600,000,000
2. Issued and outstanding shares: 746,484,957
3. Number of shareholders: 41,492
(a decrease of 1,670 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	127	256,804,614	34.40
Other domestic corporations	497	126,160,326	16.90
Foreigners	486	226,616,284	30.36
Individuals and others	40,382	136,903,733	18.34
Total	41,492	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	10.41
Japan Trustee Services Bank, Ltd. (Trust Account)	38,934	5.45
The Master Trust Bank of Japan, Ltd. (Trust Account)	37,951	5.31
Mizuho Bank, Ltd.	22,254	3.12
Asahi Mutual Life Insurance Company	19,775	2.77
FANUC CORPORATION	13,421	1.88
FURUKAWA CO., LTD.	11,025	1.54
THE BANK OF NEW YORK, NON-TREATY JASDEC ACCOUNT	10,011	1.40
Furukawa Electric Co., Ltd.	8,738	1.22
CBNY-GOVERNMENT OF NORWAY	8,054	1.13

(Notes) 1. Treasury stock of 32,109,374 shares is excluded from the above list of top 10 shareholders.

2. Ratio of shareholding is calculated by deducting 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, 2016)

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

(Note) The exercise period for the bonds with stock acquisition rights expired on May 18, 2016 and the bonds were redeemed upon maturity on June 1, 2016.

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 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	
Mareto Sako	Outside Director	
Michio Abe	Director	Senior Managing Executive Officer Corporate General Manager, Production and Procurement Group
Kenzo Sugai	Director	Senior Managing Executive Officer Corporate General Manager, Sales Group
Naoya Eguchi	Director	Executive Officer Corporate General Manager, Corporate R&D Headquarters
Junichi Matsumoto	Director	Executive Officer General Manager, Corporate Finance Office, Corporate Management Planning Headquarters
Toshihiko Ishihara	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. Mareto Sako, 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. Mareto Sako 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 Toshihiko Ishihara is highly knowledgeable about human resources, labor and overall management operations, which he has gained from his longstanding career in Fuji Electric as person in charge of 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 Yoshiaki 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 Directors in the Company were changed as follows on April 1, 2016.
- | | | |
|--------------|-------------------------|--|
| Yoshio Okuno | Representative Director | |
| Kenzo Sugai | Director | Executive Vice President
Corporate General Manager, Sales Group |

2. Significant Concurrent Positions of Directors and Auditors

(1) Directors

Name	Significant concurrent positions
Yoshio Okuno	Representative Director, Shanghai Electric Fuji Electric Power Technology (Wuxi) Co., Ltd.
Junichi Matsumoto	Outside Director, METAWATER Co., Ltd.
Motoyuki Suzuki	Visiting Professor, the Open University of Japan (retired on March 31, 2016)
Mareto Sako	Advisor, Nippon Tochi-Tatemono Co., Ltd.

- (Notes) 1. Information in parenthesis () describes Directors who assumed office of, or retired from concurrent positions during the period under review.
2. 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.
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 Audit & Supervisory Board Member, The Yokohama Rubber Company, Limited External Audit and Supervisory Board Member, ADEKA CORPORATION Outside Director, FUJI KYUKO CO., LTD.
Akiko Kimura	Attorney, Advisor of Anderson Mori & Tomotsune Member of the Audit and Supervisory Board (Outside), DAIICHI SANKYO COMPANY, LIMITED

- (Notes) 1. 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.
2. 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 2.65 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 Company.
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 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 - Appropriate way to expand overseas business
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"> - Appropriate way of research and development strategy - Appropriate way to expand overseas business
Mareto Sako	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 extensive experience and considerable insight as a manager in financial institutions. <ul style="list-style-type: none"> - Appropriate way to carry out IR activities - Management supervision of acquired companies

(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	9 of the 13 meetings 5 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	12 of the 13 meetings 9 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 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	12 of the 13 meetings 10 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 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.

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

In accordance with laws and regulations and the Articles of Incorporation of the Company, the Company has concluded a limited liability agreement with each Outside Director and Outside Auditor stipulating that in the event that he or she bears liability with regard to the Company, the maximum amount of his or her liability to the Company will be the amount of six million yen or the minimum amount for damages stipulated in the Companies Act, whichever is higher, so long as he or she has carried out his or her duties in good faith and in absence of gross negligence.

In the agreement, the Company has set forth articles to provide instruction ensuring that duties of due diligence as Outside Director or Outside Auditor are fulfilled and these duties are executed sincerely even after the conclusion of the agreement to ensure the propriety of duties of Outside Director and Outside Auditor.

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	168
(ii) Total profit on cash and other financial assets payable by the Company and its subsidiaries	337

- (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 Board of Auditors confirmed and deliberated on the details of the audit plan of the accounting auditor, the execution of duties regarding an accounting audit, and the calculation basis of remuneration estimates upon receiving necessary documents and reports from Directors, related divisions of the Company, and the accounting auditor. As a result, the Board of Auditors believes these are appropriate and agrees to the amount of remuneration and other amounts payable to the accounting auditor.
3. The total profit under (ii) above includes the amount the Company paid as compensation to the accounting auditor for advisory services related to the consolidation of the company acquired, 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 Board of Auditors will dismiss the accounting auditor 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 Board of Auditors may determine the content of a proposal concerning dismissal or non-reappointment of the relevant accounting auditor which are submitted to the Ordinary General Meeting of Shareholders.

4. Business suspension order to which the accounting auditor was subject during past two years

Content of the business suspension order announced by the Financial Services Agency on December 22, 2015

- (1) Subject of administrative order
ERNST & YOUNG SHINNIHON LLC
- (2) Content of administrative order
 - Business suspension for three months (Suspension from accepting new engagements from January 1, 2016 to March 31, 2016)
 - Order for improvement of business operations (improvement of business management system)
- (3) Reason for administrative order
 - In regard to the audit of financial documents for a company other than the Company, the above-mentioned audit corporation's certified public accountants had, in negligence of due care, attested that the financial statements contained no material misstatement, when in fact the statements contained material misstatement.
 - The audit corporation's operation of services was found to be grossly inappropriate.

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 equipment and power receiving/distribution equipment.		
Net sales (¥ billion)	47.7	Net assets (¥ billion)	32.7
Operating income (loss)(¥ billion)	3.3	Capital (¥ billion)	7.6
Profit (loss)(¥ billion)	2.3	Number of employees	915

Specified Wholly Owned Subsidiaries

Not applicable.

Important Corporate Realignments

Not applicable.

Main Facilities of the Group (as of March 31, 2016)

1. Power and Social Infrastructure

Domestic facilities

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.S, Fuji Electric (Zhuhai) Co., Ltd. (China), Shanghai Fuji Electric Transformer Co., Ltd. (China), Shanghai Fuji Electric Switchgear Co., Ltd. (China), Fuji Tusco Co., Ltd. (Thailand), FUJI FURUKAWA E&C (THAILAND) CO., LTD.
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3. Power Electronics

Domestic facilities

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

WUXI FUJI ELECTRIC FA CO., LTD. (China), Fuji Electric Motor (Dalian) Co., Ltd. (China), Shanghai Electric Fuji Electric Power Technology (Wuxi) Co., Ltd. (China), Fuji SMBE Pte. Ltd. (Singapore), Fuji Electric FA (Asia) Co., Ltd. (China), Fuji Electric Dalian Co., Ltd. (China), Fuji Electric (Changshu) Co., Ltd. (China)
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4. Electronic Devices

Domestic facilities

Production facilities	Matsumoto, Minami Alps
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Overseas facilities

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

5. Food and Beverage Distribution

Domestic facilities

Production facilities	Yokkaichi, Ueda
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Overseas facilities

Dalian Fuji Bingshan Vending Machine Sales Co., Ltd. (China), Dalian Fuji Bingshan Vending Machine Co., Ltd. (China), Fuji Electric (Hangzhou) Software Co., Ltd. (China)

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 CORP. OF AMERICA, Fuji Electric Europe GmbH (Germany), Fuji Electric Asia Pacific Pte. Ltd. (Singapore), Fuji Electric India Pvt. Ltd., Fuji Electric (Thailand) Co., Ltd., PT. Fuji Electric Indonesia, Fuji Electric (China) Co., Ltd., Fuji Electric Taiwan Co., Ltd., Fuji Electric Hong Kong Co., Ltd. (China), Fuji Electric Korea Co., Ltd., Fuji Electric Manufacturing (Thailand) Co., Ltd., HOEI HONG KONG CO., LTD. (China)
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Employees of Fuji Electric (as of March 31, 2016)

Business segment	Number of employees (persons)	Year-on-year change (persons)
Power and Social Infrastructure	2,478	(20)
Industrial Infrastructure	5,472	309
Power Electronics	7,646	723
Electronic Devices	6,348	(245)
Food and Beverage Distribution	2,480	24
Others	2,084	(23)
Total	26,508	768

(Note) The number of employees of the Company at the end of March 2016 is 10,790 (a decrease of 187 from the end of the previous year).

Major lenders (as of March 31, 2016)

Name of lenders	Balance of loans (¥ billion)
Mizuho Bank, Ltd.	20.0
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	11.7
Mizuho Trust & Banking Co., Ltd.	7.6
Sumitomo Mitsui Trust Bank, Limited	7.0

Basic Policy on System of Internal Controls and Operation of the Internal Controls System

1. Basic policy on system of internal controls

Based on the provisions of Article 362, Paragraph 5 of the Companies Act, the Board of Directors held on May 26, 2015 has partially amended the details of the development of 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 and resolved to adopt the proposal 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 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) The Company will repeatedly give explanations to employees of the Company and its subsidiaries on management principles applicable to the Company, and on the spirit behind the Criteria of Corporate Behavior, which serves as a code of behavior for all executives and employees, and ensure such principles and criteria are rigorously followed.
- (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 the Company and its subsidiaries.
 - 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 the Company and its subsidiaries.
 - The Company will establish an internal reporting system that facilitates communication from employees of the Company and its subsidiaries to the President of the Company and external attorneys, 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 the 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 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. 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 the Company and its subsidiaries. Based on these regulations, the Company and its subsidiaries will establish appropriate risk management systems, and a system for managing specific group-wide risks will be established. The system involves the designation of departments 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 the Company and its 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 and formulate reports on important matters pertaining to the management. 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 the Company and its subsidiaries and to share information, 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, the Company will build internal controls for financial reporting, appropriately conduct evaluations and reporting, and report the results of

evaluations to the Board of Directors.

(6) System for ensuring the appropriate administration of the company group comprising the Company and its subsidiaries

- (i) The Company will formulate internal regulations that prescribe authority and responsibilities pertaining to business execution of the Company and its subsidiaries. Based on these regulations, the Company will ensure systematic and efficient management.

In addition, the Company will request subsidiaries to comply with these regulations and report to the Company or obtain approval from the Company regarding important matters pertaining to business execution of subsidiaries.

- (ii) The Company will enhance systems to ensure appropriate administration for the items discussed above, to maximize the corporate value of the entire company group comprising the Company and its subsidiaries.

In addition, the Company will request the formulation of a basic policy on the establishment of a system that ensures subsidiaries 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, their independence from Directors, and ensuring the effectiveness of instructions to these employees

- (i) 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.

- (ii) If these employees are concurrently engaged in other business, they will prioritize the assistance business.

(8) System for reporting to Auditors by Directors and employees, system for reporting to Auditors by subsidiaries' Directors, Auditors, and employees or those who have received report from these persons, 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 of the company group comprising the Company and its subsidiaries, for distributing regular reports and important documents from executives and employees of the Company and its subsidiaries to Auditors, and for making it possible for Auditors to otherwise collect information on the performance of duties by executives and employees of the Company and its subsidiaries.

(9) System for ensuring that persons who report (8) above are not treated disadvantageously on the basis of making the report

The Company shall prohibit disadvantageous treatment of persons who report (8) above on the basis of making the report.

(10) Matters pertaining to procedures for advance payment or repayment of costs arising from the execution of duties by Auditors and other matters pertaining to the policy for processing costs or liabilities arising from the execution of Auditors' duties

When Auditors request the Company to make advance payment of costs, etc.

pertaining to the execution of their duties, the Company will promptly process the payment, etc. except when it is deemed unnecessary for the execution of duties by Auditors.

(11) Other systems to ensure audits are conducted effectively by Auditors

- (i) The Company recruits outside auditors who understand the management of the Company and its subsidiaries 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 the entire company group comprising the Company and its subsidiaries.

2. Overview of operation of the internal controls system

An overview of the operation of the internal controls system for the Company in the current fiscal year is as provided below.

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

Regarding a compliance system, the Company holds the Compliance Promotion Committee chaired by the Representative Director twice a year in May and November. It deliberates on the operation of an internal reporting system as well as the implementation and implementation plan of a compliance program to make sure that there is no compliance violation that would have a material impact on the management of the Company and its subsidiaries.

In addition, the annual results and plans for the details deliberated at the Compliance Promotion Committee above are reported to the Board of Directors held in May.

The Company conducts internal audits on organizational management, risk management, compliance management, business execution, and accounting of the entire company group comprising the Company and its subsidiaries. This is done based on an internal audit plan and from the perspectives of compliance with laws and regulations related to business activities, reliability of financial reporting, protection of assets, and effectiveness and efficiency of business.

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

The Company appropriately retains and manages documents pertaining to the performance of Directors including minutes of the Board of Directors and other related documents pursuant to the related laws and regulations as well as internal regulations.

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

The Company systematically manages risks based on its risk management regulations. The Company strives to maximize the corporate value of the Company and its subsidiaries while minimizing the impact on management when risks materialize. It does so by fully and appropriately managing and addressing risks that may impact the management of the Company and its subsidiaries while preventing the materialization of risks (occurrence of critical situations) or reducing losses.

In preparation for the occurrence of major accidents, disasters, and other situations, the Company has established a business continuity plan (BCP), implemented drills based on the assumption of earthquakes and other disasters, and facilitated the dissemination, full enforcement, and increased efficiency of a BCP.

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

Matters deliberated on by the Board of Directors are deliberated on and reported at a management meeting comprising the Company's executive officers and other individuals prior to the Board of Directors. In the current fiscal year, the management meeting was held 25 times and business plans and important matters pertaining to the management of the Company and its subsidiaries were deliberated on and reported there appropriately based on the internal regulations that prescribe the duties and authority of executive officers and employees.

(5) System to ensure reliable financial reporting

Regarding the internal control evaluation pertaining to financial reporting, the Company evaluates the effectiveness of internal controls for financial reporting of the company group comprising the Company and its subsidiaries. It does so upon selecting the scope of evaluation pursuant to evaluation criteria generally deemed fair and appropriate. The results of the evaluation are reported to the Board of Directors held in June.

(6) System for ensuring the appropriate administration of the company group comprising the Company and its subsidiaries

Based on internal regulations that prescribe authority and responsibilities pertaining to business execution of the Company and its subsidiaries, systematic and efficient management are ensured and important matters pertaining to business execution of subsidiaries are reported to the Company appropriately. Also, when needed, they are deliberated on and reported to the management meeting or the Board of Directors of the Company.

(7) Matters pertaining to employees assisting Auditors, their independence from Directors, and ensuring the effectiveness of instructions to these employees

Employees carrying out assistance business based on requests from Auditors are doing so independently of instructions or orders from Directors and prioritizing the business over other businesses.

(8) System for reporting to Auditors by Directors and employees, system for reporting to Auditors by subsidiaries' Directors, Auditors, and employees or those who have received report from these persons, and other matters pertaining to reporting to Auditors

Each Auditor conducts audits by attending the Board of Directors and other important meetings, collecting information on the performance of duties by Directors, internal auditing divisions and others, viewing important approval forms and other documents, investigating the situation of business and assets at major offices, and if needed, requesting subsidiaries to report on their business. In addition, based on the amendment of the Companies Act effective May 1, 2015, the Company has amended internal regulations pertaining to reporting to Auditors by executives and employees of the Company and its subsidiaries and enhanced/embodied the system for Auditors to collect information from employees from the perspective of ensuring the effectiveness of audits by Auditors.

(9) System for ensuring that persons who report (8) above are not treated disadvantageously on the basis of making the report

The Company makes executives and employees well aware of the fact that it is prohibited to treat persons who report to Auditors disadvantageously.

(10) Matters pertaining to procedures for advance payment or repayment of costs arising from the execution of duties by Auditors and other matters pertaining to the policy for processing costs or liabilities arising from the execution of Auditors' duties

The Company promptly processes costs arising from the execution of duties by Auditors based on requests from Auditors.

(11) Other systems to ensure audits are conducted effectively by Auditors

The Board of Auditors meetings of the Company were held 10 times in the current fiscal year. The Board of Auditors receives reports, deliberates on, and resolves important matters pertaining to auditing.

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 are working to strengthen communication among all auditing bodies thereby ensuring the effectiveness of auditing practices for the entire company group comprising the Company and its subsidiaries.

Basic Policy on Control of the Company

1. Details of the basic policy

In implementing the Corporate philosophy and continuing to improve corporate value, Fuji Electric amasses 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. above, 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. As used in this Business Report, the expression “Fuji Electric” refers to the company group comprising the Company, its subsidiaries, and affiliates.
4. The business object in the future, stated in the Business Report is calculated based on given assumptions that we assess to be reasonable at the time of writing the Business Report. The description may differ from the actual results, and we cannot guarantee the accuracy of the content.

Consolidated Balance Sheets

(as of March 31, 2016)

(¥ Millions)

[Assets]		[Liabilities]	
Current assets	493,932	Current liabilities	417,819
Cash and deposits	31,000	Notes and accounts payable-trade	160,416
Notes and accounts receivable-trade	258,378	Short-term loans payable	53,795
Merchandise and finished goods	56,290	Commercial papers	22,000
Work in process	52,410	Current portion of bonds	20,500
Raw materials and supplies	36,437	Lease obligations	11,970
Deferred tax assets	17,091	Accrued expense	39,285
Other	43,490	Income taxes payable	6,390
Allowance for doubtful accounts	(1,167)	Advances received	40,247
		Other	63,213
Noncurrent assets	351,327	Noncurrent liabilities	166,578
Property, plant and equipment	176,476	Bonds payable	40,000
Buildings and structures	83,200	Long-term loans payable	48,449
Machinery, equipment and vehicles	18,959	Lease obligations	23,498
Tools, furniture and fixtures	5,816	Deferred tax liabilities	797
Land	34,918	Provision for directors' retirement benefits	195
Leased assets	29,291	Net defined benefit liability	50,729
Construction in progress	4,290	Other	2,908
		Total liabilities	584,397
Intangible fixed assets	20,369	[Net assets]	
Software	8,028	Shareholders' equity	219,221
Other	12,341	Capital stock	47,586
		Capital surplus	46,736
Investments and other assets	154,481	Retained earnings	132,111
Investment securities	125,265	Treasury stock	(7,212)
Long-term loans receivable	812	Accumulated other comprehensive income	11,177
Net defined benefit asset	17,623	Valuation difference on available-for-sale securities	30,254
Deferred tax assets	2,617	Deferred gains or losses on hedges	(1,132)
Other	9,074	Foreign currency translation adjustments	3,377
Allowance for doubtful accounts	(911)	Remeasurements of defined benefit plans	(21,321)
Deferred assets	117	Non-controlling interests	30,581
Bond issue expenses	117	Total net assets	260,980
		Total liabilities and net assets	845,378
Total assets	845,378		

Consolidated Statements of Income

(from April 1, 2015 to March 31, 2016)

(¥Millions)

Net sales		813,550
Cost of sales		603,235
Gross profit		210,314
Selling, general and administrative expenses		165,308
Operating income		45,006
Non-operating income		
Interest and dividends income	3,037	
Miscellaneous income	1,871	4,908
Non-operating expenses		
Interest expense	2,136	
Miscellaneous expenses	2,165	4,301
Ordinary income		45,614
Extraordinary income		
Gain on sales of noncurrent assets	989	
Gain on sales of investment securities	2,351	3,340
Extraordinary loss		
Loss on disposal of noncurrent assets	775	
Loss on valuation of investment securities	167	
Impairment loss	282	
Settlement package	640	
Loss on liquidation of subsidiaries	470	
Other	51	2,387
Profit before income taxes		46,566
Income taxes-current	9,600	
Income taxes-deferred	3,096	12,697
Profit		33,868
Profit attributable to non-controlling interests		3,224
Profit attributable to owners of parent		30,644

Consolidated Statement of Changes in Net Assets

(from April 1, 2015 to March 31, 2016)

(¥Millions)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2015	47,586	46,735	109,543	(7,184)	196,680
Changes of items during the period					
Dividends from surplus			(7,144)		(7,144)
Profit attributable to owners of parent			30,644		30,644
Purchase of treasury stock				(28)	(28)
Disposal of treasury stock		0		0	1
Change of scope of consolidation			(931)		(931)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	0	22,568	(28)	22,541
Balance at March 31, 2016	47,586	46,736	132,111	(7,212)	219,221

(¥Millions)

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at April 1, 2015	69,528	(513)	10,978	13,665	93,659	29,296	319,636
Changes of items during the period							
Dividends from surplus					-		(7,144)
Profit attributable to owners of parent					-		30,644
Purchase of treasury stock					-		(28)
Disposal of treasury stock					-		1
Change of scope of consolidation					-		(931)
Net changes of items other than shareholders' equity	(39,274)	(618)	(7,601)	(34,986)	(82,482)	1,284	(81,197)
Total changes of items during the period	(39,274)	(618)	(7,601)	(34,986)	(82,482)	1,284	(58,655)
Balance at March 31, 2016	30,254	(1,132)	3,377	(21,321)	11,177	30,581	260,980

Non-Consolidated Balance Sheet

(as of March 31, 2016)

(¥Millions)

[Assets]		[Liabilities]	
Current assets	318,386	Current liabilities	321,382
Cash and deposits	3,565	Notes payable-trade	159
Notes receivable-trade	4,660	Accounts payable-trade	142,822
Accounts receivable-trade	164,787	Short-term loans payable	32,389
Merchandise and finished goods	23,254	Commercial papers	22,000
Work in process	41,106	Current portion of bonds	20,500
Raw materials and supplies	23,672	Current portion of long-term loans payable	15,592
Advance payments-trade	20,145	Lease obligations	6,664
Deferred tax assets	11,539	Accounts payable-other	10,678
Short-term loans receivable	500	Accrued expense	27,295
Accounts receivable-others	19,877	Income taxes payable	2,160
Other	5,278	Advances received	29,980
Allowance for doubtful accounts	(1)	Deposits received	7,671
		Other	3,467
Noncurrent assets	331,132	Noncurrent liabilities	131,515
Property, plant and equipment	100,569	Bonds payable	40,000
Buildings	45,029	Long-term loans payable	45,622
Structures	1,780	Lease obligations	13,540
Machinery and equipment	5,620	Deferred tax liabilities	9,733
Vehicles	36	Provision for retirement benefits	20,748
Tools, furniture and fixtures	2,653	Asset retirement obligations	1,656
Land	24,538	Other	213
Leased assets	17,207		
Construction in progress	3,702	Total liabilities	452,897
Intangible fixed assets	8,283	[Net assets]	
Software	5,124	Shareholders' equity	167,425
Other	3,159	Capital stock	47,586
Investments and other assets	222,279	Capital surplus	56,819
Investment securities	99,800	Capital reserve	56,777
Stocks of subsidiaries and affiliates	90,115	Other capital surplus	41
Capital contributions	535	Retained earnings	70,426
Long-term loans receivable	1,186	Legal reserve	11,515
Prepaid pension cost	29,122	Other retained earnings	58,910
Other	3,952	Retained earnings brought forward	58,910
Allowance for doubtful accounts	(417)	Treasury stock	(7,406)
Allowance for loss on investment in subsidiaries and affiliates	(2,017)		
Deferred assets	117	Valuation and translation adjustments	29,313
Bond issue expenses	117	Valuation difference on available-for-sale securities	30,439
		Deferred gains or losses on hedges	(1,125)
Total assets	649,637	Total net assets	196,739
		Total liabilities and net assets	649,637

Non-Consolidated Statements of Income

(from April 1, 2015 to March 31, 2016)

(¥Millions)

Net sales		503,513
Cost of sales		384,339
Gross profit		119,173
Selling, general and administrative expenses		102,277
Operating income		16,896
Non-operating income		
Interest and dividends income	5,890	
Other	108	5,999
Non-operating expenses		
Interest expense	1,215	
Other	3,119	4,334
Ordinary income		18,561
Extraordinary income		
Gain on sales of noncurrent assets	910	
Gain on sales of investment securities	2,337	3,247
Extraordinary loss		
Loss on disposal of noncurrent assets	242	
Loss on valuation of stocks of subsidiaries and affiliates	976	
Settlement package	640	
Other	78	1,937
Profit before income taxes		19,871
Income taxes-current	2,667	
Income taxes-deferred	2,954	5,622
Profit		14,248

Non-Consolidated Statement of Changes in Net Assets

(from April 1, 2015 to March 31, 2016)

(¥Millions)

	Shareholders' equity								Total stockholders' equity
	Capital stock	Capital surplus			Legal reserve	Retained earnings		Treasury stock	
		Capital reserve	Other capital surplus	Total capital surplus		Other retained earnings	Total retained earnings		
Balance at April 1, 2015	47,586	56,777	41	56,818	11,515	51,806	63,321	(7,378)	160,348
Changes of items during the period									
Dividends from surplus				-		(7,144)	(7,144)		(7,144)
Profit for the year				-		14,248	14,248		14,248
Purchase of treasury stock				-				(28)	(28)
Disposal of treasury stock			0	0				0	1
Net changes of items other than shareholders' equity									
Total changes of items during the period	-	-	0	0	-	7,104	7,104	(28)	7,077
Balance at March 31, 2016	47,586	56,777	41	56,819	11,515	58,910	70,426	(7,406)	167,425

	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, 2015	68,565	(513)	68,052	228,400
Changes of items during the period				
Dividends from surplus			-	(7,144)
Profit for the year			-	14,248
Purchase of treasury stock			-	(28)
Disposal of treasury stock			-	1
Net changes of items other than shareholders' equity	(38,126)	(612)	(38,738)	(38,738)
Total changes of items during the period	(38,126)	(612)	(38,738)	(31,661)
Balance at March 31, 2016	30,439	(1,125)	29,313	196,739