Management's Discussion and Analysis

OVERVIEW

Regarding the business conditions that Fuji Electric faced in fiscal 2011, ended March 31, 2012, Japan's market recovered modestly as a result of demand stemming from restoration following the Great East Japan Earthquake. Overseas markets saw a further increase in uncertainty due to the deterioration of the global economy that Europe's financial crisis triggered, floods in Thailand, and a softening of China's economic growth.

Amid these conditions, in accordance with its management strategy, the Company focused on two areas: Expand business development with a focus on energy and environment, and Expand our business on a global scale. At the same time, aiming to enable long-term perspectives and quick responses to market changes, the Company advanced reforms that base business management on markets and customers.

FINANCIAL PERFORMANCE

Net Sales

In fiscal 2011, net sales increased 2.1% year on year, to ¥703,534 million. Domestic net sales were up 2.8% year on year, to ¥525,096 million. Meanwhile, overseas net sales rose 0.1% year on year, to ¥178,437 million.

Cost of Sales, Selling, General and Administrative Expenses, Operating Income

Cost of sales increased 0.6% year on year, to ¥546,689 million. Cost of sales as a percentage of net sales declined 1.2 percentage points, to 77.7%.

Selling, general and administrative expenses rose 3.0% year on year, to ¥137,593 million. Selling, general and administrative expenses as a percentage of net sales were up 0.2 percentage points, to 19.6%.

Operating income was ¥19,252 million, a substantial improvement of ¥7,335 million from the previous fiscal year. This increase was attributable to the higher net sales, to lower costs stemming from business restructuring, and to lower fixed costs.

Non-Operating (Income) Expenses and Ordinary Income (Loss)

Non-operating expenses (net) were ¥698 million, down ¥3,994 million from the previous fiscal year's ¥4,692 million. This reflected a decline of ¥270 million in interest and dividend income and a decrease of ¥648 million in interest expense.

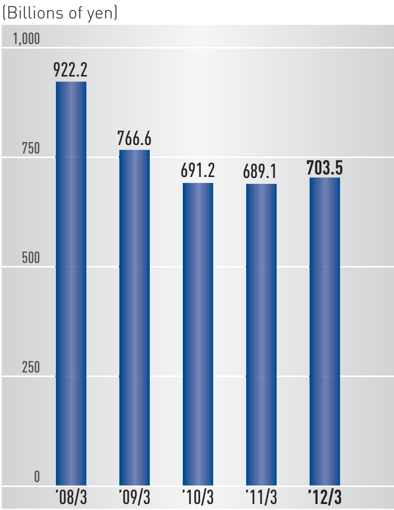
As a result, ordinary income was ¥18,554 million, an improvement of ¥11,329 million from the previous fiscal year.

Extraordinary Income (Loss), Income (Loss) Before Income Taxes and Minority Interests

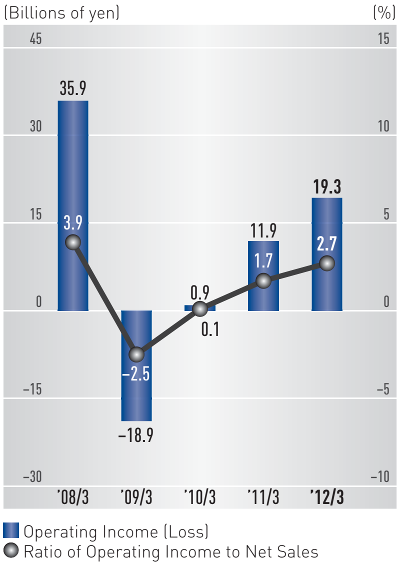
Extraordinary income was ¥2,371 million, due to gain on sales of noncurrent assets and gain on sales of investment securities. This decrease in extraordinary income of ¥29,160 million was mainly attributable to a decline in gain on sales of investment securities.

Extraordinary loss was ¥15,577 million, reflecting loss on disposal of noncurrent assets, loss on devaluation of investment securities, loss on disappearance of pension assets, office/factory integration costs, and loss on disaster. Extraordinary loss was ¥3,268 million

Net Sales



Operating Income (Loss) / Ratio of Operating Income to Net Sales



higher than in the previous fiscal year, due primarily to loss on disappearance of pension assets.

As a result, income before income taxes and minority interests was ¥5,348 million, a decline of ¥21,099 million from the previous fiscal year.

Net Income (Loss)

Starting with income before income taxes and minority interests, the addition of reimbursement of tax expenses of ¥7,897 million, mainly arising from the recording of deferred tax assets, and the subtraction of minority interests in net income of consolidated subsidiaries of ¥1,444 million resulted in net income of ¥11,801 million. This represented a ¥3,303 million year-on-year decline in net income compared to the previous fiscal year, in which tax expenses of ¥10,202 million, due principally to the reversal of deferred tax assets, and minority interests in net income of consolidated subsidiaries of ¥1,141 million were subtracted from income before income taxes and minority interests.

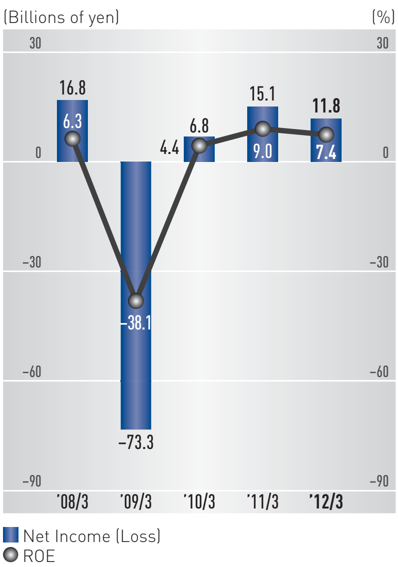
RESULTS BY BUSINESS SEGMENT

Energy

Net sales increased 35.6% year on year, to ¥67,137 million, while operating results improved ¥5,279 million year on year, to ¥10,833 million.

In the power plant business, net sales increased year on year as a result of contributions to net sales made by new project orders received in the previous period. In the nuclear power-related equipment and radiation control systems business, net sales were up year on year due to higher demand for radiation dosimeters. Operating results were up year on year thanks to higher revenues, cost reductions, and curbed expenses.

Net Income (Loss) / ROE



Industrial Systems

Net sales increased slightly year on year, to ¥82,013 million, while operating results improved ¥1,762 million year on year, to ¥3,326 million.

In the industrial plant business, net sales rose year on year due to an increase in overseas orders and to disaster-reconstruction demand. In the facilities business, net sales were down year on year because of a decline in large orders. Operating results improved year on year due to cost reductions and curbed expenses.

Social Systems

Net sales increased 4.1% year on year, to ¥139,721 million, while operating results improved ¥1,284 million year on year, to ¥4,045 million.

Net sales rose year on year because, although net sales in the energy distribution business were unchanged year on year, net sales in the retail stores business were up as result of increased refurbishment projects and new projects for convenience stores. Operating results were up year on year thanks to higher revenues, cost reductions, and curbed expenses.

Power Electronics

Net sales increased 5.6% year on year, to ¥93,026 million, while operating results worsened ¥3,139 million year on year, to an operating loss of ¥962 million.

In the drive business, net sales increased year on year because of higher demand for products for China and other Asian markets. Operating results declined year on year as a consequence of lower market prices, the effect of foreign exchange rates, and higher SG&A expenses stemming from efforts to increase overseas sales. In the power supply business, net sales and operating results rose year on year due to an increase in demand for uninterruptible power supply systems (UPSs) for data centers and power supply equipment for communications infrastructure.

Electronic Devices

Net sales declined 11.9% year on year, to ¥110,873 million, while operating results improved ¥1,820 million year on year, to an operating loss of ¥207 million.

In the semiconductor business, net sales were unchanged year on year because the automotive electronics business offset a decrease in the net sales of the power supply application business that reflected a slumping PC market. Operating results declined year on year due to the effect of foreign exchange rates and an increase in fixed cost, which accompanied advance investment. In the magnetic disk business, net sales were down year on year because of a slowdown in the HDD market from the third quarter onward due to flooding in Thailand. Operating results rose significantly year on year and moved into the black thanks to business restructuring.

ED&C Components

Net sales increased 6.8% year on year, to ¥69,926 million, while operating results improved ¥507 million year on year, to ¥3,392 million.

Net sales were up year on year due to solid demand from machinery manufacturers in Japan's market. In overseas markets, net sales were unchanged year on year because, although flooding in Thailand generated restoration demand, there was a downturn in investment in China and Asia due to concern over economic recession in Americas and Europe. As a result, net sales and operating income were both up year on year.

Vending Machines

Net sales declined 3.3% year on year, to ¥82,951 million, while operating results improved ¥1,417 million year on year, to ¥1,815 million.

In the vending machine business, net sales were lower year on year as a decrease in market prices counteracted higher unit sales of vending machines due to replacement demand for energy-saving, environment-friendly vending machines that resulted from power-saving initiatives after the earthquake. Operating results rose year on year and moved into the black due to business restructuring. In the currency-handling equipment business, net sales and operating income were up year on year thanks to stronger demand for automated change dispensers in the retail market and curbed expenses.

Other

Net sales declined 2.9% year on year, to ¥112,569 million, while operating results improved ¥584 million year on year, to ¥2,638 million.

PLANT AND EQUIPMENT INVESTMENT AND R&D INVESTMENT

Capital Expenditure

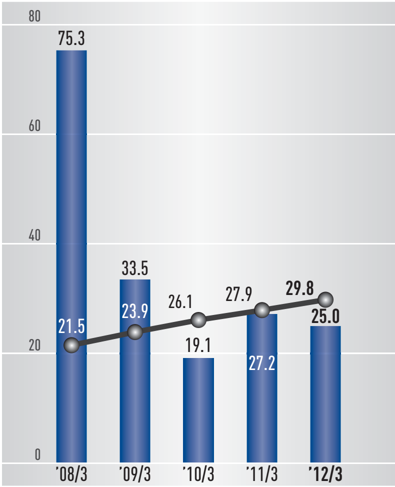
In fiscal 2011, the Company's capital expenditure, including leases, totaled ¥25,000 million, resulting from strategic investment focused on the field of "energy and environment."

In the Power Electronics segment, Wuxi Fuji Electric FA Co., Ltd., augmented its production equipment for drive control equipment for the China and Europe markets, and invested in production equipment for new types of drive control equipment.

In the Electronic Devices segment, targeting expansion of the semiconductor device market, centered on applications in new energy

Plant and Equipment Investment / Depreciation and Amortization

(Billions of yen)



Plant and Equipment Investment
Depreciation and Amortization

and hybrid vehicles, we augmented production equipment for IGBT front-end-process in Matsumoto and Yamanashi. Accompanying growth in environmentally friendly vehicles, we invested to increase production of semiconductors and sensors used in those vehicles. At the R&D division, we introduced development equipment for SiC devices, which are next-generation power devices.

In the ED&C Components segment, Fuji Electric (Changshu) Co., Ltd., invested in production equipment for small magnetic contactors that meet the needs of the market in China. Also, at a domestic base of Fuji Electric FA Components & Systems Co., Ltd., we introduced private power generation equipment, such as fuel cell power generation equipment that can help offset electric power shortages.

In the Vending Machines segment, Fuji Electric Retail Systems Co., Ltd., integrated the Saitama Plant into the Mie Plant and invested in rationalization equipment.

In other divisions, we moved ahead with initiatives to strengthen manufacturing. These included the enhancement of production equipment design and manufacturing facilities and technical training facilities in Saitama. In addition, we promoted the consolidation and reinforcement of production technology functions.

R&D Expenditures

With the field of "energy and environment" as a key theme, Fuji Electric's R&D concentrated on developing components and solutions that will contribute to the creation of a sustainable society. In addition, the Company advanced the globalization of its R&D. Also, Fuji Electric is stepping up open innovation initiatives with universities, research institutes, and other companies.

For fiscal 2011, Fuji Electric's total R&D expenditures amounted to ¥32,247million.

FINANCIAL POSITION

Total Assets

Total assets at the end of the fiscal year stood at ¥792,848 million, a decrease of ¥12,949 million from the end of the previous fiscal year.

Current Assets and Current Liabilities

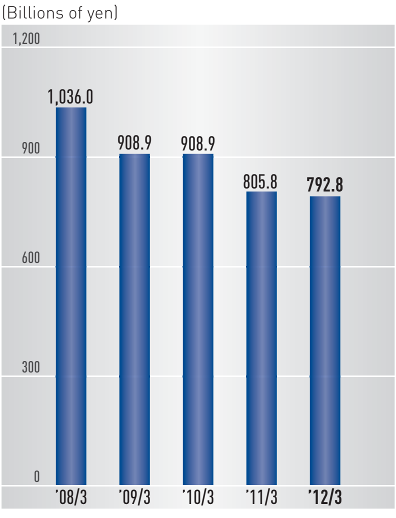
Total current assets amounted to ¥453,197 million as of March 31, 2012, up ¥10,173 million from the previous fiscal year-end. This was attributable to increases from the previous fiscal year-end of ¥23,863 million in inventories and ¥2,327 million in trade receivables, which offset a ¥17,535 million decrease in cash and cash equivalents.

Total current liabilities stood at ¥465,814 million, up ¥60,916 million from the previous fiscal year-end. This stemmed principally from increases of ¥21,291 million in short-term debt, ¥28,921 million in current portion of long-term debt, and ¥9,036 million in advances received.

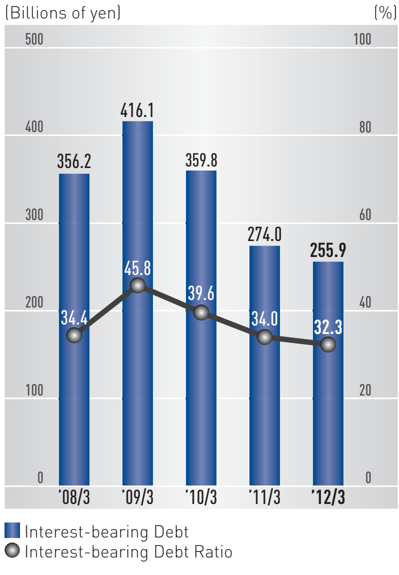
Noncurrent Assets

Total Net property, plant and equipment stood at ¥158,439 million, a decrease of ¥7,492 million from the previous fiscal year-end. Further, total investments and other assets amounted to ¥181,212 million, down ¥15,630 million from the previous fiscal year-end.

Total Assets



Interest-bearing Debt / Interest-bearing Debt Ratio



Debt-equity Ratio

Long-term Liabilities

Total long-term liabilities were ¥143,817 million, a decline of ¥82,147 million from the previous fiscal year-end. This reflected a decrease of ¥68,366 million in long-term debt.

Net Assets

Total net assets as of March 31, 2012, were ¥183,217 million, up ¥8,282 million from the previous fiscal year-end. This was mainly due to an increase of ¥9,060 million in retained earnings from the previous fiscal year-end. As a result, the total net assets ratio was 20.6%, an increase of 1.3 percentage points from the previous fiscal year-end.

Debt

Interest-bearing debt as of March 31, 2012, was ¥255,865 million, down ¥18,154 million from the previous fiscal year-end. The ratio of interest-bearing debt to total assets was 32.3%, a decrease of 1.7 percentage points from the previous fiscal year-end.

CASH FLOWS

In fiscal 2011, consolidated free cash flow (net cash provided by operating activities + net cash provided by investment activities) was ¥14,825 million, a worsening of ¥123,269 million compared with free cash flow of ¥138,094 million in the previous fiscal year.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥28,314 million, compared with ¥53,853 million for the previous fiscal year. This was mainly due to stepped-up efforts to collect advances. This was a deterioration of ¥25,539 million year on year.

Cash Flows from Investing Activities

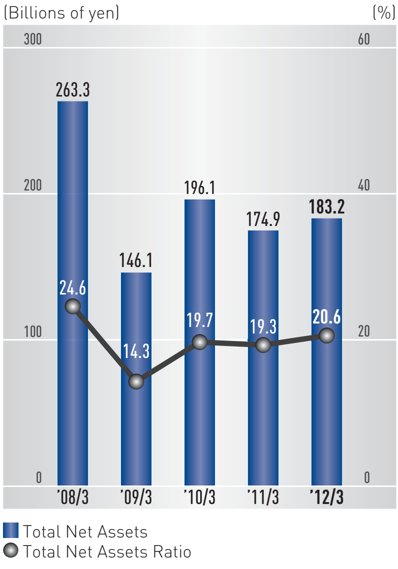
Net cash used in investment activities was ¥13,489 million, compared with net cash provided investment activities of ¥84,241 million in the previous fiscal year. This was primarily related to purchase of property, plant and equipment. Year on year, this was a deterioration of ¥97,730 million.

Cash Flows from Financing Activities

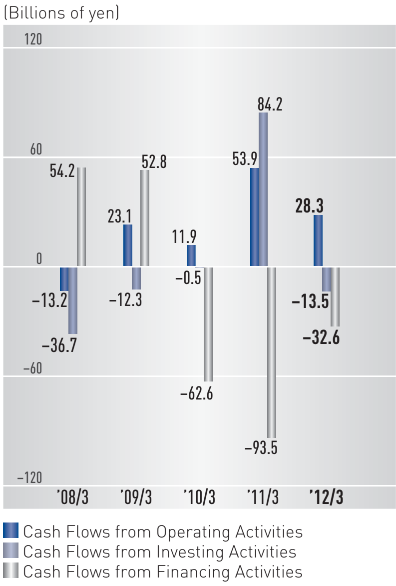
Net cash used in financing activities was ¥32,593 million, compared with net cash used in financing activities of ¥93,468 million in the previous fiscal year. This was principally due to decreases in bonds payable and long-term loans payable.

As a result, consolidated cash and cash equivalents at fiscal year-end amounted to ¥64,261 million, down ¥17,535 million, or 21.4%, from the previous fiscal year-end.

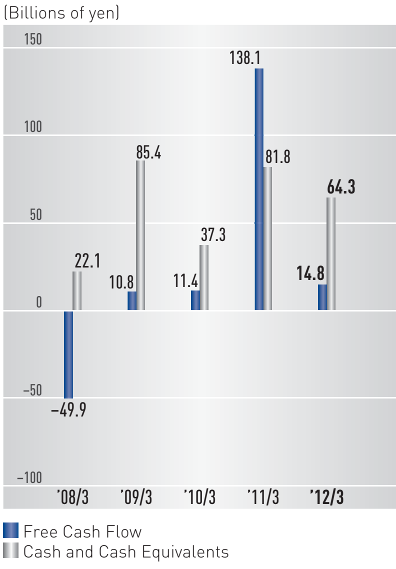
Total Net Assets / Total Net Assets Ratio



Cash Flows



Free Cash Flow / Cash and Cash Equivalents



RISK FACTORS

Fuji Electric works to mitigate business risk and other risks in a systematic and methodical manner. However, there are various risks, such as those listed below, which could have a negative effect on the operating results and financial position of Fuji Electric.

As of March 31, 2012, the following factors were judged to have a potential future effect on the operations of Fuji Electric.

(1) Risks Related to Changes in the Operating Environment

(a) Raw material and component prices are rising due to upwardly trending commodity markets and nonferrous metal prices worldwide. These trends reflect the expansion of Asia's market—particularly in China, which is generating very strong demand for raw materials and thereby tightening supply and demand for them—and protracted geopolitical instability in the Middle East. Fuji Electric hedges risk of raw material price hikes through commodity swap transactions. However, a significant increase in raw material and component prices could affect Fuji Electric's operating results.

(b) Fuji Electric is developing operations actively in overseas markets, focusing particularly on expanding sales in China and other Asian markets. In addition, economic trends in Japan, such as private sector capital investment and public investment affect the Company significantly. In order to minimize the effect on operating results of overseas and domestic market trends, the Company is implementing overall cost and expense reductions. However, a deterioration of the business climate or a change of economic policy in China, a dramatic change in product supply and demand or intensified competition in the market, or a steep decrease in price levels as a result of such factors could affect Fuji Electric's operating results.

(c) Based on an established set of management criteria, Fuji Electric systematically employs forward-exchange contracts to minimize the risk of exchange rate fluctuations on its operating results. However, the forward-exchange contract policy is not capable of entirely mitigating exchange rate risk. Consequently, fluctuations in exchange rates, primarily between the yen and the U.S. dollar, could have a negative effect on the operating results and financial position of the Company.

(d) Fuji Electric's interest-bearing debt totaled ¥255,865 million as of March 31, 2012. A higher-than-anticipated increase in interest rates could lead to a significant additional interest payment burden, which could have a negative effect on the operating results of the Company.

(2) Risks Related to Product Quality

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

(3) Risks Related to Investments

Fuji Electric concentrates its management resources on quickly identifying potential business growth areas and conducts investment in facilities and R&D with the objective of expanding and developing the Company's businesses. The large-scale investment necessary and short product cycles in the magnetic disk and semiconductor fields, in particular, as well as shifts in product demand and intensifying competition increase the possibility that the Company might not be able to recoup its investments. Such events could thereby have a negative effect on the Company's operating results.

(4) Risks Related to Technology Development

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

(5) Risks Related to Overseas Business Activities

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

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

(6) Risks Related to Intellectual Property

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

(7) Risks Related to Business Alliances

Fuji Electric actively collaborates with third-party entities in mergers, tie-ups, and other forms of alliances with the objective of enhancing competitiveness in each of its fields of business. Cooperative relations are essential to the success of such collaborations. However, differences in business systems, corporate cultures, or other aspects could impede the smooth integration of business strategies, technologies, products, personnel, or other elements necessary for a successful collaboration. Such circumstances could thereby have a negative effect on the Company's operating results.

(8) Risks Related to Human Resources

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

(9) Risks Related to the Leakage of Personal Information

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

(10) Risks Related to Major Natural Disasters

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

(11) Risks Related to Soil Contamination

Based on the international standard for environmental protection systems, the Company works to prevent, measure, and monitor soil contamination at its operating sites. Prior to selling any land, the Company carries out soil surveys and takes other appropriate steps in accordance with relevant laws and regulations. However, as a result of these measurements and surveys, the Company may incur costs for soil remediation measures, which could have a negative effect on the operating results of the Company.

(12) Risks Related to Retirement Benefit Liabilities

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

(13) Risks Related to Compliance

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

(14) Risks Related to Lawsuits and Other Legal Proceedings

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