Fuji Electric

Innovating Energy Technology

Fuji Electric Report Financials 2014





Innovating Energy Technology

Consolidated Financial Highlights

					Millions of yen	Thousands of U.S. dollars*1
Fiscal year	2009	2010	2011	2012	**2013**	**2013**
Operating Results						
Net sales	¥691,223	¥689,065	¥703,534	¥745,781	**¥759,911**	**$7,450,117**
Japan	513,616	510,843	525,096	567,314	**582,223**	**5,708,076**
Overseas	177,607	178,221	178,437	178,466	**177,688**	**1,742,041**
Operating income	924	11,917	19,252	21,992	**33,136**	**324,870**
Net income	6,757	15,104	11,801	26,368	**19,582**	**191,984**
R&D and Capital Investment						
R&D expenditures	¥ 24,296	¥ 32,568	¥ 32,247	¥ 31,160	**¥ 32,029**	**$ 310,014**
Plant and equipment investment*2	19,124	27,223	24,989	31,771	**26,916**	**263,882**
Depreciation and amortization*3	26,053	27,945	29,755	31,054	**30,849**	**302,444**
Cash Flows						
Cash flows from operating activities	¥ 11,923	¥ 53,853	¥ 28,314	¥ 55,342	**¥ 53,651**	**525,998**
Cash flows from investing activities	(528)	84,241	(13,489)	(24,286)	**(9,649)**	**(94,604)**
Free cash flow	11,395	138,094	14,825	31,055	**44,002**	**431,394**
Cash flows from financing activities	(62,575)	(93,468)	(32,593)	(56,827)	**(50,570)**	**(495,784)**
Financial Position						
Total assets	¥908,938	¥805,797	¥792,848	¥765,563	**¥810,774**	**$7,948,766**
Total net assets	196,134	174,935	183,217	215,672	**251,225**	**2,462,992**
Interest-bearing debt	359,790	274,019	255,865	226,717	**199,504**	**1,955,922**
Financial Indicators						
Ratio of operating income to net sales (%)	0.1	1.7	2.7	2.9	**4.4**	
ROE (Return on equity) (%)	4.4	9.0	7.4	14.7	**9.3**	
ROA (Return on assets) (%)	0.7	1.8	1.5	3.4	**2.5**	
Total net assets ratio (%)	19.7	19.3	20.6	25.4	**28.0**	
Net debt-equity ratio (times)*4	1.8	1.2	1.2	1.0	**0.7**	
Debt-equity ratio (times)*5	2.0	1.8	1.6	1.2	**0.9**	
Per Share Data					Yen	U.S. dollars*1
Net income	¥ 9.46	¥ 21.14	¥ 16.52	¥ 36.90	**¥ 27.41**	**$0.27**
Net assets	250.28	217.40	228.91	272.29	**317.96**	**3.12**
Cash dividends	1.50	4.00	4.00	5.00	**7.00**	**0.07**
Others					Headcount	
Employees	23,524	24,562	24,973	24,956	**25,524**	
Japan	18,692	18,002	17,933	18,271	**18,022**	
Overseas	4,832	6,560	7,040	6,685	**7,502**	

*1 The U.S. dollar amounts represent the arithmetic results of translating yen into dollars at ¥102 = U.S. $1, the approximate exchange rate at March 31, 2014.
*2 Plant and equipment investment is the total of investment in tangible fixed assets, including acquisition amounts for lease contracts.
*3 Depreciation and amortization expense is the total of the depreciation of tangible fixed assets and amortization of intangible assets.
*4 Net debt-equity ratio: Net interest-bearing debt (interest-bearing debt – cash and cash equivalents) / Net assets
*5 Debt-equity ratio: Interest-bearing debt / Net assets

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Management's Discussion and Analysis

Overview

In fiscal 2013, the year ended March 31, 2014, the operating environment for Fuji Electric saw a gradual recovery in the domestic market spurred on by the government's fiscal policies and the Bank of Japan's monetary policies. In particular, areas related to renewable energy and energy saving performed solidly. Overseas, overall activity was weak, but there was a recovery trend supported by the gradual recovery of major developed nations, such as the United States and those nations in Europe. In particular, conditions in the power electronics and semiconductors areas were strong.

In this environment, the Company pushed forward with initiatives under its management policies of "expand energy related businesses" and "globalize." At the same time, having positioned the fiscal year under review as the first year for aggressive management, we established foundations for growth to facilitate future business expansion and promoted business management with a strong focus on earnings in order to further strengthen profitability.

Financial Performance

Net Sales

In fiscal 2013, net sales increased 1.9% year on year, to ¥759,911 million. Domestic net sales were up 2.6% year on year, to ¥582,223 million. Meanwhile, overseas net sales were down 0.4% year on year, to ¥177,688 million.

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

Cost of sales decreased 1.3% year on year, to ¥579,856 million. Cost of sales as a percentage of net sales decreased 2.5 percentage points, to 76.3%.

Selling, general and administrative expenses increased 7.8% year on year, to ¥146,919 million. Selling, general and administrative expenses as a percentage of net sales increased 1.0 percentage points, to 19.3%.

Operating income improved ¥11,144 million year on year, to ¥33,136 million. This was due to the benefits of thorough cost reduction measures as well as structural improvements.

Non-Operating Income (Expenses) and Ordinary Income

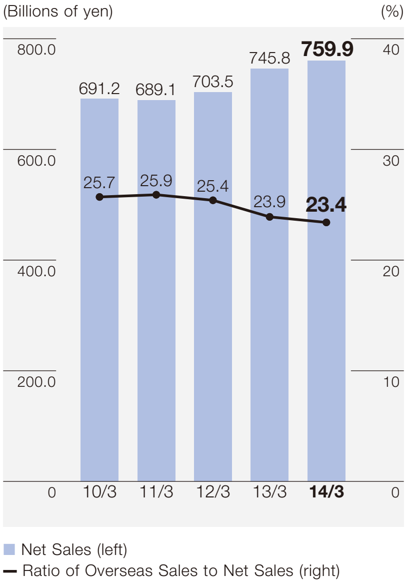
Non-operating income (net) was ¥3,595 million, a decline of ¥127 million compared to the non-operating income (net) of ¥3,722 million in the previous fiscal year. The decline was mainly due to a ¥1,409 million decrease in interest and dividend income from the previous fiscal year, which was partially offset by a ¥874 million decrease in interest expense and a ¥326 million increase in foreign exchange gains.

As a result, ordinary income was ¥36,731 million, an improvement of ¥11,017 million from the previous fiscal year.

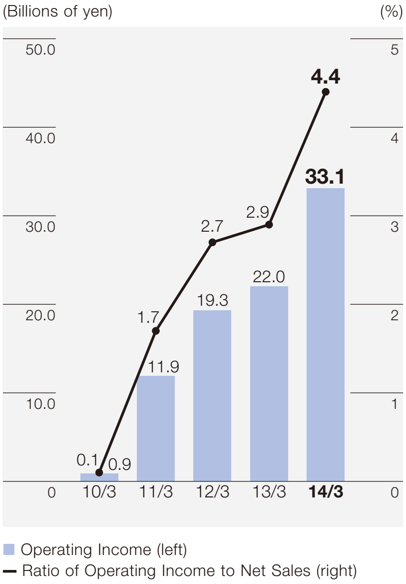
Extraordinary Income (Loss), Income Before Income Taxes and Minority Interests

Extraordinary income was ¥913 million due to gain on sales of noncurrent assets and gain on sales of investment securities. Extraordinary income decreased ¥132 million year on year, mainly due to a decline in gain on sales of investment securities.

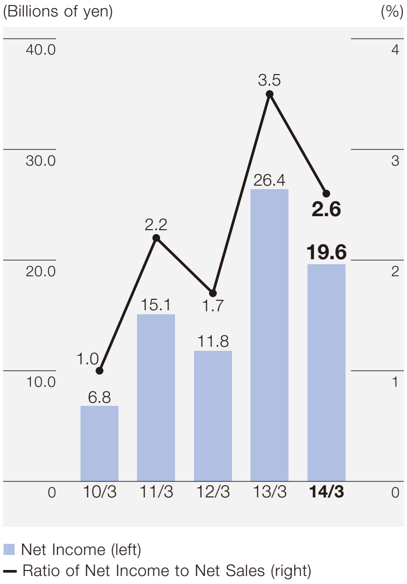
Net Sales / Ratio of Overseas Sales to Net Sales



Operating Income / Ratio of Operating Income to Net Sales



Net Income / Ratio of Net Income to Net Sales



Extraordinary loss was ¥3,907 million, reflecting loss on disposal of noncurrent assets, loss on devaluation of investment securities, impairment loss, settlement package and other items. Extraordinary loss decreased ¥6,234 million year on year, mainly due to a decline in impairment loss from the previous fiscal year.

As a result, income before income taxes and minority interests increased ¥17,120 million year on year to ¥33,737 million.

Net Income

Net income was ¥19,582 million, after deducting ¥11,983 million for income taxes and ¥2,172 million for minority interests from income before income taxes and minority interests. The net income result decreased by ¥6,786 million year on year, mainly because the Company recorded a reversal of deferred tax assets of ¥11,427 million in the previous fiscal year.

Results by Business Segment

Power and Social Infrastructure

Net sales decreased 2% year on year to ¥153,653 million, and operating income worsened ¥283 million year on year to ¥8,138 million.

In fiscal 2013, orders received (Power and Social Infrastructure segment of Fuji Electric Co., Ltd., non-consolidated-basis) was ¥131,300 million.

Sales in the power generation business were down year on year due to a fall back from large-scale orders for thermal power generation facilities recorded in the previous fiscal year, which offset rises in orders for hydropower generation facilities and solar power generation systems. In the social engineering systems business, sales were down due to lower demand for watt-hour meters ahead of the switch to smart meters. In the social information business, sales were up following a rise in large-scale orders and a demand rush in light of the end of support for Windows XPTM. Overall, the segment saw a worsening in operating results because lower net sales counteracted cost reductions.

Industrial Infrastructure

Net sales decreased 5% year on year, to ¥188,648 million, and operating income worsened ¥1,817 million year on year, to ¥9,209 million.

In fiscal 2013, orders received (Industrial Infrastructure segment of Fuji Electric Co., Ltd. non-consolidated-basis) was ¥122,200 million.

In the transmission and distribution business, sales were down year on year, reflecting the absence of the previous fiscal year's large overseas orders. In machinery and electronics systems, sales increased due to a rise in orders for energy-saving equipment from Japanese manufacturers. In the instrumentation and control systems business, sales were down as a result of lower demand for radiation measurement equipment. In the equipment construction business, sales were relatively unchanged from the previous fiscal year. In the business segment overall, operating results worsened year on year because lower sales counteracted cost reductions.

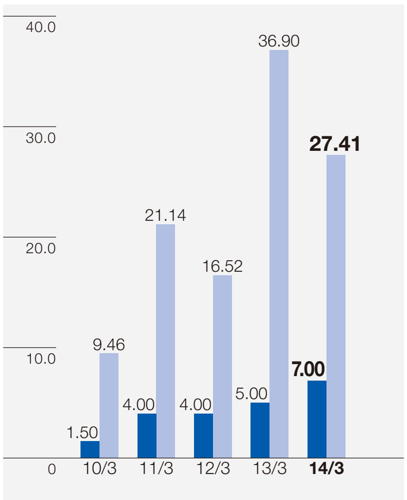
Power Electronics

Net sales increased 12% year on year, to ¥165,523 million, and operating income improved ¥4,199 million year on year, to ¥5,435 million.

In fiscal 2013, orders received (sum of Power Electronics segment of Fuji Electric Co., Ltd. and Fuji Electric FA Components & Systems Co., Ltd., non-consolidated-basis) were ¥133,300 million.

Cash Dividends per Share / Net Income per Share

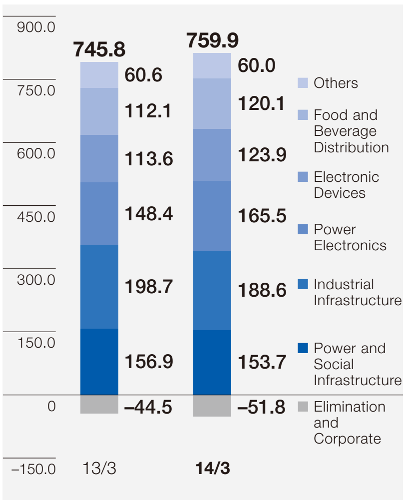
(Yen)



■ Cash Dividends per Share
■ Net Income per Share

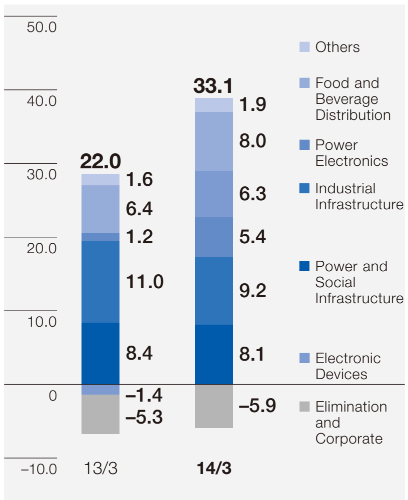
Net Sales by Segment*

(Billions of yen)



Operating Income (Loss) by Segment*

(Billions of yen)



* Based on figures prior to reflecting the change in subsegments that took effect from April 1, 2014

In the drive business, sales increased year on year following higher demand for inverters and servos in Japan and overseas and the sales contributions from large overseas orders for electric equipment for railcars. Likewise, operating results also showed a year-on-year improvement due to the higher sales and the benefits of the business restructuring conducted in the previous fiscal year. As for the power supply business, sales and operating results improved year on year as a result of increased demand for power conditioners for mega solar facilities and power supply equipment for data centers and other products. In the ED&C components business, sales and operating results improved year on year due to increased demand in the renewable energy field and recovery in domestic demand in the machine tool and semiconductor fields.

Electronic Devices

Net sales increased 9% year on year, to ¥123,851 million, while operating income of ¥6,302 million was recorded after an improvement of ¥7,718 million from an operating loss in the previous year.

In fiscal 2013, orders received (sum of Electronic Devices segment of Fuji Electric Co., Ltd. and Fuji Electric (Malaysia) Sdn. Bhd., non-consolidated-basis) were ¥104,500 million.

In the semiconductors business, sales were up year on year due to strong demand in the automotive electronics business, which continued from the previous fiscal year, as well as a recovery in demand for inverters, servos, and other industrial machinery in the industrial business. As a result of higher earnings and the benefits of the business restructuring conducted in relation to power semiconductors in the previous fiscal year, the business was able to realize substantially improved operating results. In the magnetic disks business, net sales declined and operating results deteriorated due to lower demand from customers.

Food and Beverage Distribution

Net sales increased 7% year on year, to ¥120,056 million, and operating income improved ¥1,624 million year on year, to ¥8,047 million.

In fiscal 2013, orders received (Food and Beverage Distribution segment of Fuji Electric Co., Ltd., non-consolidated basis) was ¥116,200 million.

In the vending machine business, sales were up year on year as a result of steady replacement demand for energy-saving, environmentally friendly vending machines, and demand for coffee machines for convenience stores. Operating results improved following higher revenues and lower costs. The store distribution business recorded a year-on-year increase in sales due to higher orders for construction and renovation of convenience stores and other stores, but operating results deteriorated as a result of the impacts of higher upfront investments for the expansion of new businesses.

Others

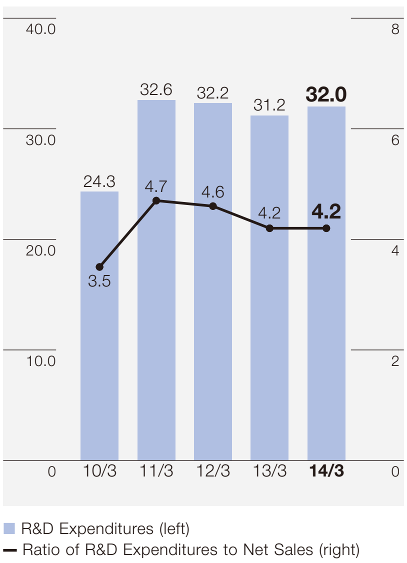
Net sales declined 1% year on year, to ¥60,001 million, and operating income improved ¥285 million year on year, to ¥1,919 million.

R&D Investment and Plant and Equipment Investment

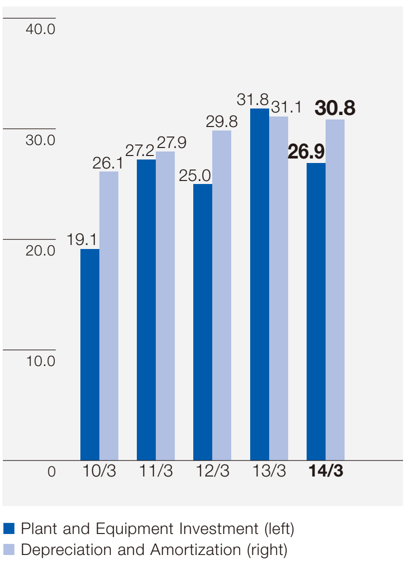
R&D Expenditures

Fuji Electric's R&D is focused on developing products that lead to a responsible and sustainable society through the pursuit of cutting-edge energy technologies. The Company has also been realizing companywide synergies and advancing the globalization of its R&D functions, as well as stepping up open innovation initiatives with universities, research institutes, and other companies.

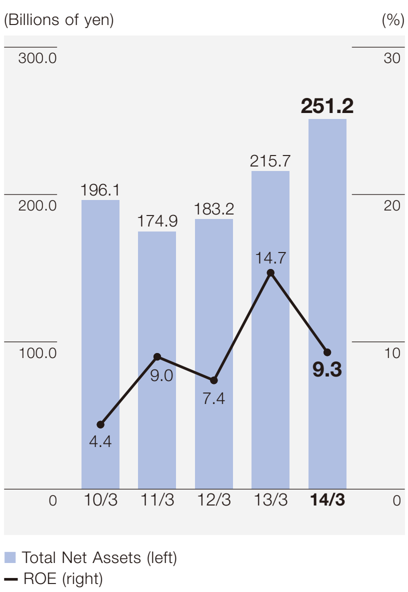
R&D Expenditures / Ratio of R&D Expenditures to Net Sales



Plant and Equipment Investment / Depreciation and Amortization



Total Net Assets / ROE



For fiscal 2013, Fuji Electric's total R&D expenditures amounted to ¥32,029 million. R&D results and expenditures by segment are as follows.

The number of industrial property rights held by Fuji Electric in Japan and overseas was 10,426 as of March 31, 2014.

Capital Expenditure

In fiscal 2013, the Company's capital expenditure, including leases, totaled ¥26,916 million. We bolstered investment in the Power Electronics and Industrial Infrastructure segments, where we expect future sales growth.

Key investments were as follows.

In the Power Electronics segment, we constructed a new factory in Thailand for expanding global sales, mainly in Asia, and invested in production facilities for the local production of inverters, uninterruptible power supply systems, and other equipment. In the ED&C components business, we invested in production facilities for new products to be sold in China and other Asian markets.

In the Industrial Infrastructure segment, we invested in the replacement of production facilities for switchgears in the transmission and distribution business. In the instrumentation and control systems business, we invested in areas mainly for streamlining high-density assembling lines.

In the Power and Social Infrastructure segment, we invested in the construction of new assembly lines and test lines for mass production of smart meters. In the power generation business, we invested in the replacement of machine work facilities.

In the Electronic Devices segment, we invested in production facilities for 6-inch SiC mass production lines. We also invested in the construction of a building and production facilities for expanding production of semiconductors in Shenzhen, China in addition to investment for increasing production for in-vehicle IGBT.

In the Food and Beverage Distribution segment, we invested in development of new models of vending machines and streamlining of the existing vending machines. In Dalian, China, we invested in strengthening production capabilities in response to market expansion.

All of these investments were funded mainly using the Company's own funds.

Financial Position

Total Assets

Total assets at the end of the fiscal year stood at ¥810,774 million, an increase of ¥45,211 million from the end of the previous fiscal year.

Current Assets and Current Liabilities

Total current assets amounted to ¥429,338 million as of March 31, 2014, up ¥4,632 million from the previous fiscal year-end. This was attributable to an increase from the previous fiscal year-end of ¥13,721 million in inventories, which outweighed a decrease of ¥6,276 million in cash and cash equivalents.

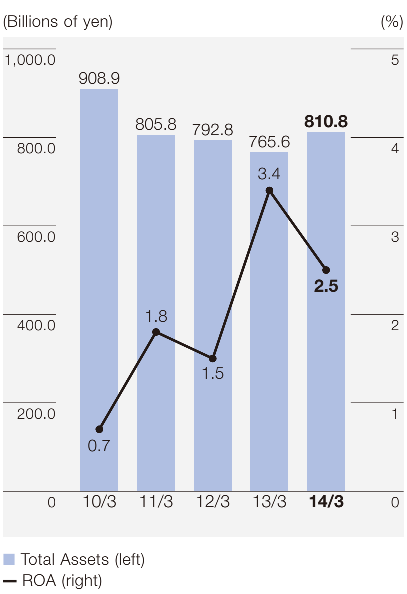
Total current liabilities stood at ¥359,457 million, down ¥21,009 million from the previous fiscal year-end. This stemmed from a decrease of ¥28,000 million in commercial paper and a decrease of ¥10,000 million in current portion of long-term debt, which outweighed an increase of ¥13,818 million in short-term debt.

Noncurrent Assets

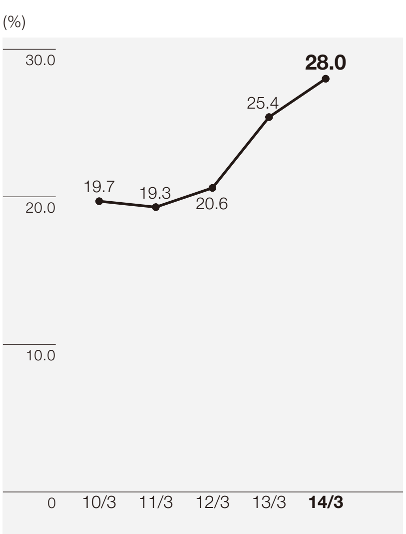
Net property, plant and equipment stood at ¥172,619 million, an increase of ¥4,177 million from the previous fiscal year-end.

Further, total investments and other assets amounted to ¥208,817 million, up ¥36,402 million from the previous fiscal

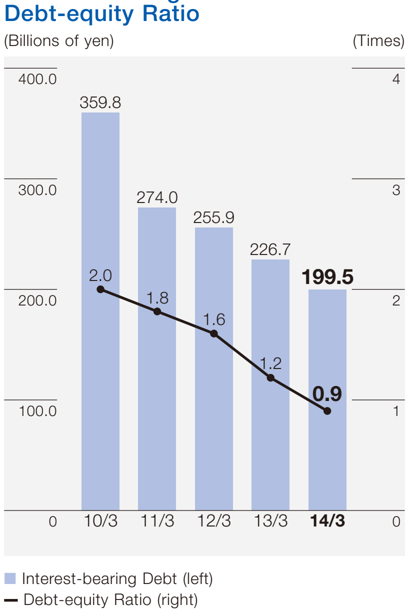
Total Assets / ROA



Total Net Assets Ratio



Interest-bearing Debt / Debt-equity Ratio



year-end. This was attributable to an increase of ¥29,403 million in investment securities, owing to factors such as the rise in the value of available-for-sale securities following differences in mark-to-market valuation.

Long-term Liabilities

Total long-term liabilities were ¥200,092 million, an increase of ¥30,667 million from the previous fiscal year-end. This reflected a the recording of net defined retirement liability of ¥34,236 million at the end of the fiscal year under review, and increases of ¥20,000 million in corporate bonds and ¥10,285 million in deferred tax liabilities, which outweighed a decrease of ¥23,031 million in long-term debt and the recording of provision for retirement benefits of ¥11,681 million at the previous fiscal year-end.

Net Assets

Total net assets as of March 31, 2014, were ¥251,225 million, up ¥35,552 million from the previous fiscal year-end. This rise was mainly due to the increases in valuation difference on available-for-sale securities of ¥24,385 million and in retained earnings of ¥15,011 million from the previous fiscal year-end, despite decreases due to the posting of remeasurements of defined benefit plans of ¥10,614 million at the end of the fiscal year under review. As a result, the total net assets ratio was 28.0%, an increase of 2.6 percentage points from the previous fiscal year-end.

Debt

Interest-bearing debt as of March 31, 2014, was ¥199,504 million, down ¥27,212 million from the previous fiscal year-end. The ratio of interest-bearing debt to total assets was 24.6%, a decrease of 5.0 percentage points from the previous fiscal year-end.

Cash Flows

In fiscal 2013, consolidated free cash flow (cash flows from operating activities + cash flows from investing activities) was a positive ¥44,002 million, an improvement of ¥12,947 million compared with ¥31,055 million in the previous fiscal year.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥53,651 million, compared with ¥55,342 million for the previous fiscal year. This was due to the recording of income before income taxes and an increase in trade payables, which outweighed an increase in inventories. This was a deterioration of ¥1,691 million year on year.

Cash Flows from Investing Activities

Net cash used in investing activities was ¥9,649 million, compared with ¥24,286 million in the previous fiscal year. This was primarily related to purchase of property, plant and equipment.

Year on year, this was a decrease in cash used of ¥14,637 million.

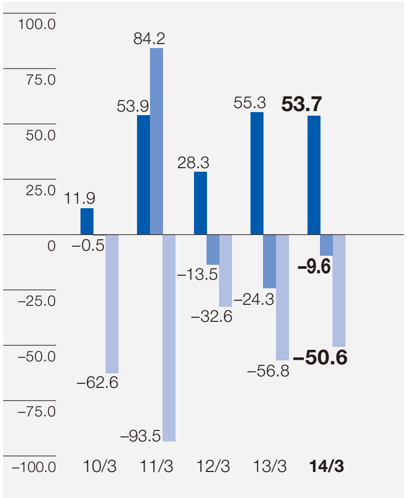
Cash Flows from Financing Activities

Net cash used in financing activities was ¥50,570 million, compared with ¥56,827 million in the previous fiscal year. This was principally due to a decrease in commercial paper.

As a result, consolidated cash and cash equivalents at fiscal year-end amounted to ¥33,412 million, down ¥6,276 million, or 15.8%, from the previous fiscal year-end.

Cash Flows

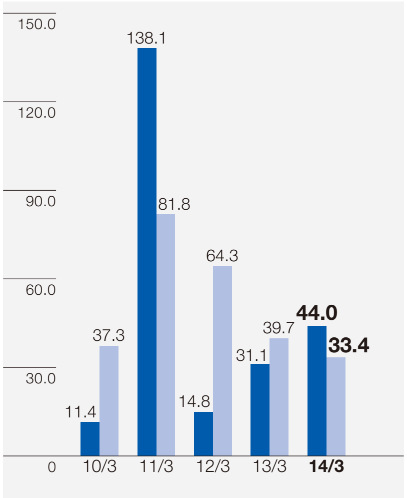
(Billions of yen)



■ Cash Flows from Operating Activities
■ Cash Flows from Investing Activities
■ Cash Flows from Financing Activities

Free Cash Flow / Cash and Cash Equivalents

(Billions of yen)



■ Free Cash Flow
■ Cash and Cash Equivalents

Risk Factors

Fuji Electric takes appropriate measures to minimize the impact of business risks and other risks by managing them in a systematic and methodical manner. Currently, the main risks could have a negative effect on the operating results and financial position of Fuji Electric are as follows. These are the factors that the Company judged to have a potential future effect as of March 31, 2014.

(1) Risks Related to Changes in the Operating Environment

(a) In addition to increasing raw material and components prices against the background of a weak yen, such changes as the drastically increasing demand in emerging nations may result in tightened supply and demand as regards materials and raw materials. Consequently, although Fuji Electric strives to lessen the risk of rising raw material prices through commodity swap transactions and other measures, significant increases in these prices could have a negative effect on the Company'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 have a negative effect on the Company'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 yen exchange rates, primarily against the U.S. dollar, could have a negative effect on the Company's operating results and financial position.

(d) Fuji Electric's interest-bearing debt totaled ¥199,504 million as of March 31, 2014. 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 Company's operating results.

(e) Trends in the financial markets or deterioration in Fuji Electric's financial indicators could impact on Fuji Electric's fund procurement or interest payments, for example by prompting early repayment due to infringement on financial covenants relating to certain loans. Such an event could have a negative effect on the Company's operating results and financial position.

(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 business. The large-scale investment necessary and short product cycles in the magnetic disks and semiconductors fields, in particular, as well as the rapid 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 its 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 social unrest, 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, there could be a negative effect on its 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 Company's operating results and financial position.

(11) Risks Related to Soil Contamination

Based on the international standards 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 its operating results.

(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. The Company records retirement benefit costs and liabilities calculated on assumptions accepted as reasonable for actuarial calculations. Fuji Electric and certain domestic consolidated subsidiaries have also entrusted listed marketable securities to employee retirement benefit trusts. Consequently, when differences occur between the expected and actual values of the discount rate and the expected rate of return on pension assets, and when changes occur in the 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 Company's operating results and financial position.

(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.

Consolidated Balance Sheets

As of March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Assets			
Current Assets:			
Cash and cash equivalents (Note 6)	¥ 33,412	¥ 39,688	$ 327,576
Short-term investments (Notes 5, 6 and 7)	613	61	6,012
Trade receivables (Note 6)	222,481	216,852	2,181,188
Allowance for doubtful accounts	(532)	(401)	(5,218)
Inventories (Note 4)	121,443	107,722	1,190,623
Deferred tax assets (Note 17)	17,554	18,047	172,104
Other current assets	34,367	42,737	336,912
Total Current Assets	429,338	424,706	4,209,197
Property, Plant and Equipment (Note 5)**:**			
Land	35,199	36,201	345,098
Buildings and structures	218,327	209,738	2,140,463
Machinery and equipment	186,283	174,099	1,826,308
Lease assets (Note 20)	59,651	47,822	584,816
Construction in progress	4,551	9,386	44,600
	504,011	477,246	4,941,285
Less accumulated depreciation	(331,392)	(308,804)	(3,248,934)
Net Property, Plant and Equipment	172,619	168,442	1,692,351
Investments and Other Assets:			
Investment securities (Notes 5, 6 and 7):			
Unconsolidated subsidiaries and affiliates	13,750	22,203	134,806
Other	135,117	97,261	1,324,682
Long-term loans receivable	1,893	1,259	18,560
Prepaid pension expense (Note 11)	—	27,884	—
Net defined benefit asset (Note 11)	31,263	—	306,505
Deferred tax assets (Note 17)	4,519	4,381	44,313
Other investments and other assets	23,019	21,225	225,655
Allowance for doubtful accounts	(744)	(1,798)	(7,303)
Total Investments and Other Assets	208,817	172,415	2,047,218
Total Assets	¥ 810,774	¥ 765,563	$ 7,948,766

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	**2014**
Liabilities and Net Assets			
Current Liabilities:			
Short-term debt (Notes 5, 6 and 9)	**¥ 52,713**	¥ 77,413	**$ 516,799**
Current portion of long-term debt (Notes 5, 6 and 9)	**23,698**	23,180	**232,342**
Trade payables (Notes 5 and 6)	**142,087**	129,934	**1,393,018**
Lease obligations (Notes 6 and 10)	**13,521**	11,832	**132,563**
Advances received	**33,933**	39,620	**332,683**
Income taxes payable (Note 17)	**4,543**	2,918	**44,544**
Other current liabilities (Note 24)	**88,962**	95,569	**872,144**
Total Current Liabilities	**359,457**	380,466	**3,524,093**
Long-term Liabilities:			
Long-term debt (Notes 5, 6, and 9)	**123,092**	126,123	**1,206,791**
Lease obligations (Notes 6 and 10)	**20,726**	18,555	**203,206**
Provision for retirement benefits (Note 11)	**—**	11,681	**—**
Net defined benefit liability (Note 11)	**34,236**	—	**335,651**
Provision for directors' retirement benefits	**215**	266	**2,114**
Deferred tax liabilities (Note 17)	**17,911**	7,626	**175,602**
Other long-term liabilities (Note 24)	**3,912**	5,174	**38,317**
Total Long-term Liabilities	**200,092**	169,425	**1,961,681**
Total Liabilities	**559,549**	549,891	**5,485,774**
Contingent Liabilities (Note 19)**:**			
Net Assets (Note 25)			
Shareholders' Equity:			
Capital stock (Note 12):			
Authorized— 1,600,000,000 shares			
Issued— 746,484,957 shares as of March 31, 2014	**47,586**	—	**466,530**
746,484,957 shares as of March 31, 2013	**—**	47,586	**—**
Capital surplus	**46,734**	46,734	**458,185**
Retained earnings	**102,631**	87,620	**1,006,193**
Treasury stock at cost (Note 12):			
31,985,886 shares as of March 31, 2014	**(7,148)**	—	**(70,079)**
31,912,522 shares as of March 31, 2013	**—**	(7,115)	**—**
Total Shareholders' Equity	**189,803**	174,825	**1,860,829**
Accumulated Other Comprehensive Income (Loss)			
Valuation difference on available-for-sale securities	**44,768**	20,383	**438,910**
Deferred gains or losses on hedges (Notes 6 and 8)	**20**	(83)	**198**
Foreign currency translation adjustments	**3,205**	(553)	**31,398**
Remeasurements of defined benefit plans	**(10,614)**	—	**(104,068)**
Total Accumulated Other Comprehensive Income	**37,379**	19,747	**366,438**
Minority Interests in Consolidated Subsidiaries	**24,043**	21,100	**235,725**
Total Net Assets	**251,225**	215,672	**2,462,992**
Total Liabilities and Net Assets	**¥810,774**	¥765,563	**$7,948,766**

Consolidated Statements of Income

Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Net Sales	¥759,911	¥745,781	$7,450,117
Cost of Sales (Note 13)	579,856	587,458	5,684,867
Gross Profit	180,055	158,323	1,765,250
Selling, General and Administrative Expenses (Notes 13 and 14)	146,919	136,331	1,440,380
Operating Income	33,136	21,992	324,870
Non-Operating Income (Expenses):			
Interest and dividend income	1,471	2,880	14,423
Interest expense	(2,855)	(3,729)	(27,996)
Foreign exchange gains	1,772	1,446	17,375
Equity in earnings of affiliates	2,348	2,562	23,028
Other, net	859	563	8,411
	3,595	3,722	35,241
Ordinary Income	36,731	25,714	360,111
Extraordinary Loss, Net (Notes 15 and 16)	(2,994)	(9,097)	(29,353)
Income Before Income Taxes and Minority Interests	33,737	16,617	330,758
Income Taxes (Note 17)	11,983	(11,427)	117,474
Income Before Minority Interests	21,754	28,044	213,284
Minority Interests in Net Income of Consolidated Subsidiaries	(2,172)	(1,676)	(21,300)
Net Income (Note 25)	¥ 19,582	¥ 26,368	$ 191,984

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	**2014**
Income Before Minority Interests	**¥21,754**	¥28,044	**$213,284**
Other Comprehensive Income (Loss) (Note 18)			
Valuation difference on available-for-sale securities	**24,468**	1,554	**239,889**
Deferred gains or losses on hedges	**97**	(2)	**957**
Foreign currency translation adjustments	**4,351**	5,762	**42,663**
Share of other comprehensive income (loss) of associates accounted for using equity method	**30**	35	**268**
Total Other Comprehensive Income	**28,946**	7,349	**283,777**
Comprehensive Income	**¥50,700**	¥35,393	**$497,061**
Comprehensive Income Attributable to:			
Shareholders of the Company	**¥47,826**	¥33,187	**$468,885**
Minority interests	**2,874**	2,206	**28,176**

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2014 and 2013

	Thousands	Millions of yen										
	Number of shares of capital stock	Capital stock	Capital surplus	Retained earnings	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Treasury stock	Total	Minority interests in consolidated subsidiaries	Total net assets
Balance at March 31, 2012	746,484	¥47,586	¥46,734	¥ 63,438	¥18,848	¥ (81)	¥(5,838)	¥ —	¥(7,110)	¥163,577	¥19,640	¥183,217
Net income for the year	—	—	—	26,368	—	—	—	—	—	26,368	—	26,368
Change of scope of equity method	—	—	—	672	—	—	—	—	—	672	—	672
Cash dividends	—	—	—	(2,858)	—	—	—	—	—	(2,858)	—	(2,858)
Purchase of treasury stock	—	—	—	—	—	—	—	—	(5)	(5)	—	(5)
Sale of treasury stock	—	—	(0)	—	—	—	—	—	0	0	—	0
Net change in the year	—	—	—	—	1,535	(2)	5,285	—	—	6,818	1,460	8,278
Balance at March 31, 2013	746,484	¥47,586	¥46,734	¥ 87,620	¥20,383	¥ (83)	¥ (553)	¥ —	¥(7,115)	¥194,572	¥21,100	¥215,672
Net income for the year	—	—	—	19,582	—	—	—	—	—	19,582	—	19,582
Change of scope of consolidation	—	—	—	(285)	—	—	—	—	—	(285)	—	(285)
Cash dividends	—	—	—	(4,286)	—	—	—	—	—	(4,286)	—	(4,286)
Purchase of treasury stock	—	—	—	—	—	—	—	—	(34)	(34)	—	(34)
Sale of treasury stock	—	—	0	—	—	—	—	—	1	1	—	1
Net change in the year	—	—	—	—	24,385	103	3,758	(10,614)	—	17,632	2,943	20,575
Balance at March 31, 2014	**746,484**	**¥47,586**	**¥46,734**	**¥102,631**	**¥44,768**	**¥ 20**	**¥ 3,205**	**¥(10,614)**	**¥(7,148)**	**¥227,182**	**¥24,043**	**¥251,225**

	Thousands of U.S. dollars (Note 3)										
	Capital stock	Capital surplus	Retained earnings	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Treasury stock	Total	Minority interests in consolidated subsidiaries	Total net assets
Balance at March 31, 2013	$466,530	$458,178	$ 859,024	$199,835	$ (819)	$ (5,410)	$ —	$(69,764)	$1,907,574	$206,866	$2,114,440
Net income for the year	—	—	191,984	—	—	—	—	—	191,984	—	191,984
Change of scope of consolidation	—	—	(2,781)	—	—	—	—	—	(2,781)	—	(2,781)
Cash dividends	—	—	(42,034)	—	—	—	—	—	(42,034)	—	(42,034)
Purchase of treasury stock	—	—	—	—	—	—	—	(321)	(321)	—	(321)
Sale of treasury stock	—	7	—	—	—	—	—	6	13	—	13
Net change in the year	—	—	—	239,075	1,017	36,808	(104,068)	—	172,832	28,859	201,691
Balance at March 31, 2014	**$466,530**	**$458,185**	**$1,006,193**	**$438,910**	**$ 198**	**$31,398**	**$(104,068)**	**$(70,079)**	**$2,227,267**	**$235,725**	**$2,462,992**

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

Consolidated Statements of Cash Flows

Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	¥ 33,737	¥ 16,617	$ 330,758
Depreciation and amortization	30,849	31,054	302,444
Decrease in allowance for doubtful accounts	(941)	(135)	(9,230)
Interest and dividend income	(1,471)	(2,880)	(14,423)
Interest expense	2,855	3,729	27,996
Foreign exchange losses (gains)	1,125	(256)	11,036
Gain on sales of noncurrent assets	(543)	(29)	(5,330)
Gain on sales of investment securities	(370)	(750)	(3,628)
Loss on disposal of noncurrent assets	1,304	404	12,786
Loss on devaluation of investment securities	1,134	520	11,124
Impairment loss	641	6,446	6,292
Loss on liquidation of subsidiaries	—	827	—
Changes in operating assets and liabilities:			
Trade receivables	(1,185)	(11,034)	(11,620)
Inventories	(9,964)	36,873	(97,688)
Trade payables	8,290	(10,643)	81,275
Advances received	(6,445)	(9,553)	(63,194)
Other, net	3,545	131	34,752
Cash generated from operations	62,561	61,321	613,350
Interest and dividends received	1,451	2,859	14,230
Interest expenses paid	(2,958)	(4,096)	(29,004)
Income taxes paid	(7,403)	(4,742)	(72,578)
Net cash provided by operating activities	53,651	55,342	525,998
Cash Flows from Investing Activities:			
Purchase of property, plant and equipment	(13,823)	(17,912)	(135,521)
Proceeds from sales of property, plant and equipment	2,280	510	22,363
Purchase of investment securities	(3,666)	(7,688)	(35,943)
Proceeds from sales of investment securities	9,464	8,628	92,790
Purchase of investments in subsidiaries	—	(321)	—
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(3,823)	—
Payments of loans receivable	(6,939)	(4,535)	(68,034)
Collection of loans receivable	6,986	4,294	68,492
Other, net	(3,951)	(3,439)	(38,751)
Net cash used in investing activities	(9,649)	(24,286)	(94,604)
Cash Flows from Financing Activities:			
Net increase (decrease) in short-term loans payable	(26,595)	9,668	(260,744)
Proceeds from long-term loans payable	95	52,224	932
Repayment of long-term loans payable	(23,798)	(123,071)	(233,320)
Proceeds from issuance of bonds	20,000	20,000	196,078
Repayments of lease obligations	(15,214)	(12,431)	(149,163)
Proceeds from sales of treasury stock	1	0	14
Purchase of treasury stock	(32)	(5)	(321)
Cash dividends paid	(4,286)	(2,858)	(42,034)
Cash dividends paid to minority shareholders	(645)	(262)	(6,332)
Other, net	(96)	(92)	(894)
Net cash used in financing activities	(50,570)	(56,827)	(495,784)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(76)	1,196	(754)
Net Decrease in Cash and Cash Equivalents	(6,644)	(24,575)	(65,144)
Cash and Cash Equivalents at Beginning of Year	39,688	64,261	389,103
Increase in Cash and Cash Equivalents Resulting from Change of Scope of Consolidation	368	—	3,617
Increase in Cash and Cash Equivalents Resulting from Merger with Unconsolidated Subsidiaries	—	2	—
Cash and Cash Equivalents at End of Year	¥ 33,412	¥ 39,688	$ 327,576

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

Notes to the Consolidated Financial Statements

Note 1. Basis of Preparing Consolidated Financial Statements

The accompanying consolidated financial statements of Fuji Electric Co., Ltd. (the "Company") and consolidated subsidiaries (together, the "Companies") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

In preparing these statements, certain reclassifications and rearrangements have been made to the consolidated financial statements prepared domestically in Japan in order to present these statements in a form that is more familiar to readers outside Japan.

In addition, the notes to the consolidated financial statements include additional information which is not required under accounting principles generally accepted in Japan.

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

Note 2. Summary of Significant Accounting Policies

a. Principles of Consolidation

The consolidated financial statements for the year ended March 31, 2014 include the accounts of the Company and its 48 significant subsidiaries and its 5 subsidiaries and affiliates are accounted for by the equity method (47 and 5 in 2013).

Under the control or influence concept, the accompanying consolidated financial statements include the accounts of the Company and, with minor exceptions, those of its subsidiaries, whether directly or indirectly controlled, and those companies over which the Companies have the ability to exercise significant influence are accounted for by the equity method. All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Companies is eliminated. The Company does not consolidate nor apply the equity method to subsidiaries or affiliates whose gross assets, net sales, net income (loss) and retained earnings are not significant to the consolidated financial statements.

Investments in unconsolidated subsidiaries and affiliates are stated at cost.

The balance sheet date of certain consolidated subsidiaries is December 31. The financial statements of such subsidiaries were tentatively prepared in accordance with the fiscal year of the Company, and those were consolidated.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

Goodwill and negative goodwill (incurred before March 31, 2010) resulting from the difference between the cost and the underlying net assets at the respective dates of acquisition are being amortized over a period of 5 years, except that immaterial amounts are charged to income as incurred.

b. Cash Equivalents

For the purpose of the consolidated statements of cash flows, the Companies consider all short-term, highly liquid instruments with a maturity of three months or less to be cash equivalents.

c. Inventories

Raw materials are mainly stated at cost, determined by the most recent purchase price method. Finished goods and work in process are mainly stated at actual cost determined by accumulated production cost for contract items or average cost for regular production items, except that finished goods of certain consolidated subsidiaries are priced by the most recent purchase price method. In accordance with accounting practices generally accepted in the heavy electric industry, inventories include items with a manufacturing period exceeding one year.

Inventories with lower profitability were written down and the losses on valuation were included in cost of sales.

d. Securities

Marketable securities classified as other securities are stated at fair value. Unrealized gains and losses, net of taxes, are reported in a separate component of net assets.

Nonmarketable securities classified as other securities are stated at cost determined by the moving-average method.

e. Derivatives and Hedging Activities

The Companies enter into derivative financial instruments ("derivatives"), including foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies and interest rate swap agreements as a means of managing its interest rate exposures on certain liabilities. In addition, the Companies enter into commodity swap agreements to hedge the risk of fluctuation of commodity prices for raw materials.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows:

a) Except as described in the following paragraph b) and c), all derivatives are recognized as either assets or liabilities and measured at fair value, and forward contracts applied for forecasted transactions are measured at fair value but the unrealized gains/losses are deferred until the underlying transactions are completed if the forward contracts qualify for hedge accounting.

b) Trade receivables and trade payables denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations are translated at the contracted rate if the forward contracts qualify for hedge accounting.

c) The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differentials paid or received under the swap agreements are recognized and included in interest expense or income.

f. Depreciation

1) Tangible fixed assets (excluding leased assets)

Depreciation is computed by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to the buildings of the Company and its domestic consolidated subsidiaries acquired after April 1, 1998. The range of useful lives is from 7 to 50 years for buildings and from 5 to 12 years for machinery and equipment.

2) Leased assets

Depreciation is computed by the straight-line method over the lease period assuming no residual value. Finance leases other than those that were deemed to transfer the ownership of the leased assets to the lessees and contracted before April 1, 2008, are accounted for by the method that is applicable to ordinary operating leases.

g. Allowance for Doubtful Accounts

The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

h. Retirement Benefits

(1) The retirement benefit obligation for employees is attributed to each period by the straight-line method over the estimated years of service of the eligible employees.

(2) The prior service costs are amortized by the straight-line method within the average remaining years of service of the employee participants. The actuarial gains and losses are amortized by the straight-line method within the average remaining years of service of the employee participants from the next period in which they arise, respectively.

(Changes in accounting policies)

The company has adopted "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan ("ASBJ") Statement No. 26 of May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 of May 17, 2012) (except for certain provisions described in the main clause of Section 35 of the standard and in the main clause of Section 67 of the guidance) as of the end of the fiscal year ended March 31, 2014. These accounting standards require entities to apply a revised method for recording the retirement benefit obligation, after deducting pension plan assets, as net defined benefit liability (or asset). In addition, unrecognized actuarial gains and losses and unrecognized prior service costs are recorded as net defined benefit liability (or asset). Concerning the application of the Accounting Standard for Retirement Benefits, based on the provisional treatment set out in Clause 37 of the standard, the effects of such changes in the current fiscal year have been recorded in remeasurements of defined benefit plans through accumulated other comprehensive income. As a result of this change, net defined benefit liability was recognized in the amount of ¥34,236 million ($335,651 thousand), net defined benefit asset was recognized in the amount of ¥31,263 million ($306,505 thousand), deferred tax liabilities decreased by ¥4,960 million ($48,627 thousand), and accumulated other comprehensive income decreased by ¥10,614 million ($104,068 thousand) as of March 31, 2014. In addition, net assets per share decreased by ¥14.86 ($0.15).

i. Provision for Directors' Retirement Benefits

For certain consolidated subsidiaries, the accrued retirement benefits for directors were provided mainly at an amount to be required at the year-end according to internal regulations.

j. Research and Development Costs

Research and development costs are charged to income as incurred.

k. Recognition for Revenue and Costs

For long-term construction contracts whose outcome can be estimated reliably, the percentage-of-completion method is adopted. The stage of completion of a contract is determined by the percentage of the cost incurred to date to the estimated total cost. When the outcome of the construction contracts can not be estimated reliably, the completed-contract method is adopted.

l. Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The Company filed a consolidated tax return, which allows companies to file tax payments on the combined basis of profits or losses of the parent company and its wholly owned domestic subsidiaries. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

m. Foreign Currency Transactions

All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

n. Foreign Currency Financial Statements

Assets, liabilities, and revenue and expense accounts of the foreign consolidated subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders' equity, which is translated at the historical rate.

Differences arising from such translation are included in foreign currency translation adjustments and minority interests in consolidated subsidiaries as a separate component of net assets.

o. Accounting for Consumption Taxes

The Japanese consumption taxes withheld and consumption taxes paid are not included in the accompanying consolidated statements of income.

p. Amounts Per Share

Basic net income per share is computed based on the net income available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during the year, and diluted net income per share is computed based on the net income available for distribution to the shareholders and weighted average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of warrants and stock subscription rights.

Net assets per share are computed based on the net assets excluding share subscription rights and minority interests and the number of shares of common stock outstanding at year end.

q. Standards Issued But Not Yet Effective

On May 17, 2012, the ASBJ issued "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25), which replaced the Accounting Standard for Retirement Benefits that had been issued by Business Accounting Council in 1998 with an effective date of April 1, 2000 and the other related practical guidance, being followed by partial amendments from time to time through 2009.

(1) Overview

The standard provides guidance for the accounting for unrecognized actuarial gains and losses and unrecognized prior service costs, the calculation methods for retirement benefit obligation and service costs, and enhancement of disclosures taking into consideration improvements to financial reporting and international trends.

(2) Scheduled date of adoption

The revised accounting standard and guidance have been adopted as of the end of the fiscal year ended March 31, 2014. Revisions to the calculation methods for the retirement benefit obligation and service costs are scheduled to be adopted from the beginning of the fiscal year ending March 31, 2015. In addition, no retroactive application to the Company's consolidated financial statements in prior periods will be made based on the provisional treatment set out in the standard.

(3) Impact of adopting revised accounting standard and guidance

The Company is currently evaluating the effect that revisions to the calculation methods for the retirement benefit obligation and service costs will have on its consolidated results of operations and financial position.

Note 3. U.S. Dollar Amounts

The U.S. dollar amounts included in the accompanying consolidated financial statements and notes thereto represent the arithmetic results of translating yen into U.S. dollars at ¥102=U.S.$1, the approximate exchange rate as of March 31, 2014. The U.S. dollar amounts are presented solely for the convenience of the readers outside Japan.

Note 4. Inventories

Inventories as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	**2014**
Merchandise and finished goods	**¥ 43,180**	¥ 42,464	**$ 423,341**
Work in process	**48,030**	39,294	**470,891**
Raw materials	**30,233**	25,964	**296,391**
Inventories	**¥121,443**	¥107,722	**$1,190,623**

Losses (gains) on valuation of inventories with lower profitability were ¥(522) million ($(5,120) thousand) and ¥(266) million for the years ended March 31, 2014 and 2013, respectively. These were included in cost of sales.

Note 5. Pledged Assets and Financial Assets Accepted as Collateral

The amounts of assets pledged as collateral for trade payables, short-term debt and long-term debt as of March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	**2014**
Time deposits	**¥ 60**	¥ 60	**$ 588**
Investment securities	**418**	297	**4,105**
Property, plant and equipment	**16,325**	16,491	**160,048**
Total	**¥16,803**	¥16,848	**$164,741**

Collateralized liabilities as of March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	**2014**
Trade payables	**¥ 12**	¥ 15	**$ 124**
Short-term debt	**3,200**	3,900	**31,373**
Long-term debt	**859**	7,665	**8,421**
Total	**¥4,071**	¥11,580	**$39,918**

Note 6. Financial Instruments

1. Status of financial instruments

(1) Policy regarding financial instruments

The Companies limit the scope of their cash and fund management activities to short-term deposits. When raising funds, the Companies have a policy of relying principally on bank borrowings, bonds payable and commercial paper. The Companies mainly raise the operating funds through short-term loans payable and commercial paper, and the funds relating to capital investments through long-term loans payable and bonds payable. The Companies make use of derivatives to reduce risk, as explained below, and have a policy of not engaging in derivative transactions for speculative purposes.

(2) Details of financial instruments and associated risk

In the course of its business activities, trade receivables are exposed to customer credit risk.

In addition, trade receivables denominated in foreign currencies arising from international business are exposed to exchange risk. The Companies hedge the exchange risk, by using foreign exchange forward contracts within the range prescribed relating to the net amount of the trade receivables denominated in foreign currencies, offset by the amount of the trade payables denominated in the same currencies.

Short-term investments and investment securities are comprised primarily of stocks of companies with which the Companies have business relation and are exposed to market price risk.

Trade payables are mostly payable within one year. Some trade payables are denominated in foreign currencies and exposed to exchange risk. The Companies hedge the exchange risk of the trade payables denominated in foreign currencies in principle, except for the amount within that of trade receivables denominated in the same currencies, by using foreign exchange forward contracts.

Short-term loans payable and commercial paper are primarily raised for the purpose of maintaining operating funds. Bonds payable, long-term loans payable and lease obligations on finance lease transactions are primarily raised for the purpose of preparing capital investment. The maturities of these bonds payable, long-term loans payable and lease obligations on finance lease transactions are up to 10 years at the longest after the balance sheet date. Some are exposed to interest rate fluctuation risk and the Companies hedge such risk by interest rate swap transactions.

Regarding derivatives, the Companies employ foreign exchange forward contracts to reduce the risk of foreign currency exchange movements that arise from the previously mentioned receivables and payables denominated in foreign currencies. In addition, the Companies use interest rate swap transactions to reduce the interest rate fluctuation risk of loans, and use commodity swap transactions to reduce the risk of fluctuation of commodity prices for raw materials. As hedging instruments under hedge accounting, the Companies enter into these derivative transactions in accordance with the Companies' policies to reduce the corresponding risk to each hedged item. The Companies compare the market change of hedged items and hedging instruments or the cash flow changes. Assessment of effectiveness for hedging activities depends on the ratio of the amount of change.

(3) Systems for management of financial instruments risk

a) Credit risk management (the risk that transaction partners may default on their obligations to the Companies)

The credit risk in relation to trade receivables from customers, pursuant to criteria for managing credit exposure, is managed by controlling due dates and balances of each customer. In addition, the Companies manage to identify doubtful receivables earlier and mitigate their risk caused by aggravation of the financing position, etc.

Because the counterparties to derivative transactions are limited to authentic financial institutions, the Companies do not anticipate any losses arising from credit risk.

b) Market risk management (the risks arising from fluctuations in exchange rates, interest rates and other indicators)

The Companies, in principle, employ foreign exchange forward contracts to reduce the risk of foreign currency exchange movements that arise from the previously mentioned receivables and payables denominated in foreign currencies. In addition, the Companies use interest rate swap transactions to reduce the interest rate fluctuation risk of loans, and use commodity swap transactions to reduce the risk of fluctuation of commodity prices for raw materials.

Regarding investment securities, the Companies periodically review the market value of such financial instruments and the financial position of the issuer (the company having business transactions with the Companies). In addition, other than debt securities to be held until maturity, the Companies review the status of these investments on a continuing basis.

Derivative transactions have been entered into in accordance with the Companies' policies. The execution of derivatives, which is based on the application of each section, is mainly controlled by the Finance Department of each company, or by the Material Section regarding commodity swap transactions. In addition, the Finance Department periodically reports to the management and each section, and strictly performs risk management relating to derivative transactions.

c) Liquidity risk management (the risk that the Companies may not be able to meet its payment obligations on the scheduled date)
The Companies reduce the liquidity risk by having each company review and revise cash management plans monthly or timely.

(4) Supplementary explanation of the estimated fair value of financial instruments and related matters
The estimated fair value of financial instruments is their price based on their market price and other indicators. When there is no market price available, it includes prices which are reasonably computed.

Since variable factors are taken into account in computing the price, this price may fluctuate depending on different assumptions adopted. In addition, the contract (notional) amount of derivatives in "Note 8. Derivatives" is not an indicator of the actual market risk involved in derivative transactions.

2. Estimated fair value and other matters related to financial instruments

Carrying amounts on the consolidated balance sheets as of March 31, 2014 and 2013, estimated fair value and the variance between them are shown in the following table. Financial instruments whose estimated fair value is deemed to be extremely difficult to obtain are not included (Please refer to Note 2).

	Millions of yen		
	2014		
	Carrying amounts	Fair value	Variance
Cash and cash equivalents	**¥ 33,412**	**¥ 33,412**	**¥ —**
Trade receivables	**222,481**	**222,449**	**(32)**
Investment securities	**127,601**	**127,601**	**—**
Trade payables	**(142,087)**	**(142,087)**	**—**
Short-term debt	**(52,713)**	**(52,713)**	**—**
Current portion of long-term debt	**(23,698)**	**(23,698)**	**—**
Lease obligations (Current Liabilities)	**(13,521)**	**(13,521)**	**—**
Long-term debt	**(123,092)**	**(124,107)**	**1,015**
Lease obligations (Long-term Liabilities)	**(20,726)**	**(20,810)**	**84**
Derivatives			
Derivative transactions to which hedge accounting is not applied	**(61)**	**(61)**	**—**
Derivative transactions to which hedge accounting is applied	**27**	**27**	**—**

	Millions of yen		
	2013		
	Carrying amounts	Fair value	Variance
Cash and cash equivalents	¥ 39,688	¥ 39,688	¥ —
Trade receivables	216,852	216,820	(32)
Investment securities	90,065	90,065	—
Trade payables	(129,934)	(129,934)	—
Short-term debt	(77,413)	(77,413)	—
Current portion of long-term debt	(23,180)	(23,180)	—
Lease obligations (Current Liabilities)	(11,832)	(11,832)	—
Long-term debt	(126,123)	(126,322)	199
Lease obligations (Long-term Liabilities)	(18,555)	(18,665)	110
Derivatives			
Derivative transactions to which hedge accounting is not applied	(232)	(232)	—
Derivative transactions to which hedge accounting is applied	(129)	(129)	—

	Thousands of U.S. dollars (Note 3)		
	2014		
	Carrying amounts	Fair value	Variance
Cash and cash equivalents	**$ 327,576**	**$ 327,576**	**$ —**
Trade receivables	**2,181,188**	**2,180,875**	**(313)**
Investment securities	**1,250,999**	**1,250,999**	**—**
Trade payables	**(1,393,018)**	**(1,393,018)**	**—**
Short-term debt	**(516,799)**	**(516,799)**	**—**
Current portion of long-term debt	**(232,342)**	**(232,342)**	**—**
Lease obligations (Current Liabilities)	**(132,563)**	**(132,563)**	**—**
Long-term debt	**(1,206,791)**	**(1,216,743)**	**9,952**
Lease obligations (Long-term Liabilities)	**(203,206)**	**(204,027)**	**821**
Derivatives			
Derivative transactions to which hedge accounting is not applied	**(599)**	**(599)**	**—**
Derivative transactions to which hedge accounting is applied	**268**	**268**	**—**

(*1) Figures shown in parentheses are liability items.
(*2) The value of assets and liabilities arising from derivatives is shown at net value, and a net liability position is shown in parentheses.

Notes: 1. Methods for computing the estimated fair value of financial instruments, and information on securities and derivatives

(1) Cash and cash equivalents
Since these items are settled in a short period of time, estimated fair values are virtually the same as the carrying amounts.

(2) Trade receivables
Fair values of trade receivables, classified by each maturity, are based on the present value discounted by the interest rate determined taking into account the term until maturity and the credit risk.

(3) Investment securities
Stocks are valued at the exchange trading price. For information on securities classified by the purpose of holding, please refer to "Note 7. Securities."

(4) Trade payables, (5) Short-term debt, (6) Current portion of long-term debt (except bonds) and (7) Lease obligations (Current Liabilities)
Since these items are settled in a short period of time, estimated fair values are virtually the same as the carrying amounts.

(6) Current portion of long-term debt (bonds) and (8) Long-term debt (bonds)
Fair values of bonds issued by the Company are based on each market price.

(8) Long-term debt (except bonds) and (9) Lease obligations (Long-term Liabilities)
Fair values of these items are based on the present value of the total of principal and interest discounted by the interest rate applied if similar new borrowings and new lease transactions were entered into.

(10) Derivatives
Please refer to "Note 8. Derivatives."

2. Items for which obtaining an estimated fair value is deemed to be extremely difficult

	Millions of yen		Thousands of U.S. dollars (Note 3)
	Carrying amounts	Carrying amounts	Carrying amounts
	2014	2013	**2014**
Unlisted stocks (including stocks of unconsolidated subsidiaries and affiliates)	**¥21,266**	¥29,399	**$208,491**

Because the items in the preceding table do not have market price and obtaining the estimated fair values of these items is deemed to be extremely difficult, fair value has not been disclosed in (3) Investment securities.

3. Redemption schedule for monetary assets and securities with maturity dates as of March 31, 2014 and 2013:

	Millions of yen			
	2014			
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and cash equivalents	**¥ 33,412**	**¥ —**	**¥—**	**¥—**
Trade receivables	**218,615**	**3,866**	**—**	**—**
Investment securities				
Debt securities with maturity date classified as other securities				
(Public bonds)	**0**	**—**	**—**	**—**
Total	**¥252,027**	**¥3,866**	**¥—**	**¥—**

	Millions of yen			
	2013			
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and cash equivalents	¥ 39,688	¥ —	¥—	¥—
Trade receivables	213,793	3,059	—	—
Investment securities				
Debt securities with maturity date classified as other securities				
(Public bonds)	0	—	—	—
Total	¥253,481	¥3,059	¥—	¥—

	Thousands of U.S. dollars (Note 3)			
	2014			
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and cash equivalents	**$ 327,576**	**$ —**	**$—**	**$—**
Trade receivables	**2,143,283**	**37,905**	**—**	**—**
Investment securities				
Debt securities with maturity date classified as other securities				
(Public bonds)	**3**	**—**	**—**	**—**
Total	**$2,470,862**	**$37,905**	**$—**	**$—**

4. Repayment schedule for long-term debt and lease obligations:
Please refer to "Note 9. Short-term Debt and Long-term Debt" and "Note 10. Lease Obligations."

Note 7. Securities

1. Other securities as of March 31, 2014 and 2013 were as follows:

	Millions of yen			
	2014			
	Cost	Carrying amounts	Unrealized gains	Unrealized losses
Marketable securities classified as other securities				
Equity securities	¥58,693	¥127,601	¥69,480	¥572
Debt securities	0	0	—	—
Others	—	—	—	—
Total	¥58,693	¥127,601	¥69,480	¥572

	Millions of yen			
	2013			
	Cost	Carrying amounts	Unrealized gains	Unrealized losses
Marketable securities classified as other securities				
Equity securities	¥59,364	¥90,065	¥35,250	¥4,549
Debt securities	0	0	—	—
Others	—	—	—	—
Total	¥59,364	¥90,065	¥35,250	¥4,549

	Thousands of U.S. dollars (Note 3)			
	2014			
	Cost	Carrying amounts	Unrealized gains	Unrealized losses
Marketable securities classified as other securities				
Equity securities	$575,430	$1,250,996	$681,182	$5,616
Debt securities	3	3	—	—
Others	—	—	—	—
Total	$575,433	$1,250,999	$681,182	$5,616

Note: The following is not included in the preceding tables because it does not have market price and obtaining an estimated fair value is deemed to be extremely difficult:
Unlisted stocks (Values in the consolidated balance sheets as of March 31, 2014 and 2013 were ¥6,507 million ($63,801 thousand) and ¥7,195 million, respectively.)

2. Sales of other securities for the years ended March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Proceed from sales	¥767	¥1,216	$7,529
Gain on sales	359	750	3,526
Loss on sales	9	1	92

3. Impairment of other securities for the years ended March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Impairment losses	¥1,134	¥511	$11,124

4. Investments in unconsolidated subsidiaries and affiliates as of March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Investments in the stock of jointly controlled companies included in investments in unconsolidated subsidiaries and affiliates	¥5,110	¥13,087	$50,104

Note 8. Derivatives

1. Derivative transactions to which hedge accounting is not applied

	Millions of yen			
	2014			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain/loss
Foreign currency forward contracts:				
Receivables:				
U.S. dollars	**¥2,358**	**¥—**	**¥(23)**	**¥(23)**
Euro	**1,465**	**—**	**(27)**	**(27)**
Korean Won	**175**	**—**	**(3)**	**(3)**
Canadian dollars	**71**	**—**	**(8)**	**(8)**
Payables:				
Korean Won	**8**	**—**	**0**	**0**
Total	**¥4,077**	**¥—**	**¥(61)**	**¥(61)**

	Millions of yen			
	2013			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain/loss
Foreign currency forward contracts:				
Receivables:				
U.S. dollars	¥3,391	¥—	¥(182)	¥(182)
Euro	1,409	—	(47)	(47)
Korean Won	163	—	(2)	(2)
Payables:				
Singapore dollars	92	—	(1)	(1)
Vietnamese Dong	1	—	0	0
Total	¥5,056	¥—	¥(232)	¥(232)

	Thousands of U.S. dollars (Note 3)			
	2014			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain/loss
Foreign currency forward contracts:				
Receivables:				
U.S. dollars	**$23,094**	**$—**	**$(216)**	**$(216)**
Euro	**14,372**	**—**	**(271)**	**(271)**
Korean Won	**1,723**	**—**	**(35)**	**(35)**
Canadian dollars	**702**	**—**	**(81)**	**(81)**
Payables:				
Korean Won	**88**	**—**	**4**	**4**
Total	**$39,979**	**$—**	**$(599)**	**$(599)**

Note: The fair value is estimated based on forward exchange rates.

2. Derivative transactions to which hedge accounting is applied

(1) Currency-related contacts

Hedge accounting method	Type of derivative	Principal items hedged	Millions of yen 2014 Contract amount	Contract amount over 1 year	Fair value
Deferral hedge method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable–trade			
	U.S. dollars		**¥ 3,069**	**¥363**	**¥(80)**
	Euro		**607**	**—**	**(2)**
	Canadian dollars		**702**	**123**	**(88)**
	Payables:	Accounts payable–trade			
	U.S. dollars		**9,495**	**—**	**187**
	Euro		**211**	**—**	**20**
	Singapore dollars		**26**	**—**	**1**
Allocation method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable–trade			**(Note 2)**
	U.S. dollars		**¥ 1,782**	**¥ —**	
	Total		**¥15,892**	**¥486**	**¥ 38**

Hedge accounting method	Type of derivative	Principal items hedged	Millions of yen 2013 Contract amount	Contract amount over 1 year	Fair value
Deferral hedge method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable–trade			
	U.S. dollars		¥ 705	¥ —	¥ (74)
	Canadian dollars		1,157	627	(112)
	Payables:	Accounts payable–trade			
	U.S. dollars		169	—	3
	Euro		726	13	34
	Swedish krona		56	—	5
	Pounds sterling		47	—	(0)
Allocation method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable–trade			(Note 2)
	U.S. dollars		¥ 614	¥ —	
	Total		¥3,474	¥640	¥(144)

Hedge accounting method	Type of derivative	Principal items hedged	Thousands of U.S. dollars (Note 3) 2014 Contract amount	Contract amount over 1 year	Fair value
Deferral hedge method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable–trade			
	U.S. dollars		**$ 30,089**	**¥3,562**	**$ (794)**
	Euro		**5,954**	**—**	**(22)**
	Canadian dollars		**6,886**	**1,209**	**(864)**
	Payables:	Accounts payable–trade			
	U.S. dollars		**93,097**	**—**	**1,842**
	Euro		**2,069**	**—**	**205**
	Singapore dollars		**242**	**—**	**9**
Allocation method	Foreign currency forward contracts:				
	Receivables:	Accounts receivable–trade			**(Note 2)**
	U.S. dollars		**$ 17,474**	**$ —**	
	Total		**$155,811**	**$4,771**	**¥ 376**

Notes 1. The fair value is estimated based on forward exchange rates.
2. Since amounts in foreign currency forward contracts treated by the allocation method are handled together with accounts receivable–trade and accounts payable–trade that are subject to hedging, the estimated fair value of such contracts is included in the fair value of accounts receivable–trade or accounts payable–trade.

(2) Interest-rate-related contracts

Hedge accounting method	Type of derivative	Principal items hedged	Millions of yen 2014 Contract amount	Millions of yen 2014 Contract amount over 1 year	Millions of yen 2014 Fair value
Specific treatment for interest rate swaps	Interest rate swaps Receive floating pay fixed	Long-term loans payable	**¥28,735**	**¥25,897**	**(Note 2)**

Hedge accounting method	Type of derivative	Principal items hedged	Millions of yen 2013 Contract amount	Millions of yen 2013 Contract amount over 1 year	Millions of yen 2013 Fair value
Specific treatment for interest rate swaps	Interest rate swaps Receive floating pay fixed	Long-term loans payable	¥24,500	¥24,500	(Note 2)

Hedge accounting method	Type of derivative	Principal items hedged	Thousands of U.S. dollars (Note 3) 2014 Contract amount	Thousands of U.S. dollars (Note 3) 2014 Contract amount over 1 year	Thousands of U.S. dollars (Note 3) 2014 Fair value
Specific treatment for interest rate swaps	Interest rate swaps Receive floating pay fixed	Long-term loans payable	**$281,717**	**$253,902**	**(Note 2)**

Notes 1. The fair value is principally based on the quotes obtained from the correspondent financial institutions.
2. Since amounts in interest rate swaps which qualify for hedge accounting and meet specific matching criteria are handled together with long-term loans payable that are subject to hedging, the estimated fair value of such interest rate swaps is included in the fair value of the long-term loans payable.

(3) Commodity-related contracts

Hedge accounting method	Type of derivative	Principal items hedged	Millions of yen 2014 Contract amount	Millions of yen 2014 Contract amount over 1 year	Millions of yen 2014 Fair value
Deferral hedge method	Commodity swap Receive floating pay fixed	Raw materials	**¥233**	**¥—**	**¥(10)**

Hedge accounting method	Type of derivative	Principal items hedged	Millions of yen 2013 Contract amount	Millions of yen 2013 Contract amount over 1 year	Millions of yen 2013 Fair value
Deferral hedge method	Commodity swap Receive floating pay fixed	Raw materials	¥250	¥—	¥15

Hedge accounting method	Type of derivative	Principal items hedged	Thousands of U.S. dollars (Note 3) 2014 Contract amount	Thousands of U.S. dollars (Note 3) 2014 Contract amount over 1 year	Thousands of U.S. dollars (Note 3) 2014 Fair value
Deferral hedge method	Commodity swap Receive floating pay fixed	Raw materials	**$2,291**	**$—**	**$(108)**

Note: The fair value is principally based on the quotes obtained from the correspondent financial institutions.

Note 9. Short-term Debt and Long-term Debt

Short-term debt as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen 2014	Millions of yen 2013	Thousands of U.S. dollars (Note 3) 2014
Loans, principally from banks	**¥52,713**	¥49,413	**$516,799**
Commercial paper	**—**	28,000	**—**
Short-term Debt	**¥52,713**	¥77,413	**$516,799**

The weighted average interest rates on short-term debt as of March 31, 2014 and 2013 were 1.16% and 0.73%, respectively.

Long-term debt as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	**2014**
Loans, principally from banks and insurance companies	**¥ 86,290**	¥ 98,804	**$ 845,996**
Bonds issued by the Companies:			
1.44% Yen unsecured straight bonds due 2013	**—**	10,000	**—**
0.79% Yen unsecured straight bonds due 2015	**15,000**	15,000	**147,059**
0.86% Yen unsecured straight bonds due 2016	**20,000**	20,000	**196,078**
1.00% Yen unsecured straight bonds due 2017	**5,000**	5,000	**49,020**
0.90% Yen unsecured straight bonds due 2018	**20,000**	—	**196,078**
Zero coupon convertible bonds with stock acquisition rights due 2016	**500**	500	**4,902**
	146,790	149,303	**1,439,133**
Less: Portion due within one year	**23,698**	23,180	**232,342**
Long-term Debt	**¥123,092**	¥126,123	**$1,206,791**

The weighted average interest rates on loans, principally from banks and insurance companies, as of March 31, 2014 and 2013 were 0.79% and 0.93%, respectively.

As of March 31, 2014, the aggregate annual maturities of long-term debt were as follows:

Years ended March 31,	Millions of yen	Thousands of U.S. dollars (Note 3)
2016	**¥ 34,733**	**$ 340,528**
2017	**36,443**	**357,293**
2018	**29,740**	**291,574**
2019	**20,084**	**196,905**
2020 thereafter	**2,092**	**20,491**
Total	**¥123,092**	**$1,206,791**

Note 10. Lease Obligations

Lease obligations as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	**2014**
Short-term	**¥13,521**	¥11,832	**$132,563**
Long-term	**20,726**	18,555	**203,206**
Total	**¥34,247**	¥30,387	**$335,769**

The weighted average interest rates on lease obligations as of March 31, 2014 and 2013 were 2.28% and 2.24%, respectively.

As of March 31, 2014, the aggregate annual maturities of lease obligations were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 3)
2016	**¥ 8,159**	**$ 79,995**
2017	**5,447**	**53,406**
2018	**3,721**	**36,484**
2019	**2,280**	**22,355**
2020 thereafter	**1,119**	**10,966**
Total	**¥20,726**	**$203,206**

Note 11. Retirement Benefits

For the year ended March 31, 2014

1. Outline of retirement benefits for employees

The Company and most of its consolidated subsidiaries have funded or unfunded defined benefit plans and defined contribution pension plans.

Defined benefit corporate pension plans are all funded and cover substantially all employees who are entitled to lump-sum or annuity payments determined by reference to their basic rates of pay and length of service. As of March 31, 2014, the Company and certain domestic consolidated subsidiaries revised defined benefit corporate pension plans and transferred all benefit accrual occurred after April 1, 2014 to defined contribution pension plans. In addition, retirement benefit trust has been established in certain pension plans.

Lump-sum payment plans are either unfunded or funded as a result of establishing retirement benefit trust. They cover substantially all employees who are entitled to lump-sum payments determined by reference to either points obtained with interest credits or their basic rates of pay and length of service.

Certain domestic consolidated subsidiaries adopted a simplified method in the calculation of net defined benefit liability and retirement benefit expense.

Certain domestic consolidated subsidiaries have multiemployer pension plans accounted for by the same methods used for defined contribution pension plans because they cannot reasonably calculate their portion of pension assets corresponding to their contributions.

2. Information on defined benefit plans

(1) The changes in the retirement benefit obligation except for plans accounted for by a simplified method during the year ended March 31, 2014 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2014	**2014**
Retirement benefit obligation at April 1, 2013	**¥199,254**	**$1,953,473**
Service cost	**4,764**	**46,711**
Interest cost	**4,903**	**48,070**
Actuarial loss	**1,148**	**11,263**
Retirement benefits paid	**(12,818)**	**(125,667)**
Prior service cost	**(9,730)**	**(95,393)**
Others	**34**	**320**
Retirement benefit obligation at March 31, 2014	**¥187,555**	**$1,838,777**

Note : Prior service cost occurred due to the revision of defined benefit plans as of March 31, 2014.

(2) The changes in plan assets at fair value except for plans accounted for by a simplified method during the year ended March 31, 2014 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2014	**2014**
Plan assets at fair value at April 1, 2013	**¥153,278**	**$1,502,733**
Expected return on plan assets	**2,535**	**24,859**
Actuarial gain	**31,429**	**308,130**
Contributions by the Companies	**9,395**	**92,115**
Retirement benefits paid	**(9,821)**	**(96,290)**
Others	**28**	**265**
Plan assets at fair value at March 31, 2014	**¥186,844**	**$1,831,812**

(3) The changes in net defined benefit liability calculated by a simplified method during the year ended March 31, 2014 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2014	**2014**
Net defined benefit liability at April 1, 2013	**¥2,545**	**$24,958**
Retirement benefit expenses	**5**	**57**
Retirement benefits paid	**(80)**	**(787)**
Contributions	**(292)**	**(2,864)**
Others	**84**	**817**
Net defined benefit liability at March 31, 2014	**¥2,262**	**$22,181**

(4) The reconciliation of retirement benefit obligation and plan assets at fair value with net defined benefit liability and net defined benefit asset recognized in the consolidated balance sheet were outlined as follows:

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2014	2014
Funded retirement benefit obligation	¥ 188,014	$ 1,843,276
Plan assets at fair value	(190,101)	(1,863,744)
	(2,087)	(20,468)
Unfunded retirement benefit obligation	5,060	49,614
Net amount of liabilities and assets recognized in the consolidated balance sheet	2,973	29,146
Net defined benefit liability	34,236	335,651
Net defined benefit asset	(31,263)	(306,505)
Net amount of liabilities and assets recognized in the consolidated balance sheet	¥ 2,973	$ 29,146

Note: Plans accounted for by a simplified method are included.

(5) The components of retirement benefit expenses for the year ended March 31, 2014 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2014	2014
Service cost	¥ 4,764	$ 46,711
Interest cost	4,903	48,070
Expected return on plan assets	(2,535)	(24,859)
Amortization of actuarial loss	9,485	92,995
Amortization of prior service cost	33	324
Retirement benefit expenses calculated by a simplified method	5	57
Others	754	7,381
Retirement benefit expenses	¥17,409	$170,679

(6) Unrecognized prior service cost and unrecognized actuarial loss included in accumulated other comprehensive income (before tax effect) as of March 31, 2014 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2014	2014
Unrecognized prior service cost	¥ (7,884)	$ (77,300)
Unrecognized actuarial loss	23,079	226,274
Total	¥15,195	$148,974

(7) The breakdown of plan assets by major category as of March 31, 2014 was as follows:

Equity securities	54%
Debt securities	31
General accounts at life insurance companies	12
Others	3
Total	100

Note: Retirement benefit trust established for the corporate pension plans is included and equivalent to 24% of total amount of plan assets.

The long-term expected rates of return on plan assets have been determined as a result of consideration of both the portfolio allocation at present and in the future, and long-term rates of return from multiple plan assets at present and in the future.

The assumptions used in accounting for the defined benefit plans as of March 31, 2014, were as follows:

Discount rates	Mainly 2.5%
Long-term expected rates of return on plan assets	Mainly 2.5%

3. Information on defined contribution pension plans

Contributions of defined contribution pension plans for the year ended March 31, 2014 were ¥1,563 million ($15,324 thousand).

4. Information on multiemployer pension plans

Contributions to multiemployer pension plans accounted for by the same methods used for defined contributions plans for the year ended March 31, 2014 were ¥68 million ($668 thousand).

For the year ended March 31, 2013

The Company and its domestic consolidated subsidiaries have a pension fund, and contract-type corporate pension plans and lump-sum payment plans as defined benefit plans and defined contribution pension plans.

In certain cases, the Companies pay additional retirement benefits other than the above plans.

The liability (asset) for employees' retirement benefits as of March 31, 2013 consisted of the following:

	Millions of yen
	2013
Projected benefit obligation	¥(204,703)
Fair value of plan assets	156,182
Excess projected benefit obligation over plan assets	(48,521)
Unrecognized actuarial loss	62,845
Unrecognized prior service cost	1,879
Carrying amount	16,203
Prepaid pension expense	27,884
Net liability	¥ (11,681)

Note: Certain domestic consolidated subsidiaries adopted a simplified method in the calculation of their retirement benefit obligation.

The components of retirement benefit expenses for the year ended March 31, 2013 were as follows:

	Millions of yen
	2013
Service cost	¥ 5,192
Interest cost	5,056
Expected return on plan assets	(3,518)
Recognized actuarial loss	9,386
Amortization of prior service cost	35
Retirement benefit expenses	16,151
Contributory portion to a defined contribution pension plan	1,443
Total	¥17,594

Notes 1. Special additional termination benefits which have not been included in the amounts shown in the preceding table were ¥924 million for the year ended March 31, 2013, and were charged to income as paid.
2. Retirement benefit expenses for domestic consolidated subsidiaries adopting the simplified method are included in "Service cost."

Assumptions used for the year ended March 31, 2013 were as follows:

Discount rates	Mainly 2.5 %
Expected rates of return on plan assets	Mainly 2.5 %

The prior service costs are amortized by the straight-line method within the expected remaining working lives of the employees.

The actuarial gains and losses are amortized by the straight-line method within the expected remaining working lives of the employees from the next period in which they arise, respectively.

Note 12. Shareholders' Equity

1. Shares issued and outstanding / Treasury stock

The Companies Act of Japan provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met.

Movements in shares outstanding and treasury stock during the years ended March 31, 2014 and 2013 were as follows:

	Thousands of shares			
	March 31, 2013	Increase in the year	Decrease in the year	March 31, 2014
Shares outstanding:				
Common stock	**746,484**	**—**	**—**	**746,484**
Total	**746,484**	**—**	**—**	**746,484**
Treasury stock:				
Common stock	**31,912**	**76**	**3**	**31,985**
Total	**31,912**	**76**	**3**	**31,985**

	Thousands of shares			
	March 31, 2012	Increase in the year	Decrease in the year	March 31, 2013
Shares outstanding:				
Common stock	746,484	—	—	746,484
Total	746,484	—	—	746,484
Treasury stock:				
Common stock	31,888	27	3	31,912
Total	31,888	27	3	31,912

The increases of treasury stock were due to purchase of shares of less than one voting unit and the decreases of treasury stock were due to sales of shares at requests of shareholders who own less than one voting unit for the years ended March 31, 2014 and 2013.

2. Dividends

(1) Dividends paid

For the year ended March 31, 2014

Resolution	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars (Note 3))	Dividends per share (yen)	Dividends per share (U.S. dollars (Note 3))	Cut-off date	Effective date
Meeting of the Board of Directors on May 23, 2013	Common stock	**¥2,143**	**$21,017**	**¥3.0**	**$0.03**	March 31, 2013	June 4, 2013
Meeting of the Board of Directors on October 24, 2013	Common stock	**2,143**	**21,017**	**3.0**	**0.03**	September 30, 2013	December 3, 2013

For the year ended March 31, 2013

Resolution	Type of shares	Total Dividends (millions of yen)	Dividends per share (yen)	Cut-off date	Effective date
Meeting of the Board of Directors on May 24, 2012	Common stock	¥1,429	¥2.0	March 31, 2012	June 5, 2012
Meeting of the Board of Directors on October 25, 2012	Common stock	1,429	2.0	September 30, 2012	December 3, 2012

(2) Dividends with the cut-off date in the year ended March 31, 2014 and effective date in the year ending March 31, 2015

Resolution	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars (Note 3))	Source of dividends	Dividends per share (yen)	Dividends per share (U.S. dollars (Note 3))	Cut-off date	Effective date
Meeting of the Board of Directors on May 27, 2014	Common stock	**¥2,857**	**$28,020**	Retained Earnings	**¥4.0**	**$0.04**	March 31, 2014	June 9, 2014

Dividends with the cut-off date in the year ended March 31, 2013 and effective date in the year ended March 31, 2014

Resolution	Type of shares	Total dividends (millions of yen)	Source of dividends	Dividends per share (yen)	Cut-off date	Effective date
Meeting of the Board of Directors on May 23, 2013	Common stock	¥2,143	Retained Earnings	¥3.0	March 31, 2013	June 4, 2013

Note 13. Research and Development Costs

Research and development costs charged to income were ¥32,029 million ($314,014 thousand) and ¥31,160 million for the years ended March 31, 2014 and 2013, respectively.

Note 14. Selling, General and Administrative Expenses

Major components of Selling, General and Administrative Expenses for the years ended March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	**2014**
Salaries and wages	**¥67,891**	¥67,657	**$665,603**
Retirement benefit expenses	**6,944**	7,088	**68,079**
Research and development costs	**25,969**	25,747	**254,601**

Note 15. Extraordinary Loss, Net

Extraordinary loss, net, for the years ended March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	**2014**
Extraordinary income			
Gain on sales of noncurrent assets	**¥ 543**	¥ 29	**$ 5,330**
Gain on sales of investment securities	**370**	750	**3,628**
Insurance income	**—**	265	**—**
Extraordinary loss			
Loss on disposal of noncurrent assets	**(1,304)**	(404)	**(12,786)**
Loss on devaluation of investment securities	**(1,134)**	(520)	**(11,124)**
Impairment loss	**(641)**	(6,446)	**(6,292)**
Settlement package	**(420)**	(700)	**(4,118)**
Loss on liquidation of subsidiaries	**—**	(827)	**—**
Others	**(408)**	(1,244)	**(3,991)**
Extraordinary Loss, Net	**¥(2,994)**	¥(9,097)	**$(29,353)**

Note 16. Impairment Loss

For the year ended March 31, 2014, impairment loss has not been disclosed because it does not have significant impact on the consolidated financial statements.

Note 17. Income Taxes

The components of income taxes for the years ended March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	**2014**
Current	**¥ 9,005**	¥ 5,725	**$ 88,292**
Deferred	**2,978**	(17,152)	**29,182**
Income Taxes	**¥11,983**	¥(11,427)	**$117,474**

The Company and its domestic consolidated subsidiaries are subject to corporate income tax, prefectural and municipal inhabitants' taxes and enterprise tax, based on income.

The significant components of deferred tax assets and liabilities as of March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	**2014**
Deferred tax assets			
Employees' retirement benefits	**¥ —**	¥ 24,311	**$ —**
Net defined benefit liability	**28,760**	—	**281,961**
The investment deduction of the foreign consolidated subsidiaries	**20,952**	19,414	**205,412**
Investment securities	**8,501**	8,443	**83,350**
Tax loss carryforwards	**6,872**	9,653	**67,382**
Accrued employees' bonuses	**6,574**	6,640	**64,452**
Inventories	**5,458**	4,582	**53,513**
Tangible fixed assets	**3,693**	5,850	**36,211**
Other	**6,247**	7,604	**61,224**
Gross deferred tax assets	**87,057**	86,497	**853,505**
Less: Valuation allowance	**(32,318)**	(32,905)	**(316,840)**
Total deferred tax assets	**54,739**	53,592	**536,665**
Deferred tax liabilities			
Unrealized gain on other securities	**(24,561)**	(11,458)	**(240,800)**
Gain on securities contribution to employee retirement benefit trust	**(19,422)**	(20,853)	**(190,416)**
Investment securities	**(5,717)**	(5,718)	**(56,053)**
Other	**(877)**	(761)	**(8,581)**
Gross deferred tax liabilities	**(50,577)**	(38,790)	**(495,850)**
Net deferred tax assets (liabilities)	**¥ 4,162**	¥ 14,802	**$ 40,815**

The reconciliation between the statutory income tax rate and the effective income tax rate for the years ended March 31, 2014 and 2013 was as follows:

	2014	2013
Statutory income tax rate	**38.0%**	38.0%
Valuation allowance	**(6.9)**	(97.4)
Tax credits	**(4.8)**	(3.3)
Tax rate difference of overseas consolidated subsidiaries	**(2.2)**	(3.6)
Permanent difference resulting from non-taxable income, including dividends received	**(2.0)**	(10.0)
Decrease in deferred tax assets due to the revision of statutory income tax rate	**4.4**	—
Permanent difference resulting from expenses not deductible for income tax purposes	**3.7**	5.1
Foreign taxes	**0.6**	2.2
Other	**4.7**	0.2
Effective income tax rate	**35.5%**	(68.8)%

Decrease in deferred tax assets due to the revision of statutory income tax rate

The “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 10 of 2014) was promulgated on March 31, 2014 and, as a result, the Company is no longer subject to the Special Reconstruction Corporation Tax effective for fiscal years beginning on or after April 1, 2014.

As a result, the effective statutory tax rate used to measure the Company’s deferred tax assets and liabilities was changed from 38.0% to 35.6% for the temporary differences expected to be realized or settled in the fiscal year beginning April 1, 2014. The effect of the announced reduction of the effective statutory tax rate was to decrease deferred tax assets after offsetting deferred tax liabilities by ¥995 million ($9,758 thousand) and increase deferred income taxes by ¥995 million ($9,764 thousand) as of and for the year ended March 31, 2014, respectively.

In addition, the “Act for Partial Amendment of the Local Corporate Tax Act, etc.”(Act No. 11 of 2014) was promulgated on March 31, 2014 and, as a result, a reduction of in inhabitant tax rate and imposition of the local corporate tax will be effective for fiscal years beginning on or after October 1, 2014. As a result, there was no change in the effective statutory tax rate used to measure the Company’ deferred tax assets and liabilities, but the inhabitant tax rate will be reduced by 4.4%. The effect of the above was to decrease deferred tax assets after offsetting deferred tax liabilities by ¥496 million ($4,870 thousand) and increase deferred income taxes by the same amount, respectively.

Note 18. Consolidated Statements of Comprehensive Income

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	**2014**
Valuation difference on available-for-sale securities:			
Amount arising during the year	**¥ 37,567**	¥1,864	**$ 368,305**
Reclassification adjustments	**(12)**	42	**(118)**
Before tax effect	**37,555**	1,906	**368,187**
Tax effect	**(13,087)**	(352)	**(128,298)**
Valuation difference on available-for-sale securities	**24,468**	1,554	**239,889**
Deferred gains or losses on hedges:			
Amount arising during this year	**170**	(26)	**1,670**
Asset acquisition cost adjustments	**(14)**	23	**(137)**
Before tax effect	**156**	(3)	**1,533**
Tax effect	**(59)**	1	**(576)**
Deferred gains or losses on hedges	**97**	(2)	**957**
Foreign currency translation adjustments:			
Amount arising during this year	**4,279**	5,762	**41,954**
Reclassification adjustments	**72**	—	**709**
Before tax effect	**4,351**	5,762	**42,663**
Tax effect	**—**	—	**—**
Foreign currency translation adjustments	**4,351**	5,762	**42,663**
Share of other comprehensive income of associates accounted for using equity method:			
Amount arising during this year	**30**	35	**268**
Total Other Comprehensive Income	**¥ 28,946**	¥7,349	**$ 283,777**

Note 19. Contingent Liabilities

Contingent liabilities as of March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	**2014**
Guarantees	**¥9,705**	¥3,584	**$95,148**

Note 20. Leases

1. Finance lease transactions

(1) Leased assets

Leased assets primarily consist of machinery and equipment and software.

(2) Depreciation method for leased assets

Depreciation is computed by the straight-line method over the lease period assuming no residual value.

Finance leases other than those that were deemed to transfer the ownership of the leased assets to the lessees and contracted before April 1, 2008, are accounted for by the method that is applicable to ordinary operating leases.

Finance leases other than those that were deemed to transfer the ownership of the leased assets to the lessees and contracted before April 1, 2008, are accounted for by the method that is applicable to ordinary operating leases.

Pro forma information of those leased property such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, lease expense, depreciation expense, interest expense and impairment loss on an “as if capitalized” basis for the years ended March 31, 2014 and 2013 were as follows:

(1) Acquisition cost, accumulated depreciation and accumulated impairment loss under finance leases:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Acquisition cost	¥5,518	¥11,598	$54,106
Accumulated depreciation	4,114	8,030	40,333
Accumulated impairment loss	—	1,132	—
Net leased property	¥1,404	¥ 2,436	$13,773

(2) Obligations under finance leases:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Due within one year	¥ 710	¥2,462	$ 6,962
Due after one year	863	1,650	8,462
Total	¥1,573	¥4,112	$15,424

(3) Lease expense, reversal of accumulated impairment loss on leased assets, depreciation expense, interest expense and impairment loss under finance leases:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Lease expense	¥2,202	¥3,696	$21,592
Reversal of accumulated impairment loss on leased assets	1,132	113	11,104
Depreciation expense	1,132	3,518	11,103
Interest expense	77	131	757
Impairment loss	—	1,132	—

(4) Method of calculating estimated depreciation expense

Depreciation is computed by the straight-line method over the lease period assuming no residual value.

(5) Method of calculating estimated interest expense

Interest expense is computed and allocated to each period using the interest method assuming interest expense to be the excess of total lease payments over the acquisition cost.

2. Operating lease transactions

The minimum rental commitments under noncancellable operating leases as of March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Due within one year	¥ 759	¥ 831	$ 7,451
Due after one year	729	416	7,142
Total	¥1,488	¥1,247	$14,593

Note 21. Segment Information

1. Segment information

(1) Outline of reporting segments

The Companies' reporting segments are components for which separate financial information is available and whose operating results are reviewed regularly by the Board of Directors of the Company in order to make decisions about resource allocation and to assess performance. The Company has business headquarters by products and services at its head office. The business headquarters prepare comprehensively global strategies related to their products and services and control their business activities. Accordingly, the Companies have five reporting segments, principally based on the business headquarters, that take into account the similarity of category and nature of products and services: Power & Social Infrastructure, Industrial Infrastructure, Power Electronics, Electronic Devices and Food & Beverage Distribution. These segments consist of 2 or more business segments.

As of April 1, 2013, reflecting change of organization structure, the reporting segments were reclassified in Power and Social Infrastructure, Industrial Infrastructure and Power Electronics, and contents of Others were changed. The reporting segment information for the year ended March 31, 2013 has been reclassified to reflect this change.

Main products and services of each reporting segment consisted of the following:

Reporting segments	Main products and services
Power and Social Infrastructure	Thermal/geothermal/hydroelectric power generation, nuclear power-related equipment, solar power generation systems, energy management systems, watt-hour meters, information systems
Industrial Infrastructure	Power receiving and distribution substation equipment, industrial power supply equipment, industrial drive systems, heating and induction furnace equipment, factory energy management systems, data centers, plant control systems, measurement system, radiation control systems, electrical equipment installation work, water supply/drainage installation work
Power Electronics	Inverters/servo systems, motors, EV systems, transport systems, uninterruptible power supply systems (UPSs), power conditioners (PCSs), power distribution and control equipment
Electronic Devices	Power semiconductors, photoconductive drums, solar cells, magnetic disks
Food and Beverage Distribution	Food and beverage vending machines, retail distribution systems, showcases, currency handling equipment

(2) Calculation method of net sales, profit or loss, assets, liabilities and other items on each reporting segment

The accounting policies applied by each reporting segment are consistent with those described in "Note 2. Summary of Significant Accounting Policies." Segment profit or loss presented in segment information is calculated based on operating income in the consolidated statements of income. Intersegment sales and transfer are determined by market value.

(3) Information on net sales, profit or loss, assets, liabilities and other items by each reporting segment

Reporting segment information as of March 31, 2014 and 2013 and for the years then ended were as follows:

	Millions of yen								
Year ended March 31, 2014	Power and Social Infrastructure	Industrial Infrastructure	Power Electronics	Electronic Devices	Food and Beverage Distribution	Others	Total	Adjustments	Consolidated
Sales, profits or losses and assets by reporting segments									
Net Sales									
Sales to third parties	**¥151,881**	**¥185,174**	**¥150,932**	**¥120,231**	**¥119,830**	**¥31,863**	**¥759,911**	**¥ —**	**¥759,911**
Inter-segment sales and transfers	**1,772**	**3,474**	**14,591**	**3,620**	**226**	**28,138**	**51,821**	**(51,821)**	**—**
Total sales	**153,653**	**188,648**	**165,523**	**123,851**	**120,056**	**60,001**	**811,732**	**(51,821)**	**759,911**
Segment profits (losses)	**¥ 8,138**	**¥ 9,209**	**¥ 5,435**	**¥ 6,302**	**¥ 8,047**	**¥ 1,914**	**¥ 39,045**	**¥ (5,909)**	**¥ 33,136**
Segment assets	**¥123,919**	**¥142,629**	**¥143,110**	**¥164,161**	**¥ 65,909**	**¥33,750**	**¥673,478**	**¥137,296**	**¥810,774**
Other items									
Depreciation and amortization	**¥ 2,080**	**¥ 2,565**	**¥ 4,189**	**¥ 17,839**	**¥ 2,574**	**¥ 751**	**¥ 29,998**	**¥ 851**	**¥ 30,849**
Investments for companies applied equity method	**¥ 6,107**	**¥ 683**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ 6,790**	**¥ —**	**¥ 6,790**
Capital expenditures	**¥ 2,027**	**¥ 2,857**	**¥ 8,741**	**¥ 15,150**	**¥ 3,412**	**¥ 532**	**¥ 32,719**	**¥ 931**	**¥ 33,650**

	Millions of yen								
Year ended March 31, 2013	Power and Social Infrastructure	Industrial Infrastructure	Power Electronics	Electronic Devices	Food and Beverage Distribution	Others	Total	Adjustments	Consolidated
Sales, profits or losses and assets by reporting segments									
Net Sales									
Sales to third parties	¥155,546	¥195,479	¥140,539	¥110,584	¥111,891	¥ 31,742	¥745,781	¥ —	¥745,781
Inter-segment sales and transfers	1,349	3,246	7,818	3,007	195	28,844	44,459	(44,459)	—
Total sales	156,895	198,725	148,357	113,591	112,086	60,586	790,240	(44,459)	745,781
Segment profits (losses)	¥ 8,421	¥ 11,026	¥ 1,236	¥ (1,416)	¥ 6,423	¥ 1,629	¥ 27,319	¥ (5,327)	¥ 21,992
Segment assets	¥131,693	¥133,889	¥125,808	¥160,771	¥ 64,421	¥34,075	¥650,657	¥114,906	¥765,563
Other items									
Depreciation and amortization	¥ 2,033	¥ 2,371	¥ 3,758	¥ 18,661	¥ 2,613	¥ 805	¥ 30,241	¥ 813	¥ 31,054
Investments for companies applied equity method	¥ 13,946	¥ 612	¥ —	¥ —	¥ —	¥ —	¥ 14,558	¥ —	¥ 14,558
Capital expenditures	¥ 2,758	¥ 3,199	¥ 7,269	¥ 8,515	¥ 2,750	¥ 706	¥ 25,197	¥ 947	¥ 26,144

Year ended March 31, 2014	Thousands of U.S. dollars (Note 3) Power and Social Infrastructure	Industrial Infrastructure	Power Electronics	Electronic Devices	Food and Beverage Distribution	Others	Total	Adjustments	Consolidated
Sales, profits or losses and assets by reporting segments									
Net Sales									
Sales to third parties	**$1,489,030**	**$1,815,433**	**$1,479,734**	**$1,178,739**	**$1,174,806**	**$312,375**	**$7,450,117**	**$ —**	**$7,450,117**
Inter-segment sales and transfers	**17,378**	**34,059**	**143,044**	**35,492**	**2,218**	**275,849**	**508,040**	**(508,040)**	**—**
Total sales	**1,506,408**	**1,849,492**	**1,622,778**	**1,214,231**	**1,177,024**	**588,224**	**7,958,157**	**(508,040)**	**7,450,117**
Segment profits (losses)	**$ 79,790**	**$ 90,292**	**$ 53,292**	**$ 61,787**	**$ 78,894**	**$ 18,746**	**$ 382,801**	**$ (57,931)**	**$ 324,870**
Segment assets	**$1,214,896**	**$1,398,329**	**$1,403,048**	**$1,609,430**	**$ 646,169**	**$330,857**	**$6,602,729**	**$1,346,037**	**$7,948,766**
Other items									
Depreciation and amortization	**$ 20,396**	**$ 25,151**	**$ 41,071**	**$ 174,892**	**$ 25,239**	**$ 7,356**	**$ 294,105**	**$ 8,339**	**$ 302,444**
Investments for companies applied equity method	**$ 59,875**	**$ 6,698**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 66,573**	**$ —**	**$ 66,573**
Capital expenditures	**$ 19,882**	**$ 28,012**	**$ 85,704**	**$ 148,530**	**$ 33,460**	**$ 5,187**	**$ 320,775**	**$ 9,131**	**$ 329,906**

Notes: 1. Others segment consisted of business segments not attributable to reporting segments and included financial services, real estate operations, insurance agency services, travel agency services, printing and information services, and etc.
2. The adjustments for segment information above were as follows:

	Millions of yen 2014	2013	Thousands of U.S. dollars (Note 3) 2014
Corporate expense*	**¥(5,894)**	¥(5,581)	**$(57,792)**
Elimination of intersegment sales	**(15)**	254	**(139)**
Total	**¥(5,909)**	¥(5,327)	**$(57,931)**

*Corporate expense mainly consisted of administration cost of the Company

	Millions of yen 2014	2013	Thousands of U.S. dollars (Note 3) 2014
Corporate assets*	**¥ 256,485**	¥ 230,387	**$ 2,514,565**
Elimination of intersegment transactions	**(119,189)**	(115,481)	**(1,168,528)**
Total	**¥ 137,296**	¥ 114,906	**$ 1,346,037**

* Corporate assets mainly consisted of invested cash surpluses (cash and cash equivalents), long-term invested assets (investment securities), assets relating to administration department and assets of a financing subsidiary company.

3. Segment profits (losses) were reconciled to operating income (loss) in the consolidated statements of income.

2. Related Information

Related information as of March 31, 2014 and 2013 and for the years then ended were as follows:

Geographic information

(a) Sales

	Millions of yen 2014	2013	Thousands of U.S. dollars (Note 3) 2014
Japan	**¥582,223**	¥567,314	**$5,708,076**
Asia (except for China), Others	**77,260**	95,782	**757,440**
China	**68,401**	54,553	**670,603**
Europe	**17,362**	14,355	**170,216**
America	**14,665**	13,777	**143,782**
Consolidated	**¥759,911**	¥745,781	**$7,450,117**

Note: Net sales information above is based on customer location.

(b) Tangible fixed assets

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	**2014**
Japan	**¥126,032**	¥121,878	**$1,235,613**
Asia (except for China), Others	**32,674**	34,742	**320,329**
China	**13,368**	11,394	**131,060**
Europe	**414**	299	**4,061**
America	**131**	129	**1,288**
Consolidated	**¥172,619**	¥168,442	**$1,692,351**

3. Information on impairment loss of fixed assets by each reporting segment

Information on impairment loss of fixed assets by each reporting segment for the year ended March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	**2014**
Industrial Infrastructure	**¥—**	¥ 0	**$—**
Power Electronics	**—**	5	**—**
Electronic Devices	**—**	6,408	**—**
Others	**—**	33	**—**
Total	**¥—**	¥6,446	**$—**

Note: Information for the year ended March 31, 2014 has not been disclosed because it does not have significant impact on the consolidated financial statements.

4. Information on amortization of goodwill and unamortized balance by each reporting segment

Information on amortization of goodwill and unamortized balance by each reporting segment has not been disclosed because it does not have significant impact on the consolidated financial statements.

5. Information on gain on negative goodwill by each reporting segment

None

Note 22. Information on Transactions with Related Parties

Note to a significant affiliate

Summarized financial information of a significant affiliate

METAWATER Co., Ltd. was a significant affiliate for the years ended March 31, 2014 and 2013, and its summarized financial information were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
METAWATER Co., Ltd.	**2014**	2013	**2014**
Total Current Assets	**¥61,643**	¥69,454	**$604,350**
Total Fixed Assets	**11,259**	10,667	**110,389**
Total Current Liabilities	**49,831**	43,892	**488,542**
Total Long-term Liabilities	**2,219**	1,957	**21,756**
Total Net Assets	**20,852**	34,272	**204,441**
Net Sales	**95,146**	96,733	**932,806**
Income Before Income Taxes and Minority Interests	**7,480**	7,696	**73,341**
Net Income	**4,326**	4,737	**42,421**

Note 23. Business Combinations

For the year ended March 31, 2014, business combinations have not been disclosed because they do not have significant impact on the consolidated financial statements.

Note 24. Asset Retirement Obligations

Asset retirement obligations recorded on the consolidated balance sheets

1. Outline of asset retirement obligations

The Companies record asset retirement obligations related to the expenses to remove asbestos from company-owned buildings upon their dismantlement and the obligations to restore head offices, sales offices and other premises to their original condition upon termination of their lease contracts.

Regarding some of the obligations to restore head offices, sales offices and other premises to their original condition, the Companies estimate nonrecoverable amounts of deposits for those premises and record the portion attributable to the current year as expenses, instead of recording asset retirement obligations.

2. Calculation method of asset retirement obligations

In calculating the amounts of asset retirement obligations, the Companies estimate a period of use between 4 and 49 years and use a discount rate equivalent to the interest rate of government bonds corresponding to the use period (0.2% to 2.3%).

3. Changes in the total amounts of asset retirement obligations

Changes in the total amounts of asset retirement obligations for the years ended March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	**2014**
Balance at beginning of year	**¥2,370**	¥2,293	**$23,244**
Increase due to change in scope of consolidation	**—**	19	**—**
Increase due to acquisition of property, plant and equipment	**49**	68	**489**
Adjustment due to passage of time	**8**	8	**82**
Decrease due to fulfillment of obligations	**(223)**	(18)	**(2,205)**
Balance at end of year	**¥2,204**	¥2,370	**$21,610**

Note 25. Amounts Per Share

Information of amounts per share for the year ended March 31, 2014 and 2013 were as follows:

	Yen		U.S. dollars (Note 3)
	2014	2013	**2014**
Net assets per share	**¥317.96**	¥272.29	**$3.117**
Net income per share	**¥ 27.41**	¥ 36.90	**$0.269**
Diluted net income per share	**¥ 27.39**	¥ 36.87	**$0.269**

Note 26. Subsequent Events

For the year ended March 31, 2014

None

Independent Auditor's Report

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The Board of Directors
Fuji Electric Co., Ltd.

We have audited the accompanying consolidated financial statements of Fuji Electric Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2014, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fuji Electric Co., Ltd. and its consolidated subsidiaries as at March 31, 2014, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.

Ernst & Young ShinNihon LLC

June 25, 2014
Tokyo, Japan

ECOLOGY
Fuji Electric

This mark symbolizes
the commitment of Fuji Electric
to environmental protection.

Fuji Electric Co., Ltd.

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