

To Our Stakeholders

Contributing to the realization of a safe, secure and sustainable society through global expansion in the energy-related businesses



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

Embodied in Fuji Electric's Corporate Philosophy is our pledge, as responsible corporate citizens in a global society, to strengthen relationships of trust with stakeholders and fulfill our obligations to them in good faith. Building on the technology and experience accumulated throughout the 90 years since the Company's founding, Fuji Electric aims to pursue technological innovation in electric and thermal energy, and to continue creating high value-added, environmentally friendly products that use energy with maximum efficiency.

March 2013 marked the end of my third year in office as president. Since Lehman Brothers' collapse and the financial crisis it precipitated, the business climate has been harsh. This led Fuji Electric to adopt 1) Expand energy-related businesses, 2) Globalize, and 3) Realize concerted strength as a team, as the three planks to our management policy. In addition to reorganizing with a view to better harnessing our strength in energy-related businesses, we have also undertaken several structural reforms in a bid to further consolidate our earnings foundation. At the same time, Fuji Electric has been working to globalize in order to expand its business and grow as a company.

Japan is now grappling with the aging of social and industrial infrastructure on a scale hitherto unseen, while in emerging nations around the world, rapid development in recent years has given rise to power shortages and environmental problems. Fuji Electric can contribute significantly to resolving these social issues by drawing on its prowess in energy-related technology.

We aim to win Fuji Electric further endorsement worldwide by further expanding our energy-related businesses globally while also working toward harmony with the ever-changing natural environment. We hope that you will hold Fuji Electric to high expectations in the future.

Michihiro Kitazawa

President and Representative Director
Fuji Electric Co., Ltd.

Net Income Rose to Record as Sales and Profits Increased in Fiscal 2012

Looking back on fiscal 2012 ended March 31, 2013, Fuji Electric had to face harsh business conditions in which the Japanese economy was affected by a global economy made sluggish by the sovereign debt crisis in Europe and slow recovery of demand in China.

Operations Reorganized Five Business Segments

In order to expand our energy-related businesses utilizing electric and thermal energy technology, we reorganized our operations in April 2012 into five business segments: Power and Social Infrastructure, Industrial Infrastructure, Power Electronics, Electronic Devices, and Food and Beverage Distribution.

As part of this move, the power transformation and distribution business assumed from Japan AE Power Systems Corporation was incorporated into the Power and Social Infrastructure business segment.

Also, we incorporated the ED&C Components business segment into the Power Electronics business segment to enhance synergies and strengthen the business.

In the Electronic Devices business segment, in order to strengthen manufacturing capacity of power semiconductors and diversify manufacturing operations, we acquired a subsidiary of Renesas Electronics Corporation and established Fuji Electric Tsugaru Semiconductor Co., Ltd. on July 1, 2012.

We established a new Food and Beverage Distribution business that combines the store distribution and vending machine businesses, fusing electric energy technologies with heating and cooling technologies cultivated over many years. The new business will develop new products, and target all food-related markets from production to distribution and retail.

On October 1, 2012, Fuji Electric Retail Systems Co., Ltd., which had been a subsidiary in the vending machine business, was merged with Fuji Electric.

To date, we have been working toward creation of a "New Fuji Electric." In reorganizing operations to deliver synergies between business segments, we have observed a number of changes, one being the emergence of human relationships that transcend segment boundaries.

Initiatives for Strengthening the Management Base

In our bid to boost Fuji Electric's income-generating capabilities and support future business expansion, we identified the three key management issues outlined below, and took a range of measures to address them.

Key Management Issues in Fiscal 2012

- (1) Strengthen Manufacturing Capabilities and Enhance Earnings Power by Rigorously Cutting Costs
- (2) Improve Cash Flows by Rigorously Reducing Inventories
- (3) Build Sales and Manufacturing Bases for Expanding Business Overseas

To address the first issue and enhance our manufacturing competitiveness, we commenced full-scale operation in April 2012 at our new Facility Technology Center, on the site previously used by our Saitama Factory. This facility is now a nerve center for manufacturing technologies and for production engineers and technicians, and has strengthened our production technology capabilities, along with our capacity for nurturing human resources. We also established procurement offices in major overseas markets, in doing so expanding global and centralized purchasing. In this manner, we achieved ¥21.8 billion cost reduction in fiscal 2012.

With respect to the second issue, we streamlined our supply chain, including by reducing manufacturing lead times, and cut inventory assets by ¥25.6 billion. As a consequence, free cash flow grew by ¥16.2 billion year on year, to ¥31.1 billion.

Cash Flows Improved by Rigorously Reducing Inventories

(Billions of yen)

	Fiscal 2011	Fiscal 2012
Inventory balance (at year end)	133.3	107.7
Free cash flow	14.8	31.1

In addressing the third issue, we bolstered local engineering capacity in Singapore and Indonesia, and also established a sales subsidiary in Brazil. To improve our competitiveness while also dispersing geopolitical risk, we are building a tripolar production framework that now encompasses other parts of Asia in addition to Japan and China. We also embarked on construction of a new factory in Thailand, for the manufacture of power electronics products. Concurrently, we established a semiconductor production line in Shenzhen, China, for the purpose of expanding overseas output.

Effects of Business Restructuring Underscore Fiscal 2012 Results

In fiscal 2012, large-scale contracts in the power generation business and depreciation of the Japanese yen contributed to sales growth. Without these factors, however, sales remained largely flat year on year. It is therefore encouraging that operating income showed steady improvement. This was because the benefits of thorough cost reduction measures, including in fixed costs, outweighed the impact of intensified competition when combined with streamlining the magnetic disks and vending machine businesses in the previous fiscal

year. Operating income improved ¥2.7 billion year on year, to ¥22.0 billion, while net income improved ¥14.6 billion year on year to a record-high ¥26.4 billion, thanks in part to the booking of deferred tax assets.

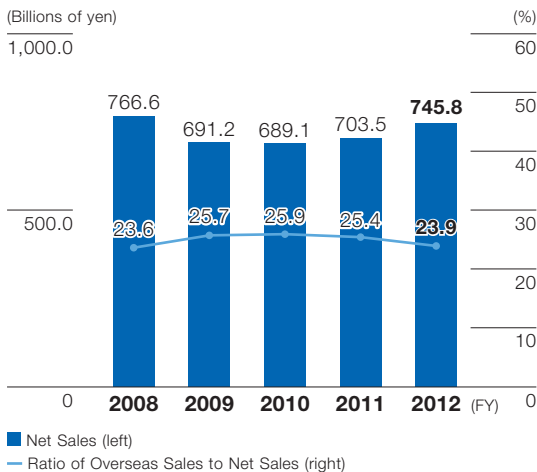
Much of this improvement took place at the magnetic disks business, where in fiscal 2011 we consolidated production in Malaysia, which enhanced operational efficiency, thereby realizing a dramatic improvement in profitability. Similarly, at the vending machine business we consolidated domestic production and head-office functions at the Mie Factory, and pursued cost reductions by starting up new highly efficient production lines.

These achievements prove that even when market conditions and other external factors largely preclude growth in sales, it is possible to increase profit nonetheless by engaging in rationalization and structural reforms.

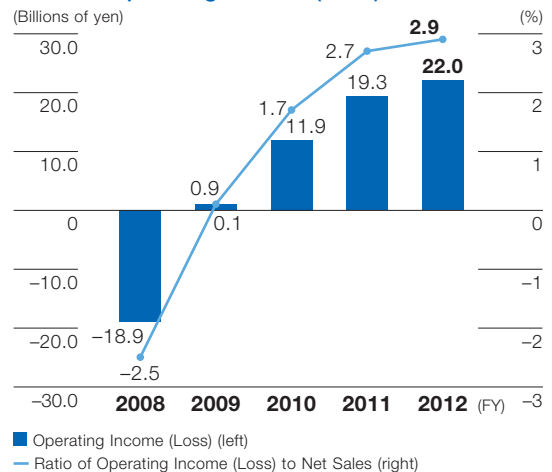
Improving the Company's capacity to generate profit has been my primary focus, and an ongoing undertaking, since taking office. Amid harsh market conditions in fiscal 2012, we applied a similar approach to businesses including drive systems and power semiconductors, also booking impairment losses at the solar cells business. We expect our fiscal 2013 performance to benefit accordingly.

Earnings Enhanced by Business Restructuring

**Net Sales/
Ratio of Overseas Sales to Net Sales**



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



Globalization for a Brighter Future

At the same time, Fuji Electric has engaged in globalization to enhance growth prospects and expand its business. Positioning Asia and China as a priority region and country with strong growth potential, we are working toward a local self-contained business model. In other words, we will conduct marketing locally, design and develop products locally, procure parts and materials locally, and manufacture locally. To that end, we have fleshed out our sales network in Asia and China, also strengthened our engineering capacity in Singapore and Indonesia. We are also striving to cultivate and elevate local employees to positions of responsibility, including executive officers. At both

Fuji Electric Corp. of America and Fuji Electric Europe GmbH we have promoted local talent to the top position of each company, and in Asia and China, too, we are increasingly bringing locals into management positions to ensure that the businesses have close ties to that country or region. In manufacturing, we have positioned Thailand as our core manufacturing base in Asia, one that equips Fuji Electric with global production capability and aids in the reduction of risk. One example of this approach based on local design and production for local consumption has already delivered tangible results: the FRENIC-HVAC inverter developed specifically for Asian markets. We believe these measures to globalize have not only bolstered our capacity for generating profits, but have also set the stage for future growth.

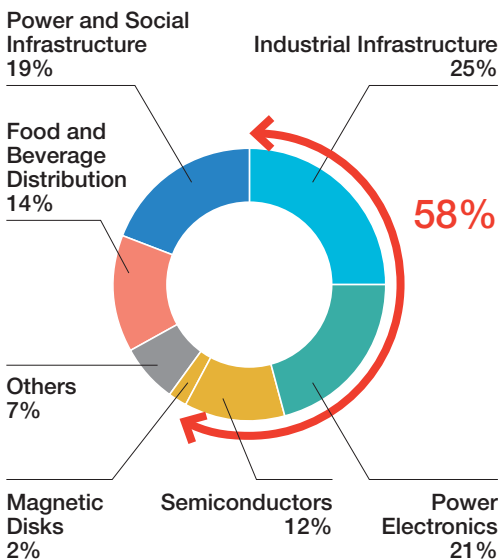
Industrial Infrastructure and Power Electronics Ramped Up in Fiscal 2013 — Our New Base Year for Aggressive Management

We have designated fiscal 2013 as a new base year for aggressive management, laying the groundwork for future business expansion. In this year, we will accelerate management initiatives focused on generating income to create even greater cash flows, which we will exploit to fund mergers and acquisitions (M&As) aimed at expanding operations.

In particular, we aim to further strengthen our industrial infrastructure segment and our presence in power electronics and power semiconductors, both key components. Our intention is to ramp up initiatives for maximizing synergies, enabling the Company to better leverage its prowess across all areas. We want Fuji Electric to be the go-to company for industrial infrastructure and power electronics.

Pinpoint-Enhancement in the Industrial Field, Including Key Components (Power Electronics and Power Semiconductors)

Sales Composition by Segment (Fiscal 2013 Plan)



New Subsegments for Strengthening the Industrial Infrastructure Field

Segments	New Subsegments
Power and Social Infrastructure	Power Plant Social Engineering Systems Social Information
Industrial Infrastructure	Transmission and Distribution Machinery and Electronics Systems Instrumentation and Control Systems Equipment Construction
Power Electronics	Drive Power Supply ED&C Components
Electronic Devices	Semiconductors Magnetic Disks
Food and Beverage Distribution	Vending Machines Store Distribution
Others	

Building a New Comprehensively Empowered Structure in the Industrial Field

In the field of industrial infrastructure, Fuji Electric has spent many years drawing on its core technologies in energy to build businesses contributing to energy and environmental conservation. The Company has a broad array of products and technologies including transmission and distribution equipment, energy-saving devices, and power electronics including instrumentation and control systems, and derives much of its strength from an associated ability to offer clients comprehensive solutions. The Industrial Infrastructure segment was created to further improve Fuji Electric's capacity to provide a range of customers with products and systems contributing to lower energy consumption. Fuji Electric strives to offer customers a total solution, from plant production line and infrastructure systems to components contributing to energy conservation, not to mention instrumentation and control systems contributing to visualization of energy usage, and equipment construction and engineering services.

Management Will Stay Focused on Profitability in Fiscal 2013

In an improving economic environment, Fuji Electric's mission in fiscal 2013 is to achieve topline growth, especially in the power electronics and power

semiconductor businesses. This will be done by aggressively going after the dynamic demand for capital investment in Japan for solar power generation systems, and to help "reboot Japan" through refurbishment of industrial and social infrastructure, as well as that in the rapidly growing Asian economies. We will maintain a focus on profitability, reaping the benefits of fiscal 2012's structural reforms while continuing to implement profit improvement measures across the board. To support further business expansion, the cash thus generated will be ploughed back into the industrial infrastructure and power electronics businesses, and also into the power semiconductor business, where our focus is on next-generation SiC power devices.

Overseas, Fuji Electric will pick up the pace of globalization, commencing full-scale operation at the Thai Factory, and full-scale launch in Asia and China of the Food and Beverage Distribution business.

In these and other ways, we aim to increase net sales ¥4.2 billion to ¥750.0 billion, and operating income ¥5.0 billion to ¥27.0 billion in fiscal 2013.

(Billions of yen)

	Fiscal 2012 results	Fiscal 2013 management plan	Change
Net sales	745.8	750.0	+4.2
Operating income	22.0	27.0	+5.0

Promoting the Role of Female Employees and Diverse Human Resources to Revitalize the Company through Team Play

We consider the third plank of our management policy — that of realizing concerted strength as a team — to be very important in doing business. To Fuji Electric, working as a team is primarily about mobilizing individual strengths. We are working to create a rewarding business environment that fully capitalizes on our employees' diverse métiers, regardless of nationality, gender, value system, or views. It is our belief that happiness on the part of individual employees will lead to happy families and a prosperous Company.

In particular, we are focusing at the moment on getting our female employees to shine. Women are

staking their claim in various fields around the world where no distinction is made between male and female protagonists. If Fuji Electric is to garner a greater presence on the global stage, we must harness the strength of our female employees. At present, the weighting of female employees is not all that high. To address this issue we must not only hire more women in the first place, but also provide career support to ensure that a larger number advance to executive offices.

Our aim is to build a company where colleagues with differing values can work as one toward our goals.



Our Determination to Solve Social Issues Embedded in Our Brand Statement: “Innovating Energy Technology”

In July 2012, we formulated a new brand statement, “Innovating Energy Technology,” designed to clearly express the value Fuji Electric offers. The brand statement reflects Fuji Electric’s mission to lead to a responsible and sustainable society, through our pursuit of innovation in electric and thermal energy technology.

For Fuji Electric, CSR means contributing to the resolution of social issues through our energy-related businesses, as called for in this new brand statement. In Japan, amid signs that the economy is starting to pick up, it is critical at this stage to rebuild and improve the nation’s social and industrial infrastructure so that people can go about their lives safely and securely. In the world’s fast-growing emerging market economies, a rapid increase in energy consumption is giving rise to resource shortages and environmental problems. Fuji Electric can contribute to resolving these social issues through business activities drawing on its strength in energy technology.

At the same time, we believe it is important to meet the expectations of stakeholders involved in all aspects of our business. To that end, our style of management will continue emphasizing dialog and relationships of trust with all stakeholders.

To this end, Fuji Electric participates in the United Nations Global Compact (GC). We view the 10 universally accepted principles in the areas of human rights, labor, the environment, and anti-corruption as vital guidelines in our global business development and have reflected the GC in the Fuji Electric Code of Conduct, which we rigorously follow.

Fuji Electric this year celebrates 90 years in business. With our 100th anniversary approaching in 10 years, we will further expand our unique energy-related businesses, which are steeped in the strengths of Fuji Electric, with the aim of contributing to society as a truly valuable company. As we take on these challenges, I would like to ask all of our stakeholders for their continued support and understanding.

July 2013

Michihiro Kitazawa

President and Representative Director
Fuji Electric Co., Ltd.