

Securities code: 6504

**To Our Shareholders**  
**139th Term (Fiscal 2014) Annual Business Report**

(April 1, 2014–March 31, 2015)

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## Business Report (April 1, 2014–March 31, 2015)

### [Business Overview]

#### Overview

In the fiscal year ended March 31, 2015, the domestic economy experienced a modest recovery trend. While the rebound was felt from the demand rush that preceded the April 2014 consumption tax hike, this was offset by positive factors including the recovery of corporate performance. Overseas, activity was weak in certain markets, but the overall trend was that of gradual improvement supported by the recovery of the United States and other major developed nations.

In response to these conditions, Fuji Electric concentrated on advancing the management policies of expanding energy-related businesses and globalizing operations. At the same time, we positioned the current fiscal year as a year for aggressive management expansion, a step forward from the previous year, which was designated as the first year for aggressive management. As such, we worked to boost profitability focused on businesses in the Industrial Infrastructure and Power Electronics segments while strengthening overseas operations.

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

#### Fiscal 2014 (April 1, 2014 to March 31, 2015)

Classification	139th term Fiscal 2014	Increase/Decrease
Net sales	¥810.7 billion	Up ¥50.8 billion YoY
Operating income	¥39.3 billion	Up ¥6.2 billion YoY
Ordinary income	¥43.1 billion	Up ¥6.4 billion YoY
Net income	¥28.0 billion	Up ¥8.4 billion YoY
Net income per share	¥39.16	Up ¥11.75 YoY
Total assets	¥904.5 billion	Up ¥93.7 billion YoY

Consolidated business results for the fiscal year ended March 31, 2015, were as follows.

Net sales rose ¥50.8 billion year on year, to ¥810.7 billion, following increased demand and beneficial foreign exchange translations. By business segment, Power and Social Infrastructure, Industrial Infrastructure, Power Electronics, Electronic Devices, and Others saw increased net sales, while Food and Beverage Distribution saw net sales decline.

Operating income improved ¥6.2 billion year on year, to ¥39.3 billion. This reflected higher net sales and improved profitability stemming from cost reductions. Further, ordinary income increased ¥6.4 billion, to ¥43.1 billion. At the same time, net income rose ¥8.4 billion and reached a new record high of ¥28.0 billion due in part to the recording of gain on change in equity as a result of an affiliate becoming listed on the stock exchange.

## Business Segment Overview

(¥ billion)

Business segment	Classification	138th term Fiscal 2013	139th term Fiscal 2014	Change (%)
<b>Power and Social Infrastructure</b>	Net sales	152.3	175.2	115%
	Operating income	7.7	8.3	108%
<b>Industrial Infrastructure</b>	Net sales	189.5	198.0	104%
	Operating income	9.6	11.4	119%
<b>Power Electronics</b>	Net sales	174.7	184.1	105%
	Operating income	5.3	6.8	128%
<b>Electronic Devices</b>	Net sales	123.0	137.2	111%
	Operating income	6.5	8.1	125%
<b>Food and Beverage Distribution</b>	Net sales	120.1	119.1	99%
	Operating income	8.0	8.5	106%
<b>Others</b>	Net sales	60.0	61.2	102%
	Operating income	1.9	1.9	98%
<b>Sub-total</b>	Net sales	819.7	874.9	107%
	Operating income	39.0	45.0	115%
<b>Eliminate/Corporate</b>	Net sales	(59.8)	(64.2)	—
	Operating income (loss)	(5.9)	(5.7)	—
<b>Total</b>	Net sales	759.9	810.7	107%
	Operating income	33.1	39.3	119%

(Note) The makeup of the businesses grouped in each business segment of “Power and Social Infrastructure,” “Industrial Infrastructure,” “Power Electronics” and “Electronic Devices” changed during the current fiscal year with the change in the organization structure, and the figures for fiscal 2013 are stated after reclassifying them in accordance with the classification of business segments after such change.

## Results by Business Segment

### [ Power and Social Infrastructure ]

Net sales rose 15% year on year, to ¥175.2 billion, and operating income increased ¥0.6 billion year on year, to ¥8.3 billion.

In the power plant business, net sales were up year on year due to a rise in orders for solar power generation systems, which offset the decline in large-scale orders for hydropower generation facilities. In the social engineering systems business, net sales were up due to higher sales centered on power systems and other items in the power grid field as well as smart meters. In the social information business, net sales increased as a result of the rise in activities targeting small- to medium-scale orders. Overall, the segment saw improved operating results due to higher net sales.

### TOPICS

#### Brisk order growth for thermal and geothermal power generation facilities

While investment in power generation is growing due to the electricity deregulation in Japan, orders for thermal power generation facilities expanded, including orders from Kobe Steel, Ltd. for a large-sized gas-turbine combined cycle power generation system. Orders for geothermal power generation facilities also increased mainly in Indonesia and Iceland.

#### Order growth for fuel cells that can supply clean energy

While renewable energy is becoming widespread in Japan, orders for fuel cells that are used for sewage digestion gas power generation facilities at sewage treatment plants expanded thanks to the feed-in tariff scheme. We also strengthened our overseas business activities, especially in Europe where strict environmental regulations are imposed. As a result, orders increased in Europe as well as in South Africa.

### [ Industrial Infrastructure ]

Net sales rose 4% year on year, to ¥198.0 billion, and operating income increased ¥1.8 billion year on year, to ¥11.4 billion.

In the transmission and distribution business, net sales were up year on year, reflecting a rise in large-scale orders in Japan. In the industrial plant business, net sales increased following strong domestic replacement demand. In the industrial and instrumentation equipment business, net sales were relatively unchanged year on year. In the equipment construction business, net sales increased due to a rise in orders for air-conditioning facility construction and solar power generation facility construction. The segment's overall operating results improved year on year due to the higher net sales and the benefits of cost reduction efforts.

## TOPICS

### Launch of container-type data centers realizing energy savings

While the reduction of power consumption is required for data centers, we launched container-type data centers realizing significant energy savings. Data center installation can be completed quickly for emergency use of a disaster occurrence. This product features a highly efficient indirect outside air conditioning unit, and can reduce annual power consumption by about one third\*.

\* Compared with other general air conditioning units based on our survey results.

### Strengthening of power switchgear equipment development and production capability

As domestic and overseas electric power infrastructure investment is expanding, we have installed a high power testing facility inside our Chiba Factory to strengthen the development of new power switchgear equipment. In Thailand, we have invested in a switchgear production facility at Fuji Electric Manufacturing (Thailand) Co., Ltd., and started production.

## [ Power Electronics ]

Net sales rose 5% year on year, to ¥184.1 billion, and operating results improved ¥1.5 billion year on year, to ¥6.8 billion.

In the drive business, net sales and operating results improved year on year following a rise in demand for mainstay inverters and servos. In the power supply business, net sales and operating results were up year on year as a result of increased overseas demand for power supply equipment coupled with the robust demand for power conditioners for mega solar power generation projects in Japan. In the ED&C components business, net sales and operating results improved year on year due to strong demand for machine tools and solar power generation-related equipment.

## TOPICS

### Launch of power electronics equipment featuring SiC power semiconductors

Launched large-capacity inverters “FRENIC-VG” and large-capacity power conditioners for mega solar facilities featuring in-house produced next-generation power semiconductors SiC. Featuring SiC has resulted in significant power loss reduction and smaller-sized products, and contributed to energy and space savings of equipment.

#### Acquisition of a low-voltage switchboard manufacturer in Singapore

In December 2014, we acquired “SMB Electric Pte. Ltd.,” a low-voltage switchboard manufacturer headquartered in Singapore and conducting business operations in Malaysia, Indonesia and Australia. This acquisition is part of efforts to strengthen our overseas business foundations. We will expand sales channels and strengthen engineering capability further in the Asia-Pacific region.

#### [ Electronic Devices ]

Net sales rose 11% year on year, to ¥137.2 billion, and operating income improved ¥1.6 billion year on year, to ¥8.1 billion.

In the semiconductors business, net sales were up year on year due to strong demand for inverters, servos, and other industrial machinery in the industrial field and recovered demand for products for telecommunications equipment in the power supply application field, factors that outweighed the decrease in demand in the automotive field following the consumption tax hike in Japan. Operating results improved due to higher net sales and the benefits of cost reduction efforts. In the magnetic disks business, net sales increased, but operating results were unchanged year on year due to the negative impacts of changes in prices and the ratios of sales for specific models.

#### TOPICS

##### Start of full operation of Yamanashi Factory's 8-inch production line

To meet increased demand for power semiconductors installed in industrial equipment, Yamanashi Factory, which is a front-end production base, has started full operation of its 8-inch production line.

##### Construction of a development center for power semiconductors

We are constructing a development center at our Matsumoto Factory, which is a global headquarters for power semiconductors. We will accelerate the development of next-generation power semiconductors and innovative production technologies by integrating functions and human resources.

#### [ Food and Beverage Distribution ]

Net sales decreased 1% year on year, to ¥119.1 billion, and operating results improved ¥0.5 billion year on year, to ¥8.5 billion.

In the vending machines business, net sales decreased year on year as the sales increases in China and other overseas markets were offset by the impacts of detracting factors in the domestic market, namely the unseasonable weather, the decrease in vending machine demand following the consumption tax hike, and the

fact that demand for convenience store coffee machines returned to normal levels. In the store distribution business, net sales were down year on year as customer demand for automatic change dispensers declined, counteracting the benefits of higher sales of freezing and refrigerating facilities for convenience stores, refrigeration facilities for the distribution sector, and equipment and systems for crop production facilities. Despite the decrease in net sales, the segment's overall operating results improved year on year due to the benefits of cost reduction efforts.

## TOPICS

### Strengthening of vending machines business in China and in Asia region

In the growing Chinese vending machine market, we launched new models of vending machines that can sell wide ranges of products, from beverages to foods and commodities. Further, we started the production of vending machines in Thailand, as one of our efforts of promoting local production and local consumption.

### Full-scale operation of a crop production facility

We provided a complex environmental control system to Tomatoh Farm in which we own an equity stake. We created this system using our heating and cooling technologies and know-how on retail and distribution businesses. Strawberries are cultivated there and shipped out all year long. We will strive to expand our business operations to supply safe and secure food products by accumulating know-how on our indoor farm.

## [ Others ]

Net sales rose 2% year on year, to ¥61.2 billion, and operating income were unchanged year on year at ¥1.9 billion.

## Research and Development Activities

In fiscal 2014, our efforts were focused on research and development to create product lineups, which are expected to lead to a responsible and sustainable society, by pursuing cutting-edge energy technologies.

The following provides an overview of these activities.

In the Power and Social Infrastructure business, we pioneered the development and delivery of spray condensers for axial-flow exhaust type geothermal turbines. These condensers are suitable for medium-sized geothermal power plants because they are compact in size, allowing for lower plant buildings. We also participated in verification projects of smart communities in Kitakyushu and Keihanna Science City, and built and verified energy management systems for buildings, factories, stores, and local areas.

In the Industrial Infrastructure business, we developed exhaust gas control equipment for vessels. This equipment can restrict the emissions of SO<sub>x</sub>, air pollutants. To provide energy management, operational monitoring, and preservation services using the cloud for factories, buildings, facilities, etc., we started to provide integrated cloud services based on our in-house developed sensing technologies, energy saving analyses, demand forecasting, quality trend analyses, facility deterioration diagnoses, etc. We also developed a container-type data center “F-eCoMo” to meet the need for quick construction, phased addition and urgent expansion of data centers.

In the Power Electronics business, we developed 1,000kW indoor-type power conditioners for mega solar applications featuring a conversion efficiency of 98.8%, which is the best in the industry, and equipped with all-SiC modules developed in-house. We also developed the “FRENIC-VG (stack-type)” 690V power vector control-type inverter by adopting the SiC hybrid module. As a result, we were able to reduce power loss by 28%. In addition, we developed a “premier efficiency gear motor” that can meet ‘top runner standards’ and contribute to the energy savings of transportation equipment, etc.

In the Electronic Devices business, we developed “AT-NPC 3-level” modules and all-SiC booster modules for UPS and PCS. These modules are installed in 1,000kW indoor power conditioners for mega solar facilities. We also developed automotive pressure sensors, achieving a 20% improvement in precision. These sensors are installed in engines compatible with EURO 6, emissions controls in Europe.

In the Food and Beverage Distribution business, we developed vending machines for cans and plastic bottles, aiming for energy savings. We used a direct-current drive system for the sales mechanisms of these machines. We also installed UPS in existing machines so that products can be removed in the case that a disaster occurs.



In addition, we developed globally compatible vending machines that can accept various product forms by combining sales mechanisms.

In the areas of new technologies and core technologies, we developed extra-deep hardening reformulation technologies that use lasers to improve the erosion resistance (fluid abrasion) of turbine blades for thermal and geothermal power generators. As a result, the life of the blades has doubled.

## Capital Investment

In fiscal 2014, we made investments totaling ¥29.0 billion, including those for leasing. We bolstered investment in the Power Electronics and Industrial Infrastructure businesses to strengthen our business bases in Asia. To increase sales, we also focused on capital investment for the mass production and development of new products.

Key investments were as follows.

We started construction of a research and development center at our Tokyo Factory to strengthen our development of electric and thermal energy solutions.

In the Power and Social Infrastructure business, we invested in the construction of new assembly lines and test lines for mass production of smart meters.

In the Industrial Infrastructure business, we made a capital investment to install a high power testing facility inside our Chiba Factory to accelerate the development of new power switchgear equipment. To produce electrical switchgears, we also made a capital investment in Fuji Electric Manufacturing (Thailand) (FMT).

In the Power Electronics business, we invested in testing facilities such as uninterruptible power supply systems at FMT. We also made a capital investment in automatic assembly lines for the mass production of new inverter products at our Suzuka Factory. In the ED&C components business segment, we constructed a development center and invested in assessment facilities to strengthen development capabilities.

In the Electronic Devices business, we started to construct a development center at our Matsumoto Factory to accelerate the development of new technologies, new products and production technologies of power semiconductors. We also made capital investments for the development of next-generation IGBT, increased production of pressure sensors in the assembly lines, and the expanded product lineup of industrial IGBT.

In the Food and Beverage Distribution business, we invested in the development of new models of vending machines and showcases and streamlining of the existing vending machines.

## Financing

In fiscal 2014, we repaid loans payable using free cash flows. We did not issue nor redeem corporate bonds in fiscal 2014.

As a result, our consolidated financial obligations as of the end of March 2015 decreased by ¥8.3 billion year on year to ¥191.2 billion, leaving net financial obligations, calculated by deducting cash and cash equivalents from financial obligations, of ¥159.3 billion (a drop of ¥6.8 billion year on year).

## TOPICS

### CSR Activities

- Environmental Protection

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

As for in-house production activities, we have strictly adhered to compliance requirements, improved environmental performance, and reduced our energy consumption. At Yamanashi Factory, we have reduced our energy consumption by installing energy saving equipment and raising our energy self-sufficiency rate with the installation of fuel cells and a cogeneration system.

At our Mie Factory and the Iiyama Factory of Fuji Electric Power Semiconductor Co., Ltd., we also started operation tests of exhaust heat recovery type heat pumps. We are aiming to reduce boiler fuel costs and CO2 emissions.

- Diversity

We are working on activities for diversity under the management policy of “Maximize our strengths as a team, respecting employees’ diverse ambition.”

Regarding “enabling women to play active roles” in particular, we implemented initiatives such as a mentoring system among female employees and pair-work training between employees who have taken childcare leave and returned to work and their supervisors. To expand the employment of disabled persons, we are continuously promoting the expansion of job categories.

Since fiscal 2014, we have assigned diversity promotion personnel to each office and conducted office-oriented activities. In addition, by improving the leave system to encourage male employees to participate in child care, we will intensify our efforts for creating work environments that are easy to work in and a good work-life balance.

- Social Contributions

We have set the focus themes of “promoting youth development,” “protecting the natural environment” and “aid for activities to reconstruct areas affected by the Great East Japan Earthquake,” and have conducted our activities mainly in areas where our offices are located.

To promote youth development, we have held science classes for elementary school and junior high school students, provided training for practical science skills for teachers, offered corporate seminars, and conducted other activities.

Regarding aid for activities to reconstruct areas affected by the Great East Japan Earthquake, in order to aid Fukushima which is suffering from harmful rumors, we have continued to buy food produced in Fukushima Prefecture since fiscal 2013. During the current fiscal year, we have conducted various activities in collaboration with Fukushima Prefectural Government Tokyo Office, including events to sell food produced in Fukushima Prefecture to people living near our offices and our employees, and its use at staff canteens. To support NPOs in their activities to

deliver picture books to children in Fukushima, we also gathered these books from our employees and sent them as gifts to the children. We will continue to establish and expand this activity to support people in disaster-hit areas.

## Challenges to be addressed

We are promoting “Expand energy-related businesses” and “Globalize” as described in the Management Policies, and are taking the following measures to carry out the “FY2015 Medium-Term Management Plan” and to grow further in and after fiscal 2016.

- Advance growth strategies

In the business environment surrounding the Company, investment in electric power generation infrastructure including high efficiency thermal power and renewable energy, and capital investment mainly related to replacement demand are expected to increase in Japan. In global markets, infrastructure investment, power generation investment caused by increased energy demand, and investment to save energy and improve efficiency are expected to expand.

In this business environment, we will continuously strive to expand the businesses in Power Plant business, Industrial Infrastructure business and Power Electronics business, which are expected to see increases in demand.

To expand our overseas businesses, we will restructure mother factories in Japan, strengthen overseas production, and promote local production and local consumption. Moreover, through mergers and acquisitions, we will acquire local personnel and sales channels, and provide our technological capabilities, production capabilities, and sales skills, which are part of the Company’s DNA, to create overseas companies that can conduct their operations independently and locally.

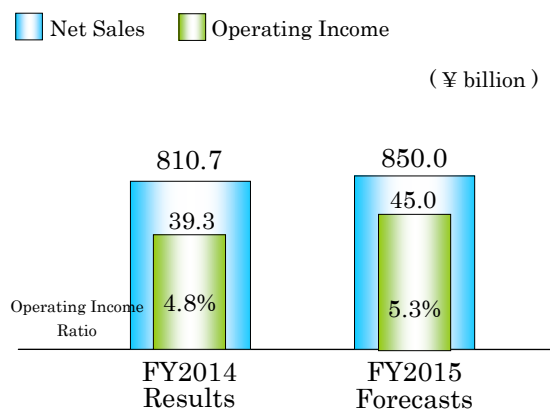
- Further strengthen profitability

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

## ■ Consolidated business results forecasts and priority measures by business segment

The consolidated business results forecasts for fiscal 2015 and priority measures by business segment are as follows.

### Consolidated business results forecasts



Net sales are expected to be ¥850.0 billion for fiscal 2015, up 4.8% year on year.  
Operating income is projected to be ¥45.0 billion, up ¥5.7 billion.

### **Priority measures by business segments**

- **Power and Social Infrastructure**

The Power and Social Infrastructure business segment will work to increase orders for high-efficiency thermal power generation facilities and geothermal power generation facilities. It will also endeavor to expand operations in the new energy field such as solar power generation systems and fuel cells. At the same time, the segment will work to boost earnings from domestic smart meters while accelerating the expansion of its power grid operations, which deal with power transmission and distribution systems and energy management systems.

- **Industrial Infrastructure**

In the Industrial Infrastructure business segment, the focus of domestic operations will be steadily capturing demand for energy-saving equipment as well as replacement demand in fields where investment is expected to be brisk. At the same time, local production and engineering systems will be strengthened centered on the rapidly growing Asia region in order to boost competitiveness and further expand overseas operations.

- **Power Electronics**

The Power Electronics business segment will quickly launch new productions, including those employing next-generation power semiconductors, while working to boost competitiveness by reorganizing domestic mother factories and expanding its systems for promoting the local production and consumption of products overseas. At the same time, it will utilize the Singaporean low-voltage switchboard manufacturer acquired during the fiscal year ended March 31, 2015 (Fuji SMBE Pte. Ltd.), to expand sales channels centered on Asia and reinforce its engineering capabilities.

- **Electronic Devices**

The Electronic Devices business segment will pursue higher sales in the semiconductor field by accelerating product development ventures, including those for next-generation power semiconductors, and then launching these new products. In addition, it will continue the drive to expand overseas production that began in the fiscal year ended March 31, 2014, in order to optimize production systems on a global basis.

- **Food and Beverage Distribution**

The Food and Beverage Distribution business segment will expand its vending machine business in China and other Asian markets while boosting cost competitiveness by pursuing further reductions in vending machine costs. Increased orders for equipment for convenience stores and other stores will also be targeted, and new products will be developed in this area. In the store distribution field, we will grow new businesses that fuse heating and cooling technologies with solutions.

## [Dividends of Surplus]

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

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

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

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

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

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

### Year-End Dividend for Fiscal Year Ended March 31, 2015

Based on the Policies relating to decisions on the dividend of surplus, etc. described in the above, the Company resolved to pay a year-end dividend of ¥5 per share at the meeting of the Board of Directors held on May 26, 2015, with due consideration given to the consolidated operating results for the current and next period, financial conditions, and other factors.

The annual dividend for the fiscal year 2014 amounted to ¥9 per share including the amount of interim dividend.

## [Consolidated Financial Results and Trends in Assets]

Classification	136th term Fiscal 2011	137th term Fiscal 2012	138th term Fiscal 2013	139th term Fiscal 2014
Net sales (¥ billion)	703.5	745.8	759.9	810.7
Operating income (¥ billion)	19.3	22.0	33.1	39.3
Ordinary income (¥ billion)	18.6	25.7	36.7	43.1
Net income (¥ billion)	11.8	26.4	19.6	28.0
Net income per share (¥)	16.52	36.90	27.41	39.16
Total assets (¥ billion)	792.8	765.6	810.8	904.5
Annual dividend per share (¥)	4.0	5.0	7.0	9.0

## [Remuneration for Directors and Auditors]

### Policy on the Determination of Remuneration

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

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

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

#### 1. Standing Directors

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

##### (i) Base remuneration

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

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

##### (ii) Performance-related remuneration

Performance-related remuneration shall be paid only in instances in which dividends are paid to shareholders from retained earnings. The total amount of executive performance remuneration shall be within one percent of the consolidated net income for the fiscal year prior to the date of payment in order to make the linkage with consolidated results for each fiscal year more transparent.

#### 2. Outside Directors and Auditors

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

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



## Total Amount of Remuneration Paid to Directors and Auditors for Fiscal 2014

	Payees (persons)	Payment (¥ million)
Directors	12	270
(Outside)	(3)	(22)
Auditors	5	80
(Outside)	(3)	(22)

- (Notes) 1. The above payees include three Directors (zero Outside Director) who retired at the conclusion of the 138th Ordinary General Meeting of Shareholders held on June 25, 2014.
2. The amounts of remuneration for Directors shown above do not include performance-related remuneration for fiscal 2014 because the payment amounts of said remuneration are not clear at the time of the preparation of this Business Report.
3. In addition to the above payment, the Company paid ¥94 million in performance-related remuneration to Standing Directors (seven Directors) for fiscal 2013.
4. In addition to the above payment, the Company paid ¥23 million to two employees who concurrently assumed the office of Director (an employee) as salary for an employee.
5. As described earlier in “Policy on the determination of remuneration,” a portion of the base remuneration of Standing Directors shall be contributed to the Director Shareholding Association with the obligation to acquire stock of the Company. The following table shows the amount contributed to the Director Shareholding Association, including voluntary contributions, together with the amount of stock of the Company acquired.

	Contribution to Director Shareholding Association (¥ million)	Stock of the Company acquired (thousands of shares)
Directors	21	40
Auditors	2	4

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

## [Corporate Overview]

### Stock Information (as of March 31, 2015)

1. Authorized shares: 1,600,000,000
2. Issued and outstanding shares: 746,484,957
3. Number of shareholders: 43,162  
(a decrease of 2,818 from the end of the previous term)
4. Shareholdings by type of shareholder

Classification	Number of shareholders (persons)	Number of shares (shares)	Ratio of shareholding (%)
Financial institutions/Securities firms	119	250,504,991	33.56
Other domestic corporations	510	126,637,751	16.96
Foreigners	450	228,334,653	30.59
Individuals and others	42,083	141,007,562	18.89
<b>Total</b>	<b>43,162</b>	<b>746,484,957</b>	<b>100.00</b>

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

### 5. Top ten shareholders

Name	Capital contribution to the Company	
	Number of shares (thousands of shares)	Ratio of shareholding (%)
FUJITSU LIMITED	74,333	10.40
The Master Trust Bank of Japan, Ltd. (Trust Account)	42,622	5.97
Japan Trustee Services Bank, Ltd. (Trust Account)	39,797	5.57
Mizuho Bank, Ltd.	22,254	3.11
Asahi Mutual Life Insurance Company	19,776	2.77
FANUC CORPORATION	13,421	1.88
FURUKAWA CO., LTD.	11,025	1.54
STATE STREET BANK AND TRUST COMPANY 505223	10,729	1.50
THE BANK OF NEW YORK, NON-TREATY JASDEC		
ACCOUNT	9,365	1.31
Furukawa Electric Co., Ltd.	8,738	1.22

(Notes) 1. Treasury stock of 32,057,107 shares is excluded from the above list of top 10 shareholders.

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

### Type of Bonds with Stock Acquisition Rights (as of March 31, 2015)

FUJI ELECTRIC CO., LTD. Euro yen convertible bonds maturing 2016 with stock acquisition rights

Issued date	Total amount of issued price	Total amount of remaining price	Conversion price
June 1, 2006	¥30.0 billion	¥0.5 billion	¥968

## Status of Directors and Auditors

### 1. Directors and Auditors

Name	Positions and direct duties in the Company	
Michihiro Kitazawa	Representative Director	President General Management
	President and Director	
Yoshio Okuno	Representative Director	Executive Vice President Assistant to President Corporate General Manager, Corporate Management Planning Headquarters General Manager, Export Administration Office In charge of compliance management and crisis management
Hiroaki Kurokawa	Outside Director	
Motoyuki Suzuki	Outside Director	
Mareto Sako	Outside Director	
Michio Abe	Director	Senior Managing Executive Officer Corporate General Manager, Production and Procurement Group
Kenzo Sugai	Director	Managing Executive Officer Corporate General Manager, Sales Group
Naoya Eguchi	Director	Executive Officer Corporate General Manager, Corporate R&D Headquarters
Junichi Matsumoto	Director	Executive Officer General Manager, Corporate Finance Office, Corporate Management Planning Headquarters
Toshio Shinozaki	Standing Auditor	
Toshihiko Ishihara	Standing Auditor	
Takahiko Ito	Outside Auditor	
Yoshiki Sato	Outside Auditor	
Akiko Kimura	Outside Auditor	

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

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

2. We expect Outside Auditors, along with Outside Directors, to be conducive to ensuring the adequacy and legality of decision-making related to the execution of business, as well as to play roles in strengthening the management audit function, by giving advice and making suggestions about the entire spectrum of management activities at meetings of the Board of Directors and on other occasions. To this end, Mr. Takahiko Ito, who concurrently serves as Standing Auditor of a listed company, Mr. Yoshiki Sato, who is a manager in a financial institution, and Ms. Akiko Kimura, who is an attorney, were selected as Outside Auditors at the General Meeting of Shareholders upon obtaining approval at a meeting of the Board of Auditors as persons who have expertise and experience necessary for performing audits.

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

3. The financial, accounting and other expertise possessed by each Auditor is as follows:
- Standing Auditor Toshio Shinozaki is highly knowledgeable about finance, accounting and overall management operations, which he has gained from his longstanding career in Fuji Electric in many areas of risk and business management, including manager of a listed affiliate, finance and specified agents.
  - Standing Auditor Toshihiko Ishihara is highly knowledgeable about human resources, labor and overall management operations, which he has gained from his longstanding career in Fuji Electric as person in charge of human resources and general affairs.
  - Outside Auditor Takahiko Ito is highly knowledgeable of financial and accounting matters and overall corporate management, which he has gained from his career as Standing Auditor at a listed company, and as person in charge of human resources, general affairs and procurement operations in a manufacturing company.
  - Outside Auditor Yoshiki Sato is highly knowledgeable of financial and accounting matters and overall corporate management, which he has gained from his career in a financial institution, where he serves as a representative director.
  - Outside Auditor Akiko Kimura is highly knowledgeable about legal, financial and accounting matters thanks to her involvement as a lawyer in many corporate legal matters, securities transactions and financial and legal affairs.
4. Positions and direct duties of Directors in the Company were changed as follows on April 1, 2015.
- |             |          |  |
|-------------|----------|--|
| Kenzo Sugai | Director | Senior Managing Executive Officer      |
|             |          | Corporate General Manager, Sales Group |

## 2. Significant Concurrent Positions of Directors and Auditors

### (1) Directors

Name	Significant concurrent positions
Yoshio Okuno	Representative Director, Shanghai Electric Fuji Electric Power Technology (Wuxi) Co., Ltd.
Hiroaki Kurokawa	Senior Executive Advisor, FUJITSU LIMITED (retired on June 30, 2014)
Motoyuki Suzuki	Visiting Professor, the Open University of Japan
Mareto Sako	Advisor, Nippon Tochi-Tatemono Co., Ltd.
Kenzo Sugai	Outside Director, METAWATER Co., Ltd. (retired on June 30, 2014)
Junichi Matsumoto	Outside Director, METAWATER Co., Ltd.(assumed on June 30, 2014)

- (Notes) 1. Information in parenthesis ( ) describes Directors who assumed office of, or retired from concurrent positions during the period under review.
2. There is no noteworthy relationship based on Article 124 of the Ordinance for Enforcement of the Companies Act between the Company and the other companies where Outside Directors serve concurrent positions.

**(2) Auditors**

Name	Significant concurrent positions
Toshio Shinozaki	Outside Auditor, FUJI FURUKAWA ENGINEERING & CONSTRUCTION CO., LTD.
Takahiko Ito	Standing Auditor, Furukawa Electric Co., Ltd. Outside Auditor, FUJI FURUKAWA ENGINEERING & CONSTRUCTION CO., LTD.
Yoshiki Sato	President and Representative Director, Asahi Mutual Life Insurance Company Outside Corporate Auditor, The Yokohama Rubber Company, Limited Outside Auditor, ADEKA CORPORATION
Akiko Kimura	Attorney, Advisor of Anderson Mori & Tomotsune Member of the Audit and Supervisory Board (Outside), DAIICHI SANKYO COMPANY, LIMITED

- (Notes) 1. FUJI FURUKAWA ENGINEERING & CONSTRUCTION CO., LTD., where Mr. Takahiko Ito serves a concurrent position, is a subsidiary of the Company and has business transactions including orders for engineering work with the Company.
2. The Company has a business relationship that includes borrowing funds with Asahi Mutual Life Insurance Company, where Mr. Yoshiki Sato serves a concurrent position. Asahi Mutual Life Insurance Company holds a 2.65 percent interest in the total shares outstanding of the Company. Meanwhile, the Company has made a contribution equivalent to 0.60 percent to the total foundation funds of Asahi Mutual Life Insurance.
3. Besides the above, there is no noteworthy relationship based on Article 124 of the Ordinance for Enforcement of the Companies Act between the Company and the other companies where Outside Auditors serve concurrent positions.

**3. Status of Outside Directors and Outside Auditors****(1) Major activities****(i) Outside Directors**

Name	Number of Board of Directors meetings attended and held	Opinions offered
Hiroaki Kurokawa	13 of the 13 meetings	Offered necessary opinions concerning business management of Fuji Electric including the following items at the Board of Directors meetings as appropriate, based on his extensive experience and considerable insight as an experienced manager in the manufacturing sector for electronics and telecommunication equipment <ul style="list-style-type: none"> <li>- Best practice for securing orders for sales expansion</li> <li>- Necessity of stepping up efforts to improve the management base</li> </ul>
Motoyuki Suzuki	13 of the 13 meetings	Offered necessary opinions concerning business management of Fuji Electric including the following items at the Board of Directors meetings as appropriate, based on his professional standpoint and considerable insight in the environmental engineering. <ul style="list-style-type: none"> <li>- Appropriate way of research and development strategy</li> <li>- Appropriate way to expand overseas business</li> </ul>
Mareto Sako	13 of the 13 meetings	Offered necessary opinions concerning business management of Fuji Electric including the following items at the Board of Directors meetings as appropriate, based on his extensive experience and considerable insight as a manager in financial institutions. <ul style="list-style-type: none"> <li>- Appropriate way to carry out IR activities</li> <li>- Tax issues of overseas subsidiaries</li> </ul>

**(ii) Outside Auditors**

Name	Number of Board of Directors meetings attended and held Number of Board of Auditors meetings attended and held	Opinions offered
Takahiko Ito	9 of the 13 meetings 5 of the 9 meetings	Offered necessary opinions at meetings of the Board of Directors as appropriate, concerning the contents of meeting items and the Fuji Electric's business activities, based on his professional experience as Standing Auditor of a listed company, and extensive experience and insight as officer and highly ranked management members in the manufacturing industry. Also, at the Board of Auditors, confirmed the legality of business activities overall from the viewpoint of ensuring legal compliance, and offered appropriate opinions.
Yoshiki Sato	13 of the 13 meetings 9 of the 9 meetings	Offered necessary opinions at meetings of the Board of Directors as appropriate, concerning the contents of meeting items and the Fuji Electric's business activities, based on his extensive experience and considerable insight as a manager in financial institutions. Also, at the Board of Auditors, confirmed the legality of business activities overall from the viewpoint of ensuring legal compliance, and offered appropriate opinions.
Akiko Kimura	13 of the 13 meetings 9 of the 9 meetings	Offered necessary opinions at meetings of the Board of Directors as appropriate, concerning the contents of meeting items and the Fuji Electric's business activities, based on her professional experience as an attorney. Also, at the Board of Auditors, confirmed the legality of business activities overall from the viewpoint of ensuring legal compliance, and offered appropriate opinions.

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

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

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

## Matters related to Accounting Auditor

### 1. Designation of accounting auditor     ERNST & YOUNG SHINNIHON LLC

### 2. Accounting auditor remuneration for the period

Category	Payment amounts (¥ million)
(i) Remuneration and other amounts payable by the Company for the period	168
(ii) Total profit on cash and other financial assets payable by the Company and its subsidiaries	330

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

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

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

If any matters or circumstances surrounding the accounting auditor apply to any of the items under Article 340, Paragraph 1 of the Companies Act, and no improvement is expected, the Board of Auditors will dismiss the accounting auditor with the consent of all of the Auditors. In addition, if it is deemed impossible for the accounting auditor to perform his/her duties properly, the Board of Auditors may determine the content of a proposal concerning dismissal or non-reappointment of the relevant accounting auditor which are submitted to the Ordinary General Meeting of Shareholders.

# [The Fuji Electric Group]

## Group companies

(as of March 31, 2015)

Fuji Electric	Power and Social Infrastructure		
	Fuji Electric IT Solutions Co., Ltd.	GE Fuji Meter Co., Ltd.	
	Industrial Infrastructure		
	Ibarakifuji Co., Ltd. Hakko Electronics Co., Ltd. Fuji IT Co., Ltd. FUJI FURUKAWA ENGINEERING & CONSTRUCTION CO., LTD. Shanghai Fuji Electric Transformer Co., Ltd. Shanghai Fuji Electric Switchgear Co., Ltd.	Fuji Electric (Zhuhai) Co., Ltd. FUJI FURMANITE CO., LTD.* FUJI FURUKAWA E&C (THAILAND) CO., LTD.*	
	Power Electronics		
	Fuji Electric FA Service Co., Ltd. Fuji Electric FA Components & Systems Co., Ltd. CHICHIBU FUJI CO., LTD. Fuji Electric Technica Co., Ltd. Fuji Electric Motor (Dalian) Co., Ltd.	WUXI FUJI ELECTRIC FA CO., LTD. Fuji Electric Dalian Co., Ltd. Fuji Electric (Changshu) Co., Ltd. Fuji Electric FA (Asia) Co., Ltd.	
	Electronic Devices		
	Fuji Electric Power Semiconductor Co., Ltd. Fuji Electric Tsugaru Semiconductor Co., Ltd. FUJI ELECTRIC (SHENZHEN) CO., LTD.	FUJI ELECTRIC PHILIPPINES, INC. FUJI ELECTRIC (MALAYSIA) SDN. BHD. FUJI ELECTRIC SEMICONDUCTOR (MALAYSIA) SDN. BHD.	
	Food and Beverage Distribution		
	Shinshu Fuji Electric Co., Ltd. HOEI PLASTICS CO., LTD.	MIE FUJI CO., LTD. Dalian Fuji Bingshan Vending Machine Co., Ltd.	Fuji Electric (Hangzhou) Software Co., Ltd.
	Others		
	Fuji Electric Finance and Accounting Support Co., Ltd. FESTEC Co., Ltd. Fuji Office & Life Service Co., Ltd. Fuji Electric Information Technology Center Co., Ltd.	Japan AE Power Systems Corporation* METAWATER Co., Ltd.* METAWATER SERVICE Co., Ltd.*	
			<b>Shared sales companies</b> HOEI DENKI CO., LTD. HOKKAIDO FUJI ELECTRIC CO., LTD. HOEI HONG KONG CO., LTD.  <b>Overseas manufacturing and sales companies</b> FUJI ELECTRIC CORP. OF AMERICA Fuji Electric Europe GmbH Fuji Electric Asia Pacific Pte. Ltd. Fuji Electric (Thailand) Co., Ltd. Fuji Electric (China) Co., Ltd. Fuji Electric Taiwan Co., Ltd. Fuji Electric Hong Kong Co., Ltd. Fuji Electric Korea Co., Ltd. FUJI ELECTRIC FRANCE S.A. FUJI FURUKAWA E&C (THAILAND) CO., LTD. Shanghai Electric Fuji Electric Power Technology (Wuxi) Co., Ltd.
			<b>Production facilities company</b> Fuji Electric F-Tech Co., Ltd.

- (Notes) 1. Companies marked with an asterisk (\*) are accounted for as equity method affiliates.
2. The following changes occurred among consolidated subsidiaries during the fiscal year under review.
- New consolidated subsidiaries: Fuji Electric (Thailand) Co., Ltd., Shanghai Electric Fuji Electric Power Technology (Wuxi) Co., Ltd.
- Excluded from consolidation: Fuji Electric Chiba Tech. Co., Ltd., Tottori Electric Co., Ltd.



## Important subsidiaries of the corporate group

Company name	<b>Fuji Electric FA Components &amp; Systems Co., Ltd.</b>		
The Company's capital contribution	63.2%		
Major business	Development, manufacturing and sales of control equipment and power receiving/distribution equipment.		
Net sales (¥ billion)	48.2	Net assets (¥ billion)	31.5
Operating income (loss)(¥ billion)	2.6	Capital (¥ billion)	7.6
Net income (loss)(¥ billion)	3.6	Number of employees	912

## Important Corporate Realignments

- On October 1, 2014, the Company absorbed Fuji Electric Chiba Tech. Co., Ltd., a wholly-owned subsidiary engaged in services in transmission and distribution business.

## Main Facilities of the Group (as of March 31, 2015)

### 1. Power and Social Infrastructure

#### Domestic facilities

Production facilities	Kawasaki
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### 2. Industrial Infrastructure

#### Domestic facilities

Production facilities	Hino, Ichihara
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#### Overseas facilities

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

#### Domestic facilities

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

Fuji Electric Motor (Dalian) Co., Ltd. (China), WUXI FUJI ELECTRIC FA CO., LTD. (China), Fuji Electric Dalian Co., Ltd. (China), Fuji Electric (Changshu) Co., Ltd. (China), Fuji Electric FA (Asia) Co., Ltd. (China)
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### 4. Electronic Devices

#### Domestic facilities

Production facilities	Matsumoto, Minami Alps
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#### Overseas facilities

FUJI ELECTRIC (SHENZHEN) CO., LTD. (China), FUJI ELECTRIC PHILIPPINES, INC., FUJI ELECTRIC (MALAYSIA) SDN. BHD., FUJI ELECTRIC SEMICONDUCTOR (MALAYSIA) SDN. BHD.
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## 5. Food and Beverage Distribution

### Domestic facilities

Production facilities	Yokkaichi, Ueda
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### Overseas facilities

Dalian Fuji Bingshan Vending Machine Co., Ltd. (China), Fuji Electric (Hangzhou) Software Co., Ltd. (China)
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## 6. Others, Common

### Domestic facilities

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

FUJI ELECTRIC CORP. OF AMERICA, Fuji Electric Europe GmbH (Germany), Fuji Electric Asia Pacific Pte. Ltd. (Singapore), Fuji Electric (Thailand) Co., Ltd., Fuji Electric (China) Co., Ltd., Fuji Electric Taiwan Co., Ltd., Fuji Electric Hong Kong Co., Ltd. (China), Fuji Electric Korea Co., Ltd., FUJI ELECTRIC FRANCE S.A., Fuji Electric Manufacturing (Thailand) Co., Ltd., Shanghai Electric Fuji Electric Power Technology (Wuxi) Co., Ltd. (China), HOEI HONG KONG CO., LTD. (China)
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## Employees of Fuji Electric (as of March 31, 2015)

Business segment	Number of employees (persons)	Year-on-year change (persons)
Power and Social Infrastructure	2,615	89
Industrial Infrastructure	5,405	27
Power Electronics	6,564	247
Electronic Devices	6,593	44
Food and Beverage Distribution	2,456	91
Others	2,107	(282)
Total	25,740	216

(Note) The number of employees of the Company at the end of March 2015 is 10,977 (an increase of 26 from the end of the previous year).

## Major lenders (as of March 31, 2015)

Name of lenders	Balance of loans (¥ billion)
Mizuho Bank, Ltd.	22.2
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	16.6
Mizuho Trust & Banking Co., Ltd.	7.6
Sumitomo Mitsui Trust Bank, Limited	7.3

## Basic Policy on System of Internal Controls

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

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

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

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

Internal regulations will be formulated to ensure accurate retention and management of records of important business executed by Fuji Electric companies and to ensure that Directors and Auditors acquire knowledge of records. The regulations establish procedures for Directors, Auditors, and managers involved in saving and storing records regarding access to information. The Company's Auditors are also consulted in advance with regard to formulating, amending, or eliminating regulations.

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

- (i) The internal regulations will be formulated to systematically manage operational risks faced by Fuji Electric. Based on these regulations, Fuji Electric companies will establish appropriate risk management systems, and a system for managing specific group-wide risks will be established for Fuji Electric as a whole. The system involves the designation of departments within the Company to manage each category of risk.
- (ii) The Company will establish an emergency response manual to minimize damage incurred at the time of a crisis, such as a major disaster. The manual will prescribe the directors in charge of crisis management and establishment of a conference system and response headquarters to be activated when an emergency occurs.
- (iii) The internal auditing division audits the progress of risk management at companies and subsidiaries and reports the results to the president.

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

- (i) The Company will adopt the executive officer structure to separate management and execution, and accelerate decision-making procedures. The division of duties of each executive officer will be clarified by a resolution of the Board of Directors.  
In addition, the internal regulations that prescribe the duties and authority of executive officers and employees will be formulated to clarify decision-making authority and locus of responsibilities with regard to business execution.
- (ii) A management meeting will be established as a permanent corporate body to advise the Company's president. It will comprise the Company's executive officers and other individuals, and will deliberate on important matters pertaining to the management of Fuji Electric as a whole and formulate reports. The Company's Representative Director will communicate the deliberations and reports of the management meeting to the Company's Board of Directors as necessary.
- (iii) To formulate annual and medium-term management plans for Fuji Electric and to share information within Fuji Electric, the management meeting and the Company's Board of Directors will confirm, evaluate, and review progress for each business division on a monthly basis.

**(5) System to ensure reliable financial reporting**

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

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

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

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

**(7) Matters pertaining to employees assisting Auditors and their independence from Directors**

Auditors may request the assistance of employees from internal auditing divisions or management planning divisions as necessary. Employees carrying out this work may do so independently of instructions or orders from Directors.

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

Internal regulations will be established to ensure Auditors acquire sufficient information for them to fulfill their duties. The regulations establish specific methods for ensuring Auditors have opportunities to attend important meetings where decisions are made on business execution, for distributing regular reports and important documents to Auditors, and for making it possible for Auditors to otherwise collect information on the performance of duties by Directors.

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

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

## Basic Policy on Control of the Company

### 1. Details of the basic policy

In implementing the Corporate philosophy and continuing to improve corporate value, Fuji Electric amasses unique technologies, experience and know-how, and strives to develop and maintain good relations with various stakeholders, including customers, partners, communities, and employees.

These are the Fuji Electric's precious tangible and intangible assets, the Fuji Electric's DNA, and resources that support the creation of corporate value for Fuji Electric.

Based on that philosophy, the Company strives to manage in line with changes in the environment. The Company recognizes that the most effective countermeasures against share purchases that could damage the corporate value of Fuji Electric are increasing corporate value in the medium-to long-term vision and further raising the share of profits to shareholders, and strives to realize those aims.

Furthermore, the Company is actively engaging in a range of IR activities to ensure that the Fuji Electric's stock price is properly understood. The Company will strive to further deepen understanding of Fuji Electric by issuing reports on its performance including quarterly financial reports and holding plant tour programs for the shareholders.

The Board of Directors recognizes that the free trade of shares by shareholders is a reality as a listed company, and believes that the question of whether or not large-scale purchases of shares in the Company by specific individuals should be permitted is a matter that should ultimately be delegated to the shareholders.

However, corporate acquisitions undertaken to profit unduly from selling a company's stock at the highest price do occur. The Board of Directors does not believe that any party who engages in any such large-scale share purchases of the Company's shares or tables proposals which do not contribute to the corporate value of Fuji Electric or the mutual benefit of the shareholders are suitable parties to control the Company's finances and the determination of its business policy.

At this point in time, no specific threat related to large-scale purchases of the Company's shares has emerged. Moreover, the Company has not yet put in place any specific preventative measures (so-called "poison pill") against the emergence of a takeover threat.

However, the Board of Directors will, as a managerial duty to the shareholders, establish an internal system to install measures against any large-scale purchases of the Company's shares that threaten the corporate value of Fuji Electric or the mutual benefit of the shareholders.

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

#### (1) Initiatives to improve corporate value of Fuji Electric

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

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

**(2) Measures to prevent control of the Company by undesirable parties as described in the Basic Policy**

The Company will, based on 1. Details of the basic policy above, strive to establish an internal system in view of any potential or actual purchases of the Company's shares that threaten the corporate value of Fuji Electric or the mutual benefit of the shareholders.

Specifically, the Company will very carefully monitor daily trading movements and shareholder changes and at the same time put in place a first-response manual for contingencies, and establish a framework for collaboration with external experts. The Company will determine specific preventative measures in a timely and appropriate manner, and strive towards the enhancement of internal systems.

Furthermore, the Company will continue to consider the introduction of a "poison pill," from the viewpoints of ensuring and increasing the corporate value of Fuji Electric or the mutual benefit of the shareholders, based on the opinions and judgments of the legal system and the relevant authorities, social trends, and the opinions of our stakeholders.

**3. The decisions and rationale of the Board of Directors regarding the measures above**

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

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

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(Notes) 1. Amounts less than a unit are rounded to the nearest yen in the Business Report.

2. In the number of shares in the Business Report, odd lot share amounts of less than one thousand (1,000 shares) are rounded down.

3. The business object in the future, stated in the Business Report is calculated based on given assumptions that we assess to be reasonable at the time of writing the Business Report. The description may differ from the actual results, and we cannot guarantee the accuracy of the content.

# Consolidated Balance Sheets

(as of March 31, 2015)

(¥ Millions)

[Assets]		[Liabilities]	
<b>Current assets</b>	<b>462,969</b>	<b>Current liabilities</b>	<b>404,748</b>
Cash and deposits	31,953	Notes and accounts payable-trade	150,648
Notes and accounts receivable-trade	237,631	Short-term loans payable	68,095
Merchandise and finished goods	54,495	Commercial papers	19,000
Work in process	48,787	Current portion of bonds	15,000
Raw materials and supplies	34,330	Lease obligations	12,988
Deferred tax assets	17,246	Accrued expense	38,309
Other	39,301	Income taxes payable	5,905
Allowance for doubtful accounts	(777)	Advances received	38,303
		Other	56,498
<b>Noncurrent assets</b>	<b>441,451</b>	<b>Noncurrent liabilities</b>	<b>180,137</b>
<b>Property, plant and equipment</b>	<b>174,953</b>	Bonds payable	45,500
Buildings and structures	79,195	Long-term loans payable	43,629
Machinery, equipment and vehicles	20,473	Lease obligations	22,260
Tools, furniture and fixtures	5,521	Deferred tax liabilities	32,576
Land	35,080	Provision for directors' retirement benefits	236
Leased assets	27,081	Net defined benefit liability	32,518
Construction in progress	7,601	Other	3,416
		<b>Total liabilities</b>	<b>584,885</b>
<b>Intangible fixed assets</b>	<b>15,295</b>	<b>[Net assets]</b>	
Software	7,073	<b>Shareholders' equity</b>	<b>196,680</b>
Other	8,222	Capital stock	47,586
		Capital surplus	46,735
<b>Investments and other assets</b>	<b>251,201</b>	Retained earnings	109,543
Investment securities	195,393	Treasury stock	(7,184)
Long-term loans receivable	1,407		
Net defined benefit asset	44,103	<b>Accumulated other comprehensive income</b>	<b>93,659</b>
Deferred tax assets	2,518	Valuation difference on available-for-sale securities	69,528
Other	8,955	Deferred gains or losses on hedges	(513)
Allowance for doubtful accounts	(1,175)	Foreign currency translation adjustments	10,978
		Remeasurements of defined benefit plans	13,665
<b>Deferred assets</b>	<b>102</b>	<b>Minority interests</b>	<b>29,296</b>
Bond issue expenses	102		
		<b>Total net assets</b>	<b>319,636</b>
<b>Total assets</b>	<b>904,522</b>	<b>Total liabilities and net assets</b>	<b>904,522</b>



## Consolidated Statements of Income

(from April 1, 2014 to March 31, 2015)

(¥ Millions)

<b>Net sales</b>		<b>810,678</b>
<b>Cost of sales</b>		<b>609,376</b>
<b>Gross profit</b>		<b>201,302</b>
<b>Selling, general and administrative expenses</b>		<b>161,985</b>
<b>Operating income</b>		<b>39,316</b>
<b>Non-operating income</b>		
Interest and dividends income	2,526	
Miscellaneous income	5,795	8,321
<b>Non-operating expenses</b>		
Interest expense	2,551	
Miscellaneous expenses	1,948	4,499
<b>Ordinary income</b>		<b>43,139</b>
<b>Extraordinary income</b>		
Gain on sales of noncurrent assets	81	
Gain on sales of investment securities	2,778	
Gain on change in equity	4,843	7,703
<b>Extraordinary loss</b>		
Loss on disposal of noncurrent assets	880	
Loss on valuation of investment securities	447	
Impairment loss	2,830	
Settlement package	810	
Other	154	5,123
<b>Income before income taxes</b>		<b>45,719</b>
Income taxes-current	9,612	
Income taxes-deferred	5,305	14,918
<b>Income before minority interests</b>		<b>30,800</b>
Minority interests in income		2,822
<b>Net income</b>		<b>27,978</b>

# Consolidated Statement of Changes in Net Assets

(from April 1, 2014 to March 31, 2015)

(¥ Millions)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2014	47,586	46,734	102,631	(7,148)	189,804
Cumulative effect of changes in accounting policies			(16,026)		(16,026)
Restated balance	47,586	46,734	86,605	(7,148)	173,778
Changes of items during the period					
Dividends from surplus			(5,715)		(5,715)
Net income for the year			27,978		27,978
Purchase of treasury stock				(37)	(37)
Disposal of treasury stock		0		0	1
Change of scope of consolidation			675		675
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	0	22,938	(36)	22,902
Balance at March 31, 2015	47,586	46,735	109,543	(7,184)	196,680

(¥ Millions)

	Accumulated other comprehensive income					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at April 1, 2014	44,768	20	3,202	(10,614)	37,376	24,043	251,225
Cumulative effect of changes in accounting policies						(179)	(16,206)
Restated balance	44,768	20	3,202	(10,614)	37,376	23,864	235,019
Changes of items during the period							
Dividends from surplus					-		(5,715)
Net income for the year					-		27,978
Purchase of treasury stock					-		(37)
Disposal of treasury stock					-		1
Change of scope of consolidation					-		675
Net changes of items other than shareholders' equity	24,760	(533)	7,776	24,280	56,282	5,432	61,714
Total changes of items during the period	24,760	(533)	7,776	24,280	56,282	5,432	84,617
Balance at March 31, 2015	69,528	(513)	10,978	13,665	93,659	29,296	319,636

# Non-Consolidated Balance Sheet

(as of March 31, 2015)

(¥ Millions)

[Assets]		[Liabilities]	
<b>Current assets</b>	<b>300,868</b>	<b>Current liabilities</b>	<b>300,539</b>
Cash and deposits	4,429	Notes payable-trade	128
Notes receivable-trade	4,724	Accounts payable-trade	137,774
Accounts receivable-trade	160,755	Short-term loans payable	29,838
Merchandise and finished goods	19,288	Commercial papers	19,000
Work in process	39,325	Current portion of bonds	15,000
Raw materials and supplies	21,050	Current portion of long-term loans payable	17,000
Advance payments-trade	16,147	Lease obligations	6,833
Deferred tax assets	11,942	Accounts payable-other	4,834
Short-term loans receivable	1,205	Accrued expense	26,533
Accounts receivable-others	14,720	Income taxes payable	2,572
Other	7,279	Advances received	30,419
Allowance for doubtful accounts	(2)	Deposits received	7,575
		Other	3,028
<b>Noncurrent assets</b>	<b>376,405</b>	<b>Noncurrent liabilities</b>	<b>148,435</b>
<b>Property, plant and equipment</b>	<b>94,793</b>	Bonds payable	45,500
Buildings	38,206	Long-term loans payable	42,000
Structures	1,711	Lease obligations	11,823
Machinery and equipment	5,069	Deferred tax liabilities	26,355
Vehicles	15	Provision for retirement benefits	20,844
Tools, furniture and fixtures	2,248	Asset retirement obligations	1,697
Land	24,917	Other	213
Leased assets	15,921		
Construction in progress	6,702	<b>Total liabilities</b>	<b>448,975</b>
<b>Intangible fixed assets</b>	<b>7,817</b>	<b>[Net assets]</b>	
Software	4,639	<b>Shareholders' equity</b>	<b>160,348</b>
Other	3,178	<b>Capital stock</b>	<b>47,586</b>
<b>Investments and other assets</b>	<b>273,795</b>	<b>Capital surplus</b>	<b>56,818</b>
Investment securities	160,291	Capital reserve	56,777
Stocks of subsidiaries and affiliates	86,648	Other capital surplus	41
Capital contributions	536	<b>Retained earnings</b>	<b>63,321</b>
Long-term loans receivable	1,103	Legal reserve	11,515
Prepaid pension cost	23,590	Other retained earnings	51,806
Other	3,702	Retained earnings brought forward	51,806
Allowance for doubtful accounts	(925)	<b>Treasury stock</b>	<b>(7,378)</b>
Allowance for loss on investment in subsidiaries and affiliates	(1,152)		
<b>Deferred assets</b>	<b>102</b>	<b>Valuation and translation adjustments</b>	<b>68,052</b>
Bond issue expenses	102	<b>Valuation difference on available-for-sale securities</b>	<b>68,565</b>
		<b>Deferred gains or losses on hedges</b>	<b>(513)</b>
		<b>Total net assets</b>	<b>228,400</b>
<b>Total assets</b>	<b>677,376</b>	<b>Total liabilities and net assets</b>	<b>677,376</b>

## Non-Consolidated Statements of Income

(from April 1, 2014 to March 31, 2015)

(¥Millions)

<b>Net sales</b>		<b>510,862</b>
<b>Cost of sales</b>		<b>392,496</b>
<b>Gross profit</b>		<b>118,366</b>
<b>Selling, general and administrative expenses</b>		<b>100,794</b>
<b>Operating income</b>		<b>17,571</b>
<b>Non-operating income</b>		
Interest and dividends income	4,336	
Other	2,976	7,312
<b>Non-operating expenses</b>		
Interest expense	1,426	
Other	1,658	3,084
<b>Ordinary income</b>		<b>21,800</b>
<b>Extraordinary income</b>		
Gain on sales of noncurrent assets	43	
Gain on sales of investment securities	2,548	
Gain on extinguishment of tie-in shares	386	2,978
<b>Extraordinary loss</b>		
Loss on disposal of noncurrent assets	494	
Loss on valuation of investment securities	185	
Loss on valuation of stocks of subsidiaries and affiliates	779	
Impairment loss	249	
Settlement package	810	
Provision of allowance for doubtful accounts for subsidiaries and affiliates	1,152	
Other	7	3,679
<b>Net income before income taxes</b>		<b>21,099</b>
Income taxes-current	2,783	
Income taxes-deferred	3,228	6,012
<b>Net income</b>		<b>15,086</b>

# Non-Consolidated Statement of Changes in Net Assets

(from April 1, 2014 to March 31, 2015)

(¥Millions)

(from April 1, 2014 to March 31, 2015)

(+ Millions)

	Shareholders' equity								
	Capital stock	Capital surplus			Retained earnings			Treasury stock	Total stockholders' equity
		Capital reserve	Other capital surplus	Total capital surplus	Legal reserve	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at April 1, 2014	47,586	56,777	40	56,817	11,515	56,572	68,087	(7,341)	165,149
Cumulative effect of changes in accounting policies						(14,137)	(14,137)		(14,137)
Restated balance	47,586	56,777	40	56,817	11,515	42,435	53,950	(7,341)	151,012
Changes of items during the period									
Dividends from surplus				-		(5,715)	(5,715)		(5,715)
Net income for the year				-		15,086	15,086		15,086
Purchase of treasury stock				-			-	(37)	(37)
Disposal of treasury stock			0	0			-	0	1
Net changes of items other than shareholders' equity									
Total changes of items during the period	-	-	0	0	-	9,370	9,370	(36)	9,335
Balance at March 31, 2015	47,586	56,777	41	56,818	11,515	51,806	63,321	(7,378)	160,348

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at April 1, 2014	44,237	24	44,262	209,412
Cumulative effect of changes in accounting policies				(14,137)
Restated balance	44,237	24	44,262	195,275
Changes of items during the period				
Dividends from surplus			-	(5,715)
Net income for the year			-	15,086
Purchase of treasury stock			-	(37)
Disposal of treasury stock			-	1
Net changes of items other than shareholders' equity	24,328	(538)	23,790	23,790
Total changes of items during the period	24,328	(538)	23,790	33,125
Balance at March 31, 2015	68,565	(513)	68,052	228,400