

Fuji Electric Report

# 2016





## Through innovation in energy and environment technology, we contribute to the creation of sustainable societies.

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

At Fuji Electric, our corporate philosophy represents our pledge as responsible corporate citizens in a global society to strengthen our trusting relationships with stakeholders and fulfill our mission with sincerity. Based on this philosophy, we pursue a management policy stating that, through our innovation in energy and environment technology, we are contributing to the creation of responsible and sustainable societies.

Today, the world faces energy and environmental problems arising from the rapid pace of population growth and industrialization.

At Fuji Electric, we strive to achieve both economic growth and a reduced environmental burden using our energy and environment technologies cultivated to date and to contribute to society through our manufacturing capabilities that draw on these technologies. At the same time, the Company is managed with consideration of the effects of our overall corporate activities on society and the environment.

This year marks the beginning of a new Medium-Term Management Plan that covers the period through fiscal 2018. Taking to heart our corporate slogan of being “enthusiastic, ambitious, and sensitive,” we will utilize the comprehensive strength of teams of diverse, individual employees, with the aim of global business expansion and continuous growth as a company.

I ask for your continued support.

**Michihiro Kitazawa**

President and Representative Director

## Corporate Philosophy

### Corporate Mission

We, Fuji Electric, pledge as responsible corporate citizens in a global society to strengthen our trust with communities, customers and partners.

Our mission is to:

- Contribute to prosperity
- Encourage creativity
- Seek harmony with the environment

### Slogan

To be enthusiastic, ambitious and sensitive.

## Management Policies

- 1 Through our innovation in energy and environment technology, we contribute to the creation of responsible and sustainable societies.
- 2 Achieve further growth through our global business expansion.
- 3 Maximize our strengths as a team, respecting employees' diverse ambition.

## Fuji Electric Code of Conduct

The Code of Conduct outlines principles to guide and unify the conduct of Fuji Electric and its employees, by articulating the values we share in the pursuit of our corporate principles.

Fuji Electric and its employees, from a global perspective always strives to meet our corporate mission of “We, Fuji Electric, pledge as responsible corporate citizens in a global society to strengthen our trust with communities, customers and partners.”

- 1 Respect and value our customers
- 2 Respect and value all people
- 3 Respect and value the global environment
- 4 Respect and value our shareholders and investors
- 5 Respect and value interaction with society
- 6 Respect, value and conform with all applicable laws and regulations



## Tackling energy and environment issues in the field of industrial and social infrastructure

We are using our energy and environment technology, developed and refined over the period of more than 90 years since the Company was established, to provide customers with products and services in various aspects of industrial and social infrastructure.

Power Generation Facilities



- ↑ Nga Awa Purua Geothermal Power Station, one of the world's largest (New Zealand)
- ← Kisozaki reclaimed land mega-solar (Mie Prefecture). The power conditioning sub-systems and substation equipment are at the center.

### Providing Clean Energy

Fuji Electric offers a variety of technologies and products that help to reduce CO<sub>2</sub> emissions and provide environmentally friendly energy at thermal power plants using highly efficient equipment, and at power generation facilities using renewable energy sources including geothermal, water, solar, and wind.

Geothermal power generation uses steam created by magma underneath the earth's surface, and we are one of the world's leading suppliers of **geothermal steam turbines and power generators**. In the area of solar and wind power generation, we supply key equipment, including the power conditioning sub-systems and **substation equipment that are essential for a stable power supply**. Our strength in power plant work is **our ability to handle one-stop orders for plant construction, from overall facility design to equipment procurement and installation**.

We are also one of the world's few manufacturers developing industrial uses for **fuel cells**, on which hopes are being placed as a next-generation form of energy.

### Safe, Energy-Saving Cars and Trains

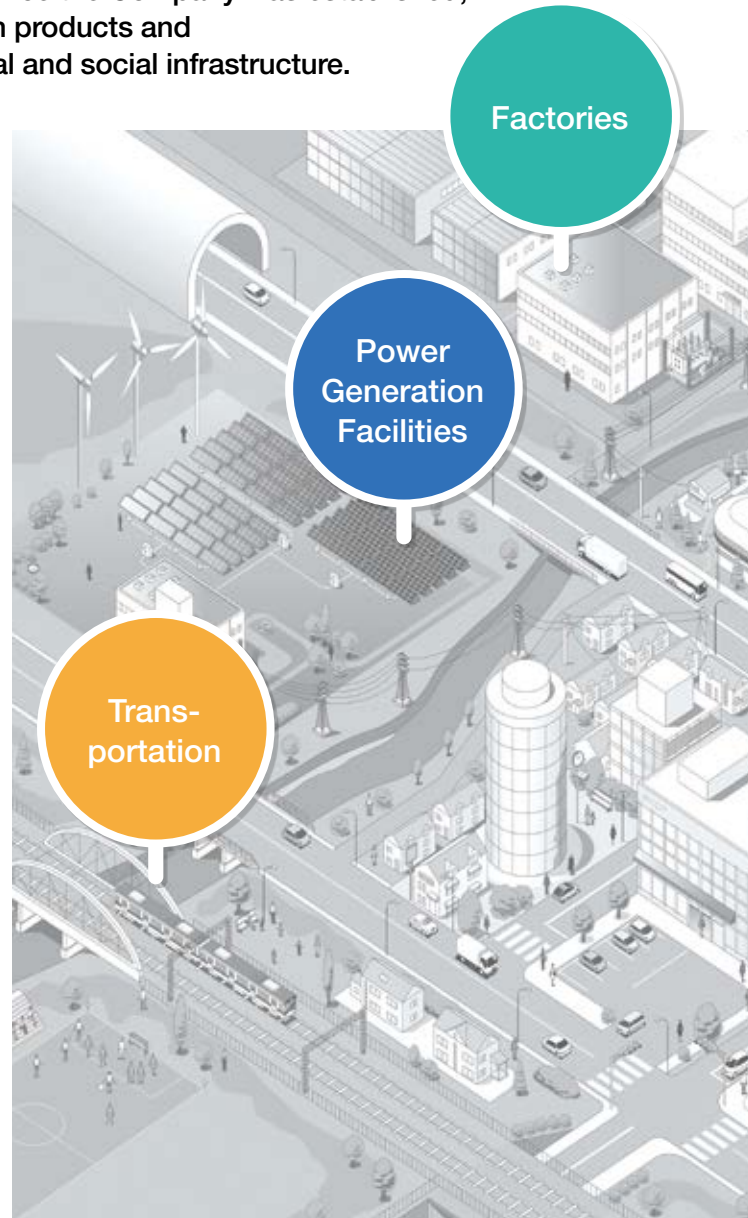
In the area of transportation, we contribute to safe driving and energy savings. Our **power semiconductors** are used in sensors and electric converters for engines, brakes, steering controls, and motor drives for electric vehicles, which are expected to gain popularity as a means of preventing global warming. For railways, we supply Japanese and overseas rolling stock manufacturers with **door drive systems** that ensure a high level of safety, and **power converters** that provide a stable supply of electric power.



Power semiconductor



Main converter for railway rolling stock



Transportation



↑ Contributing to energy savings in transportation infrastructure

**Factories**



↑ We support customers in improving facility productivity and saving energy.

← Tomatoh Farm plant factory in Tomakomai City, Hokkaido

**Improved Productivity and Energy Savings**

Factories are becoming increasingly automated and energy efficient. We provide **motors** needed in all types of electric equipment, and the **inverters** and **programmable controllers (PLCs)** that run these motors using as little power as possible. We also supply **sensors** that measure and “visualize” variables such as temperatures and pressure generated by manufacturing activities as well as **systems that use this information for optimal energy control on a factory-wide basis**. We have recently begun to apply these technologies developed for factories in new sectors, including plant factories and refrigerated distribution.



Inverter



Motor



PLC



Sensor

↓ Data center in Rokkasho Village, Aomori Prefecture. An air-conditioning unit is in front.

**Data Centers**



UPS

**Stable Supply of Energy-Efficient Electricity**

Data centers use large amounts of electricity, and we supply **uninterruptible power systems (UPSs)** that protect equipment from electrical stoppages or drops in voltage, and **air-conditioning units** that efficiently cool servers. We also use combinations of these types of **equipment to construct entire data centers**. Using our construction technologies cultivated in convenience store construction, we are able to achieve significant reductions in construction period compared with conventional construction methods.

**Retail Stores**

**Heating and Cooling Technologies for Optimal Temperature Control**

Fuji Electric excels in technologies for cooling and heating products. Our **vending machines**, for which we have the No. 1 domestic share, and **showcases** for convenience stores and supermarkets feature optimal temperature control and reduced energy consumption. We also have a product lineup for retail stores that includes coffeemakers that use our cup vending machine technologies and automatic change dispensers for cash registers.



↑ Supermarket showcases

← Energy-efficient vending machine

# Fuji Electric's Five Businesses

With energy and environment technology as its core technology, Fuji Electric contributes to the creation of responsible and sustainable societies through its five business segments: Power and Social Infrastructure, Industrial Infrastructure, Power Electronics, Electronic Devices, and Food and Beverage Distribution.

## Power and Social Infrastructure



By generating environmentally friendly energy, Fuji Electric will respond to the growing demand for electricity while contributing to optimal energy management through the stabilization of electricity supplies and management of supply and demand.

- Power plants
  - Thermal, geothermal, and hydraulic power generation facilities
  - Solar power generation systems
  - Fuel cells
- Social engineering systems
  - Energy management systems
  - Smart meters
  - Information systems

## Industrial Infrastructure



Fuji Electric supplies diverse customers in the fields of industry with productivity improvements, energy savings, and lifecycle services for production lines and infrastructure equipment.

- Transmission and distribution
  - Substation equipment and industrial power supply facilities
- Industrial plants
  - Industrial drive systems
  - Plant control systems
  - Industrial energy management systems
  - Data centers, distribution systems, plant factories
- Industrial and instrumentation equipment
  - Measuring instruments and sensors
  - Radiation monitoring systems

## Power Electronics



Fuji Electric supplies products that incorporate power electronics to improve the efficiency and stability of energy.

- Drives
  - Inverters, servos, motors
  - Controllers
  - Railcar systems
- Power supplies
  - Uninterruptible power systems
  - Power conditioning sub-systems
  - Switchboards
- ED&C components
  - Power distribution and control equipment

## Electronic Devices



Fuji Electric supplies power semiconductors and other essential electronic devices to the fields of industrial equipment, automobiles, information equipment, and new energy.

- Semiconductors
  - Power semiconductors
  - Photoconductors
- Magnetic disks
  - Magnetic recording media

## Food and Beverage Distribution



With our freezing technology at the core, we integrated mechatronic technology and IT to offer optimal products and solutions to our customers.

- Vending machines
  - Food and beverage vending machines
- Store distribution
  - Store equipment
  - Currency handling equipment

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 Detailed information is available on our website:  
<http://www.fujielectric.com/>

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### Objectives of This Report

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The *Fuji Electric Report* is published to help shareholders, investors, and other stakeholders gain deeper insight into the Company's management activities. The report provides wide-ranging coverage of key points regarding our management policies and strategies, as well as our business results, financial position, and our environmental and social initiatives for the realization of sustainable societies.

# Consolidated Financial Highlights

Fiscal year					Millions of yen	Thousands of U.S. dollars*1
	2011	2012	2013	2014	2015	2015
<b>Operating Results</b>						
Net sales	703,534	745,781	759,911	810,678	813,550	7,263,843
Japan	525,096	567,314	582,223	605,763	597,757	5,337,123
Overseas	178,437	178,466	177,688	204,915	215,793	1,926,720
Operating income	19,252	21,992	33,136	39,316	45,006	401,842
Profit attributable to owners of parent	11,801	26,368	19,582	27,978	30,644	273,611
<b>R&amp;D and Capital Investment</b>						
R&D expenditures	32,247	31,160	32,029	35,023	35,949	320,973
Plant and equipment investment*2	24,989	31,771	26,916	29,041	27,650	246,883
Depreciation and amortization*3	29,755	31,054	30,849	33,615	29,723	265,390
<b>Cash Flows</b>						
Cash flows from operating activities	28,314	55,342	53,651	51,459	48,450	432,594
Cash flows from investing activities	(13,489)	(24,286)	(9,649)	(22,750)	(19,410)	(173,304)
Free cash flow	14,825	31,055	44,002	28,708	29,040	259,290
Cash flows from financing activities	(32,593)	(56,827)	(50,570)	(33,827)	(31,567)	(281,844)
<b>Financial Position</b>						
Total assets	792,848	765,563	810,774	904,522	845,378	7,548,021
Total net assets	183,217	215,672	251,225	319,636	260,980	2,330,182
Shareholders' equity	163,576	194,572	227,181	290,339	230,399	2,057,134
Net interest-bearing debt	191,603	187,029	166,092	159,330	153,905	1,374,161
Interest-bearing debt	255,865	226,717	199,504	191,225	184,744	1,649,507
<b>Financial Indicators</b>						
Ratio of operating income to net sales	2.7	2.9	4.4	4.8	5.5	—
ROE (Return on equity) (%)	7.4	14.7	9.3	10.8	11.8	—
ROA (Return on assets) (%)	1.5	3.4	2.5	3.3	3.5	—
Equity ratio (%)	20.6	25.4	28.0	32.1	27.3	—
Net debt-equity ratio (times)*4	1.2	1.0	0.7	0.5	0.7	—
Debt-equity ratio (times)*5	1.6	1.2	0.9	0.7	0.8	—
<b>Per Share Data</b>						
					Yen	U.S. dollars*1
Net income	16.52	36.90	27.41	39.16	42.90	0.383
Net assets	228.91	272.29	317.96	406.39	322.52	2.880
Cash dividends	4.00	5.00	7.00	9.00	10.00	0.089
<b>Others</b>						
					Headcount	
Employees	24,973	24,956	25,524	25,740	26,508	—
Japan	17,933	18,271	18,022	17,814	17,635	—
Overseas	7,040	6,685	7,502	7,926	8,873	—

\*1 The U.S. dollar amounts represent the arithmetic results of translating yen into dollars at ¥112 = U.S.\$1, the approximate exchange rate at March 31, 2016.

\*2 Plant and equipment investment is the total of investment in tangible fixed assets, including acquisition amounts for lease contracts.

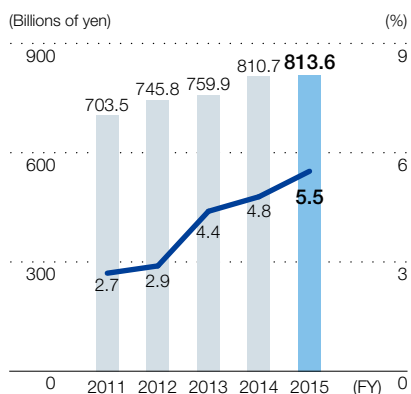
\*3 Depreciation and amortization expense is the total of the depreciation of tangible fixed assets and amortization of intangible assets.

\*4 Net debt-equity ratio: Net interest-bearing debt (interest-bearing debt – cash and cash equivalents) / Net assets

\*5 Debt-equity ratio: Interest-bearing debt / Net assets

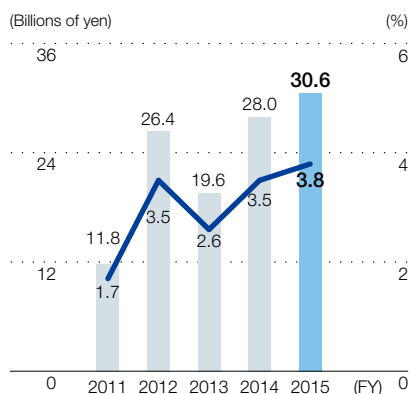


### Net Sales / Ratio of Operating Income to Net Sales



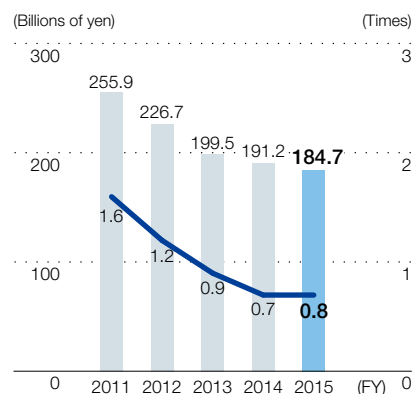
■ Net Sales (left)  
 — Ratio of Operating Income to Net Sales (right)

### Profit Attributable to Owners of Parent / Ratio of Profit Attributable to Owners of Parent to Net Sales



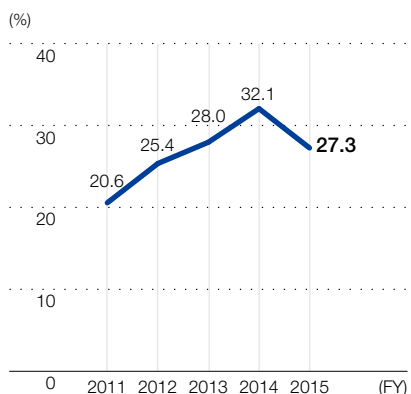
■ Profit Attributable to Owners of Parent (left)  
 — Ratio of Profit Attributable to Owners of Parent to Net Sales (right)

### Interest-Bearing Debt / Debt-Equity Ratio

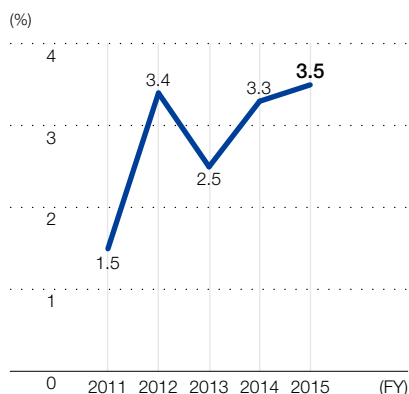


■ Interest-Bearing Debt (left)  
 — Debt-Equity Ratio (right)

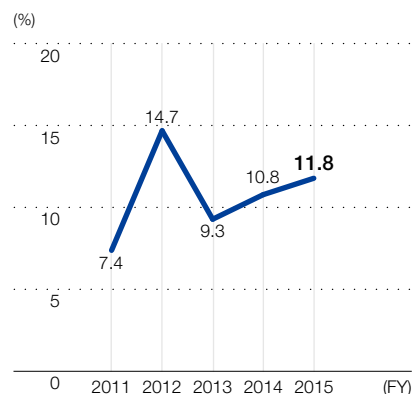
### Equity Ratio



### ROA



### ROE

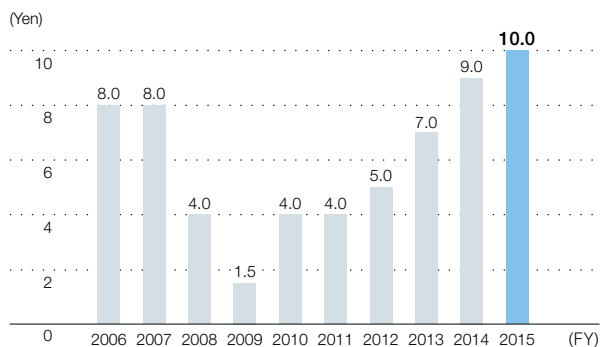


### Dividend Policy

Fuji Electric's basic policy is to pay a stable, continuous dividend, while allocating profits earned from business activities to shareholders' equity to maintain and strengthen the management base, and maintaining sufficient internal reserves for research and development, capital investment, and human resource development from a medium-to-long-term perspective.

For fiscal 2015, we paid a full-year dividend of ¥10 per share, comprising an interim dividend of ¥5 and a year-end dividend of ¥5.

### Cash Dividends per Share





## President's Message

# We will make maximum use of our strengths for continuous growth

### Review of Fiscal 2015 Medium-Term Management Plan

#### Operating Margin, Net Income at Record Levels

Since the 2008 global financial crisis, Fuji Electric has worked to innovate its business structure to be able to generate profit even when sales do not grow. In recognition of the level of progress made by fiscal 2013, we designated that year as the "first year for aggressive management" and formulated a Medium-Term Management Plan covering the period through fiscal 2015, with numerical final-year targets of ¥850.0 billion of net sales and operating income of ¥45.0 billion, and worked to establish a foundation for growth and bolster profitability.

In fiscal 2015, the final year under the plan, records for operating margin and profit attributable to owners of parent were registered. Compared with fiscal 2012, net sales increased ¥67.8 billion, operating income rose ¥23.0 billion, and net income increased ¥4.2 billion, with operating income more than double the fiscal 2012 level. Although net sales were short of the FY2015 Medium-Term Management Plan target because of a weaker market environment, the plan for operating income was achieved as a result of Companywide efforts to strengthen the profit structure.

#### Building a Base for Overseas Business Expansion

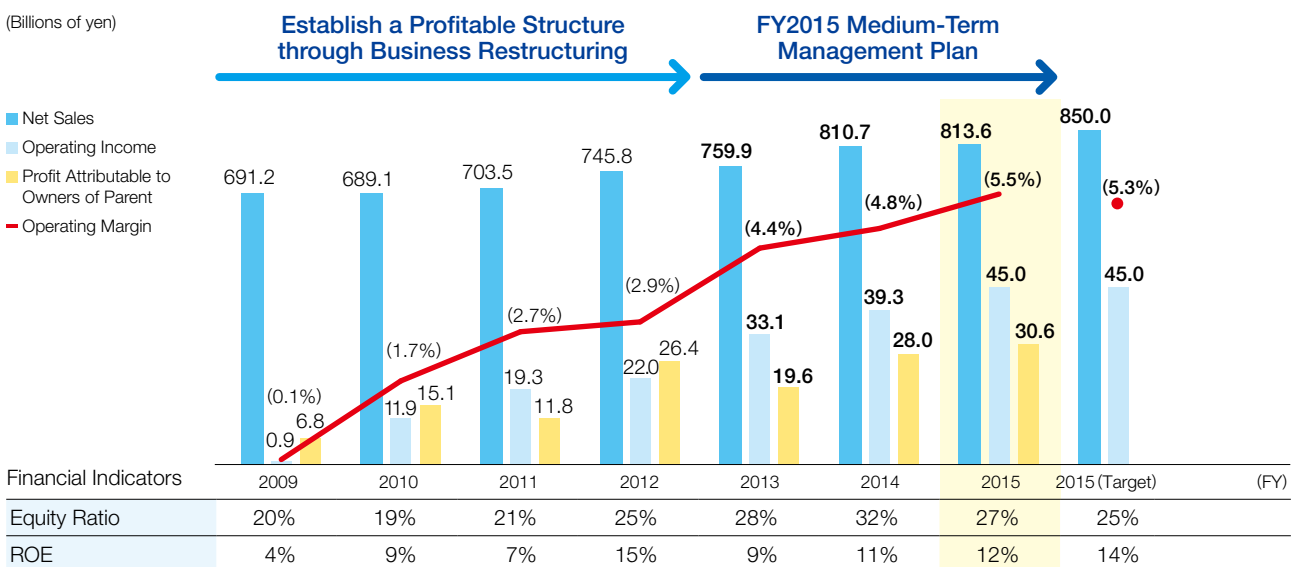
To establish a foundation for growth, we are first raising our target for the overseas portion of net sales to 30%, as we concentrate on building an overseas business foundation. Focusing on Asia, a market that is expected to grow, and the Americas, where the market is already large, we are establishing production bases and carrying out mergers and acquisitions (M&A) to build a foundation for future business growth.

#### Bolstering Profitability through Pro-7 Activities and by Promoting Local Production and Local Consumption

To bolster profitability, under the common slogan of "Benchmarking Against Fuji Electric in the Past," all employees reviewed the way the Group does business from ground up, continuously implemented Pro-7 Activities that aim to enhance work quality, and implemented thorough cost reductions through centralized Group purchasing, global procurement, moving operations in-house, and expense reductions through improved operational efficiency. In addition, by promoting local production and local consumption, we have been able to reduce foreign exchange risk by decreasing the negative impact of exchange rate movements.

#### Business Performance Trends

(Billions of yen)



## FY2018 Medium-Term Management Plan

# Further Renovation of Fuji Electric

## Renovation 2018

### Seeking Further Renovation of Fuji Electric

Net sales—the main issue addressed under the previous Medium-Term Management Plan—have not grown as planned. There are a variety of reasons, which could include that we have lagged in developing new markets and new customers, and we may not have developed products that customers actually wanted to buy. Expense and cost reductions can only achieve limited profit growth going forward, so sales growth will be the key. Therefore, the FY2018 Medium-Term Management Plan builds on the “innovation” that has been pursued to date, adding “**Renovation**” to correct the areas where the Company’s management and business activities have been insufficient, positioning the next three years as a period of “Further Renovation of Fuji Electric.”

In terms of the business environment, over the next three years in Japan we expect increased investment in high-efficiency power generation and renewable energies against a backdrop of the deregulation of the electric power sector. Also, we expect a pickup in social and industrial infrastructure to replace aging facility and in preparation for the Tokyo 2020 Olympic and Paralympic Games, and an increase in services using the Internet of Things (IoT) for safety, security, and energy conservation. Overseas, we see investment for social infrastructure growing in emerging markets in light of rising demand for energy, as well as increased investment related to the environment and for industrial infrastructure as production facility becomes more automated and efficient.

We regard these developments as increasing business opportunities for Fuji Electric, both in Japan and overseas. In addition to reaping the benefits of the strengthening of the management foundation achieved over the previous three years, we will continue to advance growth strategies and bolster profitability toward the next set of goals.

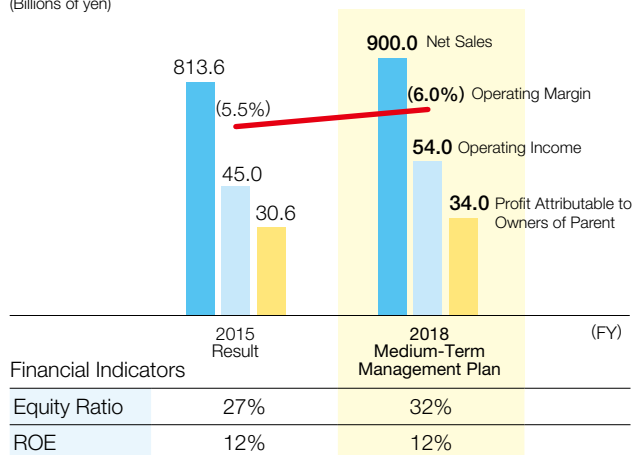
### FY2018 Net Sales of ¥900.0 Billion Aiming for Operating Margin of More Than 6%

The FY2018 Medium-Term Management Plan targets net sales of ¥900.0 billion, with operating income of ¥54.0 billion, and profit attributable to owners of parent of ¥34.0 billion. Despite an uncertain outlook for the global economy and the adverse effect from the yen’s appreciation, we are aiming for an operating margin of more than 6%.

We also plan to maintain the equity ratio at 32%, and with profit growth, ROE of 12%. Our policy of bolstering profitability to improve our financial position, while using the cash generated by corporate activities to invest for medium-to-long-term business growth, and providing returns to shareholders in line with profit growth, is unchanged.

### Management Target

(Billions of yen)





## Priority Measures

### [Implement growth strategies]

- Reform operating processes in social engineering systems, industrial infrastructure, and power electronics businesses
- Continue expansion of overseas operations through additional M&As
- Create high-value-added products that meet customer demand

### [Improve Profitability]

- Re-energize “Pro-7 Activities”

## Aiming for Business Expansion Based on Three Growth Strategies

We believe Fuji Electric’s further development requires three steps.

First, we need to review our structure to utilize our strengths. We have a strong track record with customers in power electronics, and we will enhance these components and expand the business by using combinations of these strong components to provide systems to customers. With developments in IoT and other manufacturing reforms and growing demand for energy, today we need to provide stable supplies of energy in harmony with the environment. We are building a structure that focuses on two areas: automation, labor savings, and energy conservation with drive control systems as the core product, and stable supplies of electricity with power supplies as the core product. Specifically, we are innovating operations in the industrial infrastructure and power electronics businesses, and also through the electric power distribution being carried out by the social engineering systems business.

The second step is to expand our overseas business. We will achieve results from the M&A we have conducted to date and carry out new M&A that bring the scale of our business to the next level. In Asia, we have set up the APAC Regional Corporate Strategy Office, in Singapore, which is responsible for ASEAN countries, to optimize and expedite our businesses in the region. Managing both the industrial infrastructure and power electronics businesses together, functions from marketing and sales to engineering are integrated, with the aim of growing the business by maximizing our strengths and differentiating ourselves from other companies.

The third step is to create high-value-added products that meet customer demand. Traditionally, we have primarily developed products that were merely replacements for previous products. The contribution to profits from replacement products is limited. We need to return to our roots as a manufacturer and focus on developing and creating products that customers need and want. This means developing businesses that will support the Company in five to 10 years.

## Re-energizing Pro-7 Activities and Further Enhancing the Earnings Strength of Power Electronics

We are working to further enhance our earnings strength. The Pro-7 program of activities to improve earnings strength on a Companywide basis was launched in fiscal 2012 and has been in place for four years. We will continue to develop these activities across the entire Company and work to re-energize them with the aim of further enhancing work quality. To date, we have emphasized “visualization” to clarify the earnings structure of individual businesses and implemented measures to reduce fixed costs and other expenses, which has led to improved profitability. Going forward, we will work to enhance our earnings strength further by focusing on improving profitability in power electronics. We have already begun to strengthen manufacturing capabilities at our mother factories in Suzuka and Kobe. In addition to further cost reductions by bringing work in-house and through standardization, we plan to build a technical center at the Suzuka Factory this summer to consolidate our product development teams to increase development efficiency and quickly bring to market products that customers want.

## Focusing on Overseas Capital Investment and Development of High-Value-Added Products

Capital investment will go primarily to overseas production bases and the strengthening of our manufacturing capabilities utilizing the IoT.

With regard to research and development, we will accelerate our development of SiC devices and modules, which are next-generation power semiconductors, toward the development of competitive, high-value-added products focusing on electronic devices and power electronics, and use these devices and modules to develop SiC-equipped power electronics equipment. Looking further into the future, upfront investment will emphasize the development of modules for automobiles and railway rolling stock.

## Developing Global Human Resources and Encouraging Women to Play Active Roles

Human resources are the driving force behind all of these initiatives. Fuji Electric's corporate slogan is "to be enthusiastic, ambitious, and sensitive." "Enthusiasm" means the creative enthusiasm to create new things. "Ambition" means setting high goals and working hard to achieve them. "Sensitive" means being a spiritually rich person who appreciates small things and shares the joys of customers as their own. This slogan can be regarded as Fuji Electric's DNA, and placing importance on these traits also puts an emphasis on developing human resources who can perform at the global level and encouraging women to play active roles.

In terms of global human resource development, we carry out regular training programs for employees at various levels. In addition, to grow as the Company of the future, it is essential to have female employees play a more active role, and we aim to increase the number of female officers to 300 by fiscal 2020, from the current 172.

In addition, as Japan's birthrate declines and society ages, we will work to create a corporate environment that can accommodate flexible working styles, including enabling employees to balance work and nursing care for family members, to support a diverse range of employee lifestyles.

## Promoting Corporate Social Responsibility (CSR) and Striving for Further Enhancement of Corporate Value

Fuji Electric's concept of CSR is to contribute to society through business activities using energy and environment technologies, while at the same time taking into consideration the effect of all of its corporate activities on society and the environment.

To promote CSR on a global basis, we are a member of the United Nations Global Compact (GC), and its 10 principles, covering the four fields of human rights, labor, the environment, and the prevention of corruption, are reflected in the Fuji Electric Code of Conduct, which directly impacts our daily activities and corporate actions.

Corporate governance has recently become increasingly important. Fuji Electric complies with Japan's Corporate Governance Code, and it will continue to strive to increase management transparency and soundness, and to enhance corporate value even further.

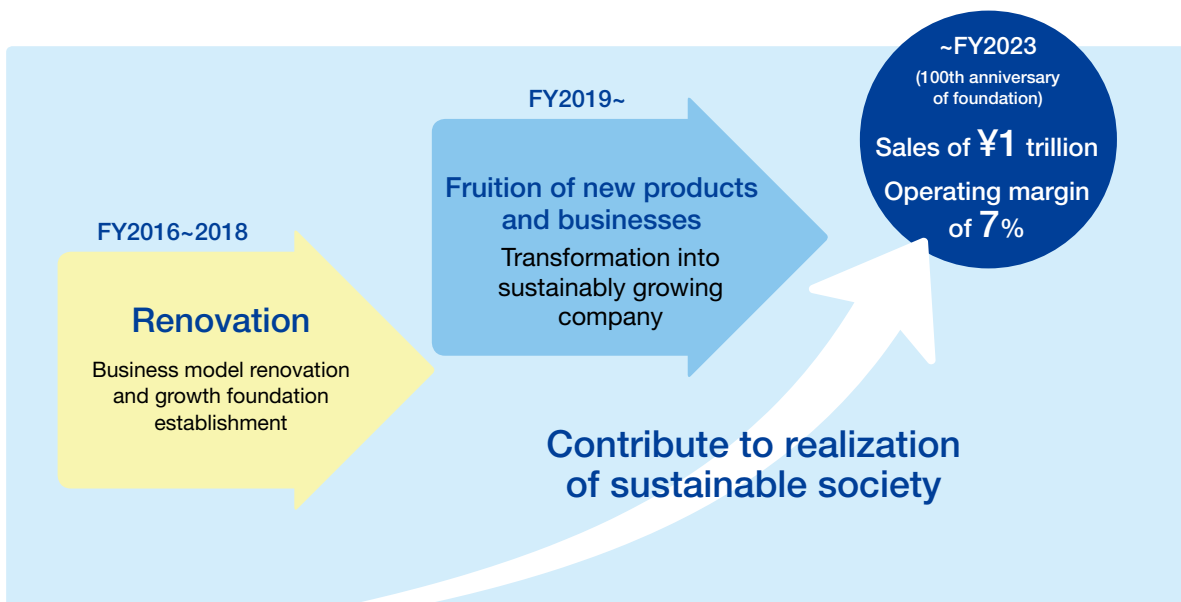
## For Continuous Growth

Fuji Electric aims to grow continuously on a global basis. Under the FY2018 Medium-Term Management Plan, we are renovating our existing business model and building a foundation for solid growth, which will lead to expansion from fiscal 2019. We hope to create the Company that will achieve net sales of ¥1 trillion with a 7% operating margin by fiscal 2023, the 100th anniversary of our founding.

Our goal is to ensure our prosperity as a company, returns to our shareholders, and the happiness of our employees, while contributing to the achievement of a sustainable society. In closing, we would like to ask for the continued support of all our stakeholders.

July 2016

Michihiro Kitazawa  
President and Representative Director



# FY2018 Medium-Term Management Plan **Renovation 2018**

We will provide an overview of the new FY2018 Medium-Term Management Plan, **Renovation 2018**, while reviewing the FY2015 Medium-Term Management Plan.

## Review of the FY2015 Medium-Term Management Plan

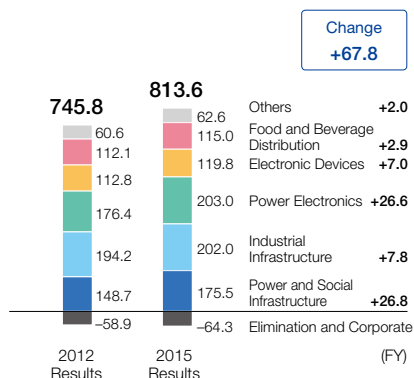
In fiscal 2015, net sales totaled ¥813.6 billion, an increase of ¥67.8 billion from fiscal 2012. Sales were up in all segments, with particularly strong growth seen in the Power and Social Infrastructure and Power Electronics segments. Overseas sales grew ¥37.3 billion from fiscal 2012, representing 27% of net sales at ¥215.8 billion. Main contributors to overseas sales included growth in sales of vending machines to the Chinese market and the benefits of M&A activities conducted in Asia. Striving to solidify our foundations for overseas expansion, we established three overseas factories to expand local

production and local consumption during the period of the FY2015 Medium-Term Management Plan. We also conducted eight M&A transactions, with a total amount of approximately ¥20.0 billion, thereby acquiring additional human resources and sales channels.

Operating income in fiscal 2015 rose ¥23.0 billion from fiscal 2012, amounting to ¥45.0 billion. This growth can be attributed to higher income in all segments, with the Electronic Devices and Power Electronics segments displaying the most substantial increases in income.

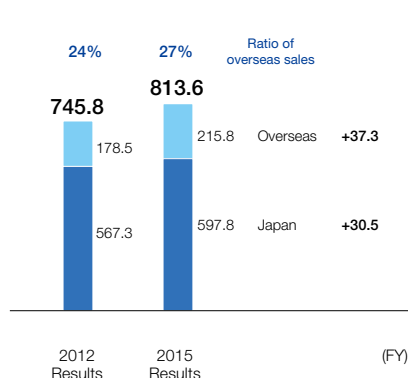
### Net Sales (By Segment)

(Billions of yen)



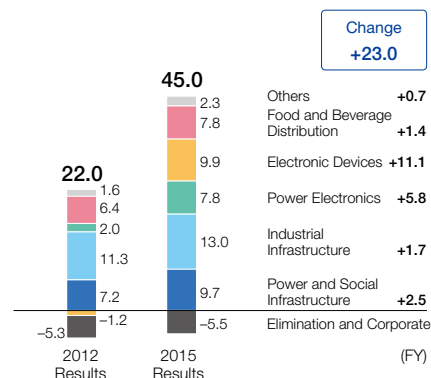
### Net Sales (Japan and Overseas)

(Billions of yen)






### Operating Income (By Segment)

(Billions of yen)







\* Figures for FY2015 Results reflect the organizational restructuring conducted in FY2016.

### Established Production Bases

- Asia
  - Thai Factory (power electronics, substation equipment, and vending machines) 
  - India Factory (inverters) 
- Americas
  - Virginia Factory (inverter boards, electrical equipment for railcars) 

### Conducted 8 M&A Investment Amount: Approx. ¥20.0 billion

- Asia
  - Fuji Tusco (transformers) 
  - Fuji SMBE (switchgear and controlgear) 
  - Fuji CAC (engineering)
  - Fuji GEMCO (engineering)
- China
  - Shanghai Electric Fuji Electric Power Technology (Wuxi) (medium-voltage inverters) 
- Americas
  - RTS (power plant service) 
  - Fuji SEMEC (electrical equipment for railcars)
- Europe
  - Fuji N:teelligence (fuel cells)

## Further Renovation of Fuji Electric Renovation 2018

### Priority Measures

#### Implement Growth Strategies

- Reform operating processes in social engineering systems, industrial infrastructure, and power electronics businesses
- Continue expansion of overseas operations through additional M&As
- Create high-value-added products that meet customer demand

#### Improve Profitability

- Re-energize “Pro-7 Activities”

The FY2018 Medium-Term Management Plan targets net sales of ¥900.0 billion in fiscal 2018, ¥86.4 billion higher than the figure posted in fiscal 2015. By segment, overall sales growth is expected to be driven by the Power and Social Infrastructure, Industrial Infrastructure, and Power Electronics segments, while all segments are forecast to enjoy higher sales. We, of course, plan to expand domestic sales, but we will pursue even larger increases overseas, aiming to raise the ratio of overseas sales to net sales to 30.0%.

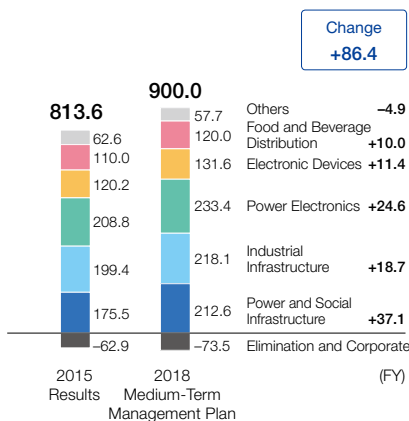
Fiscal 2018's operating income is forecast to be ¥54.0 billion, up ¥9.0 billion from fiscal 2015. The majority of this increase is set to come from growth in the Power Electronics segment, and we will thoroughly reinforce this segment's profit structure to achieve this growth. At the same time, we will re-energize our Pro-7 activities to boost earnings capacity in the pursuit of record-breaking profit attributable to owners of parent.

### Management Targets

(Billions of yen)	FY2015 Results	FY2018 Medium-Term Management Plan
Net Sales	813.6	900.0
Operating Income	45.0	54.0
Operating Margin	5.5%	6.0%
Profit Attributable Owners of Parent	30.6	34.0
Net Debt-Equity Ratio	0.7 times	0.6 times
Equity Ratio	27%	32%
ROA	4%	4%
ROE	12%	12%

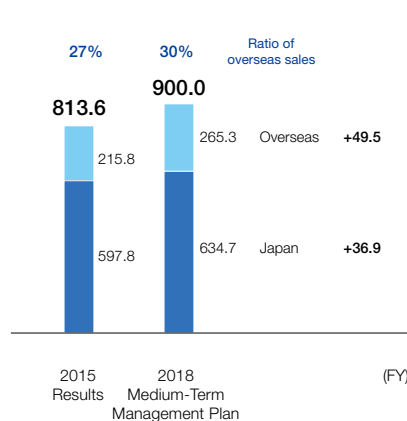
### Net Sales (By Segment)

(Billions of yen)



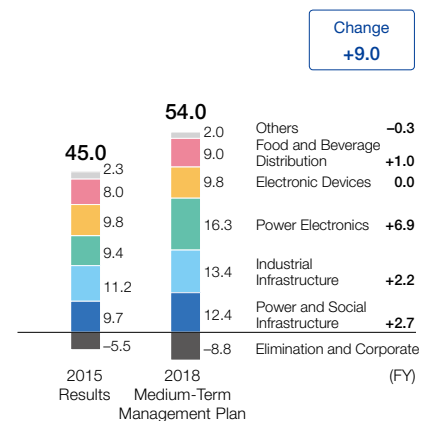
### Net Sales (Japan and Overseas)

(Billions of yen)



### Operating Income (By Segment)

(Billions of yen)



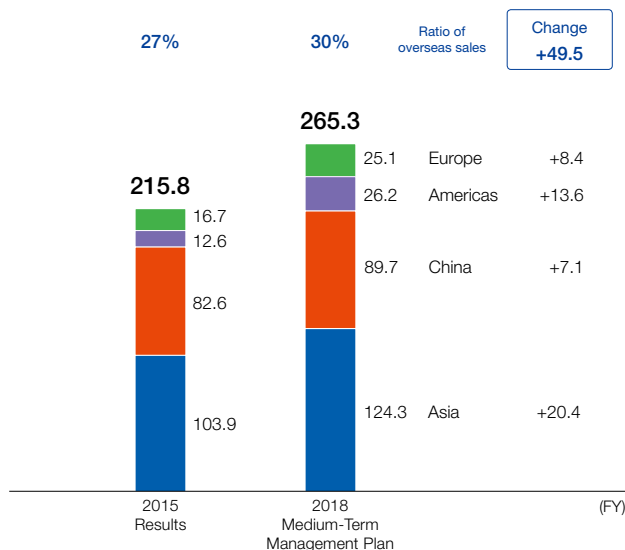
\* Figures for FY2015 Results reflect the organizational restructuring conducted in FY2016.

## Overseas Operations

Overseas net sales are projected to amount to ¥265.3 billion in fiscal 2018, rising ¥49.5 billion from fiscal 2015 largely due to higher sales in Asia and the Americas. This growth will be due in part to the benefits reaped from up-front investments conducted thus far, including M&A and collaborative activities. We will also carry out new measures for growing overseas

### Overseas Net Sales (By Area)

(Billions of yen)



operations. These measures will include expanding our business in Asia by establishing an APAC regional corporate strategy office, developing overseas production bases, and advancing additional M&A activities. Principal measures by region are described below.

#### Asia

- Establish APAC regional corporate strategy office in Singapore to oversee operations in the ASEAN region
- Expand systems business by utilizing bases acquired through M&A activities (Industrial Infrastructure, Power Electronics)
- Bolster vending machine product lineup and establish operator companies (Food and Beverage Distribution)

#### China

- Expand vending machine market and invest in production increases (Food and Beverage Distribution)
- Expand operations in motion, factory automation, and other new fields (Power Electronics)

#### The Americas

- Expand power plant after-sales businesses (Power and Social Infrastructure)
- Grow railcar business (Power Electronics)
- Develop uninterruptible power systems (UPSs) based on U.S. specifications for brisk data center market (Power Electronics)

#### Europe

- Expand fuel cell business (Power and Social Infrastructure)
- Promote sales of power semiconductors (Electronic Devices)
- Launch an inverter production base (Power Electronics)

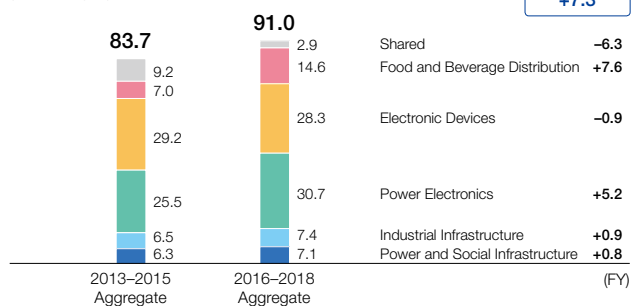
## Capital Investment

Under the FY2018 Medium-Term Management Plan, we will expand capital expenditures aimed at overseas production while enhancing manufacturing capabilities using the Internet of Things (IoT).\* In the Food and Beverage Distribution segment, we plan to build a new factory in China to support the brisk vending machine business in this country. Capital expenditures in the Power Electronics segment, meanwhile, will include those for bolstering production facilities at factories in the United States and Thailand as well as for establishing the Power Electronics Technical Center at the Suzuka Factory, which will enable us to heighten R&D capabilities by consolidating development divisions.

\* Internet of Things: Framework for fundamentally revolutionizing business and our daily lives by connecting various objects through networks and enabling them to achieve optimal, autonomous control of one another

### Capital Investment

(Billions of yen)



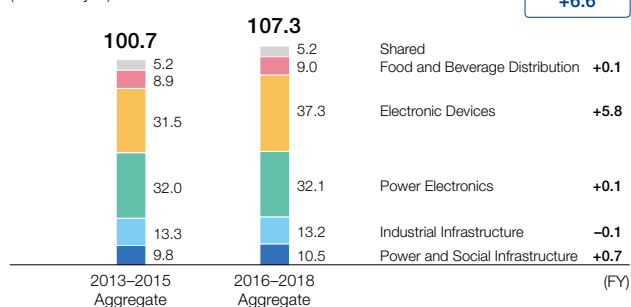
## Research and Development

R&D ventures will be focused on the Power Electronics segment as well as the Electronic Devices segment. In the Electronic Devices segment, in particular, we will accelerate the development of SiC devices and modules while developing automotive and railcar modules as a form of up-front investment in future growth.

Furthermore, we will develop differentiated equipment and platform technologies to create solutions for breeding customer value using IoT.

### Research and Development

(Billions of yen)



\* Figures for R&D expenditures above have been divided by segment based on theme and may therefore differ from the figures contained in the consolidated financial report for the fiscal year ended March 31, 2016.



# FY2018 Medium-Term Management Plan (By Segment)

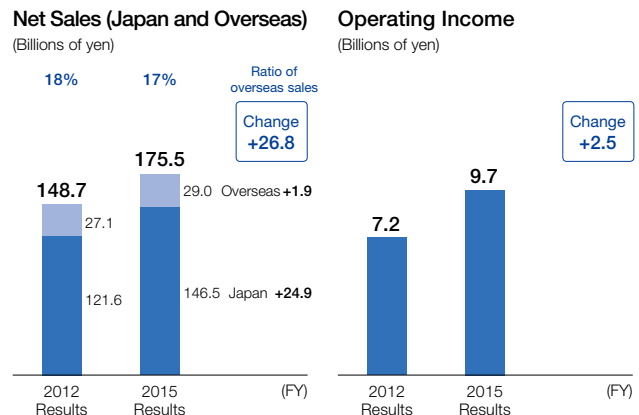
## Power and Social Infrastructure

### Review of the FY2015 Medium-Term Management Plan

In the Power and Social Infrastructure segment, fiscal 2015 net sales totaled ¥175.5 billion, up ¥26.8 billion from fiscal 2012, while operating income came to ¥9.7 billion, up ¥2.5 billion. These increases arose from higher sales of renewable energy centered on solar power generation systems and smart meters.

Over the three-year period ending with fiscal 2015, demand for thermal power generation plants rose in Japan due to the deregulation of the electricity retail market, and Fuji Electric was able to capture large-scale orders as a result. Also in Japan, we constructed mass production systems for larger quantities of smart meters due to their introduction by domestic companies. In addition, the Company participated in smart community verification projects both in Japan and overseas, accumulating electricity supply and demand management and electricity storage control know-how through this process. Overseas, we acquired a power plant after-sales business company

in the United States as well as a fuel cell sales and engineering company in Germany.



### Overview of the FY2018 Medium-Term Management Plan

The Power and Social Infrastructure segment will pursue ongoing order acquisition for thermal and geothermal power generation plants, expand after-sales businesses, redouble smart meter initiatives, and grow new businesses in consideration of electricity system reforms.

#### Thermal and Geothermal Power Generation Plant Sales and Orders Expansion

We aim to expand orders for thermal power generation plants in Japan, Asia, and the Near and Middle East while enhancing our competitiveness through development ventures for increasing the efficiency and compatible temperature range of steam turbines, a key piece of equipment. Growth in orders for geothermal power generation plants will be targeted in Asia, Africa, and Central and South America. At the same time, we will expand orders in Japan for binary geothermal power generation systems, which allow for generation to be conducted at low temperatures.

Furthermore, we will complete previously received large-scale orders for thermal power generation plants, in Japan and utilize Reliable Turbine Services LLC to grow after-sales businesses aimed at thermal and geothermal power plants abroad.

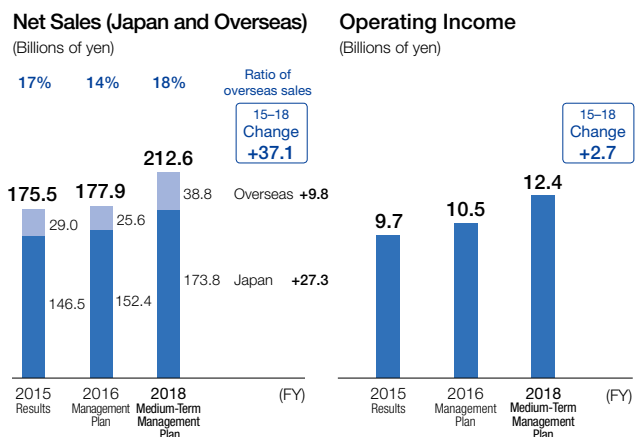
#### Expansion of Orders for Fuel Cells

Fuji N<sub>2</sub>telligence GmbH serves the German fuel cell market, which is expected to grow thanks to demand for fire prevention systems using low-oxygen exhaust air. We will thus leverage Fuji N<sub>2</sub>telligence to expand orders for fuel cells in this market. At the same time, new fuel cell models will be launched to explore the segment of the market for small- to medium-scale private-sector applications, such as those for hospitals and office buildings.

#### Smart Meter Earnings Grow and Expansion of New Businesses Targeting Power Producer and Suppliers

The number of smart meters installed throughout Japan is expected to increase going forward. To address this trend, the Company will augment smart meter production lines, improve productivity through automation, and cut costs in order to boost earnings.

At the same time, we will expand new businesses offering electricity supply and demand management services and electricity storage control systems for power producers and suppliers in the midst of electricity system reforms.



### TOPICS

#### Acquisition of Order for Japan's Largest Thermal Power Generation Plants

In October 2015, Fuji Electric received an order from Kobe Steel, Ltd., for ultra-supercritical pressure coal-fired thermal power generation plants, which will be compliant with environment footprint reduction criteria and is slated to be Japan's largest thermal power generation plant with two 650 MW units. This large-scale order is in addition to those received in fiscal 2014.

The deregulation of the domestic electricity retail market is anticipated to fuel continuous thermal power demand going forward, and we aim to take advantage of this trend to acquire orders.



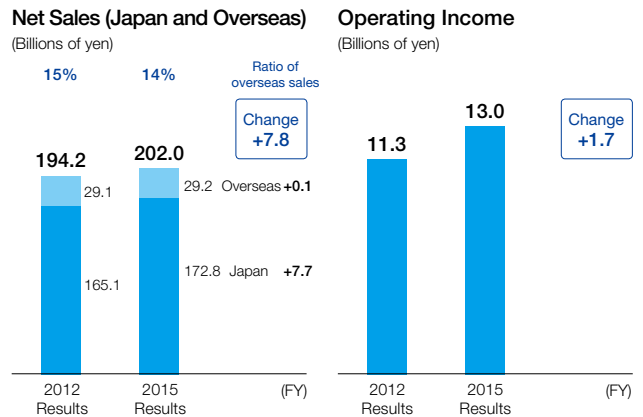
Steam turbine  
\* Photograph does not represent product ordered

## Industrial Infrastructure

### Review of the FY2015 Medium-Term Management Plan

Net sales in the Industrial Infrastructure segment in fiscal 2015 were ¥202.0 billion, rising ¥7.8 billion from fiscal 2012, and operating income was ¥13.0 billion, up ¥1.7 billion. In Japan, energy saving and replacement demand showed massive growth, and orders for solar power generation facilities, air-conditioning and electrical equipment, and other equipment construction increased. Overseas sales, however, were sluggish following economic slowdown in China and other Asian markets.

In the three years leading up to March 31, 2016, Fuji Electric took steps to strengthen the transmission and distribution business, including reorganizing domestic production bases, acquiring a Thai transformer manufacturer, and commencing substation equipment manufacturing at the Thailand Factory. We also acquired a Vietnamese engineering company to expand operations in Asia.



### Overview of the FY2018 Medium-Term Management Plan

Responding to changes in the industrial infrastructure market, the Industrial Infrastructure segment will address infrastructure investment and replacement demand on an ongoing basis and accelerate the localization of operations in Asia.

#### Expansion of Systems and Service Businesses Based Around IoT

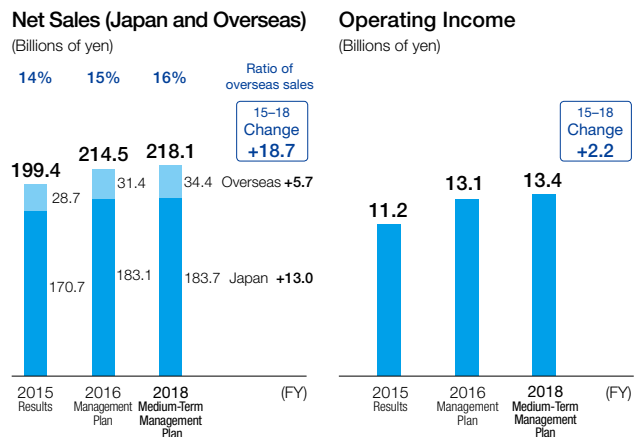
Looking ahead, we expect to see an increase in productivity efficiency improvements that entail introducing IoT and other manufacturing innovations. Based on this outlook, Fuji Electric will seek to seize hold of energy saving and replacement demand by providing high-value-added products and services that span infrastructure life cycles. These offerings will take advantage of sensors, measurement and control equipment, and other equipment delivered to customers and leverage the Company's track record in supplying services. To facilitate these efforts, we will proceed with the verification of IoT initiatives through the advanced introduction of these measures at Fuji Electric factories. We will also expand service businesses by utilizing plant equipment diagnoses to stimulate latent equipment replacement demand.

#### Development of New Businesses

Fuji Electric looks to develop new businesses, such as those related to data centers, distribution centers, and plant factories. To accomplish this objective, we will take advantage of our strength in providing one-stop service for all facilities requiring energy and environment optimization by offering design, procurement, construction, and maintenance services.

#### Expansion of Operations in Asia

Leveraging the manufacturing and engineering capabilities acquired through M&A activities, we will forge ahead with the creation of completely localized businesses in Asia. In particular, we will seek to expand our environment measure operations, which are centered on such cutting-edge equipment as analyzers for measuring PM2.5 particles.



\* Figures for FY2015 results reflect the organizational restructuring conducted in FY2016.

## TOPICS

### Data Center Orders and Sales Growth

In November 2015, we turned over the keys to a data center in Rokkasho Village, Aomori Prefecture. This data center fully exploits the cold Aomori climate by using a snow ice storage type cooling device. The use of such a system in air-conditioning equipment for data centers is a world first. Furthermore, by utilizing Fuji Electric's specialties in heating and cooling technologies, we are realizing energy savings with this system.

Drawing on our domestic data center track record, we plan to accelerate the expansion of our data center operations into Asia.



Data center using snow ice storage type cooling device

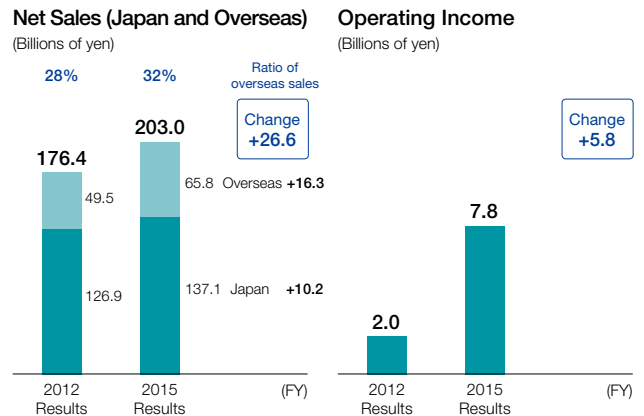
## Power Electronics

### Review of the FY2015 Medium-Term Management Plan

In fiscal 2015, net sales for the Power Electronics segment totaled ¥203.0 billion, up ¥26.6 billion in comparison with fiscal 2012 results, while operating income rose ¥5.8 billion, to ¥7.8 billion. Despite the increase in operating income, the operating margin was low. Domestic demand was strong for inverters, servos, ED&C components, and power conditioning sub-systems, and Fuji SMBE Pte. Ltd. and its subsidiaries, which were consolidated during the period of the plan, made contributions to performance with their switchgear and controlgear business.

The three-year period ended March 31, 2016, saw the start of production system refinements at domestic mother factories (Suzuka Factory and Kobe Factory) as well as visualization of earnings structure for businesses and product models. At the same time, we adopted policies promoting M&A activities, collaboration, and local production and consumption, based on which we reinforced global manufacturing systems. Furthermore, aiming to expand operations in Asia, we acquired a switchboard manufacturer in Singapore as well as an engineering company in India, gaining sales channels and engineering capabilities along with

these companies. As another accomplishment, we created a three-base production system consisting of bases in Japan, China, and Thailand with the commencement of power electronics production at the Thailand Factory. We also established a Chinese medium-voltage inverter manufacture and sales company.



### Overview of the FY2018 Medium-Term Management Plan

The Power Electronics segment will seek to grow operations on a global scale by reaping the benefits of M&A and collaborative activities conducted to date and expanding local production and local consumption.

#### Reinforcement of Profit Structure

The profit structure of the Power Electronics segment will be reinforced by rationalizing production operations through the reorganization and consolidation of models produced at domestic mother factories. Other measures to this effect will include integrating development functions and implementing extensive in-house manufacturing and standardization measures.

#### Expansion of Global Operations

The Asian market is expected to grow going forward, largely through infrastructure investment. In this market, we will call upon Fuji SMBE and Fuji Gemco Private Limited to grow service operations that combine switchgears and controlgears, controllers, and inverters. In addition, local production and local consumption will be expanded through the activities of the Thailand Factory and India Factory.

Meanwhile, in North America, we will expand our railway operations, where market growth is anticipated, while entering into the market for UPSs for data centers.

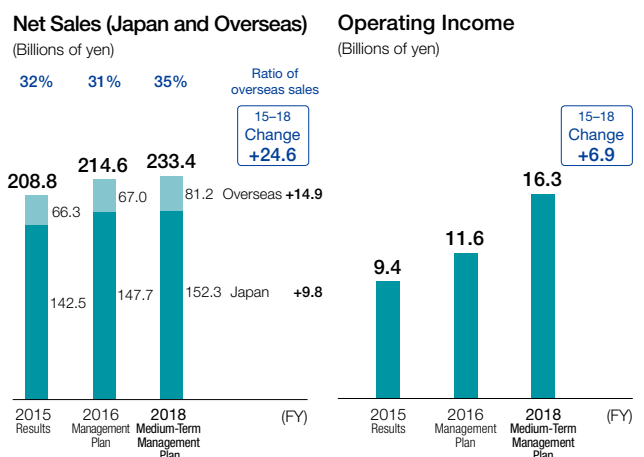
#### Quick Launch of New Products for Global Market

We will accelerate development of new products suited to overseas market as well as differentiated inverters, servos, electrical equipment for railcars, and UPSs equipped with next-generation power semiconductors (SiC and 7th-generation

IGBT modules), seeking to quickly launch these products on the global market.

#### Growth of Motion and FA Operations

Responding to automation needs, we will integrate controllers, servos, inverters, and other products to expand businesses in new fields, such steel plants, assembly factories, transportation, and distribution centers.



\* Figures for FY2015 results reflect the organizational restructuring conducted in FY2016.

#### TOPICS

#### Establishment of Local Production and Consumption System in North America

In May 2015, a power electronics factory was established in the U.S. state of Virginia, and production of inverters and electrical equipment for railcars commenced thereafter.

In the future, we plan to broaden the range of products manufactured at this factory to include UPSs and other items in order to expand operations in North America.



Factory producing railcar electrical equipment in the United States

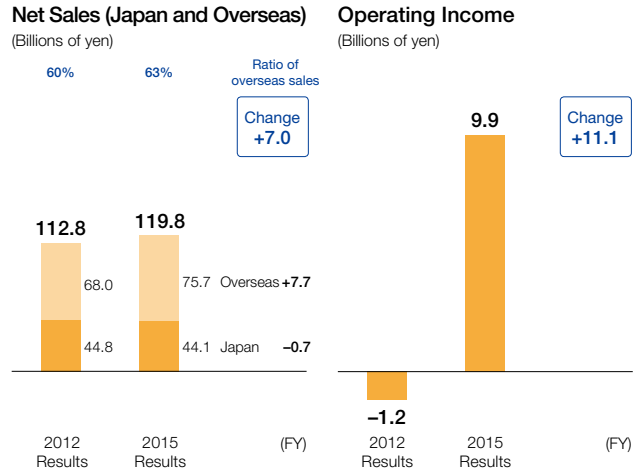
## Electronic Devices

### Review of the FY2015 Medium-Term Management Plan

The Electronic Devices segment posted net sales of ¥119.8 billion in fiscal 2015, up ¥7.0 billion from fiscal 2012, following growth in power semiconductor sales in the new energy field seen largely overseas. Operating income improved substantially to ¥9.9 billion, compared with operating loss of ¥1.2 billion in fiscal 2012, as a result of the benefits of business restructuring conducted in fiscal 2012 as well as of fixed cost reduction efforts.

The three years ending with fiscal 2015 were a period in which we enhanced systems for local design, local production, for local consumption to strengthen power semiconductor operations overseas. Specific initiatives in this regard included establishing overseas design centers and increasing overseas production at locations such as Malaysia, the Philippines, and China. In Japan, we commenced operation of an 8-inch wafer line at our Yamanashi Factory and advanced a shift toward larger diameter wafers. Also, production was expanded at Fuji Electric Tsugaru Semiconductor Co., Ltd., which was acquired in July 2012. Furthermore, we created an even more solid

management structure by integrating power semiconductor and magnetic disk subsidiaries in Malaysia.



### Overview of the FY2018 Medium-Term Management Plan

The Electronic Devices segment will grow sales focused on power semiconductors to the industrial and new energy fields and step up development of SiC modules and automobile-use products.

#### Acceleration of Power Semiconductor Product Development

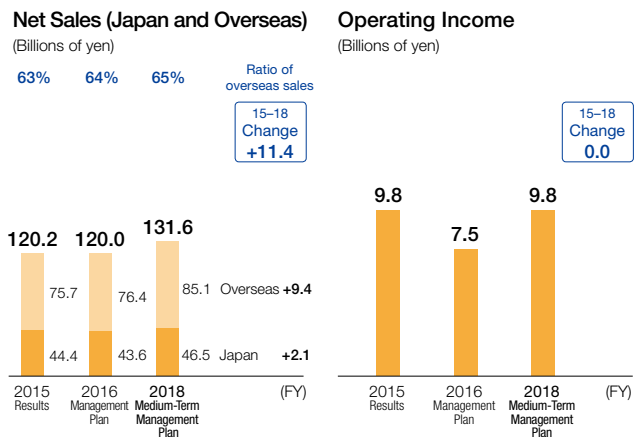
We will accelerate development of SiC modules for industrial, railway, and automobile applications and expand our series of 7th-generation IGBT modules. In addition, we will bolster development of automobile-use models targeting business growth in fiscal 2019 and beyond.

#### Sales Growth Focused on Industrial and New Energy Fields

In consideration of the rising demand for automation and energy saving, the Company will seek to grow sales in industrial fields by introducing 7th-generation IGBT modules. We will also target increased sales in the new energy field, in Europe and China specifically, by enhancing and utilizing overseas design centers.

#### Ongoing Cost Reduction Measures

While accelerating the shift toward local production and local consumption by expanding production in Malaysia, the Philippines, and China, we will advance ongoing cost reduction measures by augmenting design and manufacturing technology capabilities.



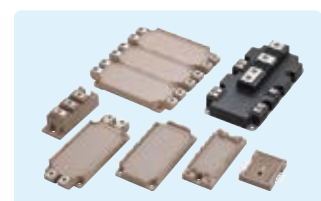
\* Figures for FY2015 results reflect the organizational restructuring conducted in FY2016.

### TOPICS

#### Launch of 7th-Generation IGBT Modules

August 2015 marked the launch of the 7th-generation IGBT modules developed by Fuji Electric to realize further energy savings and higher levels of reliability in general-purpose inverter, machine tool, new energy, and various other fields. By optimizing devices, these modules contribute to substantial reductions in power loss.

Fuji Electric is expanding its lineup of 7th-generation IGBT modules in the pursuit of higher sales.



7th-generation IGBT modules

## Food and Beverage Distribution

### Review of the FY2015 Medium-Term Management Plan

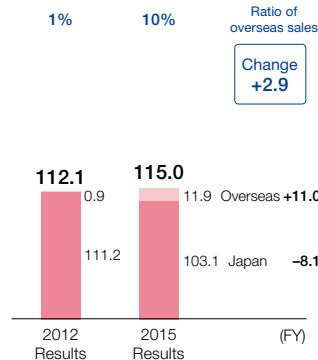
The Food and Beverage Distribution segment posted net sales of ¥115.0 billion in fiscal 2015, representing an increase of ¥2.9 billion from fiscal 2012, and operating income was ¥7.8 billion, an increase of ¥1.4 billion. While the domestic vending machine market shrunk, the impacts of this contraction were offset by growth in the Chinese vending machine market and expansion in operations targeting convenience stores.

During the three-year period ending March 31, 2016, we doubled production capacity in the vending machine business to respond to growth in the Chinese market, creating a system capable of manufacturing 50,000 units per year. We also implemented structural reforms in this business by separating product and sales functions in China. In addition, production of vending machines for the global market was commenced at the Thailand Factory to prepare for our entry into the Asian market.

In the store distribution business, we introduced new products for convenience stores and expanded automatic change dispenser operations.

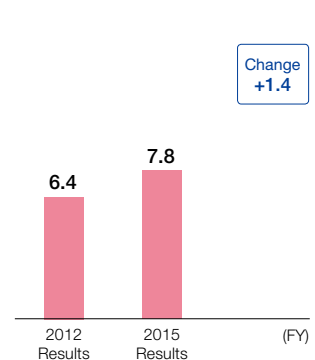
#### Net Sales (Japan and Overseas)

(Billions of yen)



#### Operating Income

(Billions of yen)



### Overview of the FY2018 Medium-Term Management Plan

The Food and Beverage Distribution segment will expand its vending machine business primarily in China while growing the store distribution business with a focus on products for domestic convenience stores.

#### Expansion of Vending Machine Business in China and Asia

Vending machine demand is expected to grow in China, supported by a firm beverage market as well as a rise in automated service needs resulting from soaring personnel costs. To cater to this demand and expand our vending machine business, we plan to double our production capacity in China, from 50,000 units a year on March 31, 2016, to 100,000 units a year. We will also reinforce development, sales, and service systems.

At the same time, we will construct business foundations in Asia by providing support for local beverage manufacturers in deploying vending machines and by establishing local operator companies.

#### Introduction of High-Value-Added Vending Machines

Fuji Electric intends to introduce high-value-added vending machines, such as those utilizing digital signage, into both the Japanese and Chinese markets.

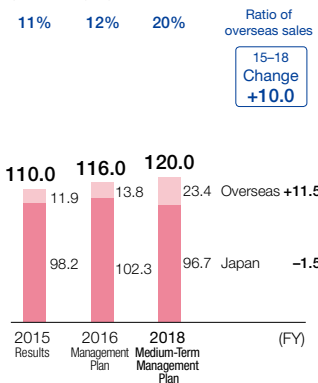
#### Development of Store Distribution Business

In developing the store distribution business, we will enhance our operating site and facility management systems and improve

customer service to allow for responses to more diverse customer needs. In addition, we will launch next-generation store products, particularly those for convenience stores. One such offering will be next-generation showcases that feature internalized cooling units, eliminating the need for pipes and external units.

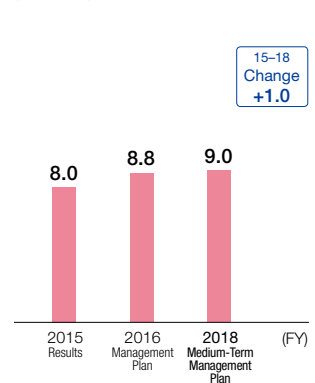
#### Net Sales (Japan and Overseas)

(Billions of yen)



#### Operating Income

(Billions of yen)



\* Figures for FY2015 results reflect the organizational restructuring conducted in FY2016.

#### TOPICS

#### Chinese Vending Machine Business Expansion

China is witnessing growth in vending machine demand, and the number of vending machines Fuji Electric ships in this country is on the rise. In light of this trend, in fiscal 2015, we invested in an increase in production capacity at the Company's Dalian Factory, doubling this factory's capacity to 50,000 units per year.

Looking ahead, we anticipate that the introduction of advanced vending machines, such as those that are compatible with digital signage or smartphones, will be promoted in China. Taking a preemptive approach toward this upcoming market change, we will further strengthen our development and production systems to lead the Chinese market as the holder of the top share.



Vending machine production line (Dalian)

# Fiscal 2015 Report—Research and Development

Combining its core technologies in power semiconductors and power electronics with instrumentation and control systems, Fuji Electric is focusing R&D activities on the creation of optimization solutions for the energy and environment fields.

## R&D Policies

- Expand and strengthen core technologies of power semiconductors and power electronics
- Accelerate new solutions and product development through technology synergies between thermal, machinery, and instrumentation and control systems
- Promote open innovation



## Major Initiatives in Fiscal 2015

### Expand and Strengthen Core Technologies of Power Semiconductors and Power Electronics

In fiscal 2015, Fuji Electric pushed forward with the development of highly reliable, high-performance next-generation SiC power semiconductor modules while also creating power electronics products that take advantage of the ability to reduce losses and function under high temperatures that is characteristic of such devices.

#### 3,300V Wistand Voltage Hybrid Modules

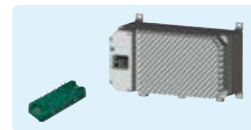
The Company succeeded in developing a 3,300V wistand voltage hybrid modules that utilized SiC-SBD and sixth-generation V-Series IGBT modules. In addition, we developed a drive system converter-inverter equipped with this hybrid module for the Central Japan Railway Company. Running tests with this module installed on N700 Series Shinkansen trains are currently under way, representing the world's first practical case of a drive system for a rapid-transit railway using SiC power semiconductor modules.



Hybrid module and converter-inverter

#### SiC Module-Equipped Waterproof and Dustproof Inverter

Fuji Electric has developed an inverter featuring a completely closed, self-cooling structure by exploiting the low-loss characteristics of SiC modules to reduce heat production and eliminate the need for a cooling fan. This inverter can be used in environments with high levels of water, steam, or dust, where installing an inverter would have previously been difficult. For this reason, we anticipate that this inverter will be used in food processing, machining, and other equipment.



SiC module and inverter

### Accelerate New Solutions and Product Development through Technology Synergies between Thermal, Machinery, and Instrumentation and Control Systems

The Company accelerated the development of new products by leveraging synergies created by combining the thermal, machinery, and instrumentation and control system technologies it has developed to date.

#### Crane Control Solutions

By combining state-of-the-art sensor and inverter technologies with a programmable logic controller software package, Fuji Electric has developed crane control solutions that realize industry-leading levels of conveyance accuracy through the cooperative control of crane positioning, anti-sway, and anti-skew. These solutions contribute to better automated control for cranes and thereby help realize labor savings.



Nine crane control solution sets delivered to Asyaport Liman A.Ş., of Turkey

#### Fuel-Saving Solutions for Boilers Ultra Low Excess Air Ratio Combustion Control

Fuji Electric's fuel-saving boiler combustion solutions combine laser type carbon monoxide (CO) gas analyzers capable of high-speed measurement of boiler exhaust gas CO process values with ultra low excess air ratio combustion control systems based on CO process values. Boiler combustion control solutions to realize maximum efficiency can contribute to reductions in fuel consumption of approximately 1%.



Products comprising fuel-saving boiler combustion solutions (monitoring display and controller)

#### Revolutionary Solutions Employing IoT Technologies

The Company has created cloud-based supply and demand management solutions to meet the needs of electricity retailers arising from electricity system reforms. We are also working to develop big data analysis technologies to utilize various types of factory data that have been collected for supporting factory operation and diagnosing and predicting abnormalities.

### Promote Open Innovation

Fuji Electric has been engaged in open innovation activities through collaboration with Zhejiang University to facilitate the development of new products for the Chinese market. In fiscal 2015, we stepped up this collaboration through the establishment of the Zhejiang University-Fuji Electric Innovation Center, a move conducted to aid in efforts for creating new businesses.

# Fiscal 2015 Report – Intellectual Property

Positioning intellectual property (IP) rights as one of the most important management resources, Fuji Electric is working to implement IP strategies that are aligned with its business and R&D strategies and will continue to strengthen and expand its business globally.

## IP Policies

- Strengthen IP activities that extend back into the stages of business planning and R&D
- Investigate and respond to overseas IP systems and current status and reinforce IP activities at overseas bases
- Promote international standardization activities

## Major Initiatives in Fiscal 2015

### IP Activities Extending Back into Business Planning and R&D

IP activities were focused on filing patent applications, primarily in businesses related to energy and power electronics. In addition, we endeavored to formulate IP strategies from the theme planning stage, prior to commencing research and development, after confirming business and R&D directives. These strategies were based on patent analysis and surveys. We also took steps to develop patent portfolios that ensure a strong advantage in business activities.

In its continuous efforts to strengthen coordination with

business and development divisions, Fuji Electric is going to make more active use of its IP portfolios.

### Main Fields for Patent Applications

- Patents relating to increasing the efficiency and energy savings of power electronics products
- Patents relating to semiconductors, such as those for SiC-related technologies
- Patents relating to vending machines

### IP Activities Responding to Globalization

Fuji Electric is strengthening its global IP activities and continuing to investigate overseas IP rights and implement measures against counterfeit products to minimize business risks related to IP.

In fiscal 2015, our local IP division in China led efforts to uncover new inventions and implement countermeasures against counterfeit products. We also instituted countermeasures to prevent technology leakage and other precautions based on conditions in specific Asian countries, such as Malaysia.

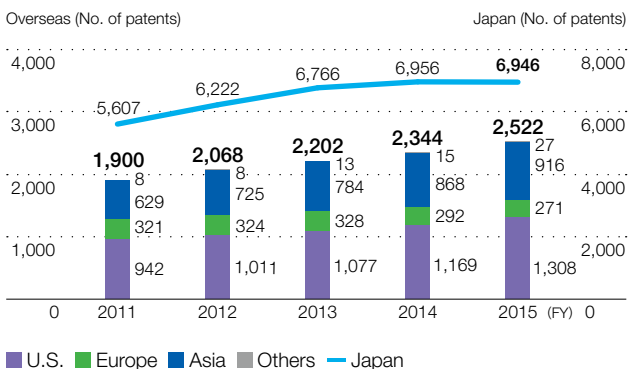
Furthermore, Fuji Electric is actively contributing to international standardization movements. For example, Company employees serve as officers of the International Special Committee on Radio Interference of the International Electrotechnical Commission (IEC), and we have been in the position of holding an international meeting.

Looking ahead, as we step up our IP activities overseas, we will undertake strategic international standardization initiatives.

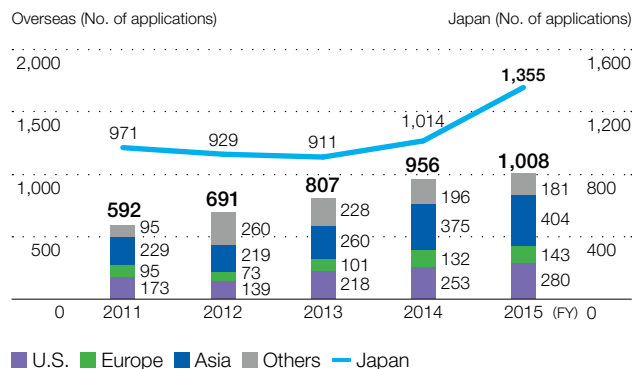


Patent meeting at Fuji Electric (China) Co., Ltd.

### Number of Patents Held in Japan and Overseas



### Number of Patent Applications in Japan and Overseas



# Fiscal 2015 Report—Manufacturing

Based on localization policies (local design, local production, and local consumption), Fuji Electric employs a framework in which production bases in Japan act as mother factories for global manufacturing operations and coordinate with overseas bases in China and other Asian countries. Through this framework, we are able to respond to a diverse range of domestic and overseas market needs. In fiscal 2015, we expanded overseas production through the establishment of new factories in the Americas and India. We also strove to transmit to overseas bases the manufacturing DNA that we have continued to pass down since Fuji Electric's inception while tackling new manufacturing challenges utilizing IoT, specifically improving productivity to create products and services of the highest caliber.

## Manufacturing Policy

- Advance global production base strategy
- Strengthen on-site capabilities, production technology capabilities, and human resource development
- Promote global supply chain reforms
- Improve product quality



Junior employee training for the WorldSkills Competition

## Major Initiatives in Fiscal 2015

### Strengthening of Production Technology Capabilities

We are strengthening our technology capabilities in order to ensure highly competitive manufacturing. Equipment technology engineers have been gathered at the Facility Technology Center, in Saitama Prefecture, to take part in the development of equipment technologies and core fundamental technologies. Through the efforts of these engineers and collaboration among different factories, in fiscal 2015, we were able to improve the actual manufacturing equipment and processes used in production as well as develop automated production lines.

In addition, a mass production line was installed at the Azumino Factory of GE Fuji Meter Co., Ltd. The result of exhaustive in-house design and production efforts, this line realized the mass production of smart meters in a short time and at low cost. (Ratio of automated lines to total lines: 69% in fiscal 2014→89% in fiscal 2015)



Automated line at the Azumino Factory

### Improvement of Product Quality

As quality is an essential element in production technologies, we have established the Quality Assurance Working Group within the Companywide Production Technology Committee. This working group carries out initiatives for achieving stable, uniform product quality. In fiscal 2015, we focused on

heightening product quality by implementing quality improvement activities at domestic and overseas bases, expanding the number of employees that pass QC inspection courses, holding training seminars based on failure case examples, and reinforcing risk response capabilities.

### Enhancement of Human Resource Development

To strengthen our manufacturing capabilities, which are fundamental to manufacturers, mother factories in Japan are working to accumulate technologies and expertise. Moreover, by encouraging our employees to participate in the WorldSkills Competition, we are eager to nurture ambitious employees with superior abilities in production engineering and technology that

can take on high-level challenges. At the same time, we are actively transmitting the manufacturing DNA cultivated in Japan to overseas operating bases in order to ensure that we can provide the same levels of quality and service anywhere in the world.

#### TOPICS



Staff of Manufacturing Section of Dalian Fuji Bingshan Vending Machine Co., Ltd.

### Improvement of Productivity at Chinese Vending Machine Factory

In fiscal 2015, we sought to improve productivity, shorten production lead times, and reduce stock of work in process. To these ends, we analyzed work processes to identify issues. Based on the findings, process revisions and assembly line layout changes were instituted to boost part-supply efficiency and enable continuous flow production. These efforts created substantial successes in terms of reducing work time and conveyance time.

The Chinese vending machine market is expected to grow substantially going forward, and we anticipate that our vending machine sales volumes will rise in conjunction with this growth. In fiscal 2016, we will utilize the enhancements to our vending machine factory in China, including increased production equipment and a new automated welding line, to further improve productivity through Supply Chain Management (SCM)\* activities. We thereby aim to achieve production volumes of 40,000 units in fiscal 2016, up from 29,000 units in fiscal 2015.

\* SCM: Strategic management approach of pursuing optimization across entire processes that spreads across the boundaries between companies and organizations to eliminate inefficiencies and thereby create substantial corporate earnings



# Fiscal 2015 Report – Procurement

To increase profitability and reduce risks, Fuji Electric has built a global-scale procurement system and strives to keep down all costs of materials used in products as well as indirect materials. Also, we are promoting CSR-oriented procurement activities by emphasizing social responsibility in building partnerships with our suppliers.

## Procurement Policy

- Enhance global procurement capabilities and cultivate purchasing staff members
- Strengthen cost reduction measures for direct materials with Design for Procurement (DFP)
- Strengthen cost reduction measures for indirect materials through Groupwide activities
- Promote CSR in procurement



Procurement training at a production base in Thailand

## Major Initiatives in Fiscal 2015

### Enhancement of Global Procurement Capabilities

We aim to build a global procurement system to develop relationships with optimal suppliers around the world. In fiscal 2015, we took steps to thoroughly enhance global procurement capabilities, including the establishment of an international procurement office in Asia and the implementation of

compliance, procurement risk management, and negotiation technique training sessions at production bases in Thailand. Looking ahead, we will expand global procurement by constructing a procurement information database that can be used by every base in the world.

### Strengthening of Cost Reduction Measures for Direct and Indirect Materials

We are working to strengthen cost reduction measures for both direct and indirect materials on a global scale. In fiscal 2015, we strengthened DFP initiatives, which entail procurement departments becoming involved from the development and design phases, and expanded local procurement at production bases in Thailand as we worked to reduce direct costs. Moreover, we endeavored to achieve the maximum reduction effect with regard to indirect materials by sharing our extensive cost reduction expertise for them which was accu-

mulated through consumable parts, office equipment, and communication cost reduction initiatives conducted to be shared with overseas production bases. Looking ahead, we will target further cost reductions by strengthening our DFP initiatives for direct materials in the plant and system equipment fields while promoting centralized pool purchasing of indirect materials on a Groupwide basis.

### Promote CSR in Procurement

We are working with our suppliers to prevent compliance violations and human rights infringements throughout the entire supply chain, and actively promoting green procurement, where we procure materials with small environmental footprints. Activities in fiscal 2015 were as follows.

For suppliers	<ul style="list-style-type: none"> <li>• Conducted CSR Questionnaire to grasp CSR activities status (300 suppliers)</li> <li>• Conducted seminars on CSR for suppliers (18 suppliers)</li> </ul>
For Fuji Electric's employees	<p>Conducted training on compliance in procurement</p> <p>Japan: a total of 973 participants attended 31 sessions</p> <p>Overseas: a total of 49 participants attended sessions at two companies in Thailand</p>

### Conflict Minerals

Fuji Electric has established a policy of not supporting acts that violate human rights through its suppliers. Based on this policy, we have worked to ban the use of minerals associated with the funding of armed insurgents, human trafficking, forced labor, child labor, abuse, war crimes, and other human rights violations. These minerals include tin, tantalum, tungsten, gold and its derivatives produced in the Democratic Republic of the Congo or areas of conflict in surrounding countries. Fuji Electric is a member of the Japan Electronics and Information Technology Industries Association (JEITA). In fiscal 2015, we participated in JEITA's Responsible Minerals Trade Working Group by gathering information. We held training about human rights violations and conflict minerals for the procurement divisions at our main bases in Japan (a total of 47 people attended the two training sessions). Going forward, we will continue to take steps with our suppliers to fulfill our social responsibility by appropriately addressing the conflict minerals issue.

# Fiscal 2015 Report – Human Resources

Fuji Electric focuses on creating work environments suited for globalization, where people respect human rights and prioritize health and safety. At the same time, we recognize that human resources are the prime driver of our competitive edge, and we actively cultivate each of our people to fully harness their potential.

We have made diversity a top priority in our personnel strategy, aiming to incorporate an array of values and perspectives so we can strengthen our competitiveness and expand business globally.



Career development support training

## Major Initiatives in Fiscal 2015

### Respect for Human Rights

We strive to guarantee that human rights are respected in our corporate decisions and business activities. To ensure this type of respect, it is crucial to foster and maintain a corporate culture in which all employees act while remaining constantly aware of human rights and neither commit nor be complicit in human rights abuses. For this reason, Fuji Electric is enhancing its systems for advocating respect for human rights.

#### Human Rights Awareness Promotion System

All domestic and overseas business sites and subsidiaries performed self-inspections based on the Policy for Human Rights of the Employees established and deployed in fiscal 2014 as well as Human Rights Check Sheets. The results of these inspections were used to hold hearings, which were primarily conducted with overseas manufacturing subsidiaries. When necessary, improvement measures were formulated based on hearings, and the hearings themselves were used as

opportunities to exchange opinions regarding issues faced when advancing human rights-related initiatives.

#### Training and Education

In Japan, as part of its level-specific training, Fuji Electric conducts training focused on deepening its employees' understanding of international human rights standards and the obligation of companies to respect human rights. At the management level, in particular, group discussions based on a variety of case studies were conducted with the intent to enhance sensitivity to human rights risks, not only within the Company but along the supply chain as well.

Furthermore recognizing workplaces that respect human rights and are free of discrimination and harassment as the basis for all business activities, we implemented e-learning programs on harassment, which all domestic employees were required to take.

### Health and Safety

Fuji Electric's basic philosophy is that of "health and safety of workers takes precedence over everything else." In line with this, all employees work together to ensure effective health and safety activities.

#### Fuji Electric Health and Safety Conference

This year's Fuji Electric Health and Safety Conference was held on February 12, 2016. The conference is widely attended, with participants including health and safety managers from every domestic business site, along with representatives from labor unions and partner companies. At the conference, attendees review the previous year's activities and confirm initiatives for the coming fiscal year. This year, we examined the causes of accidents that had occurred on Fuji Electric's premises during the fiscal year, checking and sharing information on the circumstances surrounding the accidents among all attendees. All attendees pledged to ensure that the findings of these activities are communicated throughout each division to prevent reoccurrence of the same accidents.

#### Ongoing Health and Safety Education

Preventing workplace accidents requires that all employees strive to quickly identify unsafe situations and actions in the workplace from their own unique perspective so that these risks can be weeded out. Accordingly, all employees must possess accurate insight and awareness with regard to safety. At Fuji Electric, training is not only conducted when employees

seek to acquire qualifications; rather, we periodically implement refresher training to improve employee skill levels, and we are constantly planning and instituting health and safety education programs to promote continuity.

#### Workplace Safety Patrols

Inspections from a third-party perspective are an effective way to uncover risks lurking in familiar work processes. We therefore believe it is vital to continue conducting systematic safety patrols at business sites, including those of Group companies. Such safety patrols are performed at domestic factories and construction sites as well as overseas bases in China, Southeast Asia, and other locations, leading to great successes.



Safety patrol

#### Achievement of Accident-Free Records

The Matsumoto Factory was recognized by the Ministry of Health, Labour and Welfare for achieving a Class 3 Accident-Free Record, while the Fukiage Factory was recognized for achieving a Class 1 Accident-Free Record. Going forward, we will continue making every effort to eliminate industrial accidents and create safe, comfortable workplaces.

## Human Resource Development

Training at Fuji Electric is intended to achieve our corporate philosophy and management policies, and to cultivate professionals who can enjoy autonomous, continuous growth. In addition to on-the-job training in each workplace, we are proactive in offering a range of cross-company education and training.

To expand our business globally, we are engaged in human resource development aimed at building teams that can work effectively by combining the skills of employees across workplaces and nationalities.

### Level-Specific Training

As employees move up to managerial or general manager positions, we provide level-specific education to help them make the organization work effectively as a whole. In fiscal 2015, 419 employees participated in a curriculum designed to improve organizational management skills, including decision-making and communication.

### Selective Training

Selective training is intended to identify prospective executives at an early stage and provide them with ongoing education. In fiscal 2015, 14 managers participated in this training.

## Promoting Work-Life Balance

We are strengthening initiatives to help employees achieve a work-life balance by creating working environments that are more conducive to the efforts of diverse employees and that enable people to fulfill their potential. We encourage a work style of focusing on one's job while at work and resting properly outside of work, based on which we are actively entrenching a workplace culture that makes taking time off easier.

In fiscal 2015, we set quantitative targets with the aim of addressing the issue of excessive work hours. We also held periodic meetings through which both management and labor representatives followed and discussed the progress of initiatives on this front.

To promote the participation of fathers in child-rearing, Fuji Electric has enhanced its childcare-related leave systems. In addition, steps are taken to encourage usage of these systems.

## Employment of People with Disabilities

The Company encourages lifetime employment for people with disabilities. We therefore promote hiring and ongoing employment of people with disabilities.

In fiscal 2015, we continued to expand the scope of duties that can be performed by differently abled individuals at business sites across Japan. As a result, 19 new individuals with disabilities were hired (14 new graduates, five mid-career hires), bringing the percentage of employees with disabilities to 2.3% as of March 2016.

In training employees with disabilities, we strive to help them achieve independence as professionals by encouraging participation in events such as the Abilitympics and work fairs for people with disabilities as well as through the utilization of action-goal systems. We also support employees' efforts to lead independent lives as members of society through

### Globalization Training

In fiscal 2015, 22 members of the local management staff of 13 countries worldwide gathered together for global leadership training, at which we shared information on our borderless vision as well as on issues faced in different countries and regions, deepening coordination among participants. In addition, two sales skills enhancement training sessions were held in Thailand with the aim of giving young employees hired locally opportunities to improve their product knowledge and build networks. These training sessions were attended by a total of 31 employees from 12 countries, including the United States and Middle Eastern countries.

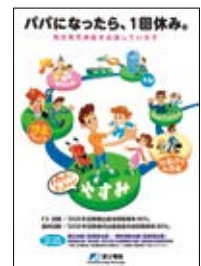
The Company also dispatched 12 junior employees from Japan as the latest group of overseas trainees and sent four engineers on overseas assignments for study purposes. Furthermore, those employees to be assigned abroad were given preparatory training on the importance of appreciating and cooperating with others regardless of cultural differences as well as a thorough introduction to compliance issues.



Global leadership training

For example, when the Company learns of a childbirth in a male employee's family, an e-mail explaining the leave system for childbirth by a spouse will be sent to both the employee and their supervisor urging use of this system. Furthermore, we endeavored to foster a positive mind-set toward fathers' participation in child-rearing by holding the "Ikumen\* Seminar" series of training sessions and level-specific training sessions, displaying Ikumen posters, and otherwise working to change employees' thinking on this subject. We also conducted seminars offering employees basic knowledge of nursing care.

\*A popular term for fathers who actively participate in child-rearing



Ikumen poster



Circuit board testing



Forklift operation

## Empowerment of Female Employees

Fuji Electric promotes diversity on an ongoing basis as part of its management policy to “maximize our strengths as a team, respecting employees’ diverse ambition.” As one facet of these efforts, we are focusing on empowering female employees in the workplace. The Company deploys a wide range of initiatives to help women play an active role in the Company, such as proactively hiring women with science and engineering backgrounds and offering career development support training for new and mid-level female employees. Other initiatives include a mentorship program known as the Sister System, in which experienced employees provide guidance to newer employees as well as pair work training between employees taking child-care leave and their supervisors. Through these initiatives, we support the career development efforts of female employees and aim to cultivate appropriate attitudes among management and all other employees.

In 2013, the Ministry of Economy, Trade, and Industry (METI) selected Fuji Electric for inclusion in its Diversity Management Selection 100, which recognizes companies that have achieved results in creating innovation and improving productivity by utilizing a diverse workforce.

Furthermore, in 2016, the Company was included in the Nadeshiko Brand based on an overall evaluation of its initiatives to promote the empowerment of female employees.

### Major Initiatives

Recruiting Activities	<ul style="list-style-type: none"> <li>Project for recruiting women with science and engineering backgrounds</li> </ul>
Career Development Support	<ul style="list-style-type: none"> <li>Career development support training for female employees</li> <li>Cross-industry joint training for women in management</li> <li>Sister System (mentor system for women employees)</li> </ul>
Helping Employees Return to Work after Childcare Leave	<ul style="list-style-type: none"> <li>Pair work training</li> </ul>
Spread of Diversity Promotion	<ul style="list-style-type: none"> <li>Business site or working group initiatives</li> <li>Positioning of representatives at each business site to strengthen initiatives at all sites</li> <li>Level-specific training</li> </ul>

### Career Development Support Training for Female Employees

To offer further support for the contributions of female employees, we provide career development support training designed to cultivate female managers. A career awareness survey conducted in conjunction with employee evaluations showed that, while many female employees were ambitious about advancing their careers, they harbored many concerns regarding their job and their life away from work. It was for this reason that we began holding these training sessions. The goals of this training program include helping women develop concrete career plans, heightening ambition to pursue career advancement through presentations by experienced female employees that serve as role models, and bestowing the skills necessary for mid-level employees.

### Sister System (Mentoring Program for Female Employees)

The Sister System entails assigning female employees a mentor of a higher rank from a different division to serve as a consultation partner, aiding their growth through consultation meetings.

Fuji Electric previously suffered from a lack of nearby role models and consultation partners for female employees. To address this issue, we introduced the Sister System in fiscal 2011 with three goals: (1) having more experienced female employees help younger employees further their careers and achieve a good work-life balance, (2) promoting networking among female employees, and (3) improving the capacity of experienced employees to cultivate new employees. This program has been in effect for five years as of fiscal 2015, and a total of 218 people have taken part over this period.

### Inclusion in Nadeshiko Brand

Conducted jointly by METI and the Tokyo Stock Exchange, the Nadeshiko Brand recognizes listed companies that display excellence in empowering their female employees. Fuji Electric was chosen for inclusion out of approximately 3,500 applicable listed companies.

The Nadeshiko Brand is designed to introduce companies that will be appealing to investors concerned with medium-to-long-term improvements in corporate value. For this reason, companies are scored based on their career development and work-life balance support systems for female employees, and return on equity (ROE) and other financial indicators are also considered when selecting the one prestigious representative from each category.



Nadeshiko Brand logo

### Female Employees and Managers (As of April 1)

	FY2014	FY2015	FY2016
Employees	14,418	14,260	<b>14,057</b>
Number of female employees	1,754	1,764	<b>1,737</b>
Ratio of female employees	(12.2%)	(12.4%)	<b>(12.4%)</b>
Number of females in management positions	42	46	<b>48</b>
Ratio of females in management positions	(1.6%)	(1.7%)	<b>(1.9%)</b>

\* Management: Manager rank or above.

\* Data collected from: Fuji Electric, Fuji Electric FA Components & Systems, Fuji Office & Life Service, Fuji Electric IT Center, Fuji Electric Finance and Accounting Support, Fuji Architect and Engineering, Fuji Electric Frontier.

### Quantitative Female Employee Empowerment Targets

Number of female officers in fiscal 2020	<b>300</b>
Ratio of employees that are female university or vocational school graduates	<b>20%</b>

\* Officers: Assistant manager class or above

\* Applicable companies: Fuji Electric, Fuji Electric FA Components & Systems, Fuji Office & Life Service, Fuji Electric Information Technology Center

## Support for Nurturing Female Employees

To help address the concerns of female employees arising from the lack of nearby consultation partners, Fuji Electric introduced the Sister System, which makes it easier for female employees to consult with their more experienced peers.

### ■ Fuji Electric's Sister System

"We often heard female employees voice their concern with being the only woman at their workplace, leaving them with no one to talk to about their work or home life. It was out of our desire to address this issue that we introduced the Sister System," recalls Kaori Kudo from the Human Resources and General Affairs Office.



Kaori Kudo, representative in charge of diversity

The Sister System is a program that provides career development and work-life balance support for female employees through consultation meetings held once every two or three months. In fiscal 2015, 36 pairs, or 72 individuals, participated in this program. In addition, three group training sessions were held in fiscal 2015 to support the development of female employees by providing them with opportunities to learn about methods for ensuring smooth communications, share information about issues they sought consultation on, and discuss possible solutions for these issues. These training sessions offer further support to nurture female employees.

### ■ For Want of Broader Horizons



Izumi Tachikawa  
International Taxation  
Section, Taxation  
Department, Corporate  
Finance Office, Corporate  
Management Planning  
Headquarters

Izumi Tachikawa works in a taxation-related division that primarily handles transactions with overseas bases. When asked her reasoning for participating in the Sister System, she smiles and replies, "I had worked in the same place since joining the Company, and I wanted to broaden my horizons. I thus chose to join the program due partially to a recommendation from my boss but also to help advance

my career. While I was a little concerned about what type of person my mentor would be, my excitement outweighed this concern."

### ■ Advice Grounded in Experience

Tachikawa's mentor Mikako Sato, a manager from the Human Resources and General Affairs Section of Fuji Electric IT Center, offers advice based on her experience. "Ms. Tachikawa is a hard worker that values both her



Mikako Sato  
Chief Evaluator, Human  
Resources and General Affairs  
Section, Planning Department  
Fuji Electric IT Center Co., Ltd.

job and her family, but she needs to know when to take a break." Sato then smiles to extend words of encouragement, "I hope that she can learn to relax a little and become a capable woman that can meet any situation with a smile. Ms. Tachikawa can go far by herself, but I am always around if she needs any help."

### ■ Mutual Growth Based on Discoveries

"Ms. Sato told me that "handling transactions with overseas bases is itself a job that broadens your horizons." It was an eye-opening moment. Having someone evaluate my situation from a different perspective brought new discoveries and changed the way I look at things," recounts Tachikawa when explaining her experience consulting with Sato.

Tachikawa also asked Sato about child-rearing. "At first I thought that it was only natural for children to require a lot of



Consultation meeting between Tachikawa and Sato

attention, but Ms. Sato told me about how important it is to let children develop a sense of independence by allowing them to do things by themselves. Coming from a mother of four kids, these words were inspiring. Should I ever have a chance to make use of my own experience in this manner, I hope to be able to pass on such wisdom to younger employees as well," Tachikawa says.

When the subject turns to networking, Sato explains, "The program provides an opportunity to interact with people you would not encounter in everyday work, making them a great opportunity to build networks."

Tachikawa adds, "The program reminded me of the importance of workplace communication. Now, I try to make sure I speak with my coworkers no matter how busy I am." The growth of both parties is palatable as the conversation proceeds.

### ■ Message for Working Women

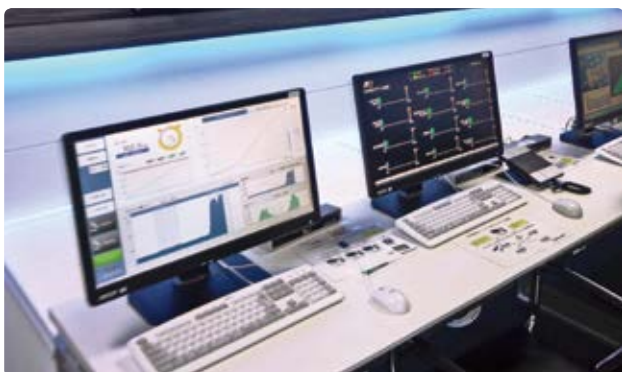
Kudo offers a message for working women. "The Sister System is now in its fifth year, and over 200 people have taken advantage of this program. Through this program, I hope we can enrich both the work and private lives of female employees and build an environment in which working women can exercise their skills to the fullest. I see these training sessions as an opportunity to move toward this goal."

Fuji Electric remains committed to supporting its female employees into the future.

# Fiscal 2015 Report – Environment

Efforts to protect the global environment are a key management issue for Fuji Electric, and, following the establishment of our Basic Environmental Protection Policy, we continue to promote environmental management with the goal of contributing to global environmental protection through our business activities.

In fiscal 2012, we began the Smart Factory Initiative to optimize energy usage by coordinating electrical and thermal energy technologies with production planning. In fiscal 2015, this initiative was extended to seven new factories, adding to the four model factories (Kawasaki, Tokyo, Yamanashi, and Mie) at which it was previously introduced, and the benefits of the energy usage visualization implemented are already apparent.



Energy usage visualization implemented through energy monitoring terminal (Fukiage Factory)

## Basic Environmental Protection Policy

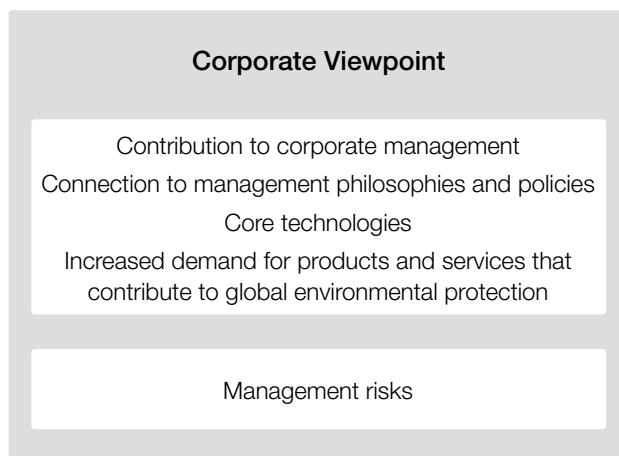
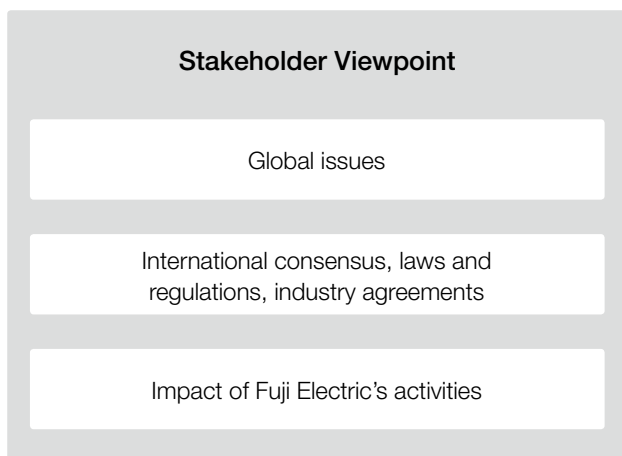
1. Offering products and technologies that contribute to global environmental protection
2. Reduction of environmental burden throughout product life cycles
3. Reduction of environmental burden in business activities
4. Compliance with laws, regulations, and standards
5. Establishment of environment management systems and continuous improvements of the systems
6. Improvement of employees' environmental awareness and social contribution
7. Promotion of communication

## Environmental Vision 2020

In 2009, Fuji Electric formulated Environmental Vision 2020 to guide its medium-to-long-term environmental activities as it promotes environmental management. The vision was established based on the perspectives of stakeholders and relevant companies through a process that entailed identifying material issues needing to be prioritized and then formulating concrete initiatives and targets in relation to these issues. We are forging ahead with these initiatives. This vision is centered

on three specified material issues of stopping global warming, creating a recycling-oriented society, and meeting our corporate social responsibilities. In addition to reducing the environmental footprint of our own production activities, we seek to help achieve sustainable societies by providing products and technologies that leverage our strengths in electrical and thermal energy technologies.

## Viewpoints Incorporated in Identifying Material Issues



## Environmental Vision 2020

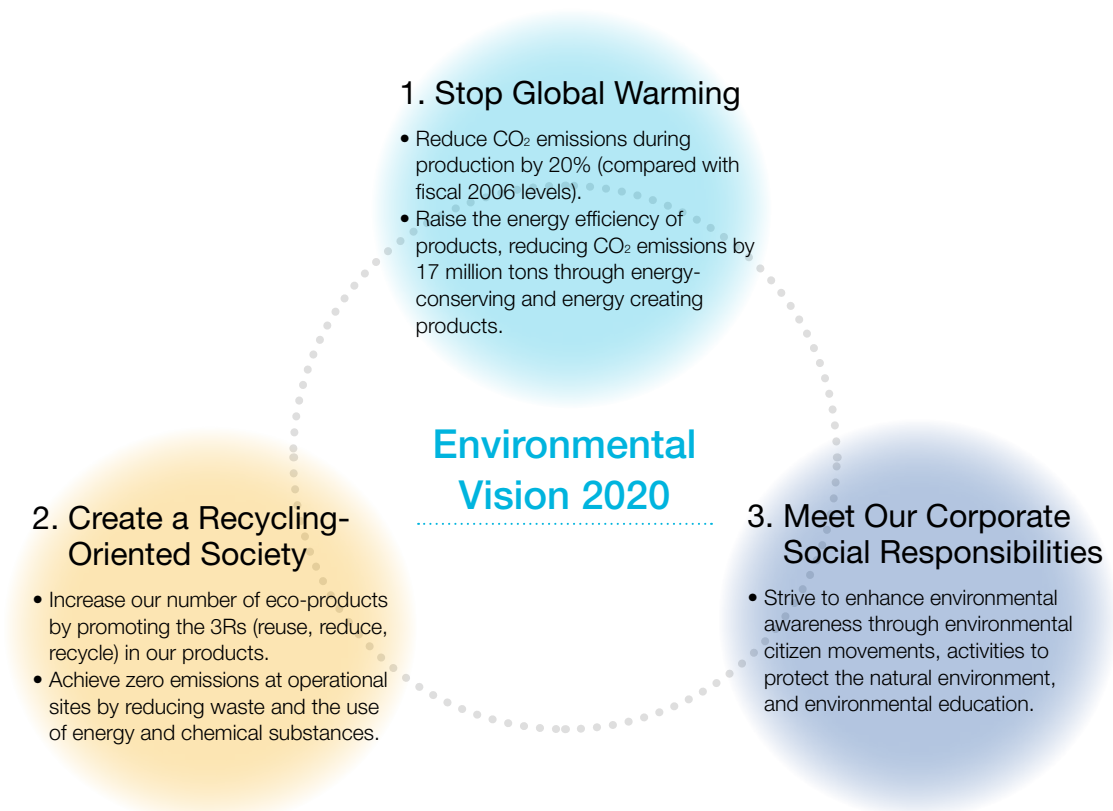
Our main initiatives under the issue of stopping global warming are to reduce CO<sub>2</sub> emissions during production by 20% in fiscal 2020 compared with the fiscal 2006 level of 381,000 tons, while reducing society's CO<sub>2</sub> emissions by 17 million tons by expanding sales of energy-saving and energy-creating products.

Under the issue of creating a recycling-oriented society, our key measures with respect to production resources are to lower ratio of waste sent to landfills by reducing waste and recycling resources. For water resources, we are endeavoring to cut the

use of water resource inputs per unit of production. We are particularly stepping up efforts to increase water reuse rates at production facilities that consume a lot of water and at overseas facilities where there are significant water supply risks.

In this report, we present our main initiatives to stop global warming and to create a recycling-oriented society.\*

\* Unless otherwise specified, environmental activity targets and results in this report encompass domestic consolidated subsidiaries and overseas consolidated production subsidiaries.



## Environmental Management Three-Year Rolling Plan

To achieve the goals of Environmental Vision 2020, Fuji Electric has formulated an Environmental Management Three-Year Rolling Plan, designed to promote ongoing efforts.

In this initiative, we verify each year that the environmental management strategy is addressing societal changes and establish detailed targets in various areas, such as the enhancement of environmental management governance, measures to prevent global warming, and measures to address the use of chemical substances. Fuji Electric will continually make revisions to the targets and action plans for each fiscal year up to three years in advance, and it aim to achieve the goals of Environmental Vision 2020 with certainty.



## Fiscal 2015 Efforts to Stop Global Warming

### Reduction of CO<sub>2</sub> Emitted during Production

In Japan, we have been moving ahead with activities to reduce CO<sub>2</sub> emissions since fiscal 2012 to conserve energy and curb costs.

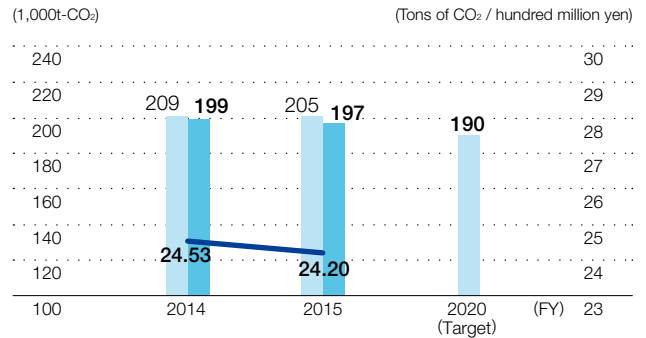
We continued to advance the Smart Factory Initiative in fiscal 2015, enhancing the efficiency of clean room air-conditioning systems and factory compressed air systems to reduce electricity consumption. We also stepped up activities for boosting employee awareness by creating and distributing posters and booklets promoting energy conservation. In fiscal 2015, these and other energy-saving activities resulted in economic benefits equaling 6.1% of fiscal 2014 energy costs as well as CO<sub>2</sub> emission reductions totaling 11,014 tons.

Fiscal 2015 CO<sub>2</sub> emissions from production were 197,000 tons (a 34.2% reduction from fiscal 2006), which surpassed the target of 205,000 tons (a 31.6% reduction from fiscal 2006).

Overseas, we switched over to air-conditioning equipment using inverters, revised standard temperature settings at bases, and took other energy-saving steps. As a result, CO<sub>2</sub> emissions decreased 927 tons in fiscal 2015, amounting to 126,000 tons (down 3.8% from fiscal 2010), which did not meet the target of 120,000 tons (down 7.9% from fiscal 2010).

While the total CO<sub>2</sub> emissions reduction target for overseas was not met, we achieved the worldwide target (worldwide Environmental Vision 2020 target: 20% reduction from fiscal 2006 levels by fiscal 2020) of emissions of 325,000 tons, or a 14.7% reduction from fiscal 2006, with emissions totaling 322,000 tons, for a 15.3% reduction.

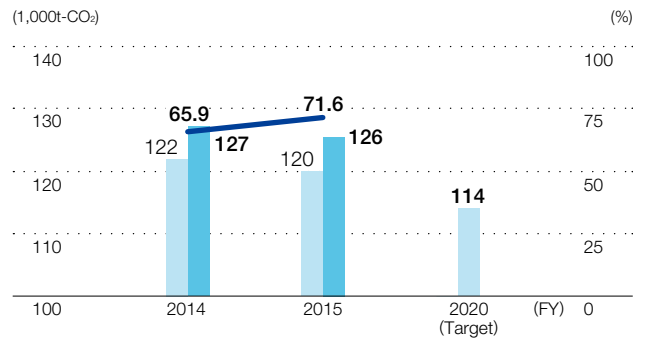
#### CO<sub>2</sub> Emissions and CO<sub>2</sub> Emissions per Unit of Sales in Japan\*<sup>1</sup>



CO<sub>2</sub> Emissions (left) Target Result CO<sub>2</sub> Emissions per Unit of Sales (right)

\*<sup>1</sup> Emissions per unit of sales is calculated by dividing the CO<sub>2</sub> emissions amount by consolidated net sales.

#### Overseas CO<sub>2</sub> Emissions and CO<sub>2</sub> Emissions\*<sup>2</sup> per Unit of Sales in Japan



CO<sub>2</sub> Emissions (left) Target Result CO<sub>2</sub> Emissions per Unit of Sales (right)

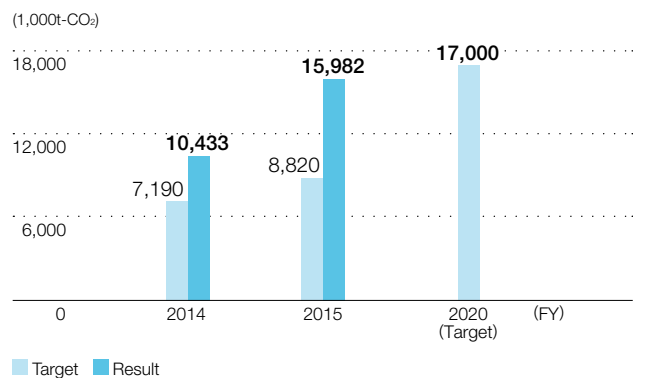
\*<sup>2</sup> The amount of CO<sub>2</sub> emitted by production volume (presented taking the value for FY2006 to be 100).

### Reduction of Society's CO<sub>2</sub> Emissions through Products

In fiscal 2015, the contribution to CO<sub>2</sub> emission reductions from products was up 5,548,000 tons from fiscal 2014, to 15,982,000 tons, clearing our target of 8,820,000 tons. This reflected, among other factors, increased sales of inverters and electronic devices and deliveries of hydro power and biomass power generation facilities.

The products supplied during fiscal 2015 are anticipated to contribute to CO<sub>2</sub> emission reductions totaling 75,014,000 tons, if used for their average lifespans.

#### Reduced CO<sub>2</sub> Emissions through Products\*<sup>3</sup>



Target Result

\*<sup>3</sup> Amount of CO<sub>2</sub> reduction based on one year of operation of products shipped for each fiscal year after fiscal 2009.

(Calculated making reference to the quantification method of GHG emission reductions stipulated in the Electrical and Electronics Industries' "Action Plan for Commitment to a Low-Carbon Society.")



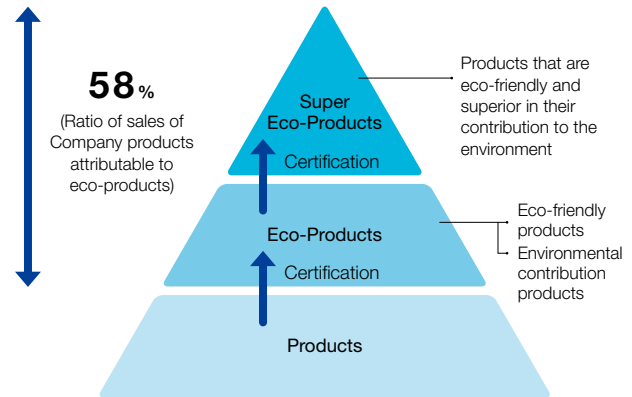
### Eco-Product Certification System

Fuji Electric is developing eco-friendly products, which enhance energy efficiency and reduce the use of chemical substances, and environmental contribution products, which help reduce society's overall impact on the environment. We continue to promote the spread of these products.

In this initiative, Fuji Electric has established the common Fuji Electric Eco-Product Certification System. We evaluate the degree of product eco-friendliness on a Companywide platform. Products meeting fixed criteria are certified as "eco-products," while those that are at the top of the industry for environmental benefits and contributions and that have received external awards recognized on the national level for environmental superiority are labeled "super eco-products."

In fiscal 2015, we investigated the connection between factory production volume and sales for each product segment to establish a better understanding of the amount of sales of Company products, which provides the denominator for calculating the ratio of sales attributable to eco-products. The fiscal 2015 ratio of sales attributable to eco-products (ratio of sales of Company products attributable to eco-products) was 58%, exceeding our target of 48%. In fiscal 2016, we will target a ratio of 70% by identifying products that qualify as eco-products and proceeding with their certification.

Furthermore, an additional three products were designated as super eco-products in fiscal 2015, making for a total of 27.



**Eco-Friendly Products:** Products that have a reduced environmental impact over the entire product lifecycle. These products are superior to traditional products in at least four of six standard areas, including energy conservation, resource conservation, and recyclability.

**Environmental Contribution Products:** Products that contribute to environmental preservation during use. Products that contribute to the environment by utilizing natural energy or information and communication technology.

### Fiscal 2015 Super Eco-Products

#### Aerosol Analyzers

Awarded 2015 (58th) 10 Greatest Innovations Prize by NIKKAN KOGYO SHIMBUN, LTD.

Fuji Electric's aerosol analyzers decipher the content of airborne PM2.5 particles, contributing to air pollution prevention by elucidating previously unseen truths.

- ▶ Employing a combination of several cutting-edge measurement methods, these analyzers continually and simultaneously record the size and number of aerosols as well as their chemical content (nitrate, sulfate, and black carbon) with high accuracy.
- ▶ Previously, sampling and analyzing aerosol chemical content was a process that had to be conducted by hand and could take more than eight hours. Our analyzers, however, have greatly cut the time required for such analyses by measuring content automatically in 15-minute cycles and almost in real time.
- ▶ The analyzers are primarily controlled via a touch panel on their front, which also displays measurement data, operational status information, and alerts.



### Case Example New Air-Conditioning Control System at the Tokyo Factory

#### Air-Conditioning Control System Reduces Energy Consumption by up to 23% and Increases Comfort and Energy Savings

Fuji Electric has developed air-conditioning control technologies based on discomfort indexes and introduced these technologies into its building management system (BAS). As a result, we were able to reduce energy consumption for air-conditioning inside buildings at the Tokyo Factory by as much as 23% per day during summer 2015, with average daily reductions of 7%. Even on days when temperatures exceeded 35°C, we were still able to achieve energy savings of 9%. The previous air-conditioning control system sought to decrease temperatures by measuring inside temperatures alone, resulting in significant energy lost to dehumidification. The new system, however, achieves optimal control based on discomfort indexes that account for both temperature and humidity levels, effectively reducing unnecessary dehumidification to maintain

a comfortable environment while saving energy.

We aim to utilize this technology in the future to contribute to the 40% reduction target for building greenhouse gas emissions the government of Japan set to be achieved by fiscal 2030.



Humidity sensor



Operating configuration display

## Fiscal 2015 Initiatives to Create a Recycling-Oriented Society

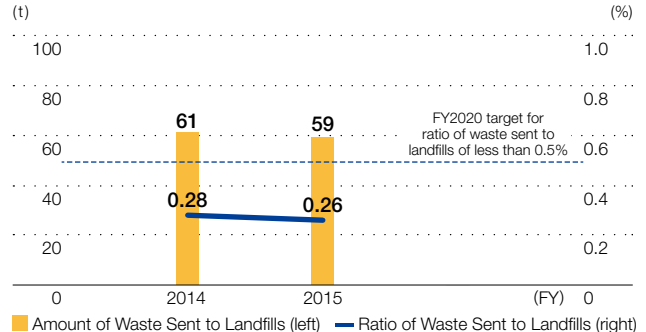
### Waste Reduction

In addition to efforts to curb waste, Fuji Electric works to promote resource recycling and has established a goal of zero waste emissions—a ratio of waste sent to landfills to total waste of no more than 1%.

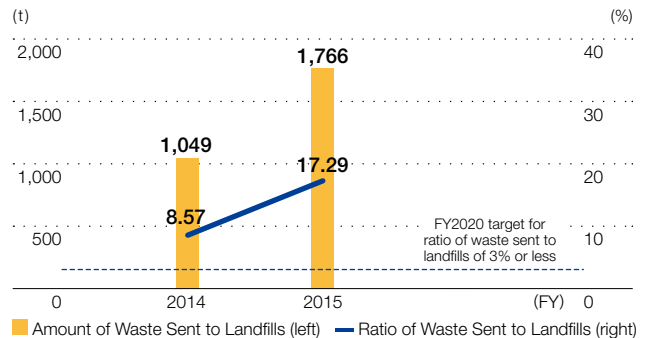
In Japan, efficient use of resources (reduce, reuse, recycle) has enabled Fuji Electric to achieve its goal of zero waste emissions every year since fiscal 2004. In fiscal 2015, we once again achieved our goal of reducing the ratio of waste sent to landfills to below 0.5%.

Moreover, we are working reduce and recycle waste overseas. In fiscal 2015, we were able to cut total waste production 2,000 tons. However, we also instituted a change to the treatment process for wastewater at a factory in Malaysia aimed at decreasing the environmentally hazardous materials contained in this wastewater (reducing the release of metallic components). Due to this change, we are no longer able to recycle the sludge created during wastewater treatment processes. Accordingly, the amount of waste sent to landfills increased approximately 700 tons, resulting in a ratio of waste sent to landfills of 17.29%.

Amount and Ratio of Waste Sent to Landfills in Japan



Amount and Ratio of Waste Sent to Landfills Overseas



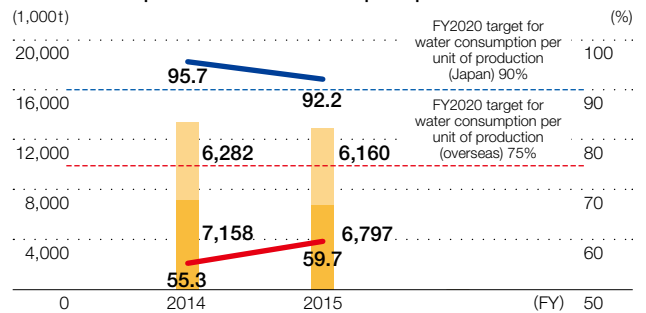
### Efficient Use of Water Resources

In view of the problem of global water resource depletion, in addition to its efforts to comply with wastewater quality requirements and reduce wastewater, Fuji Electric launched an initiative aimed at more efficient use of water resources.

Using fiscal 2010 levels as a standard, this initiative aims to reduce both total water intake and water consumption per unit of production at our domestic manufacturing sites by 1% each, with the goal of reducing those levels by 10% in fiscal 2020.

Using fiscal 2011 levels as a standard, since fiscal 2013 we have established a goal for our overseas production sites of reducing water consumption per unit of production by 25% in fiscal 2020, and are conducting activities to reach that target. Beginning in fiscal 2016, we will pursue a reduction in water consumption of 25% to be achieved by fiscal 2020.

Water Consumption and Water Consumption per Unit of Production\*4



Water Consumption: ■ Japan ■ Overseas  
Water Consumption per Unit of Production: — Japan — Overseas

\*4 Water consumption per unit of production (For Japan, presenting FY2010 level as 100; for overseas, presenting FY2011 level as 100).

### Case Example Effective Utilization of Water Resources at Matsumoto Factory

#### Drive to Preserve Water Resources

The Matsumoto Factory uses large amounts of pure water in semiconductor manufacturing processes and also consumes massive quantities of water for cooling production equipment and other applications. For this reason, efforts to reduce use of water resources and utilize these resources more effectively are being advanced at the factory.

As one facet of these efforts, we separate out exhaust water from production processes that is still of relatively high quality to be recycled into pure water. For use in manufacturing pure water with ion exchange resins, the Matsumoto Factory introduced an electric pure water manufacturing device. With this device, the factory is now able to continually create pure water

without needing to use chemicals to regenerate ion exchange resins. Accordingly, the factory is no longer required to treat chemical-containing wastewater, an accomplishment that helped reduce usage volumes of electricity, water resources, and chemicals. For final treatment of wastewater from factories, the Matsumoto Factory installed wastewater recovery systems to conduct recycling processes (filtration via coagulation sedimentation) for wastewater to enable this water to be reused in factory cooling towers, toilets, and other facilities. Approximately 1,000 tons of water are reused in this manner each day.



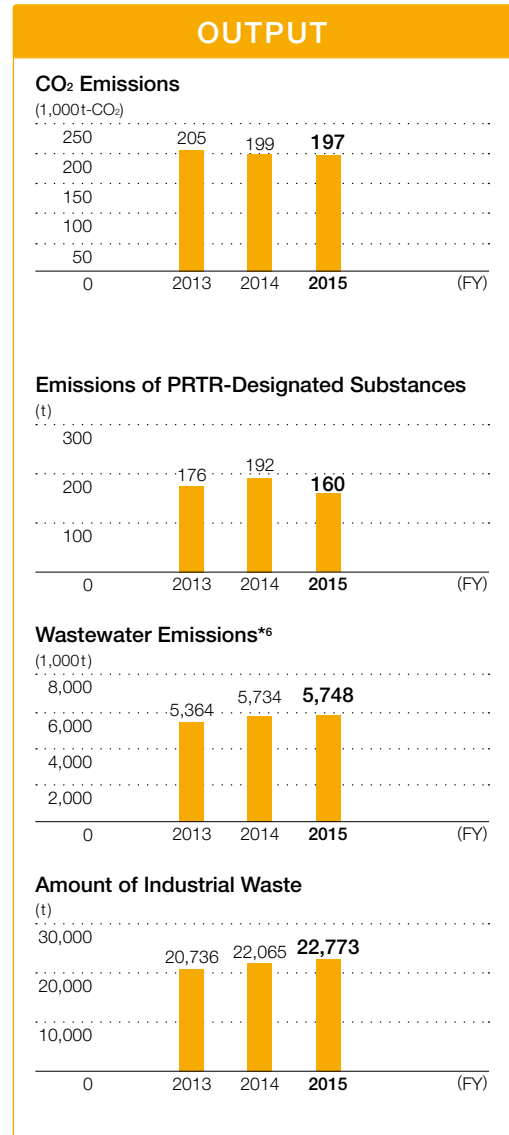
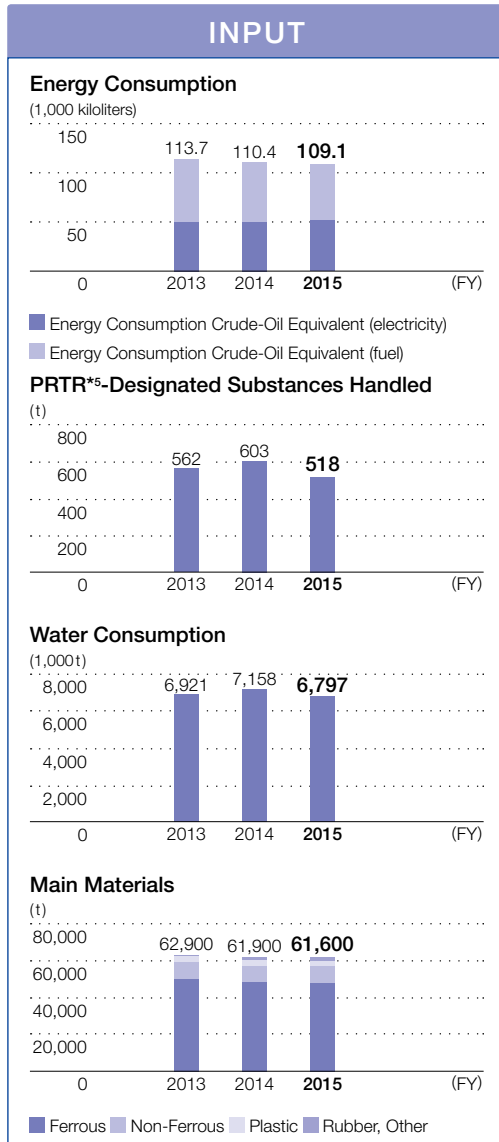
Integrated Water Management (IWM)

## Mapping the Interplay between Business Activities and Environmental Impact

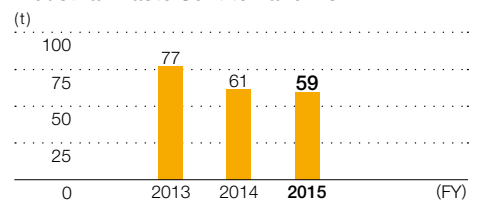
Fuji Electric is constantly working toward more efficient use of resources and energy and the reduction of waste throughout all of its business activities. We are also proactive in our efforts to be more environmentally conscious across the entire product and service life cycle.

The following graphs contain environmental impact data from the fiscal years 2013 to 2015.

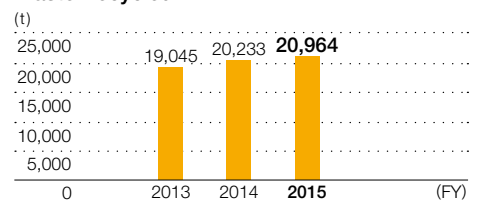
Scope: Domestic production base



### Industrial Waste Sent to Landfills\*7



### Waste Recycled\*7



\*5 Pollutant Release and Transfer Register Law

\*6 Wastewater emissions refer to volume of water discharged into rivers and other natural environments.

\*7 The amount of waste sent to landfills and the amount of waste recycled are internal figures from the amount of waste generated.

# Fiscal 2015 Report—Social Contributions

Using the human resources and technology it has nurtured through its business activities, Fuji Electric works to ensure that as many of its employees as possible are active in communities around the world, with a basic policy of contributing to solutions to the issues those communities face.



Clean-up activities (Shikoku Area Operation)

## Key Themes and Main Initiatives in Fiscal 2015

### Promoting Youth Development

- Hosting science classes for elementary and junior high school students
- Corporate training and training in practical science skills for teachers

### Protecting the Natural Environment

- Forest conservation and marine conservation activities
- Clean-up activities

### Helping with Reconstruction after the Great East Japan Earthquake

- Support for Fukushima Prefecture (purchase of local produce, provision of play areas for children)

## Case Example Coral Planting Activities to Preserve the Natural Environment

### Aquatic Environment Protection

In Thailand, global warming has resulted in a phenomenon known as “coral bleaching,” which stems from higher ocean temperatures and is diminishing coral reefs. Seeking to raise awareness of the importance of coral reefs and protecting habits for aqua organisms, Fuji Electric Manufacturing (Thailand) Co., Ltd., held a coral planting event at Toei Ngam Beach in the Sattahip District of Chonburi Province. A total of 60 employees participated in this event.

This event was conducted with the cooperation of the Royal Thai Navy, which possesses coral planting specialists. Prior to planting the coral, employees were given a lecture on aquatic organisms and received planting advice.

This new experience sparked the interest of participants, who

went about the planting with enthusiasm and learned about the importance of protecting aquatic environments.

Going forward, we plan to continue such coral preservation activities.



Employees planting coral



Royal Thai Navy diver transplanting coral into the sea

## Case Example Support for Children's Play Areas Helping Reconstruction after the Great East Japan Earthquake

### Quest to Bring Joy to Children in Fukushima

As part of its efforts to help reconstruction in the Tohoku region after the Great East Japan Earthquake, Fuji Electric offered its support to PEP Network of Child Care in Koriyama, an NPO that has been tasked with operating the PEP Kids Koriyama indoor play area in Koriyama City, Fukushima Prefecture.

This NPO has continued to provide a play area that can be used year-round since the earthquake. It thereby aims to alleviate the trend toward children lacking sufficient exercise, having lower stamina, and becoming obese, which is a result of the impacts of the incident at the Fukushima Daiichi Nuclear Power Station. In supporting this NPO, Fuji Electric helped renovate the facilities of PEP Kids Koriyama to enhance the quality of this play area, which has been open for more than four years. After the renovation, PEP Network of Child Care in Koriyama stated

that the new and improved play area allowed children to enjoy a wider range of activities, fostering deeper ties among children, and that the opinions of visitors had been stellar.

We hope to continue our quest to bring joy to children in quake-stricken regions on into the future.



Inside PEP Kids Koriyama



Play structures in part of renovated area

### Company Supporting Youth Development Deemed Necessary by the Community

Hokkaido Fuji Electric Co., Ltd., was established in 1968 as a directly operated sales company for the Company's industrial electric equipment products. This company conducts community-rooted sales activities in Hokkaido Prefecture and seeks to contribute to the community. One area in which it contributes is youth development, with initiatives to this respect including the dispatch of employees to nearby elementary schools to conduct science classes on such topics as electricity and energy.



An employee helping a student

#### Start of Science Classes

"Prior to the science classes, we had been engaged in outreach activities such as donating educational materials on Japanese to schools overseas. However, at this time, we were also searching for a means of contributing to the community that better matched our business and scale," recounts General Affairs Division Manager Manda.

After hearing about science classes conducted by Fuji Electric in which children assembled motors by hand, we thought that Hokkaido Fuji Electric could conduct similar classes, sensing that such activities would be incredibly meaningful for a company that handles electric components.



Handmade paper clip motor

As several employees had children attending the nearby Sapporo Chuo Elementary School, we communicated the dispatch class proposal to the school through these employees. The principal was incredibly passionate about science education, and our commitment struck a chord. The first class was held in 2011 for fifth graders. "I was one of the people that conducted that class," says Director Nakanishi, slightly embarrassed. During its first year, the science class program was implemented by a total of 10 employees, primarily comprising junior and mid-level employees from the sales division. However, the number of junior employees requesting to participate grew with each iteration, and the program has come to be recognized as an important social contribution activity by all employees.



Employee participants in the science class program

With similar feelings, Sapporo Chuo Elementary School asked us to hold classes each year.

#### Science Class at Sapporo Chuo Elementary School

On December 22, 2015, 10 Hokkaido Fuji Electric employees held a science class at Sapporo Chuo Elementary School in which 85 fifth graders made motors by hand. An employee participant was stationed at each

table to offer advice and ensure that students were able to complete the task. Despite initially experiencing difficulty, students remained focused, and, after a bit of trial and error, it was not long before the sound of spinning paper clip motors was accompanied by a chorus of "We did it!" and "It moved!" The children's excitement transformed the nervous faces of employees into smiles.



Science classes conducted at an elementary school



"Seeing the enthusiasm of the children, their smiling faces when their motors moved, and their words of appreciation written on post-class surveys gave me a sense of fulfillment and accomplishment not felt in my everyday work," states Takahashi of the System Sales Division. The principal of Sapporo Chuo Elementary School also expressed his impression of the classes, saying that, "They perfectly line up with Sapporo City's policy of emphasizing classes that offer fun together with learning and tangible accomplishments, while addressing a major issue with contemporary science education: the lack of opportunities for hands-on experiences. Truly, these classes are a spectacular opportunity."

#### Future of the Program

In fiscal 2015, Hokkaido Fuji Electric conducted science classes at Hiragishi Elementary School, which is located a little further away from the company. "Not only have these activities helped raise our recognition in the local community, but they have also helped foster a new type of confidence in-house, as our involvement with elementary school education has given us a sense of pride as a company that contributes to society," says Manda proudly.

Hokkaido Fuji Electric plans to continue holding science classes to continue being a company that supports youth development and is deemed necessary by the community.



Message card received from students of Hiragishi Elementary School (displayed in entrance of Hokkaido Fuji Electric head office)

# Fiscal 2015 Report—Corporate Governance

To realize its corporate mission, Fuji Electric is reinforcing its corporate governance by increasing management transparency and enhancing the oversight function. Furthermore, the Company has prepared its response measures to Japan's Corporate Governance Code, which was instituted by the Tokyo Stock Exchange in June 2015. These measures have been compiled into the Company's *Corporate Governance Report*.

## Corporate Governance Framework

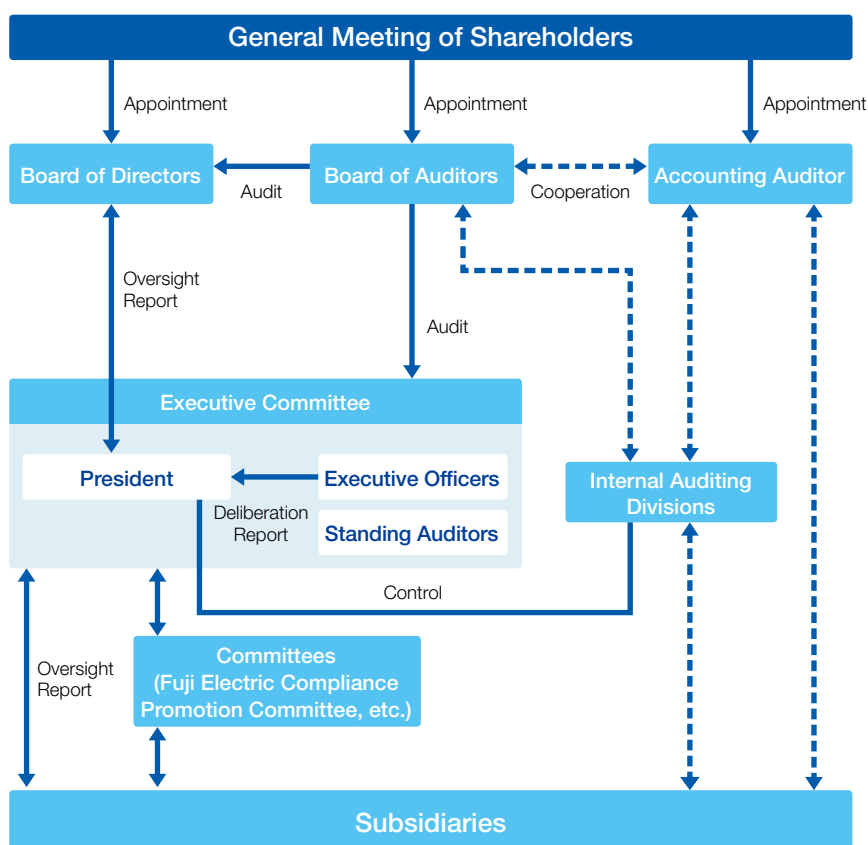
Fuji Electric's corporate governance framework consists of a Board of Directors, which performs the functions of management supervision and making important decisions, and Auditors and the Board of Auditors, which are in charge of the management audit function.

Comprising nine Directors (including three Outside Directors)

and five Auditors (including three Outside Auditors), the governance framework is designed to reinforce the Company's management supervision and audit functions. To this end, the system actively calls on outside officers.

Fuji Electric uses the executive officer system to strengthen business execution functions.

### Corporate Governance Framework



### Directors and Board of Directors

The Board of Directors conducts decision making and oversight of the management of Fuji Electric and the execution of its important business. Fuji Electric proactively appoints Outside Directors with a view to strengthening the management supervisory function from an objective perspective and maintaining the validity and propriety of business decisions.

### Auditors and Board of Auditors

The Board of Auditors inspects Fuji Electric's management and business execution. In addition to our proactive appointment of Outside Auditors, auditing functions are enhanced by having Standing Auditors attend the Executive Committee.

### President, Executive Officers, and Executive Committee

The president has ultimate responsibility for execution of business and makes decisions on matters of business execution other than those decided upon by the Board of Directors. The Executive Committee is composed of executive officers and Standing Auditors and functions as a consulting system for the president. It fulfills such functions as deliberation of important matters and makes reports to enable monitoring of the status of management. Executive officers control the execution of the business of which they are in charge.

## Outside Officers

Outside officers fulfill the role of providing management supervision and management audits from an objective perspective. At the same time, they offer useful advice and instructions from various perspectives on all areas of Fuji Electric's management, helping to ensure the appropriateness of management decisions.

After their appointment, outside officers participate in internal technology presentations and business site inspections to deepen their understanding of Fuji Electric's management.

In fiscal 2015, the rates of attendance of outside officers at meetings of the Board of Directors (which were held 13 times) and meetings of the Board of Auditors (which were held 10 times) were 91% and 80%, respectively.

## Outside Directors (Attendance at Board of Directors)\*1

<b>Motoyuki Suzuki</b> (13/13)	Mr. Suzuki offers useful advice and opinions on all areas of Fuji Electric's management based on his professional standpoint and considerable insight in environmental engineering, a field that is closely related to the Company's management policies.
<b>Toshihito Tamba</b> (Appointed in June 2016)	Mr. Tamba is expected to offer useful advice and opinions on all areas of Fuji Electric's management based on his professional standpoint and considerable insight as a manager of listed companies.
<b>Naoomi Tachikawa</b> (Appointed in June 2016)	Mr. Tachikawa is expected to offer useful advice and opinions on all areas of Fuji Electric's management based on his professional standpoint and considerable insight as a manager of listed companies.

## Outside Auditors (Attendance at Board of Directors / Board of Auditors)\*1

<b>Yoshiki Sato</b> (12/13 / 9/10)	Mr. Sato offers useful advice and opinions concerning the business management of Fuji Electric in general, based on his extensive experience and considerable insight as a manager at financial institutions.
<b>Akiko Kimura</b> (12/13 / 10/10)	Ms. Kimura offers useful advice and opinions concerning the business management of Fuji Electric in general, based on her expert knowledge as an attorney.
<b>Tetsuo Hiramatsu</b> (Appointed in June 2016)	Mr. Hiramatsu is expected to offer useful advice and opinions on all areas of Fuji Electric's management based on his professional standpoint and considerable insight as a corporate manager.

\*1 Ratios below the names represent the number of meetings of the Board of Directors and the Board of Auditors over the period from April 1, 2015, to March 31, 2016, attended by that officer.  
Notification has been submitted that these outside officers are Independent Directors / Auditors as required by financial instruments exchanges.

## Executive Remuneration

Fuji Electric has established a remuneration system and remuneration levels for Directors and Auditors that are deemed appropriate for their respective duties and in accordance with the shareholders' mandate, giving due consideration to the aims of securing and maintaining competent personnel and providing incentives for the improvement of business performance.

### Standing Directors

As Standing Directors are charged with the responsibility of improving consolidated operating performance for each fiscal year and realizing improvements in corporate value over the medium- to long-term, their remuneration is structured and managed in two categories: base remuneration and performance-linked remuneration.

### ▶ Base Remuneration

Base remuneration is a predetermined amount that is paid to executives according to their position. A portion of the base remuneration is contributed to the Director shareholding association to share the economic interests of shareholders and as an incentive to make management aware of share value.

### ▶ Performance-Linked Remuneration

Performance-linked remuneration is paid only in instances in which dividends are paid to all shareholders from retained earnings. The total amount of executive performance remuneration shall be within 1.0% of consolidated net income for the fiscal year prior to the date of payment in order to make the link with consolidated results for each fiscal year more transparent.

## Outside Directors and Auditors

Remuneration for Outside Directors and Auditors is paid as a predetermined amount according to their rank, as Outside Directors and Auditors are charged with the duty of supervising or auditing the execution of duties across 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 (Fiscal 2015)

	Number of Recipients	Amount of Payment (Millions of yen)
Directors [of which, Outside Directors]	9 [3]	263 [22]
Auditors [of which, Outside Auditors]	5 [3]	80 [22]

Notes 1. The amount paid to Directors does not include performance-linked remuneration for fiscal 2015  
2. In addition to the above, ¥85 million was paid as performance-linked remuneration for fiscal 2014 to Standing Directors (six recipients).  
3. In addition to the above payment, the Company paid ¥26 million to employees who concurrently assumed the office of Director (2 employees) as salary for employees.

## Internal Control System

The Fuji Electric Board of Directors determines basic policies concerning the establishment of an internal control system as stipulated in the Companies Act, and the Company discloses those policies. Fuji Electric's Company-wide internal control system is designed to respond promptly and accurately to the demands placed upon the Company by society, and improvements are continuously made to it.

## Interactions with Investors

The Company takes steps to interact with investors through various activities. The feedback gained through these interactions is relayed to the Board of Directors, management, or relevant divisions as necessary so that this information may be shared and utilized.

## Activities for Interacting with Investors (Fiscal 2015)

Private shareholders and investors	Factory tours for shareholders: 6
Analysts and institutional investors	<ul style="list-style-type: none"> <li>• Financial results briefings: 4</li> <li>• Management plan briefings: 1</li> <li>• Business strategy briefings: 1</li> <li>• Small meetings<sup>*2</sup>: 1</li> <li>• Factory tours: 2</li> </ul>

\*2 Meetings held with a small number of analysts and other individuals

# Fiscal 2015 Report—Compliance

**We employ thorough measures to ensure compliance with laws and corporate ethics and always act with a high degree of social conscience to achieve sustained corporate growth.**

## Basic Compliance Policy

The Fuji Electric Code of Conduct states that we shall “Respect, value and conform with all applicable laws and regulations,” and has been incorporated into our basic policy. We have established and have been implementing the Fuji Electric Compliance Regulations which is the guideline for compliance, and the Fuji Electric Compliance Program, which bring together four aspects of domestic and overseas compliance (internal rules, monitoring, audit and education), based upon this policy.

## Compliance Promotion Structure

The Fuji Electric Compliance Promotion Committee, which is headed by a representative director and composed of the managers responsible for regulating laws and/or acts, with outside experts (attorneys) as observers, has jurisdiction over

compliance of Fuji Electric. The committee meets twice each fiscal year to deliberate compliance execution and planning with the goal of achieving full compliance with laws and social norms globally.

### Global Promotion of the Fuji Electric Compliance Program

Fuji Electric is enhancing the compliance of its overseas operations.

At all overseas sites, in addition to globally common items that apply such as the prohibition of human rights violations and unfair dealings, including bribery and corruption, the Fuji Electric Compliance Program reflects the laws and regulations of each region where we conduct business. We practice compliance through the actions of all our subsidiaries in Japan and overseas on the basis of this program.

### Conducting Compliance Training

Fuji Electric has created a compliance training program for officers and employees of the Company and its subsidiaries that addresses matters they comply with and/or encounter in the course of their business activities. This compliance training has two main thrusts: level-specific and job-specific courses.

#### ▶ Level-Specific Training

Level-specific training is tailored to executives, newly appointed managers, and new employees of consolidated subsidiaries in Japan. Training lasts a half to one full day, with sessions focusing on the Fuji Electric compliance framework and the Fuji Electric Compliance Program. In fiscal 2015, the training was attended by 28 newly appointed directors, 134 newly appointed managers, and 157 new employees.

#### ▶ Job-Specific Training

Job-specific training is conducted that features items for consideration in practical business situations. In fiscal 2015, classroom-based training was conducted for the sales and administrative unit personnel (829 in total) of domestic and overseas companies covering a variety of themes including antimonopoly laws. Furthermore, we conducted e-learning programs for 267 employees at overseas bases.



Sales unit training

### Operation of Whistle-Blowing Systems in Japan and Overseas

To prevent infractions of laws, regulations, and internal rules and ensure early detection, Fuji Electric has introduced the Business Ethics Helpline System. Under this system, employees in Japan and overseas can report violations or suspected violations of laws, regulations or Company rules to Fuji Electric’s president via the department responsible for compliance or through an external lawyer.

We also operate a Partner Hotline, which handles notifications from our suppliers about Fuji Electric’s materials procurement operations. Building more highly reliable trading relationships with our suppliers is part of fulfilling our social responsibility.



# Fiscal 2015 Report—Risk Management

Fuji Electric is strengthening its risk management to maximize corporate value and minimize the potential losses that could result from various risks.

## Basic Policy on Risk Management

Based on the Fuji Electric Risk Management Regulations, which were formulated in May 2006, the Company manages risk in a coordinated, systematic manner.

We will appropriately manage to counteract all risks that could affect the Company's management, while working to prevent risks from materializing (crisis situations) and reduce losses. In doing so, we will maximize Fuji Electric's corporate value and minimize the impact on management in the event that risks materialize.

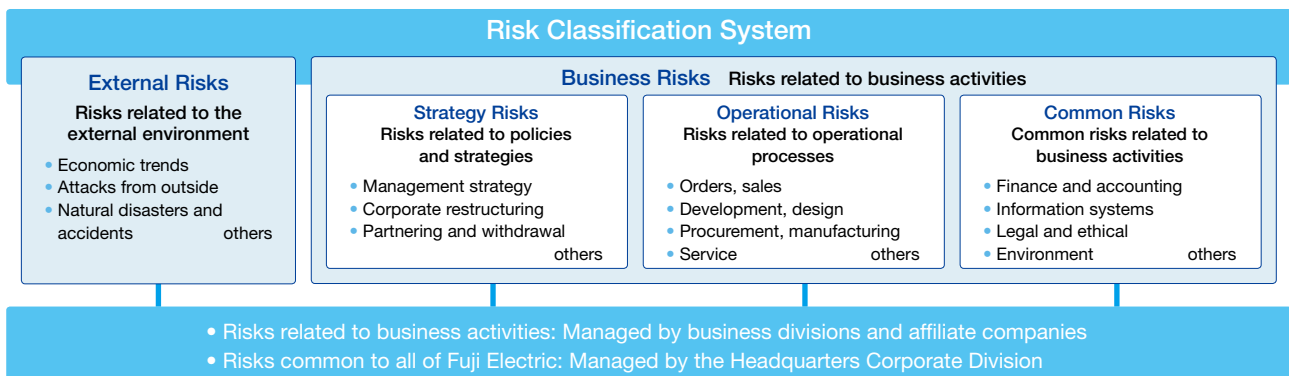
\* For details about risk, please refer to the Company's *Annual Business Report* under Business Risks

## Types of Risk and Risk Management System

To strengthen risk management, Fuji Electric revised the types of risks it manages and its risk management system in fiscal 2015. The Company now focuses on the two risk categories of external risks and business risks, with business risks divided into the subcategories of strategic risks, operational risks, and shared risks, and conducts risk management optimized for each category.

For risks that are common to the whole of Fuji Electric, such as external risks and shared risks, the Headquarters Corporate Division determines the policies for countermeasures, prepares

appropriate manuals, disseminates the necessary information to manage the risks, conducts education, and takes other measures. Business divisions and affiliate companies develop risk management systems as part of their business responsibilities, through which they implement risk countermeasures for strategic risks, operational risks, and other risks that cover the entirety of their business activities. When business plans are formulated for each fiscal year, business risks are analyzed and factored in to the plans.



## Information Security Measures

### Development of Security Policy and Regulations

To protect personal and confidential information properly, Fuji Electric has formulated and implemented a policy and regulations on information security, and institutes training programs for employees each year, and other measures to strengthen information security and prevent information leaks.

Based on our information security policy and regulations, each affiliate company has also drafted security regulations for overseas bases, taking into account individual countries' laws and regulations. We stepped up our initiatives to educate employees about information security, distributing an information security handbook to employees at overseas subsidiaries and ensuring that all employees are aware of the issues. We conducted overseas information security audits at 41 companies in fiscal 2015. Going forward, we will make ongoing improvements throughout Fuji Electric, including overseas bases.

### Third-Party Certification Related to Information Security

Companies that handle customers' confidential and personal information, and who require a high level of information security management, acquire outside certification. As of April 1, 2016, five of our operations (at three companies) had acquired ISMS certification. Also, three companies—Fuji Electric Co., Ltd., Fuji Electric Information Technology Center Co., Ltd., and Fuji Electric IT Solutions Co., Ltd. —have acquired Privacy Mark certification.



Privacy Mark (JIPDEC)

## Measures to Prevent Infringement of Intellectual Property Rights

As part of our intellectual property activities, we employ a system to monitor other companies' patents on a daily basis to prevent any inadvertent infringement of patents held by third parties.

To prevent infringement, we also conduct compliance program training.

With respect to our own patents, we actively acquire patent rights to protect our business. We also take measures against counterfeit products and take other steps to reduce risks related to intellectual property.

\* Please see page 22 for further information about Fuji Electric's activities in intellectual property.

## Measure to Strengthen Business Continuity Capabilities

Fuji Electric aims to ensure that it can continue its core operations even if an unexpected event such as a natural disaster or accident occurs, continuing to uphold its social responsibilities as a company and providing a stable supply of high performance, high-quality products and services required by our customers. To this end, we are promoting the following initiatives.

### Fire Safety and Disaster-Preparedness Initiatives

Based on our *Disaster Prevention and Procedural Manual*, we have created a disaster-preparedness headquarters system. Meanwhile, at operational sites and affiliates, we have put in place thorough measures to ensure that structures and facilities are earthquake resistant, stockpile emergency goods, and conduct regular drills, among other measures.

### Business Continuity Initiatives

In addition to disaster-preparedness initiatives, Fuji Electric has formulated a business continuity plan (BCP) covering the head office, which acts as a command center during disasters, and its factories, which have a large number of key management resources that are required for supplying products, such as production facilities.

In fiscal 2015, we expanded the range of products covered under the BCP. We also asked officers and subsidiary presidents to begin participating in major disaster simulation drills based on earthquake scenarios and held other drills at both domestic and overseas bases. Through these efforts, we sought to improve our ability to respond to natural disasters.

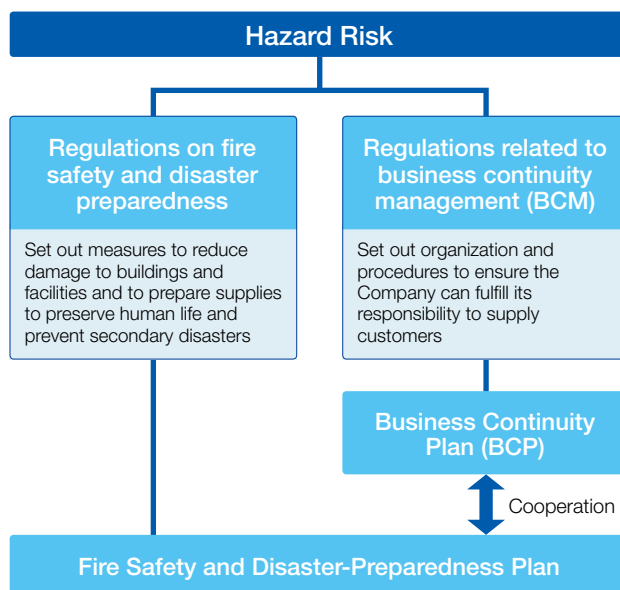
We will continue our initiatives to further expand the number of products manufactured both in Japan and overseas that are covered under the BCP. We will also broaden the scope of bases at which drills are performed to promote wider awareness of the BCP while continuing to make improvements and thereby enhance our ability to ensure business continuity.

### ▶ Procurement Risk Reduction

To reduce procurement risks, we have established a procurement BCP based on the following measures: 1) building a supplier damage information collection system; 2) securing multiple suppliers for key components; and 3) establishing alternate sites to carry out procurement operations.

In fiscal 2015, we continued working to secure multiple suppliers for key components while taking steps to reinforce our supplier damage information collection system, which extends to overseas bases.

Looking ahead, we will expand the scope of the procurement BCP to the procurement divisions of subsidiaries in and outside of Japan and strengthen the plan to effectively reduce procurement risks globally.



Major disaster simulation drill participated in by officers and subsidiary presidents

### ▶ IT Risk Reduction

We have formulated an IT-BCP comprising initiatives for restarting and recovering the IT systems we need to continue operations and administration if a disaster, accident, or other event occurs, within the required time.

In fiscal 2015, Fuji Electric and its domestic affiliates stepped up measures to preserve their IT systems, such as improving disaster countermeasures.

In the future, we will promote these measures at overseas subsidiaries as well, as we continue our efforts to reduce IT risks.

# List of Officers

(As of July 1, 2016)

## Directors



**Michihiro Kitazawa**  
President and Chairman of the Board of Directors



**Kenzo Sugai**  
Representative Director



**Motoyuki Suzuki**  
Outside Director  
Professor Emeritus,  
The University of Tokyo



**Toshihito Tamba**  
Outside Director  
Chairman & Co-CEO,  
Representative Director, Century  
Tokyo Leasing Corporation



**Naoomi Tachikawa**  
Outside Director  
Chairman, TOTOKU ELECTRIC  
CO., LTD.



**Michio Abe**  
Director



**Junichi Matsumoto**  
Director



**Junichi Arai**  
Director



**Masatsugu Tomotaka**  
Director

## Auditors



**Toshihiko Ishihara**  
Standing Auditor



**Yoshio Okuno**  
Standing Auditor



**Yoshiki Sato**  
Outside Auditor  
President and Representative  
Director, Asahi Mutual Life  
Insurance Company



**Akiko Kimura**  
Outside Auditor  
Of Counsel, Anderson Mori &  
Tomotsune



**Tetsuo Hiramatsu**  
Outside Auditor  
President, NIPPON  
TOCHI-TATEMONO Co., Ltd.

## Executive Officers

(As of April 1, 2016)

President	<b>Michihiro Kitazawa</b>	General Management
Executive Vice President	<b>Kenzo Sugai</b>	Assistant to the President, Corporate General Manager, Sales Group
Executive Officers	<b>Michio Abe</b>	Corporate General Manager, Production & Procurement Group
	<b>Kuniaki Yanagisawa</b>	Corporate General Manager, Electronic Devices Business Group
Managing Executive Officers	<b>Hidehiko Asahi</b>	Corporate General Manager, Food & Beverage Distribution Business Group
	<b>Junichi Arai</b>	Corporate General Manager, Corporate Management Planning Headquarters, General Manager, Export Administration Office, In charge of compliance management and crisis management
	<b>Masatsugu Tomotaka</b>	Corporate General Manager, Power Electronics Business Group
Executive Officers	<b>Naoya Eguchi</b>	Corporate General Manager, Corporate R&D Headquarters
	<b>Takashi Kusaka</b>	Corporate General Manager, Industrial Infrastructure Business Group
	<b>Junichi Matsumoto</b>	General Manager, Corporate Finance Office, Corporate Management Planning Headquarters
	<b>Takeshi Kadoshima</b>	General Manager, Human Resources and General Affairs Office
	<b>Masahiro Fujiwara</b>	Corporate General Manager, Power & Social Infrastructure Business Group
	<b>Kenji Goto</b>	Deputy Corporate General Manager, Sales Group
	<b>Yasuhiro Takahashi</b>	Deputy Corporate General Manager, Food & Beverage Distribution Business Group
	<b>Susumu Shinmura</b>	Deputy Corporate General Manager, Sales Group; General Manager, Kansai Branch
	<b>Masahiro Morimoto</b>	President & Representative Director, Fuji Electric FA Components & Systems Co., Ltd.

\* Please refer to our website for each officer's brief history.

# Corporate Data

## Company Information (As of March 31, 2016)

Company Name	FUJI ELECTRIC CO., LTD.
Established	August 29, 1923
Head Office	1-1, Tanabeshinden, Kawasaki-ku, Kawasaki-shi 210-9530, Japan
Head Office Business Address	Gate City Ohsaki, East Tower, 11-2, Osaki 1-chome, Shinagawa-ku, Tokyo 141-0032, Japan
Capital Stock	¥47.6 billion
Employees (Consolidated)	26,508 (Domestic 17,635, Overseas 8,873)
Net Sales (Consolidated)	¥813.6 billion (Year ended March 31, 2016)
Stock Code	6504

## Stock Information (As of March 31, 2016)

Issued and Outstanding Shares 746,484,957

Number of Shareholders 41,492

### Major Shareholders

Shareholders' names	Number of shares (1,000s)	Voting rights (%)
FUJITSU LIMITED	74,333	10.41
Japan Trustee Services Bank, Ltd. (Trust Account)	38,934	5.45
The Master Trust Bank of Japan, Ltd. (Trust Account)	37,951	5.31
Mizuho Bank, Ltd.	22,254	3.12
Asahi Mutual Life Insurance Company	19,775	2.77
FANUC CORPORATION	13,421	1.88
FURUKAWA CO., LTD.	11,025	1.54
THE BANK OF NEW YORK, NON-TREATY JASDEC ACCOUNT	10,011	1.40
Furukawa Electric Co., Ltd.	8,738	1.22
CBNY-GOVERNMENT OF NORWAY	8,054	1.13

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

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

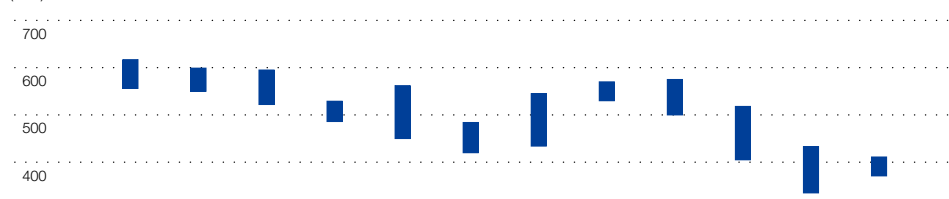
### Share Distribution by Shareholder Type

Type	Number of shareholders	Number of shares	Holding (%)
Financial institutions / securities firms	127	256,804,614	34.40
Other domestic corporations	497	126,160,326	16.90
Foreign corporations	486	226,616,284	30.36
Individuals and others	40,382	136,903,733	18.34
Total	41,492	746,484,957	100.00

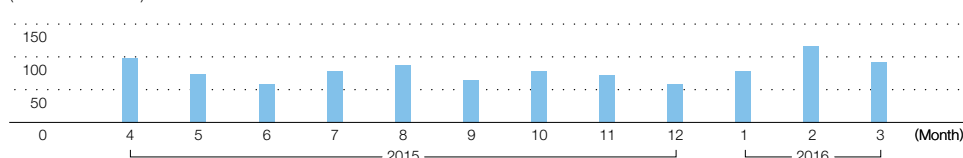
Note: "Individuals and others" includes treasury stock.

### Share Price and Trading Volume Fluctuations (Tokyo Stock Exchange)

(Yen)



(Millions of shares)



## Consolidated Subsidiaries and Equity-Method Affiliates (As of July 1, 2016)

### Consolidated Subsidiaries (Domestic): 23

Fuji Electric FA Components & Systems Co., Ltd.	Shinshu Fuji Electric Co., Ltd.
Fuji Furukawa Engineering & Construction Co., Ltd.	Fuji Electric Power Semiconductor Co., Ltd.
Fuji Electric Technica Co., Ltd.	Fuji Electric Information Technology Center Co., Ltd.
Fuji Electric Finance and Accounting Support Co., Ltd.	Fuji Electric F-Tech Co., Ltd.
Hoei Denki Co., Ltd.	Hakko Electronics Co., Ltd.
Hokkaido Fuji Electric Co., Ltd.	Fuji Electric IT Solutions Co., Ltd.
Fuji Office & Life Service Co., Ltd.	Mie Fuji Co., Ltd.
Chichibu Fuji Co., Ltd.	Fuji Electric FA Service Co., Ltd.
Ibaraki Fuji Co., Ltd.	GE Fuji Meter Co., Ltd.
Hoei Plastics Co., Ltd.	FESTEC Co., Ltd.
Fuji IT Co., Ltd.	Fuji Electric Tsugaru Semiconductor Co., Ltd.
	Fuji Electric Retail Service Co., Ltd.

\* Fuji Furukawa Engineering & Construction Co., Ltd., is listed on the second section of the Tokyo Stock Exchange.

### Equity-Method Affiliates (Domestic): 3

METAWATER Co., Ltd.	Fuji Furmanite Co., Ltd.
METAWATER SERVICE Co., Ltd.	

\*METAWATER Co., Ltd., is listed on the first section of the Tokyo Stock Exchange.

### Consolidated Subsidiaries (Overseas): 42

Fuji Electric Asia Pacific Pte. Ltd.	Fuji Electric (Changshu) Co., Ltd.
Fuji SMBE Pte. Ltd.	Fuji Electric (Shenzhen) Co., Ltd.
Fuji Electric (Thailand) Co., Ltd.	Fuji Electric Dalian Co., Ltd.
Fuji Electric Manufacturing (Thailand) Co., Ltd.	Fuji Electric Motor (Dalian) Co., Ltd.
Fuji Tusco Co., Ltd.	Dalian Fuji Bingshan Vending Machine Co., Ltd.
Fuji Electric Philippines, Inc.	Dalian Fuji Bingshan Vending Machine Sales Co., Ltd.
Fuji Electric (Malaysia) Sdn. Bhd.	Fuji Electric (Hangzhou) Software Co., Ltd.
Fuji Electric India Private Ltd.	Fuji Electric FA (Asia) Co., Ltd.
PT Fuji Electric Indonesia	Fuji Electric Hong Kong Co., Ltd.
Fuji Electric (China) Co., Ltd.	Hoei Hong Kong Co., Ltd.
Shanghai Electric Fuji Electric Power Technology (Wuxi) Co., Ltd.	Fuji Electric Taiwan Co., Ltd.
Fuji Electric (Zhuhai) Co., Ltd.	Fuji Electric Korea Co., Ltd.
Wuxi Fuji Electric FA Co., Ltd.	Fuji Electric Corp. of America
	Reliable Turbine Services LLC
	Fuji Electric Europe GmbH
	Fuji Electric France S.A.S.

Including the 29 above-listed companies, 42 companies.

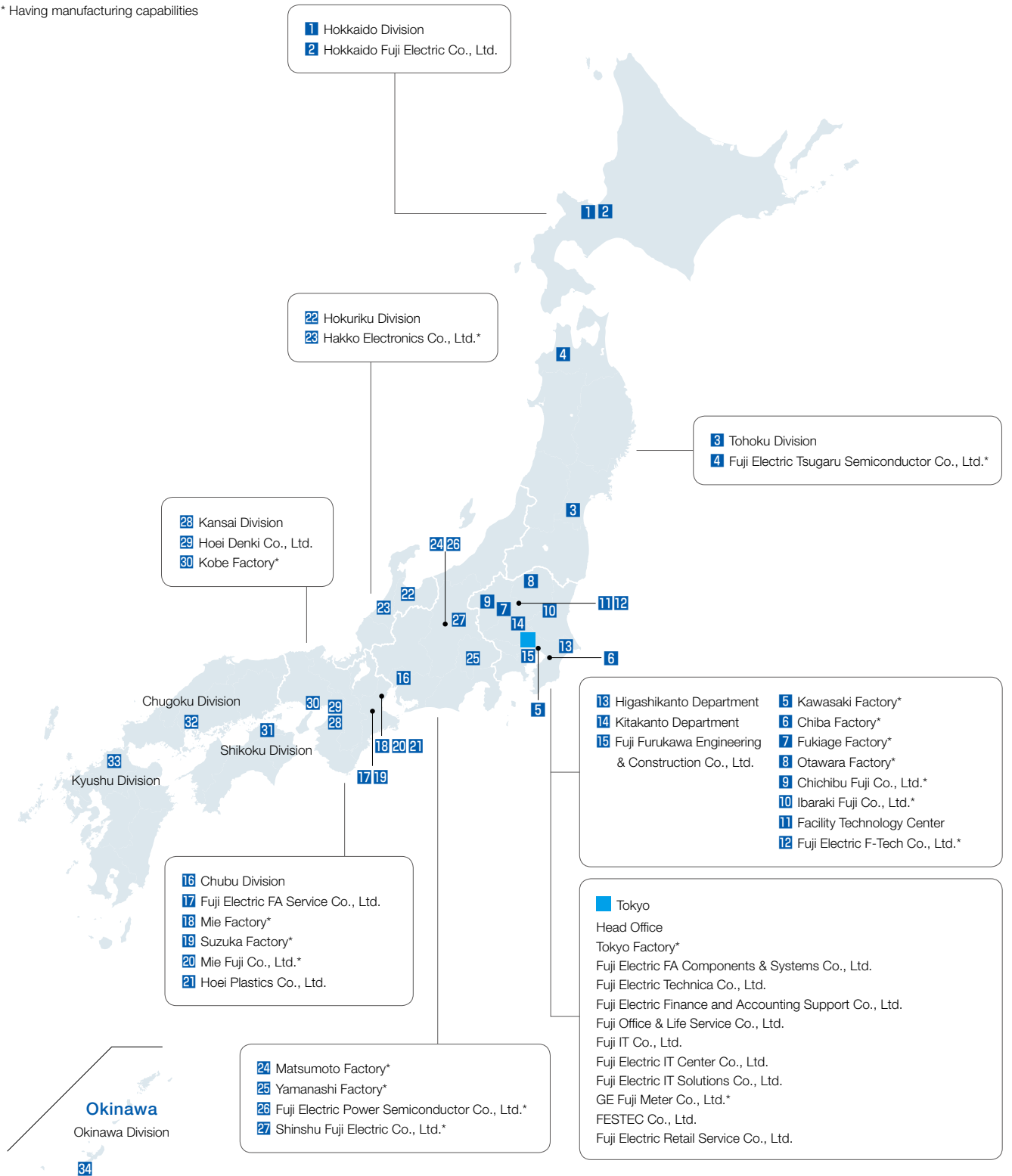
### Equity-Method Affiliate (Overseas): 1

FUJI FURUKAWA E&C (THAILAND) Co., Ltd.
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# Global Network

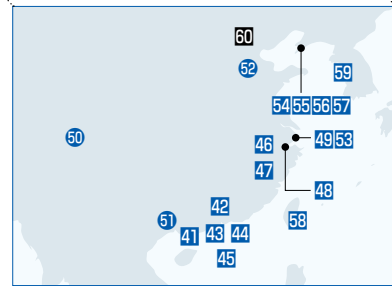
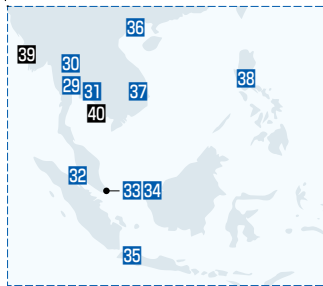
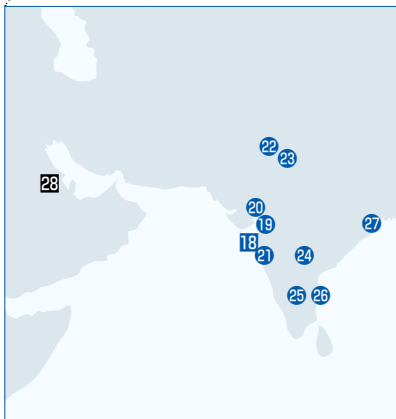
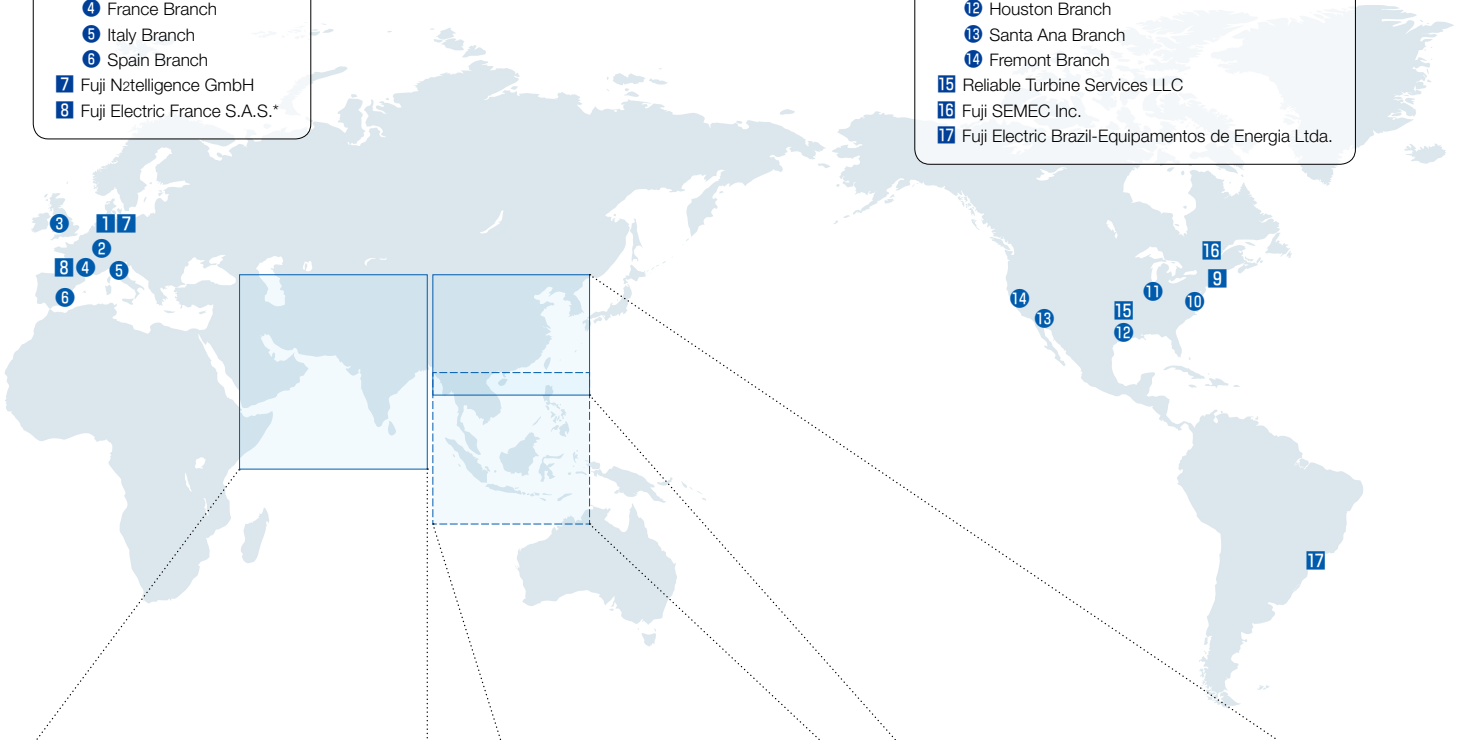
(As of July 2016)

\* Having manufacturing capabilities



- 1 Fuji Electric Europe GmbH
- 2 Switzerland Branch
- 3 U.K. Branch
- 4 France Branch
- 5 Italy Branch
- 6 Spain Branch
- 7 Fuji Nztelligence GmbH
- 8 Fuji Electric France S.A.S.\*

- 9 Fuji Electric Corp. of America
- 10 Virginia Factory\*
- 11 Chicago Branch
- 12 Houston Branch
- 13 Santa Ana Branch
- 14 Fremont Branch
- 15 Reliable Turbine Services LLC
- 16 Fuji SEMEC Inc.
- 17 Fuji Electric Brazil-Equipamentos de Energia Ltda.



- 18 Fuji Electric India Private Ltd.
- 19 India Factory\*
- 20 Ahmedabad Branch
- 21 Pune Branch
- 22 Chandigarh Branch
- 23 Delhi Branch
- 24 Hyderabad Branch
- 25 Bangalore Branch
- 26 Chennai Branch
- 27 Kolkata Branch
- 28 Middle East Branch

- 29 Fuji Electric (Thailand) Co., Ltd.
- 30 Fuji Electric Manufacturing (Thailand) Co., Ltd.\*
- 31 Fuji Tusco Co., Ltd.\*
- 32 Fuji Electric (Malaysia) Sdn. Bhd.\*
- 33 Fuji Electric Asia Pacific Pte. Ltd.
- 34 Fuji SMBE Pte. Ltd.\*
- 35 PT Fuji Electric Indonesia
- 36 Fuji Electric Vietnam Co., Ltd.
- 37 Fuji CAC Joint Stock Company
- 38 Fuji Electric Philippines, Inc.\*
- 39 Fuji Electric Co., Ltd. (Myanmar Branch Office)
- 40 Rep. Office of Fuji Electric Co., Ltd. (in Cambodia)

- 41 Fuji Electric (Zhuha) Co., Ltd.\*
- 42 Fuji Electric (Shenzhen) Co., Ltd.\*
- 43 Fuji Electric FA (Asia) Co., Ltd.
- 44 Fuji Electric Hong Kong Co., Ltd.
- 45 Hwei Hong Kong Co., Ltd.
- 46 Fuji Electric (Changshu) Co., Ltd.\*
- 47 Wuxi Fuji Electric FA Co., Ltd.\*
- 48 Fuji Electric (Hangzhou) Software Co., Ltd.
- 49 Fuji Electric (China) Co., Ltd.
- 50 West China Branch
- 51 South China Branch
- 52 North China Branch
- 53 Shanghai Electric Fuji Electric Power Technology (Wuxi) Co., Ltd.\*
- 54 Fuji Electric Dalian Co., Ltd.\*
- 55 Fuji Electric Motor (Dalian) Co., Ltd.\*
- 56 Dalian Fuji Bingshan Vending Machine Co., Ltd.\*
- 57 Dalian Fuji Bingshan Vending Machine Sales Co., Ltd.
- 58 Fuji Electric Taiwan Co., Ltd.
- 59 Fuji Electric Korea Co., Ltd.
- 60 Beijing Rep. Office



**ECOLOGY**  
Fuji Electric

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

### External Evaluation

Fuji Electric has been selected as a component of the following socially responsible investment (SRI) indexes, as a company with outstanding CSR performance.

MEMBER OF  
**Dow Jones Sustainability Indices**  
In Collaboration with RobecoSAM



We have received the following awards and certification in recognition of our outstanding initiatives to promote diversity.



### Care for the Environment



**FE Fuji Electric Co., Ltd.**

Gate City Ohsaki, East Tower,  
11-2, Osaki 1-chome, Shinagawa-ku, Tokyo 141-0032, Japan  
Contacts: Public and Investor Relations Dept.  
TEL: +81-3-5435-7111 <http://www.fujielectric.com/>