

## To Our Stakeholders

We will apply our electric and thermal energy technologies, along with our manufacturing capabilities, to finding solutions for the world's energy issues.



**Michihiro Kitazawa**  
President and Representative Director

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

At Fuji Electric, it is our pledge as responsible corporate citizens in a global society to strengthen our trust with stakeholders. Every day, we strive to carry out this mission for the benefit of our company, our stakeholders, and the world around us—this is our core philosophy. Through our innovation in energy technology, we contribute to the creation of responsible and sustainable societies.

Solving energy-related problems can be seen as one of the most important global issues facing us today. As the demand for energy grows, it becomes necessary to find ways to achieve both economic growth and reduced environmental impact. Fuji Electric contributes to that effort through the electric and thermal energy technologies it has continued to refine over its 90-year history and the manufacturing capabilities that underpin those technologies. At the same time, we also consider these circumstances to be a business opportunity, and are moving forward toward further growth through aggressive management.

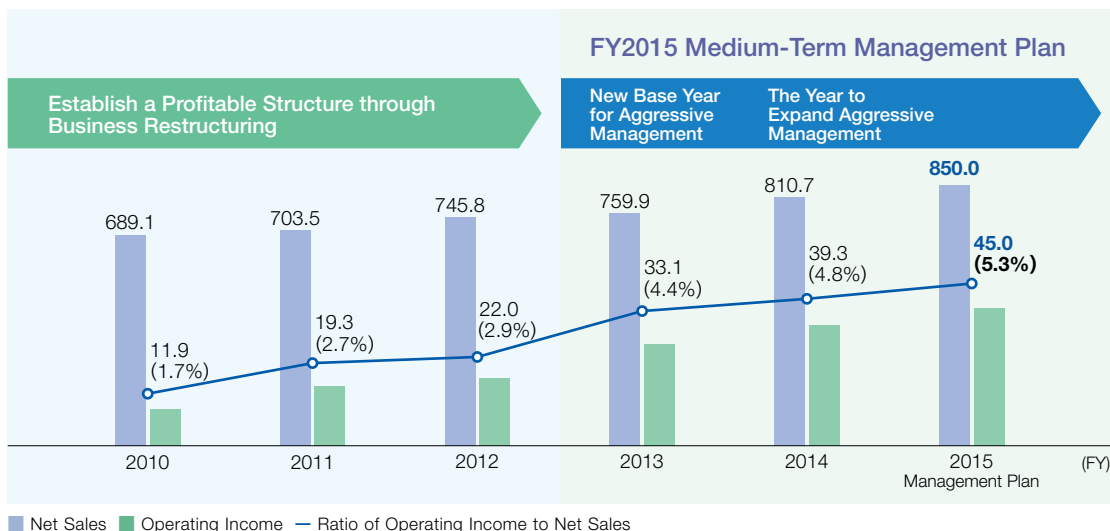
### Positioning fiscal 2014 as a year for expanding our focus on aggressive management, we focused on strengthening profitability and establishing a growth foundation

On a consolidated basis, net sales in fiscal 2014 increased ¥50.8 billion year on year to ¥810.7 billion, while operating income grew ¥6.2 billion year on year to ¥39.3 billion. Moreover, net income improved ¥8.4 billion year on year to ¥28.0 billion, a record high, partly because of recording a gain on a change in equity in association with the listing of an affiliate.

As the interim year of the FY2015 Medium-Term Management Plan, fiscal 2014 represented a step beyond the “new base year for aggressive management” designated in fiscal 2013, a year in which we strengthened our management approach by working to bolster profitability and establish a growth foundation.

## Business Results

(Billions of yen)



As part of our efforts to strengthen profitability, all of us at Fuji Electric worked together to promote our Pro-7 Activities, reviewing our operations from the ground up with the goal of improving the quality of our business, while doing everything possible to lower costs and reduce expenses.

### Significant Growth in Orders for Large-scale Thermal Power Generation Facilities

With an eye on further business expansion, in fiscal 2014 we focused on expanding orders and strengthening our business base overseas.

The increase in orders was aimed at achieving the target of ¥850 billion in net sales set forth in our FY2015 Medium-Term Management Plan and realizing a strategic step toward growth ahead.

As investments in power generation expanded at home and abroad, significant growth was seen in orders for thermal power generation facilities, including an order from Kobe Steel, Ltd. for a large-sized gas-turbine combined cycle power generation system. We also secured orders for geothermal power generation projects in Indonesia and Iceland. Fuji Electric has an approximately 40% share of this market worldwide, and the market for geothermal power generation is expected to grow further as a form of renewable energy.

As factories and other industrial facilities continue to age in Japan, capital investment in the industrial sector was strong, and orders grew as we worked to uncover replacement demand. Steady demand was also seen for power semiconductors in the industrial and power supply application segments, with orders growing in Japan and overseas.

As a result, orders in fiscal 2014 totaled ¥927.0 billion, a significant year on year increase of ¥138.0 billion.

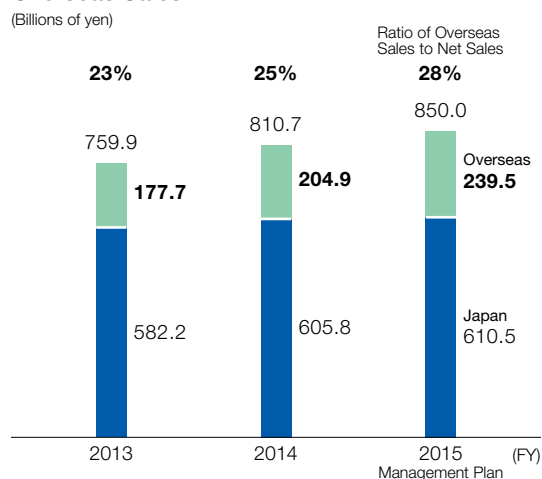
### Strengthening the Overseas Business Base, Primarily in Asia

Sales outside Japan still represent less than 30% of total net sales, and it is essential that we strengthen our business in the growth markets of Asia and in the major markets of Europe and the Americas. In fiscal 2014, we focused primarily on Asia in our efforts to establish bases for overseas business.

Specifically, with an eye on securing both human resources with strong local sales capabilities and a global distribution channel, we followed our fiscal 2013 investment in a Thai transformer manufacturer with the acquisition of a switchboard manufacturer in Singapore.

In addition, we reorganized our overseas sales companies into operating companies that include engineering and manufacturing capabilities. This will enable us to pursue local production and local consumption by providing local engineering, manufacturing and sales capabilities.

### Overseas Sales



## In fiscal 2015 we will complete the current Medium-Term Management Plan and advance growth strategies in preparation for the next Medium-Term Management Plan

Fiscal 2015 will see not only the completion of the current Medium-Term Management Plan, but the promotion of a growth strategy in preparation for the next Medium-Term Management Plan.

### Strengthen Industrial Infrastructure and Power Electronics

Fuji Electric's strength is its power electronics technology, which contributes to more efficient power usage and conservation. By combining our distinctive power electronics featuring our world-class power semiconductors with various sensors and control systems and so forth, we expand our business by offering new solutions. This is the key to expanding the business as a whole. To achieve this, we will work to strengthen our capabilities in two business segments: Industrial Infrastructure and Power Electronics.

In those two segments, we will focus in fiscal 2015 on ensuring that we reap the fruits of our M&A efforts conducted in the previous fiscal year. We will also strengthen our overseas operating structure, not only in the key Asia region, but in the U.S. and India where we will begin production of power electronics. Efforts to introduce market-appropriate products will be accelerated as we work to cultivate new customers.

### Strengthen Domestic Mother Factories and Enhance Global Manufacturing Capabilities

At the same time, to enhance our global manufacturing capabilities, it is essential that we position our domestic production bases as mother factories, with the appropriate technology and manufacturing capability. Our domestic production bases will be redeveloped to strengthen our manufacturing capability, particularly in power electronics. We will also train production technology engineers, and proceed with the deployment of automation and other cutting-edge technologies. The results of these efforts will be rolled out across our global production bases in Asia and elsewhere.

The transfer of skills will also be an area of focus. For example, at the Kawasaki Factory, a mother factory for power plants, there are seasoned technicians who can check the precision of a turbine blade by the ringing sound produced when the blade is struck. Manufacturing is said to begin with the five senses; Fuji Electric will systematically train

its beginning and mid-level engineers so that these essential skills can be passed down to the next generation.

In addition, we are also working to strengthen our research and development platform. In fiscal 2015, we will complete work on research and development buildings at the Tokyo Factory (company-wide research) and the Matsumoto Factory (power semiconductors), and begin construction of a technical center at the Suzuka Factory (power electronics). We will work to bolster product development and the development of cutting-edge technology, with a focus on power electronics.

### Increase Profitability by Promoting Pro-7 Activities

Fuji Electric also continues its efforts to strengthen profitability, mainly through promotion of Pro-7 Activities. In addition to a ground-up review of all costs associated with our business activities, we are working to prevent waste and losses, getting every employee involved in the effort by encouraging a focus on improved operational quality.

Also in fiscal 2015, as a measure of profitability, we plan to see a return on equity (ROE) of 10%, and in terms of financial stability, we plan to achieve a total net asset ratio of 33%. We will also continue to work toward further improvement in our financial standing by bolstering profitability.

Fuji Electric is working to become a ¥1 trillion company in the future. In the medium term, cash generated by business activities will be allocated to growth investments for business expansion and to shareholder returns.

	FY2014	FY2015 Management Plan
(Billions of yen)		
Net sales	810.7	850.0
Operating income	39.3	45.0
Net income	28.0	29.0
Total net assets ratio	32%	33%
ROE	11%	10%



## Putting our Corporate Philosophy into practice as we work to further enhance corporate value

At Fuji Electric, we believe that our corporate social responsibility (CSR) is the practice of our corporate philosophy itself. In other words, it is the contributions we make to society through our energy-related businesses, as well as our ability to manage the Company with due consideration for the impact our business activities as a whole have on society and the environment.

To promote CSR on a global basis, Fuji Electric is a participant in the Global Compact (GC) advocated by the United Nations. 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 has a direct impact on our daily activities and our corporate actions.

Today, corporate governance plays an increasingly important role in the growth of companies, investors, and the overall economy. Fuji Electric is taking stock of its business activities that relate to corporate governance, as part of an effort to enhance management soundness and realize even greater corporate value.

Pro-7 is a company-wide initiative comprising seven “Pro-” concepts, the seventh of which is Prosperity. Our goal is to contribute to the achievement of a sustainable society, while ensuring our prosperity as a company, returns to our shareholders, and the happiness of our employees.

In closing, we would like to ask for the continued support of all our stakeholders.

July 2015

**Michihiro Kitazawa**  
President and Representative Director

