

Consolidated Financial Highlights

Fiscal year	Millions of yen					Thousands of U.S. dollars*1	
	2010	2011	2012	2013	2014	2014	
Operating Results							
Net sales	¥689,065	¥703,534	¥745,781	¥759,911	¥810,678	\$6,755,657	
Japan	510,843	525,096	567,314	582,223	605,763	5,048,026	
Overseas	178,221	178,437	178,466	177,688	204,915	1,707,631	
Operating income	11,917	19,252	21,992	33,136	39,316	327,641	
Net income	15,104	11,801	26,368	19,582	27,978	233,151	
R&D and Capital Investment							
R&D expenditures	¥ 32,568	¥ 32,247	¥ 31,160	¥ 32,029	¥ 35,023	\$ 291,865	
Plant and equipment investment*2	27,223	24,989	31,771	26,916	29,041	242,014	
Depreciation and amortization*3	27,945	29,755	31,054	30,849	33,615	280,132	
Cash Flows							
Cash flows from operating activities	¥ 53,853	¥ 28,314	¥ 55,342	¥ 53,651	¥ 51,459	\$ 428,828	
Cash flows from investing activities	84,241	(13,489)	(24,286)	(9,649)	(22,750)	(189,587)	
Free cash flow	138,094	14,825	31,055	44,002	28,708	239,241	
Cash flows from financing activities	(93,468)	(32,593)	(56,827)	(50,570)	(33,827)	(281,906)	
Financial Position							
Total assets	¥805,797	¥792,848	¥765,563	¥810,774	¥904,522	\$7,537,686	
Total net assets	174,935	183,217	215,672	251,225	319,636	2,663,636	
Interest-bearing debt	274,019	255,865	226,717	199,504	191,225	1,593,546	
Financial Indicators							
Ratio of operating income to net sales (%)	1.7	2.7	2.9	4.4	4.8	—	
ROE (Return on equity) (%)	9.0	7.4	14.7	9.3	10.8	—	
ROA (Return on assets) (%)	1.8	1.5	3.4	2.5	3.3	—	
Total net assets ratio (%)	19.3	20.6	25.4	28.0	32.1	—	
Net debt-equity ratio (times)*4	1.2	1.2	1.0	0.7	0.5	—	
Debt-equity ratio (times)*5	1.8	1.6	1.2	0.9	0.7	—	
Per Share Data							
	Yen					U.S. dollars*1	
Net income	¥ 21.14	¥ 16.52	¥ 36.90	¥ 27.41	¥ 39.16	\$0.33	
Net assets	217.40	228.91	272.29	317.96	406.39	3.39	
Cash dividends	4.00	4.00	5.00	7.00	9.00	0.08	
Others							
	Headcount						
Employees	24,562	24,973	24,956	25,524	25,740	—	
Japan	18,002	17,933	18,271	18,022	17,814	—	
Overseas	6,560	7,040	6,685	7,502	7,926	—	

*1 The U.S. dollar amounts represent the arithmetic results of translating yen into dollars at ¥120 = U.S. \$1, the approximate exchange rate at March 31, 2015.

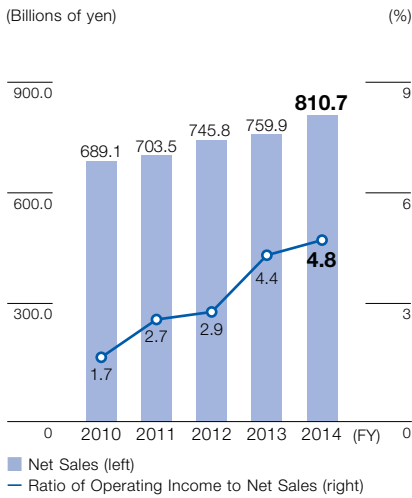
*2 Plant and equipment investment is the total of investment in tangible fixed assets, including acquisition amounts for lease contracts.

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

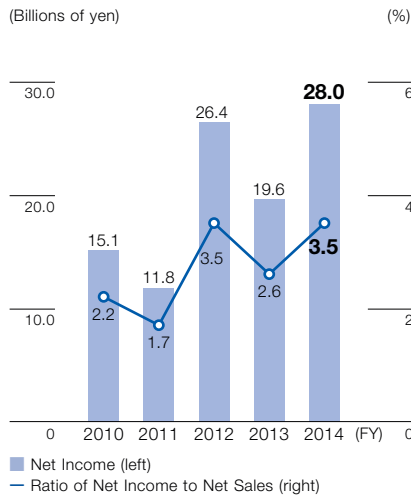
*4 Net debt-equity ratio: Net interest-bearing debt (interest-bearing debt – cash and cash equivalents) / Net assets

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

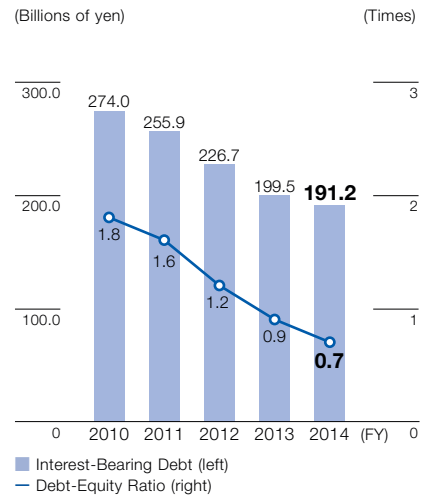
Net Sales / Ratio of Operating Income to Net Sales



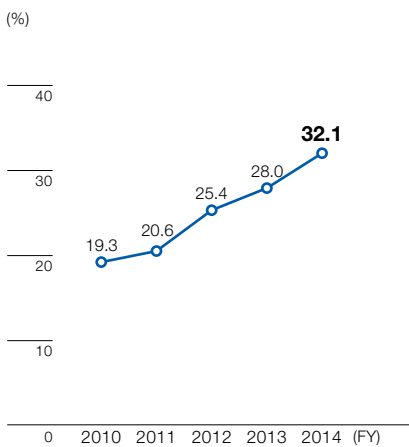
Net Income / Ratio of Net Income to Net Sales



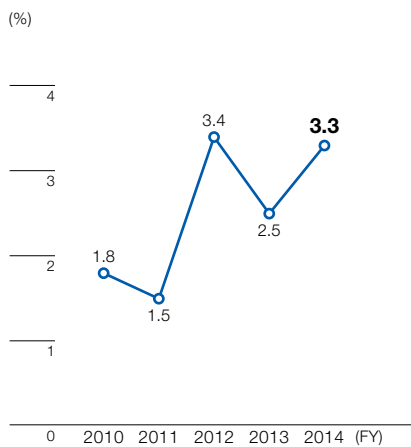
Interest-Bearing Debt / Debt-Equity Ratio



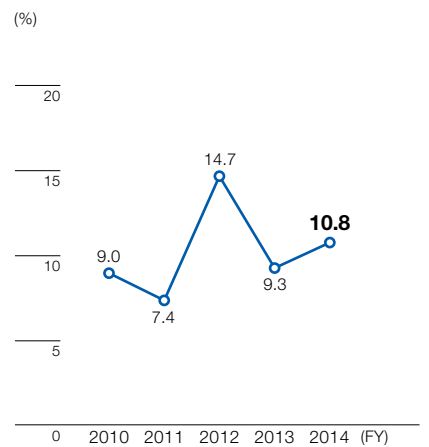
Total Net Assets Ratio



ROA



ROE

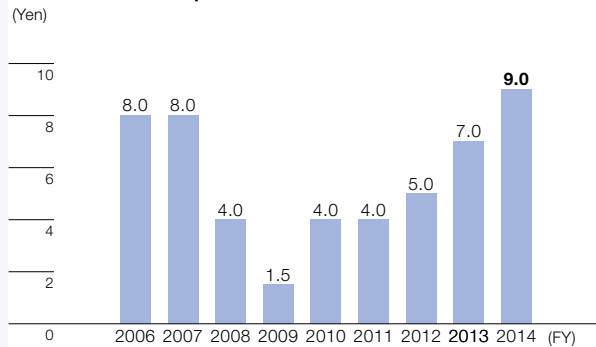


Dividend Policy

Fuji Electric's basic policy is to pay a stable, continuous dividend over the medium- to long-term. We will determine the dividend giving due consideration to our consolidated operating results, research and development and capital expenditure plans, and the economic environment going forward.

The annual dividend per share for fiscal 2014 was ¥9, comprising an interim dividend of ¥4 and a year-end dividend of ¥5.

Cash Dividends per Share



Review of Operations — Fiscal 2014 Performance

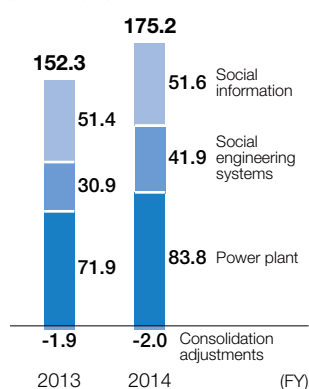
In fiscal 2014, the year ended March 31, 2015, the operating environment for Fuji Electric saw a modest recovery trend in the domestic economy. While there was a fallback from the demand rush that preceded the April 2014 consumption tax hike, this was offset by positive factors including the recovery of corporate performance. Overseas, activity was weak in certain markets, but the overall trend was gradual improvement supported by the recovery of the U.S. and other major developed nations.

Net sales rose ¥50.8 billion year on year to ¥810.7 billion, following increased demand and beneficial foreign exchange translations. Operating income improved ¥6.2 billion year on year to ¥39.3 billion. This reflected higher net sales and the effect of structural improvements, such as cost reductions.

Power and Social Infrastructure

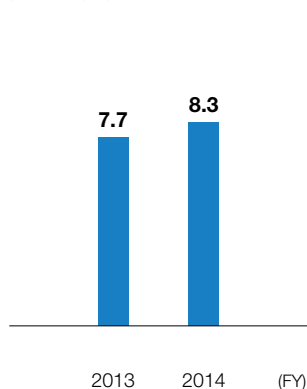
Net Sales

(Billions of yen)



Operating Income

(Billions of yen)



In the power plant business, sales were up year on year due to a rise in orders for solar power generation systems, which offset the decline in large-scale orders for hydropower generation facilities.

In the social engineering systems business, sales were up due to higher sales centered on power systems and other items in the power grid field as well as smart meters.

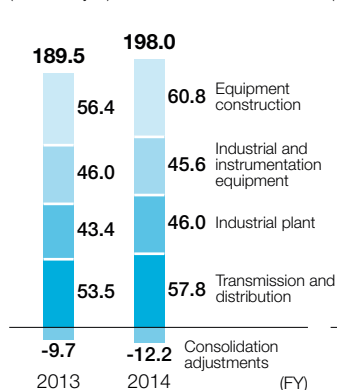
In the social information business, sales increased as a result of the rise in activities targeting small- to medium-scale orders.

Overall, the segment saw improved operating income due to higher net sales.

Industrial Infrastructure

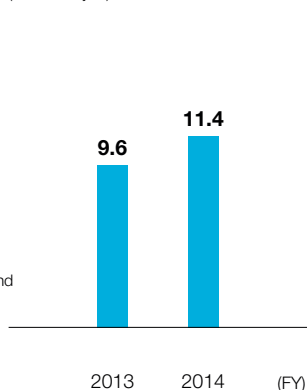
Net Sales

(Billions of yen)



Operating Income

(Billions of yen)



In the transmission and distribution business, sales were up year on year, reflecting a rise in large-scale orders in Japan.

In the industrial plant business, sales increased following strong domestic replacement demand.

In the industrial and instrumentation equipment business, sales were relatively unchanged year on year.

In the equipment construction business, sales increased due to a rise in orders for air-conditioning facility construction and an increase in solar power generation system construction projects.

The segment's overall operating income improved year on year due to higher net sales and the benefits of cost reduction efforts.

(Billions of yen)	Net Sales			Operating Income		
	Fiscal 2013	Fiscal 2014	Increase / Decrease	Fiscal 2013	Fiscal 2014	Increase / Decrease
Power and Social Infrastructure	152.3	175.2	22.9	7.7	8.3	0.6
Industrial Infrastructure	189.5	198.0	8.5	9.6	11.4	1.8
Power Electronics	174.7	184.1	9.4	5.3	6.8	1.5
Electronic Devices	123.0	137.2	14.1	6.5	8.1	1.6
Food and Beverage Distribution	120.1	119.1	-0.9	8.0	8.5	0.5
Others	60.0	61.2	1.2	1.9	1.9	-0.0
Elimination and Corporate	-59.8	-64.2	-4.4	-5.9	-5.7	0.2
Total	759.9	810.7	50.8	33.1	39.3	6.2

Main Initiatives

Increase Sales of Solar Power Generation Systems

Sales of solar power generation systems increased dramatically year on year, partly reflecting the comprehensive delivery of Fuji Electric's largest solar power project, Kisozaki reclaimed land mega-solar (49 MW) under an engineering, procurement, and construction (EPC) contract.



Kisozaki reclaimed land mega-solar

Grow Orders for Thermal and Geothermal Power Generation Facilities

Amid growing investment in electric power in Japan ahead of the liberalization of electricity markets, Fuji Electric increased orders for thermal power generation facilities, including receiving an order for a large-scale gas turbine combined cycle power generation facility for Kobe Steel, Ltd.

We also captured orders for geothermal power generation facilities, mainly for overseas projects to countries such as Iceland.



Steam turbines

Commence Mass Production of Smart Meters

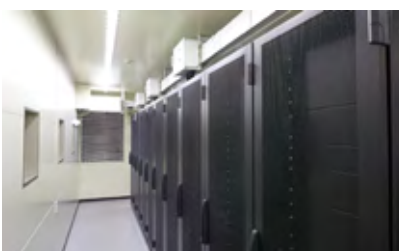
In response to growing demand for replacing to smart meters, subsidiary GE Fuji Meter Co., Ltd. installed mass production equipment at its Azumino Factory, and started supplying smart meters to power companies in Japan.



Mass production facilities for smart meters

Reinforcing Sales Activities for Data Center Facilities

The shift to cloud-based computing is driving energy saving and replacement demand for data centers. We have reinforced our activities to obtain orders, leveraging our strengths as an one-stop solutions provider for all required functions, including substation equipment, air conditioning, uninterruptible power systems, and monitoring systems.



Data centers

Reinforcing Substation Equipment Development and Production Systems

We strengthened a high-power testing facility at our Chiba Factory to develop new high-voltage gas-insulated switchgear. We invested in facilities for manufacturing gas-insulated switchgear at Fuji Electric Manufacturing (Thailand) Co., Ltd. and started production.

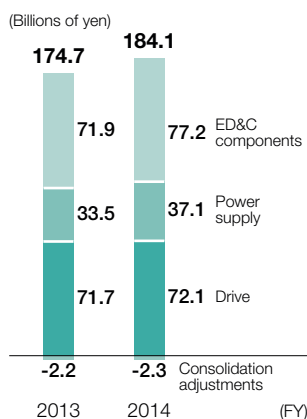
We also expanded the product lineup at Fuji Tusco Co., Ltd., extended the sales and services network, and strengthened the substation equipment business.



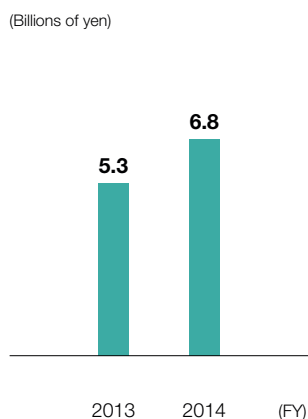
High-power testing facility (Chiba Factory)

Power Electronics

Net Sales



Operating Income



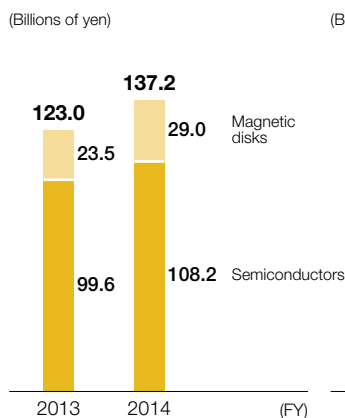
In the drive business, sales and operating results improved year on year following a rise in demand for mainstay inverters and servos.

In the power supply business, sales and operating results were up year on year as a result of increased overseas demand for power supply equipment coupled with robust demand for power conditioning sub-systems for mega solar power generation facilities in Japan.

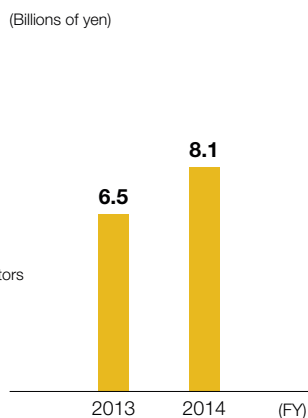
In the ED&C components business, sales and operating results improved year on year due to strong demand for machine tools and solar power generation-related equipment.

Electronic Devices

Net Sales



Operating Income

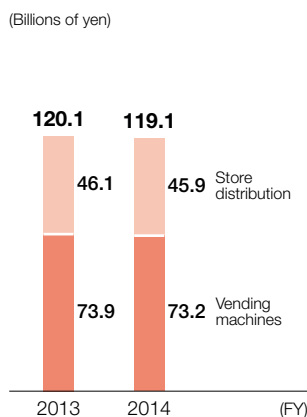


In the semiconductors business, sales were up year on year due to strong demand for inverters, servos, and other industrial machinery in the industrial business and recovered demand for products for telecommunications equipment in the power supply application business. These factors outweighed a decrease in demand in the automotive electronics business following the consumption tax hike in Japan. Operating results improved due to higher sales and the benefits of cost reduction efforts.

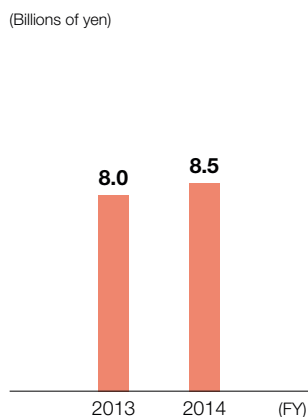
In the magnetic disks business, sales increased, but operating results were unchanged year on year due to the negative impacts of changes in prices and the ratios of sales for specific models.

Food and Beverage Distribution

Net Sales



Operating Income



In the vending machines business, sales decreased year on year as sales increases in China and other overseas markets were impacted by detracting factors in the domestic market, namely unseasonable weather, the decrease in vending machine demand following the consumption tax hike, and the fact that a surge in demand for convenience store coffee machines has now run its course.

In the store distribution business, sales were down year on year as customer demand for automatic change dispensers declined, counteracting the benefits of higher sales of freezing and refrigerating facilities for convenience stores, refrigeration facilities for the distribution sector, and equipment and systems for plant factories.

Despite the decrease in net sales, the segment's overall operating income improved year on year due to the benefits of cost reduction efforts.

Launch of Power Electronic Systems Utilizing SiC Power Semiconductors

We concentrated on development of products utilizing our next-generation SiC power semiconductors. We launched a large-capacity FRENIC-VG (stack type) inverter and a large-capacity power conditioning sub-systems for mega solar facilities utilizing SiC power semiconductors.

*Please refer to page 20 "Research and Development"



Large-capacity FRENIC-VG (stack type) inverter



Large-capacity power conditioning sub-systems for mega solar facilities

Accelerating Development and Launch of New Products

We are strengthening the development and launch of new products to meet global demand.

In Japan, we developed a premium efficiency motor that meets the top-runner regulations set out in the Act on the Rational Use of Energy. Overseas, we developed the FRENIC-Ace inverter, which offers higher performance in a compact form while contributing to facility power savings, for customers in Asia, China, Europe, and the U.S.



Low-voltage three-phase premium efficiency motor



FRENIC-Ace inverter

Full-Scale Launch of an 8-Inch Line at the Yamanashi Factory

Demand is increasing for industrial IGBT modules, which are used in industrial machinery such as inverters and NC machine tools, as well as in applications in the renewable energy field such as solar and wind power generation. To meet this demand, we have started full-scale operation of the 8-inch line at our Yamanashi Factory, a front-end process production site for the modules.



8-inch line front-end process

Construction of a Development Center at the Matsumoto Factory

We have our new development center at the Matsumoto Factory, our global mother factory for power semiconductors.

In the new facility, we will promote development of high-value-added products such as next-generation power semiconductors, including SiC devices, high-functionality IGBTs, and automotive-related products as well as innovative production technology.



Development center

Expanding Vending Machine Demand in China and Asia

In China, the introduction and deployment of vending machines by beverage manufacturers is accelerating, driving expansion in demand. To meet this demand, we launched Twistar, a vending machine for China and Asia capable of handling a wide range of product lineups from beverages to food and merchandise.

Please refer to page 21 "Research and Development"



Twistar, a vending machine for China and Asia

Investment in a Plant Factory

In April 2014, Fuji Electric invested in the large-scale strawberry cultivation facility operator Tomatoh Farm Co., Ltd. Using composite climate control systems driven by our sensor and control technologies, Tomatoh Farm achieves consistent quality all year round, as well as improved crop yields. By amassing expertise in plant factories, we will work to expand businesses that contribute to food safety and security.

Please refer to page 27-28 "Special Features 2"



Plant factory

Review of Operations— Management Plan for Fiscal 2015

Our basic policies for fiscal 2015 are “complete the FY2015 Medium-Term Management Plan,” and “advance growth strategies in preparation for the next medium-term management plan.” To this end, we will expand the businesses in the Industrial Infrastructure and Power Electronics segments, expand overseas business, and pursue further improvements in profitability.

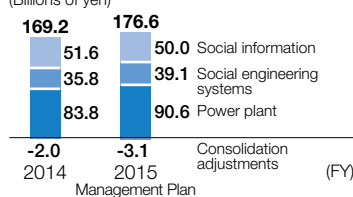
Our plan for fiscal 2015 is to achieve net sales of ¥850.0 billion, up ¥39.3 billion year on year, and operating income of ¥45.0 billion, up ¥5.7 billion year on year.

* Effective April 1, 2015, revisions were made to the Power and Social Infrastructure, Industrial Infrastructure, Power Electronics, and Food and Beverage Distribution segments and some of the underlying subsegments, reflecting each segment’s scope of operations. Accordingly, fiscal 2014 results are shown here under the new segmentation.

Power and Social Infrastructure

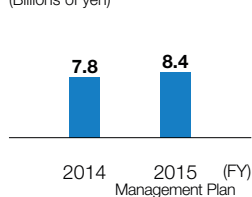
Net Sales

(Billions of yen)



Operating Income

(Billions of yen)



Environmental Factors

- Global growth in electricity demand
- Ongoing introduction of large-scale thermal power generation systems and renewable energy, such as solar power in Japan, centered on IPP*1 and PPS*2 operators
- Smart meter market expansion in Japan

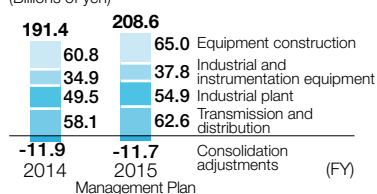
*1 IPP: Independent Power Producer

*2 PPS: Power Producer and Supplier

Industrial Infrastructure

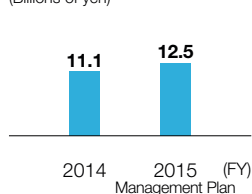
Net Sales

(Billions of yen)



Operating Income

(Billions of yen)

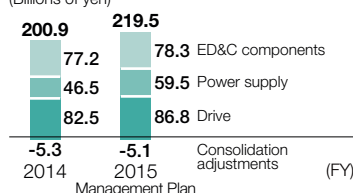


- Expansion in replacement and rationalization investments in Japan
- Ongoing infrastructure investment in Asia

Power Electronics

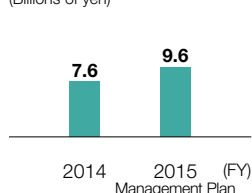
Net Sales

(Billions of yen)



Operating Income

(Billions of yen)

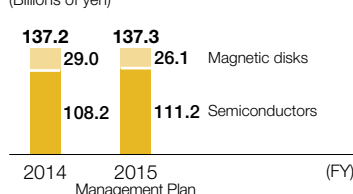


- For inverters, steady growth in Japan, flat growth in China, and a recovery trend in Asia, Europe, and the Americas are expected
- For uninterruptible power systems (UPS), slight decline in Japan, flat growth in China, and ongoing favorable conditions for data centers in Asia and the Americas are expected

Electronic Devices

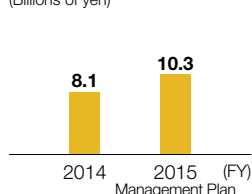
Net Sales

(Billions of yen)



Operating Income

(Billions of yen)

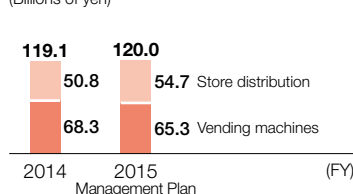


- Industrial fields such as industrial machinery and new energy are driving power semiconductor market growth in Japan and overseas

Food and Beverage Distribution

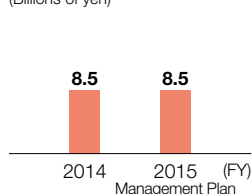
Net Sales

(Billions of yen)



Operating Income

(Billions of yen)



- Vending machines face a shrinking domestic market while markets expand in China and Asia
- Diversification of store types, such as supermarkets and convenience stores

(Billions of yen)	Net Sales			Operating Income		
	Fiscal 2014	Management Plan for Fiscal 2015	Increase / Decrease	Fiscal 2014	Management Plan for Fiscal 2015	Increase / Decrease
Power and Social Infrastructure	169.2	176.6	7.4	7.8	8.4	0.6
Industrial Infrastructure	191.4	208.6	17.2	11.1	12.5	1.4
Power Electronics	200.9	219.5	18.6	7.6	9.6	2.0
Electronic Devices	137.2	137.3	0.1	8.1	10.3	2.2
Food and Beverage Distribution	119.1	120.0	0.9	8.5	8.5	0.0
Others	61.2	61.4	0.2	1.9	1.9	0.0
Elimination and Corporate	-68.3	-73.4	-5.1	-5.7	-6.1	-0.4
Total	810.7	850.0	39.3	39.3	45.0	5.7

Main Initiatives

- Leverage robust product lineup to expand orders for thermal and geothermal power generation facilities
- Expand the thermal and geothermal power generation service business through M&A and others, primarily overseas
- Expand orders in the new energy field, such as solar power generation systems, fuel cells and other systems
- Increase orders and boost profitability of smart meters
- Boost orders in the smart community field, particularly in power distribution



Fuel cells provide clean energy

- Capture replacement demand for aging manufacturing facilities in Japan and demand for energy-saving facilities
 - Increase orders and sales of service businesses (maintenance, diagnostics, and replacement)
- Expand overseas operations centered on Asia
 - Increase production in Thailand and promote local production and consumption
 - Strengthen engineering systems to expand the sales of overseas business companies
- Expand orders and sales centered on the industrial plant field (assembly/processing, industrial distribution, and data center businesses)



Service activities involve making proposals for overall plant optimization

- Strengthen manufacturing capabilities
 - Convert domestic factories (Suzuka and Kobe) into global mother factories
- Expand overseas businesses
 - Expand orders and sales of inverters and servo systems and medium- and large-capacity UPSs
 - Expand local production and local consumption (U.S. and India)
 - Leverage Fuji SMBE's sales channels and production bases to expand business
- Accelerate new product launches
 - Consolidate development systems through establishment of the Power Electronics Technical Center
 - Accelerate development of differentiated products through application of SiC power semiconductors



Computer image of the completed Power Electronics Technical Center (completion scheduled for fiscal 2016)

- Accelerate development of new power semiconductor products and achieve early market launch
 - Develop and launch 7th generation industrial IGBT modules
 - Accelerate development of SiC modules for power electronics
- Construct an optimal global production system
 - Promote local production and consumption in power semiconductors to improve profitability
- Strengthen earning structures through integration of magnetic disk and semiconductor subsidiaries in Malaysia



7th generation industrial IGBT modules

- Expand vending machines business in China and Asia
 - Separate manufacturing and sales functions to strengthen sales systems and increase sales, and reinforce manufacturing systems (China)
 - Expand market by establishing a local operating company (Thailand)
 - Promote sales of new vending machines (glass-front multi-purpose vending machines, cup vending machines, etc.)
- Enhance lineup of store system products for the convenience store industry, such as next-generation showcases
- Expand orders for distribution systems (refrigerated and frozen distribution systems and the next-generation cold storage container D-BOX)
- Develop plant factories on a full scale



Dalian Fuji Bingshan Vending Machine Sales Co., Ltd. was established in April 2015

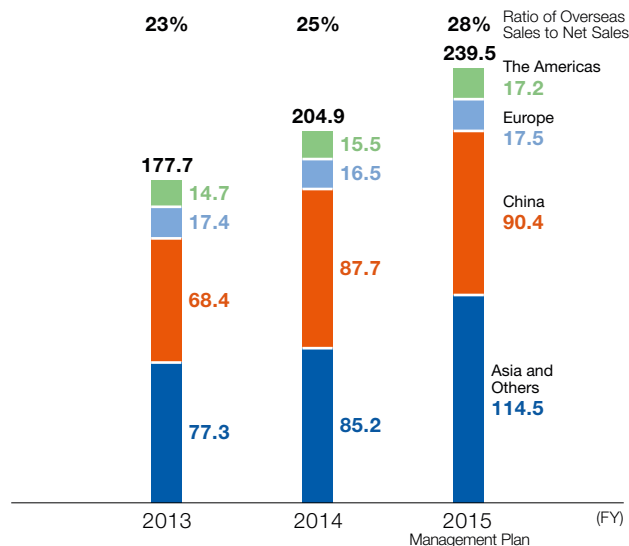
Review of Operations — Overseas Operations

Fiscal 2014 Performance

Overseas net sales increased ¥27.2 billion year on year to ¥204.9 billion, increasing from the previous year in all segments atop growth in demand, as well as the benefits of foreign exchange differences. The ratio of overseas sales to net sales increased 2 percentage points to 25%.

By region, Asia and China both saw significant year-on-year sales increases. Asia recorded sales from large-scale thermal and geothermal power generation projects and an increase in demand for power electronics, while China saw sales growth mainly driven by power semiconductors and vending machines. In the Americas, sales increased year on year, mainly in the drive business. In Europe, on the other hand, sales remained sluggish.

Sales Outside Japan (Billions of yen)



Major Initiatives in Fiscal 2014

Acquisition and Consolidation of a Low-voltage Switchboard Manufacturer in Singapore

In December 2014, we acquired the low-voltage switchboard and control gear solutions manufacturer SMB Electric Pte. Ltd. (SMBE) and converted it into consolidated subsidiary Fuji SMBE Pte. Ltd.

SMBE had experience conducting business operations in Singapore, Malaysia, Indonesia, and Australia and a record of delivering many installations, including data centers, commercial facilities, and industrial plant and factory equipment.

In addition to the distribution channels we have, SMBE's sales channels in the Asia-Pacific region and engineering capabilities will be utilized to increase the number of industrial plant and system projects that combine SMBE's low-voltage switchboards and Fuji Electric's power electronics. Moreover, we will also work to open new markets through production of medium-voltage switchboards.



Fuji SMBE Pte. Ltd.



Low-voltage switchboard

Full Operational Start at the Thailand Production Factory

Fuji Electric Manufacturing (Thailand) Co., Ltd., the core production facility of power electronics (inverters, UPS, and other items) for Asia and Europe, ramped up to full-scale operation as a multi-business factory with the start of production of substation equipment (gas-insulated switchgear) as well as the Twistar vending machine for China and Asia.



Gas-insulated switchgear

Reinforcing Sales Activities by Fuji Tusco Co., Ltd.

Fuji Tusco Co., Ltd. was established in October 2013 through a capital investment in Tusco Trafo Co., Ltd. The company has now started production, and in August 2014, delivered its first power transformer. Fuji Tusco will expand its product lineup and make mutual use of distribution channels to bolster its sales promotion activities.



Power transformer

Fiscal 2015 Management Plan and Main Initiatives

We aim to achieve ¥239.5 billion in overseas sales, a ¥34.6 billion year-on-year increase.

We will bolster our manufacturing and engineering systems in Asia, while further promoting local production for local consumption in the U.S. and India. We will also conduct M&As to secure human resources and sales channels with close ties to local areas. Our initiatives by region are as follows.

Asia

We will work to expand orders in thermal and geothermal power generation and the smart community field, centered on power distribution. In the transformer business, we will also expand orders by strengthening our manufacturing and engineering systems. We will establish an inverter assembly factory in India, and expand our power electronics orders and sales by introducing new power electronics products, such as inverters and UPS, and leveraging Fuji SMBE to strengthen our switchgear and controlgear business.

China

In China, we will expand sales of power electronics by strengthening our cooperative relationship with Shanghai Electric Group Co., Ltd., and promoting sales expansion with a focus on new products. Meanwhile, we will strengthen our sales structure to expand sales of vending machines, which are expected to see growth in demand.

Europe

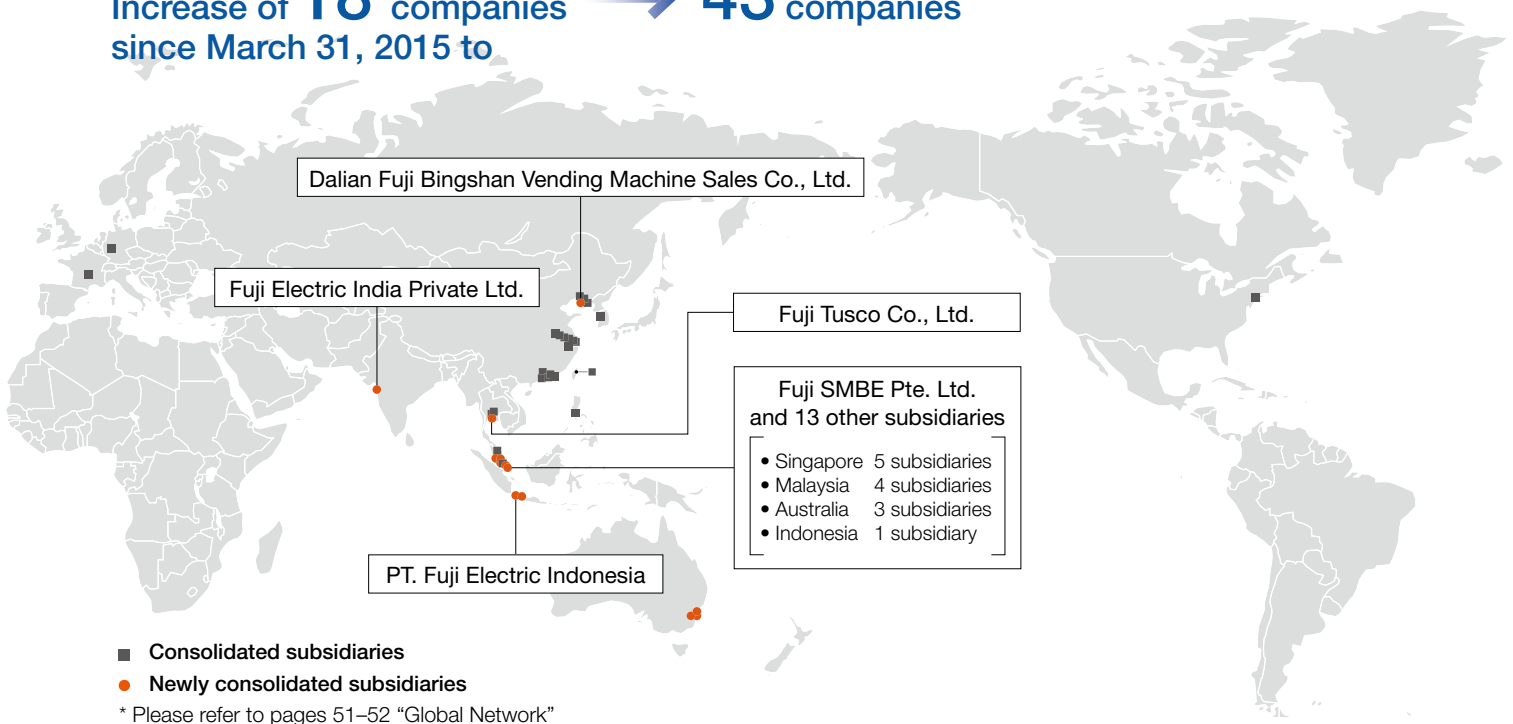
We will strengthen sales of fuel cells and accelerate the launch of new power electronics products, such as inverters. We will also expand sales of power semiconductors by capturing increasing demand for new energy applications.

The Americas

In addition to increasing orders by bolstering after sales business of the thermal and geothermal power generation business, we will start production of railcar systems in the U.S., where replacement demand is expected, and work to capture more orders. Moreover, by accelerating launches for new products such as inverters and UPS, we will work to expand sales of power electronics.

Consolidated Subsidiaries Overseas (As of July 1, 2015)

Increase of **18** companies → **43** companies since March 31, 2015 to



Review of Operations— Capital Expenditures and R&D Expenditures

Plant and Equipment Investment

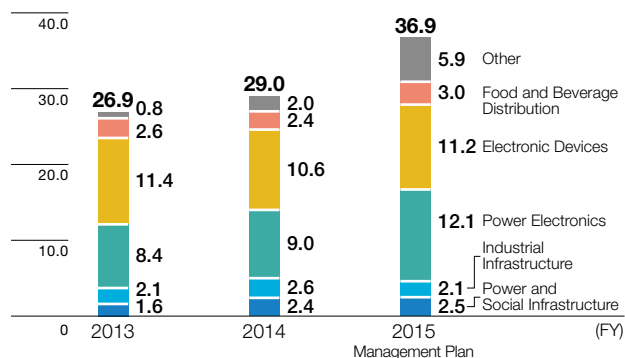
Constructing New Research and Development Centers, Increased Production Capacity, and Improved Product Development Capabilities

In fiscal 2014, we started construction on a Core R&D Center that will serve as a global development headquarters at the Tokyo Factory and a Development Center for power semiconductors at the Matsumoto Factory. We also invested in production facilities for power electronics and electrical switchgear at the Thailand Factory, which is the main production base for products for Asia, Europe, and the U.S. markets. In Japan, we introduced automated production lines for smart meters, constructed an ED&C Development Center at the Fukiage Factory, and made further investments in testing facilities. Moreover, we also proceeded with the introduction of development facilities for 7th generation IGBT power semiconductor modules.

In fiscal 2015, we will prepare for increased competition in the power electronics sector by investing in domestic production facilities and constructing the Power Electronics Technical Center at the Suzuka Factory to strengthen our manufacturing capabilities and accelerate new product development. We will also strengthen development and commercialization for related products by starting operations at the Core R&D Center and Development Center for power semiconductors, and by introducing development facilities for SiC power devices.

Amount of Plant and Equipment Investment

(Billions of yen)



R&D Expenditures

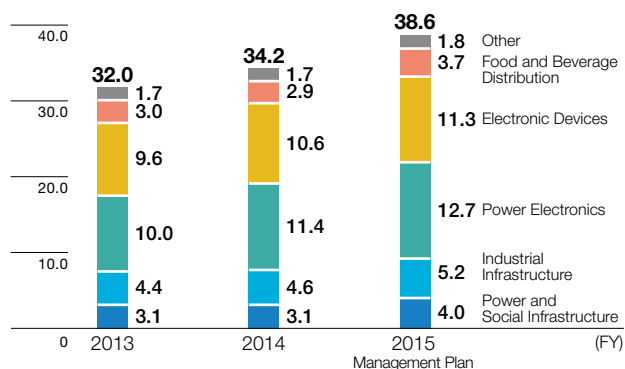
Strengthen Core Technologies in All Areas and Accelerate Development of New Products

In fiscal 2014, focusing on electronic devices and power electronics, we promoted the development of SiC power devices and power electronics equipped therewith, such as power conditioning sub-systems and inverters (Please refer to pages 20-21 “Research and Development” for details). SiC power devices are a highly innovative development that enable advances such as energy saving and miniaturization in all kinds of power electronics by significantly reducing power losses. We will continue to invest aggressively in these fields to expand sales.

In fiscal 2015, we will work to create innovative solutions that combine “physical objects, energy, and information” through the Internet of Things (IoT) and machine-to-machine (M2M) communication. At the same time, we will continue to strengthen basic research and leading-edge technology development. Moreover, to cope with the expansion of our overseas business, we will accelerate development of foundation technologies suited to local development and production. We will aggressively promote private-public-academic collaboration with research institutions and universities to develop advanced technologies and accelerate development.

R&D Expenditures

(Billions of yen)



Note: Figures for research and development expenses are allocated by research theme and therefore differ from those in the Consolidated Financial 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 on products and systems that effectively provide and use electricity and thermal energy.

R&D Policies

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



Major Initiatives in Fiscal 2014

Power and Social Infrastructure

Spray Type Condensers for Axial-Flow Exhaust Geothermal Steam Turbines

Fuji Electric has created the world's first example of using a spray type condenser in the method for flowing turbine exhaust gas axially to connect it with a condenser. This enables plant buildings to be made lower, which is suitable for construction of a geothermal power plant in areas where scenery is a factor, such as Japanese national parks and other areas.



The Maibarara Geothermal Power Plant in the Philippines uses steam turbines, condensers, and other equipment supplied by Fuji Electric

Smart Community Verification Projects in Kitakyushu and Keihanna Science City

Fuji Electric participated in both of these projects from 2010 through to their final year in fiscal 2014.

The projects verified the construction of energy management systems in the regions and peak shifting and peak cutting of electricity demand. The technologies and expertise cultivated through the projects will be used in the development of new smart communities.



Kitakyushu pilot project

Industrial Infrastructure

Exhaust Gas Cleaning Equipment for Ships

Fuji Electric has created the world's most compact sulfur oxide (SOx) cleaning equipment for ships, achieving a 50% reduction in size compared to its previous model. The equipment complies with stronger ship fuel exhaust gas regulations that came into force in 2015.



Integrated Cloud Services Supporting Facility Life-Cycle Management

Fuji Electric has developed a system that integrates functions such as support for energy management and energy-saving, operational monitoring, and preservation support services for factories, buildings, facilities, and so forth. The various types of information are managed in an integrated way in a cloud computing environment. We provide overall optimization from the perspectives of smart system adoption, safety and security, and management throughout the entire lifecycle of a facility, from its introduction to operation and replacement.

Power Electronics

World's First Large-Capacity Mega Solar Power Conditioning Sub-Systems Utilizing All-SiC Modules

Utilizing an All-SiC module, Fuji Electric has realized power conditioning sub-systems with a 98.8% conversion efficiency, one of the highest in the industry, while reducing the installation footprint by 20% compared with its previous models. This development will contribute to highly efficient power generation at mega solar facilities.



This product was awarded the highest award at the 64th Japan Electrical Manufacturer's Association awards held by the Japan Electrical Manufacturers' Association (JEMA).

FRENIC-VG (Stack-Type) Large-Capacity Inverter Utilizing a SiC Hybrid Module

Fuji Electric has developed an inverter utilizing a SiC hybrid module to reduce switching losses in the power conversion circuit by 28% compared to its previous models and increase capacity to 450 kW while retaining the same dimensions of a single 315 kW model. The new inverter will enable customers to save both energy and space at their facilities.



Electronic Devices

All-SiC Modules

The All-SiC module has a 45% smaller footprint than a Si-IGBT model of the same rating and uses a new type of package to reduce switching losses by approximately 50%. Fuji Electric is using it for the first time in the world in a mega solar power conditioning sub-system to achieve highly efficient energy conversion.



Automotive Pressure Sensors

Fuji Electric has developed a pressure sensor that maintains high accuracy under the harsh automotive environmental conditions to help optimize engine control. The sensors will be installed in engines that comply with the EURO 6 exhaust gas regulations in Europe and contribute to fuel efficiency improvements and cleaner exhaust gas.



Food and Beverage Distribution

Vending Machines with DC Power Vend Mechanism

Fuji Electric has improved the functionality of beverage vending machines for cans and PET bottles, such as new DC vend mechanism, and has also achieved energy savings. Moreover, by fitting them with back-up power source, the machines can continue to supply beverages when in a power outage, for example during a disaster.



Twistar – A Vending Machine for China and Asia

With four types of the easily replaceable selling modules, and three selectable temperature settings (strong/weak refrigeration or at ambient temperature), this newly developed vending machine is globally adaptable and able to sell a wide range of products including beverages, food, and merchandise. It can also be used in “unattended stores” during nighttime hours and so forth.



New Technology

Anti-Corrosion Technology for Geothermal Turbines

To enhance the erosion resistance (fluid abrasion) of turbine blades in thermal and geothermal power generators, Fuji Electric developed extra-deep laser-hardening reformulation technologies that have doubled the life of the blades.

Voice

Message from a Developer



Masayoshi Matsumoto
Development Promotion
Group Leader
Automation Components
Planning Department
Industrial and
Instrumentation
Equipment Division
Industrial Infrastructure
Business Group

Small- and Medium-Scale Monitoring and Control System **MICREX-View XX**

The MICREX-VieW XX conducts status monitoring and control of factory production lines and power plants, contributing to plant energy savings as well as operational safety and security.

The most important factor in developing this product was using a common platform applicable to all industrial fields: namely, pursuit of performance improvement, flexibility of system scale and configuration, and cost competitiveness. Another factor was considering the needs and wishes of the many customers who are long-time users of our control systems by ensuring compatibility with their previous user interfaces while also improving operability. We made multiple visits to customers' sites, and sales divisions, technology divisions, and factories worked in concert to identify the true needs behind customers' requests, carrying out repeated proposal activities including demonstrations. We also worked to expand functions that would enable us to make effective use of customers' existing application assets while upgrading their systems in stages, which really demonstrated our careful attention to their needs.

Looking ahead, we will leverage the Company's expertise and combined capabilities to increase customer satisfaction even further by improving on the high performance and reliability of our systems.



A single unit achieves process automation for controlling temperature and pressure, as well as factory automation for dealing with process and assembly control

Intellectual Property

Fuji Electric, based on respect for both the intellectual property (IP) rights it owns as well as those owned by other companies, 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

- ▶ Comprehensively strengthen our patent portfolio* by working from stages of business and R&D planning
- ▶ Investigate and respond to overseas IP systems and status and reinforce IP activities at overseas bases
- ▶ Promote international standardization

* A group of patents strategically acquired in relevant technical fields with the goal of securing leeway in business fields, avoiding litigation, and establishing a competitive advantage

Source: Nomura Research Institute, Ltd.

Major Initiatives in Fiscal 2014

IP Activities in Consideration of Business and R&D Resources

For key research themes and products, the IP divisions worked with the business group and the R&D group to strengthen the patent portfolios. Also, efforts were focused on filing patent applications, centered on businesses related to energy and power electronics.

Looking ahead, after confirming the direction of business and development from the theme-planning stage prior to commencing research and development, we will establish IP strategies based on analysis and investigation of patents,

reinforcing our patent portfolio to ensure an absolute advantage in business activities. Moreover, we will make active use of the IP we own and have acquired.

Main Fields for Patent Applications

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

IP Activities Responding to Globalization

Fuji Electric is strengthening its global IP activities and reducing operational risks related to IP by continuing to search overseas IP and to implement measures against counterfeit products.

In fiscal 2014, our local IP division in China led efforts to gather IP information and implement countermeasures against counterfeit products. Meanwhile, in Asian countries such as Thailand and India, we established IP strategies and focused on matters such as countermeasures against technology leakage. Furthermore, with the globalization of our business, we have set up a Companywide International Standardization Committee, which works with relevant departments to bring our products into conformance with

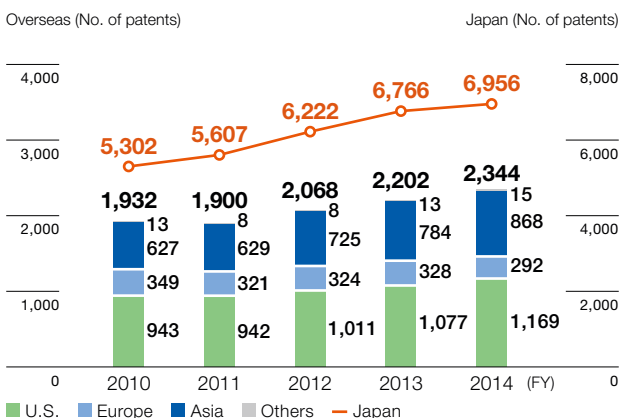
international standards more quickly.

Looking ahead, as we step up our IP activities overseas, we will also undertake strategic international standardization initiatives and contribute to the creation of new products and services, as well as market expansion.

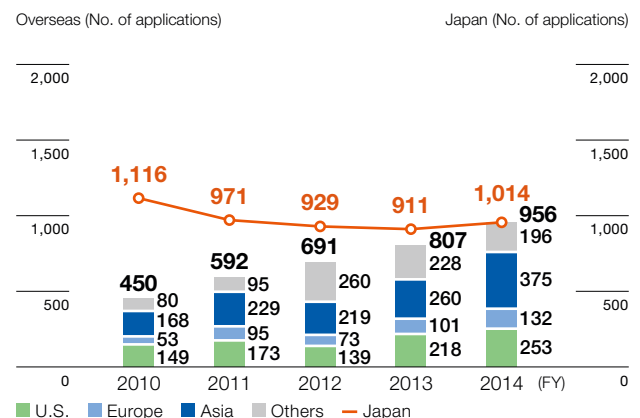


Introducing initiatives for international standardization at the Fuji Electric booth in the IEC (International Electrotechnical Commission) General Meeting in Tokyo.

Number of Patents Held in Japan and Overseas



Number of Patent Applications in Japan and Overseas



Manufacturing

Based on its localization policies (local design, local production, and local consumption), Fuji Electric has adopted a manufacturing framework where production bases in Japan act as mother factories for global manufacturing operations, with hubs in China and other Asian countries making efforts to increase its competitiveness. In the near future, we plan to establish assembly plants in the United States and India as well as expand our business at overseas subsidiaries. Moreover, as an initiative to support our competitiveness, we have established a Quality Policy to ensure the highest levels of quality in the industry throughout all our products and services.

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



Major Initiatives in Fiscal 2014

Strengthening Production Technology Capabilities

Fuji Electric is bolstering its production technology capabilities in order to ensure highly-competitive manufacturing.

In fiscal 2014, we took steps to strengthen core production technology capabilities at our mother factories in Japan. We introduced automated production lines at our Mie and Suzuka factories, shortening product lead times, and increasing productivity. We also conducted on-site improvement activities (called the "2S3TEI system"*) at our overseas production bases with the aim of passing on our corporate DNA.

We will work continuously to improve manufacturing

capabilities at our overseas bases.

*The 2S3TEI system encourages workers to focus on 2S- Seiri (sorting) and Seiton (setting), and 3Tei- Teiichi (target location), Teihin (target item), and Teiryō (target quantity), in other words, the right thing in the right number in the right place.



An automated inverter assembly line (Suzuka Factory)

Improving Product Quality

As quality is an essential element in production technology, within the Companywide Production Technology Committee we have a Quality Assurance Working Group that is tasked with achieving stable, uniform product quality and increasing customer satisfaction.

In fiscal 2014, we focused on improving product quality,

including quality improvement activities at our key production bases (Suzuka, Kobe, Chiba, and overseas, (e.g. Thailand)), incorporation of failure examples into production technology guidelines, expanding the number of employees taking QC inspection courses, and holding training seminars based on failure case examples.

Voice

Message from an Employee

Promoting Improvement Activities Based on the 2S3TEI System at Our New Factory in Thailand

A year has passed since we started operations at the new factory of Fuji Electric Manufacturing (Thailand), and our production volume has doubled in that time. To improve our production technology capabilities, we initiated improvements based on the 2S3TEI system. We also encouraged all employees to share ideas on issues like the equipment layout in the working space and how to improve work efficiency. We award those improvements that prove particularly effective.

Looking ahead, we are going to widen the scope of these improvement activities beyond the production bases to the entire Fuji Electric Group. By establishing and continuing the activities, we will continuously grow our factories and strengthen their manufacturing capabilities.



Natee Nararatnkul
Senior Manager of
Manufacturing
Department
Fuji Electric Manufacturing
(Thailand) Co., Ltd.



Employees work on improvement proposals at the factory in Thailand

Enhancing Human Resource Development

To strengthen our manufacturing capabilities, which are fundamental to manufacturers, mother factories in Japan are working to accumulate technologies and expertise. Besides that, by encouraging our employees to participate in open competitions, such as the WorldSkills Competition, we are also eager to nurture ambitious employees with superior abilities in

production engineering and technology, who can take on high level challenges. In our overseas production bases, we are improving both operational quality and efficiency by developing production engineers and technicians, building quality management systems, and pursuing on-site improvements.

Procurement

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

Procurement Policy

- ▶ Expand global procurement
- ▶ Strengthen cost reduction for direct materials through development purchasing
- ▶ Strengthen cost reduction for indirect materials through activities involving all employees
- ▶ Promote CSR in procurement

Major Initiatives in Fiscal 2014

Expand Global Procurement

We aim to build a global procurement system to develop relationships with optimal suppliers on a global scale.

In fiscal 2014, we held a Global Procurement Strategy Council for procurement officers in and outside of Japan, as well as a China Area Procurement Strategy Council, which was held by the IPO for China to share procurement policies.

Strengthen Cost Reductions of Direct and Indirect Materials

We are working to reduce the costs of both direct and indirect materials in and outside of Japan.

In fiscal 2014, we strengthened development procurement, in which the procurement department becomes involved from the development and design phase in the component business. Through this initiative, we reduced direct material costs by sharing materials for new products between different businesses. Moreover, we worked to achieve the maximum

Promote CSR in Procurement

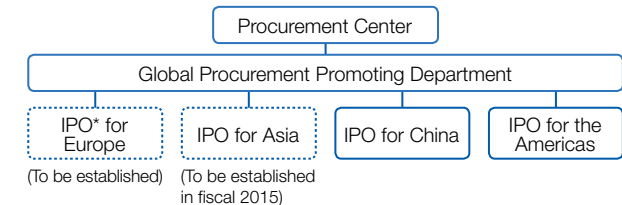
We are working with our suppliers to prevent compliance violations and human rights infringements throughout the entire supply chain, and actively promoting green procurement, where we procure materials with small environmental footprints.

Activities in fiscal 2014 were as follows.

Suppliers	Conducted CSR Questionnaire to grasp CSR activities status (300 suppliers)
Fuji Electric	Conducted training on compliance in procurement Japan: a total of 699 participants attended 30 sessions Overseas: a total of 59 participants attended sessions at two companies in Thailand

We will continue to ensure full awareness of our CSR policies by holding business policy briefings and training sessions for our suppliers as well as internally.

Global Procurement System



* International Procurement Office

A procurement base that discovers new leading suppliers in countries around the world and provides procurement services for Fuji Electric business sites.

We took steps to improve cost reductions at Chinese production sites, and to increased local procurement in Thailand to reduce costs as well as foreign exchange and logistics risks.

Looking ahead, we will nurture buyers at our overseas bases to further advance the bases' procurement capabilities.

reduction effect by exchanging actual frontline expertise with regard to indirect material cost reductions in all businesses, including consumable parts and administrative equipment and communication costs, throughout all production sites.

Looking ahead, we will achieve further cost reductions by strengthening our development procurement in the plant and systems equipment fields along with promoting shared procurement of indirect materials with other companies.

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 2014, 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 sites in Japan (a total of 80 people attended the five 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.