

Fuji Electric Report
2015



*Innovating
Energy Technology*



Brand Statement

Innovating Energy Technology

Through our pursuit of innovation in electric and thermal energy technology, we develop products that maximize energy efficiency and lead to a responsible and sustainable society.

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

Management Policies

- 1 Through our innovation in energy 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

Objectives of This Report

The Fuji Electric Report is published to help its various stakeholders, including shareholders and investors, to 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 status, and our environmental and social initiatives for realizing a sustainable society.

Detailed information is available on our website.

About Fuji Electric
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Business Report	Consolidated Financial Highlights Review of Operations Fiscal 2014 Performance, Management Plan for Fiscal 2015, Overseas Operations, Capital Expenditures and R&D Expenditures Research and Development Intellectual Property Manufacturing Procurement	09 11 20 22 23 24	Business Report
Special Features	Fuji Electric is providing solutions to customers' problems through new technologies and services. Here we highlight examples of our efforts to realize solutions.		Special Features
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Fuji Electric's Energy-Related Businesses

Fuji Electric is contributing to the creation of responsible and sustainable societies through its five business segments, namely Power and Social Infrastructure, Industrial Infrastructure, Power Electronics, Electronic Devices, and Food and Beverage Distribution, which are based on its core electric and thermal energy technology.

Power and Social Infrastructure

By integrating environmentally friendly electric power plants and energy management, Fuji Electric will contribute to the realization of smart communities.

Subsegments	Main Business Areas
Power Plant	Thermal / Geothermal / Hydraulic power generation facilities
	Solar power generation systems
	Fuel cells
Social Engineering Systems	Energy management systems
	Watt-hour meters, Smart meters
Social Information	Information systems



Steam turbines



Fuel cells



Cluster energy management systems



Smart meters

Industrial Infrastructure

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

Subsegments	Main Business Areas
Transmission and Distribution	Substation equipment, Industrial power supply facilities
Industrial Plants	Industrial drive systems, Plant control systems
	Industrial energy management systems
	Data centers
Industrial Measurement Equipment	Controllers, Measuring instruments and sensors
	Radiation monitoring systems
Equipment Construction	Electrical and air conditioning equipment installation



Substation equipment



Industrial drive systems



Monitoring control systems



Measuring instruments

Power Electronics

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

Subsegments	Main Business Areas
Drive	Inverters / Servo systems, Motors
	Transport systems
Power Supply	Uninterruptible power systems (UPS)
	Power conditioning sub-systems
	Switchboards
ED&C Components	Power distribution and control equipment



General-purpose inverters



Uninterruptible power systems (UPS)



Power conditioning sub-systems



Magnetic switches

Electronic Devices

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

Subsegments	Main Business Areas
Semiconductors	Power semiconductors
	Photoconductors
Magnetic Disks	Magnetic disks



High-power IGBT modules



SiC modules



Power MOSFETs



Magnetic recording media

Food and Beverage Distribution

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

Subsegments	Main Business Areas
Vending Machines	Beverage, food and goods vending machines
Store Distribution	Stores and distribution systems
	Showcases
	Currency handling equipment



Canned beverage vending machines



Food and goods vending machines (Chinese and Asian market models)



Freezers and refrigerated showcases



Automatic change dispenser

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.

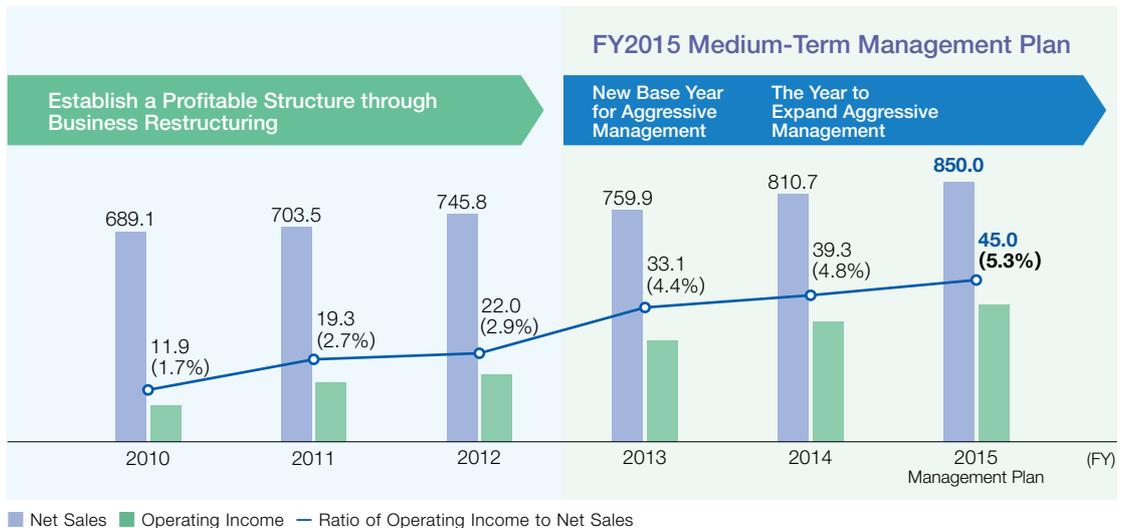
Positioning fiscal 2014 as a year for expanding our focus on aggressive management, we focused on strengthening profitability and establishing a growth foundation

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

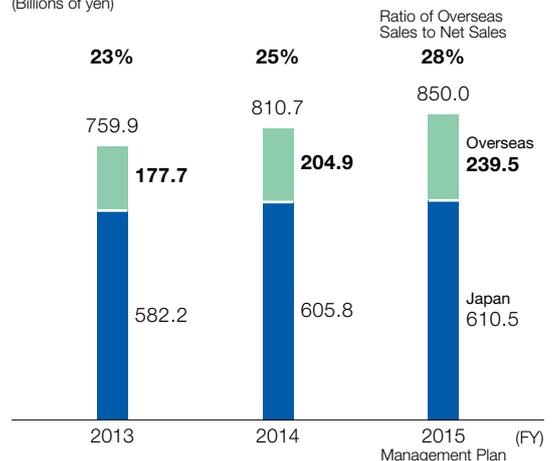
Sales outside Japan still represent less than 30% of total net sales, and it is essential that we strengthen our business in the growth markets of Asia and in the major markets of Europe and the Americas. In fiscal 2014, we focused primarily on Asia in our efforts to establish bases for overseas business.

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

(Billions of yen)



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.

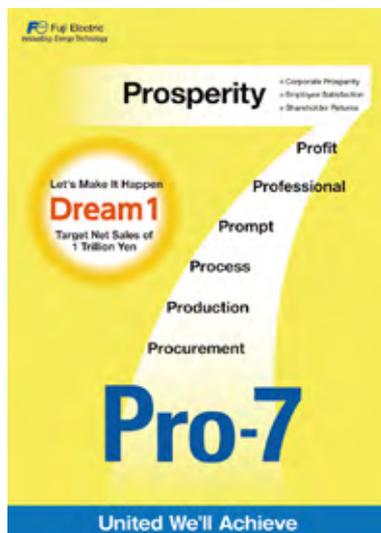
Today, corporate governance plays an increasingly important role in the growth of companies, investors, and the overall economy. Fuji Electric is taking stock of its business activities that relate to corporate governance, as part of an effort to enhance management soundness and realize even greater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



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.

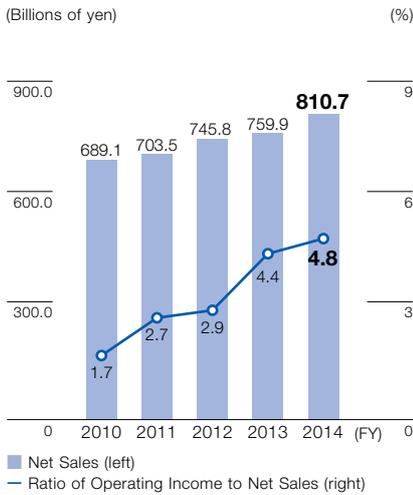
*2 Plant and equipment investment is the total of investment in tangible fixed assets, including acquisition amounts for lease contracts.

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

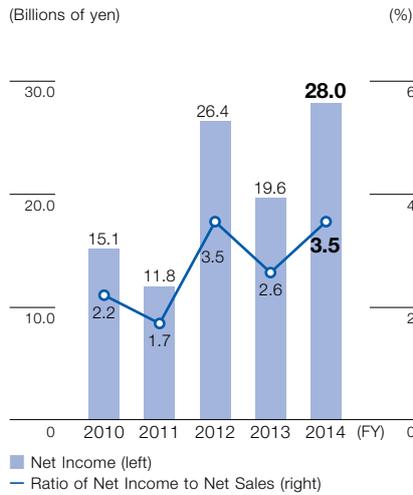
*4 Net debt-equity ratio: Net interest-bearing debt (interest-bearing debt – cash and cash equivalents) / Net assets

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

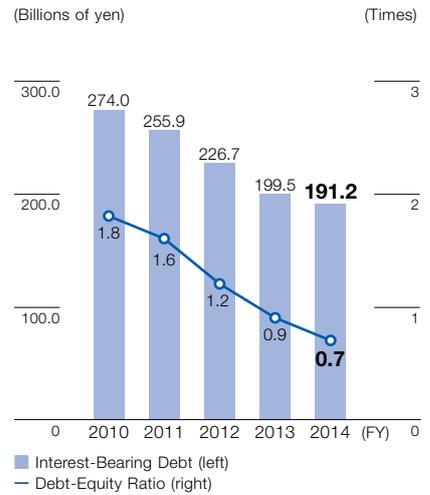
Net Sales / Ratio of Operating Income to Net Sales



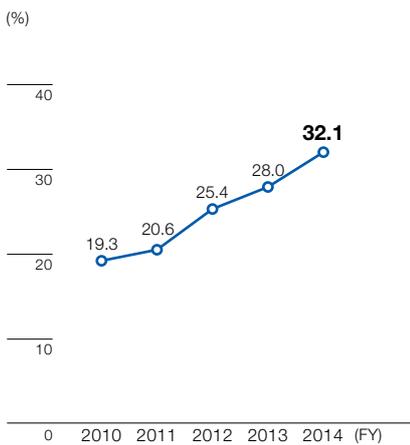
Net Income / Ratio of Net Income to Net Sales



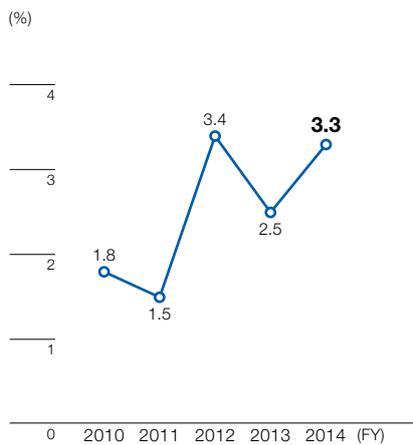
Interest-Bearing Debt / Debt-Equity Ratio



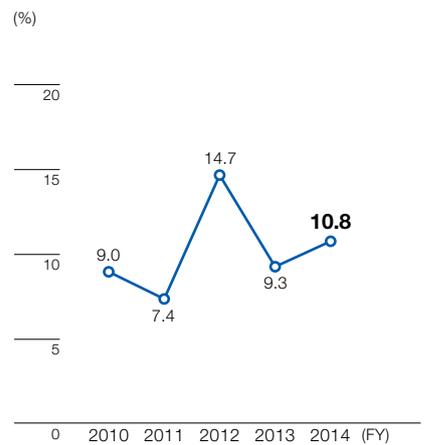
Total Net Assets Ratio



ROA



ROE

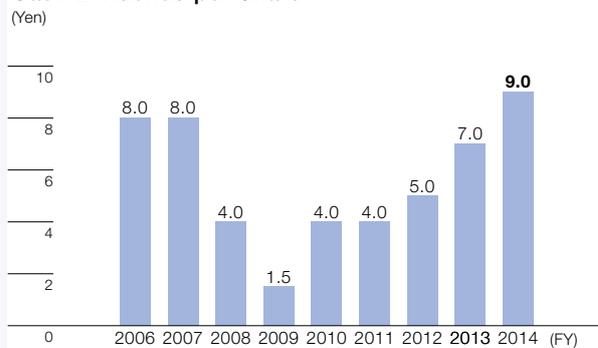


Dividend Policy

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

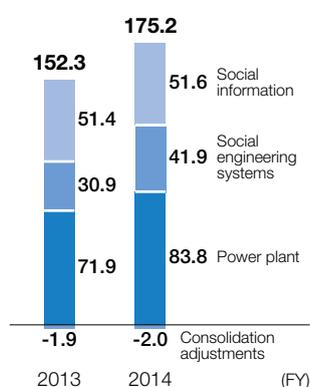
In fiscal 2014, the year ended March 31, 2015, the operating environment for Fuji Electric saw a modest recovery trend in the domestic economy. While there was a fallback from the demand rush that preceded the April 2014 consumption tax hike, this was offset by positive factors including the recovery 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

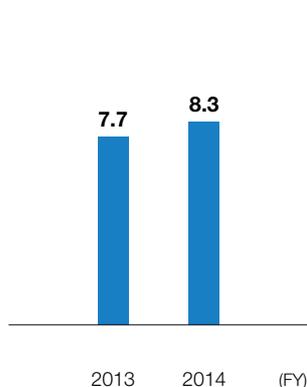
Net Sales

(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.

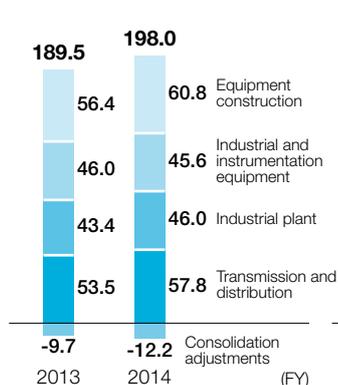
In the social information business, sales increased as a result of the rise in activities targeting small- to medium-scale orders.

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

Industrial Infrastructure

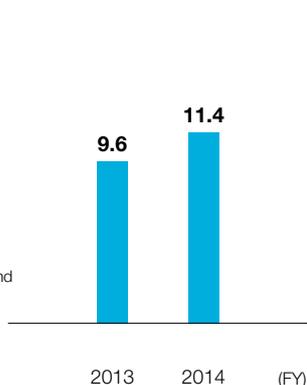
Net Sales

(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.

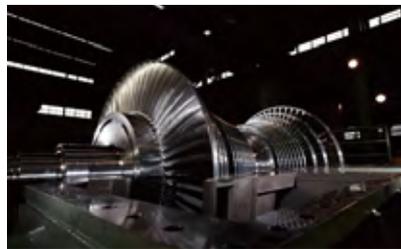


Kisozaki reclaimed land mega-solar

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.

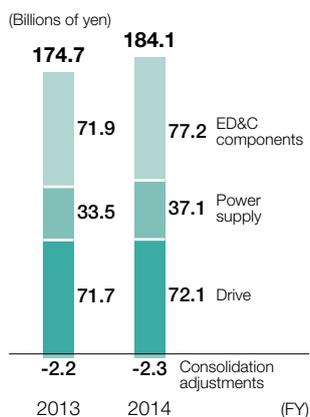
We also expanded the product lineup at Fuji Tusco Co., Ltd., extended the sales and services network, and strengthened the substation equipment business.



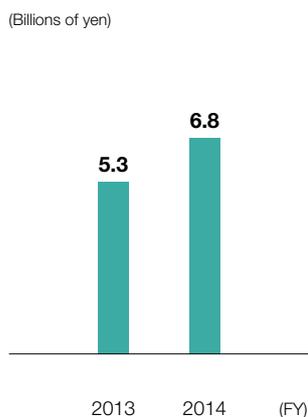
High-power testing facility (Chiba Factory)

Power Electronics

Net Sales



Operating Income



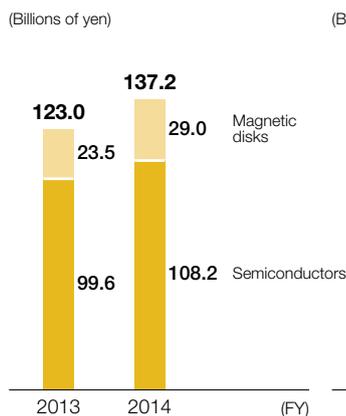
In the drive business, sales and operating results improved year on year following a rise in demand for mainstay inverters and servos.

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.

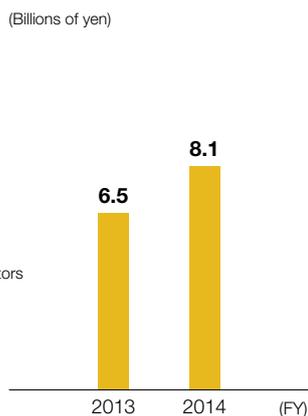
In the ED&C components business, sales and operating results improved year on year due to strong demand for machine tools and solar power generation-related equipment.

Electronic Devices

Net Sales



Operating Income

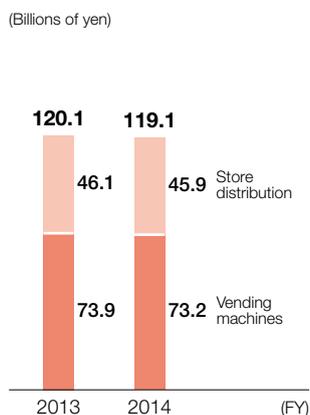


In the semiconductors business, sales were up year on year due to strong demand for inverters, servos, and other industrial machinery in the industrial business and recovered demand for products for telecommunications equipment in the power supply application business. These factors outweighed a decrease 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.

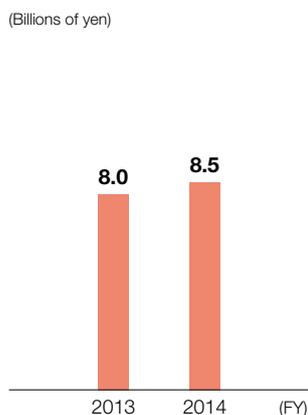
In the magnetic disks business, sales increased, but operating results were unchanged year on year due to the negative impacts of changes in prices and the ratios of sales for specific models.

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.

Main Initiatives

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

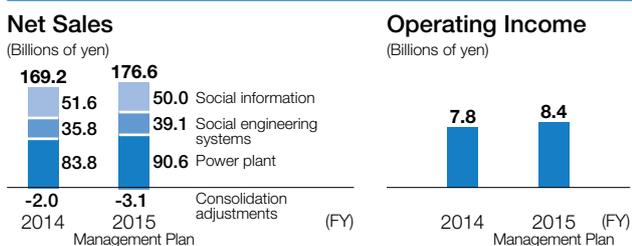
Review of Operations— Management Plan for Fiscal 2015

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

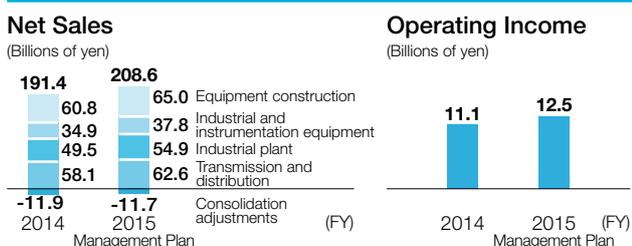


Environmental Factors

- 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

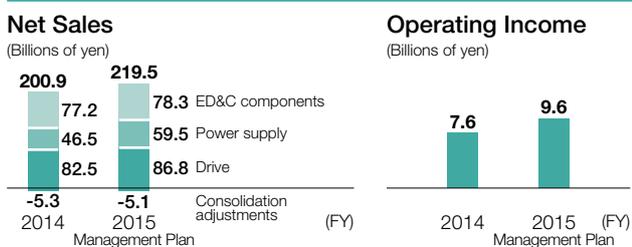
*1 IPP: Independent Power Producer
*2 PPS: Power Producer and Supplier

Industrial Infrastructure



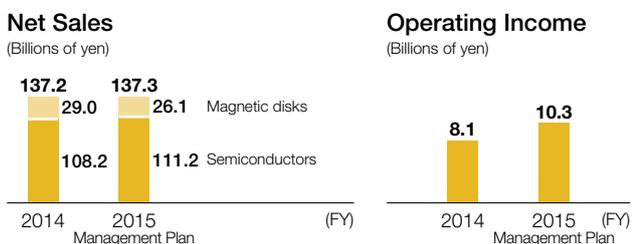
- Expansion in replacement and rationalization investments in Japan
- Ongoing infrastructure investment in Asia

Power Electronics



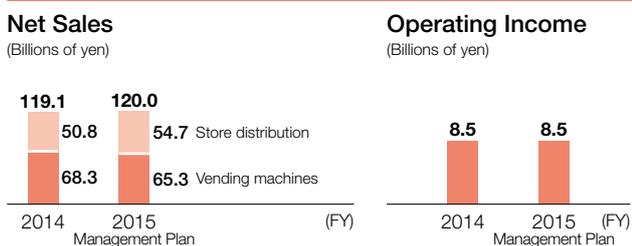
- For inverters, steady growth in Japan, flat growth in China, and a recovery trend in Asia, Europe, and the Americas are expected
- For uninterruptible power systems (UPS), slight decline in Japan, flat growth in China, and ongoing favorable conditions for data centers in Asia and the Americas are expected

Electronic Devices



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

Food and Beverage Distribution



- 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

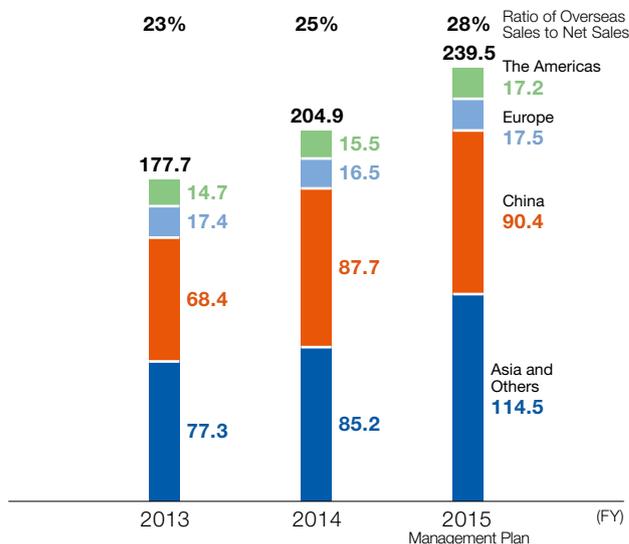
Review of Operations — Overseas Operations

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

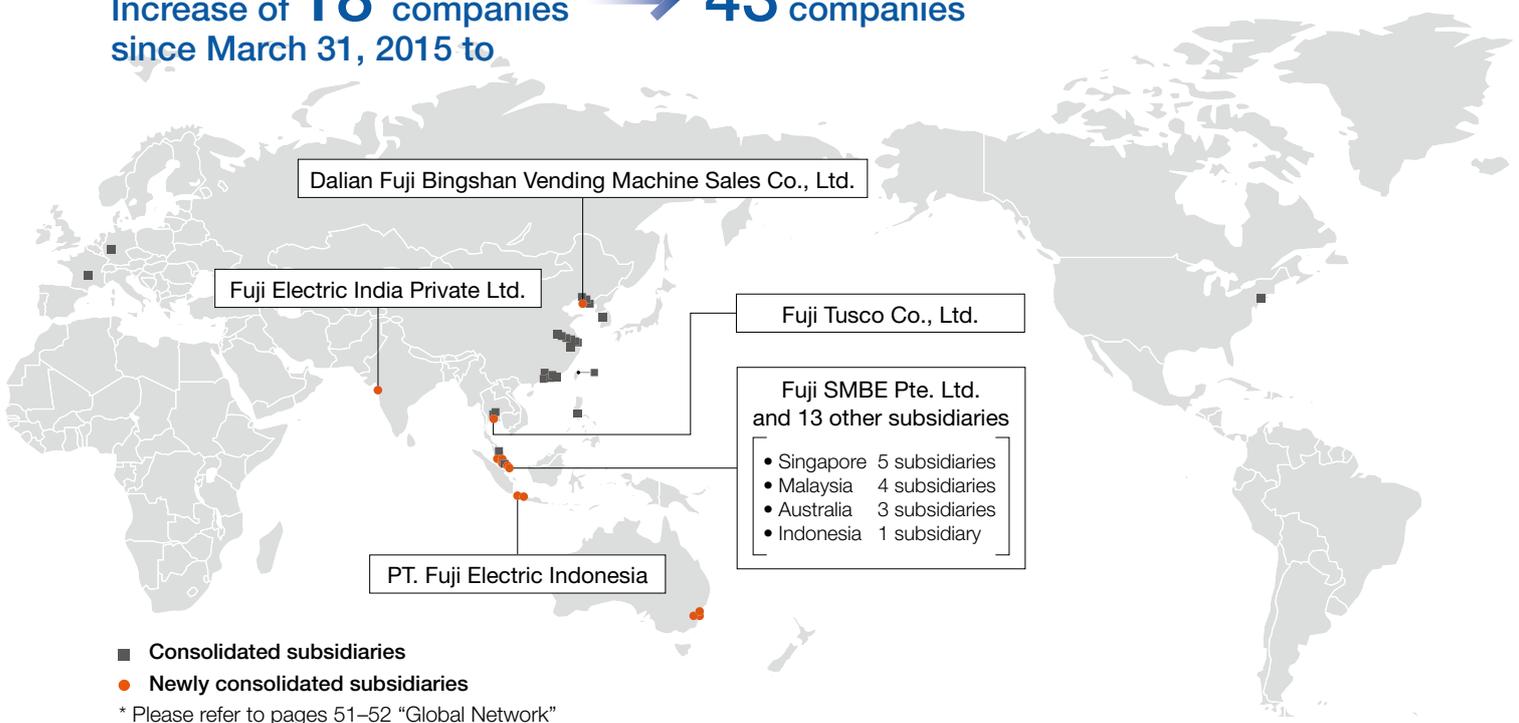
We will strengthen sales of fuel cells and accelerate the launch of new power electronics products, such as inverters. We will also expand sales of power semiconductors by capturing increasing demand for new energy applications.

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

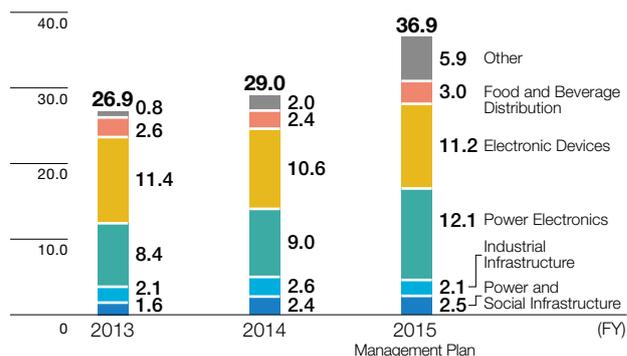
Constructing New Research and Development Centers, Increased Production Capacity, and Improved Product Development Capabilities

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

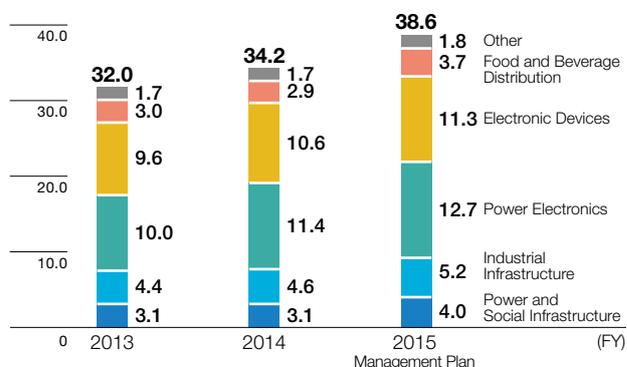
Strengthen Core Technologies in All Areas and Accelerate Development of New Products

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

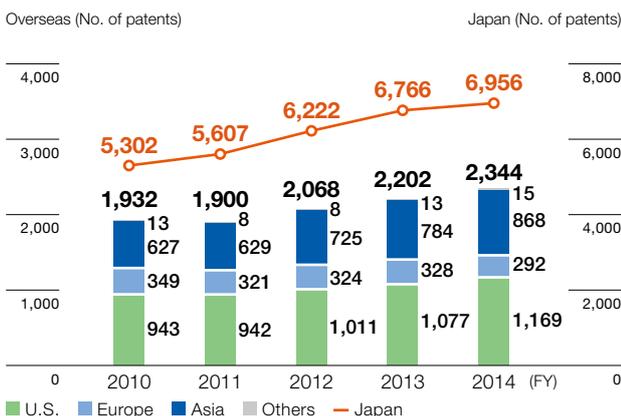
international standards more quickly.

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.

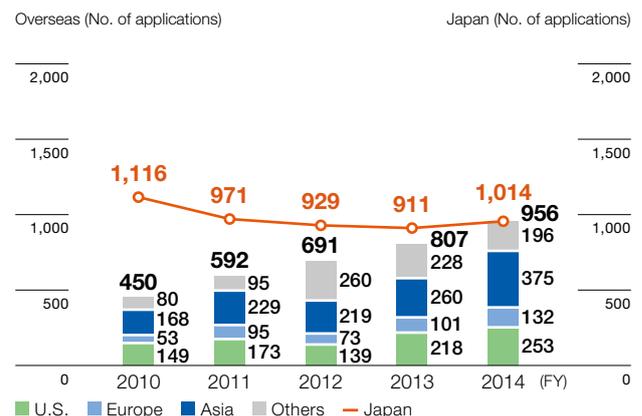


Introducing initiatives for international standardization at the Fuji Electric booth in the IEC (International Electrotechnical Commission) General Meeting in Tokyo.

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

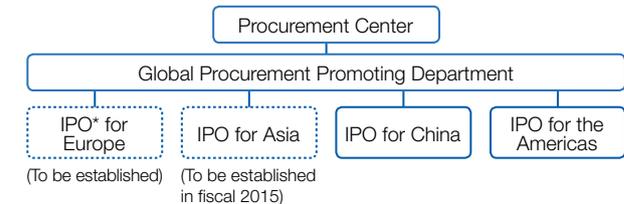
We are working with our suppliers to prevent compliance violations and human rights infringements throughout the entire supply chain, and actively promoting green procurement, where we procure materials with small environmental footprints.

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.

Special Feature Contributing to Solutions to Customers' Problems through New Technologies and Services

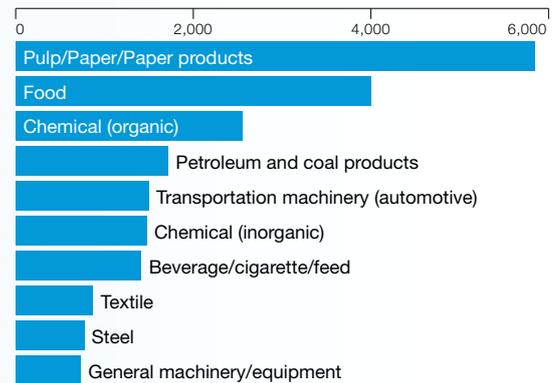
Through innovation in electric and thermal energy technologies, Fuji Electric aims to provide society with technologies and products that contribute to solutions for customers' problems. These special features introduce some of the initiatives intended to bring us closer to that goal.

1 Saving Energy through Reuse of Factory Exhaust Heat

With changes in the energy situation in recent years, factories and other production sites have also turned to smart energy systems that enable them to use energy intelligently. One method that is garnering attention is reusing factory exhaust heat. Expectations for reuse are high, particularly in industries that make wide-ranging use of heat applications, including the pulp, paper and paper products, food, and (organic) chemical industries.

Applying technology honed through the manufacture of vending machines, Fuji Electric developed one of the industry's first products to make use of a heat pump for heat exchange. By targeting industries with significant volumes of reusable steam, we will promote efficient use of heat energy within factories to contribute to our clients in the industrial sector.

Reusable Steam Volume by Industry (Ton/hour)

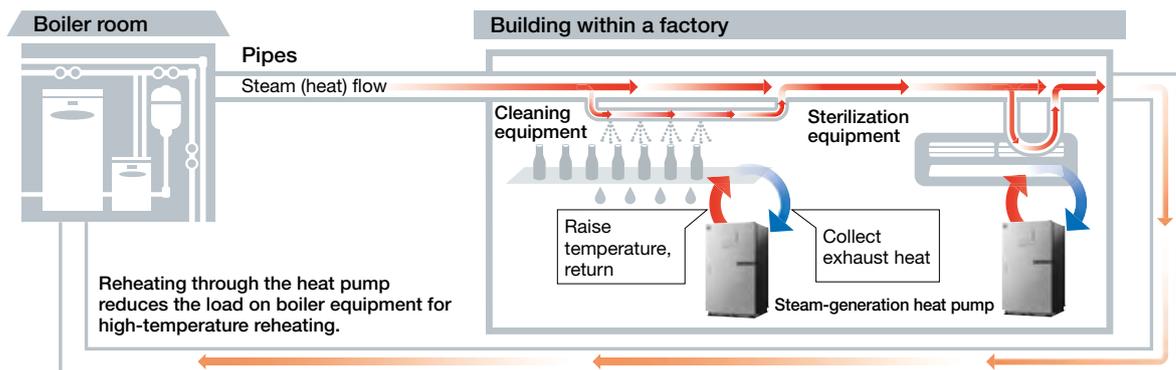


(Fuji Electric estimates based on data from Fuji-Keizai Co., Ltd.)

Reusing Heat Energy through Steam-Generation Heat Pumps

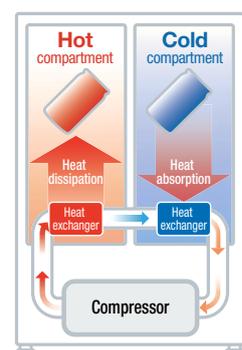
During the production process, factories use and emit a great deal of heat, particularly in cleaning and sterilization equipment. Steam-generation heat pumps can collect and re-heat the exhaust heat from such equipment, making it available for reuse.

Because this method reduces the high-temperature reheating load on boiler equipment, it can lower fuel costs and enable the factory to save energy.



Explanation What is a "heat pump?"

Because the equipment pumps heat from a "cold side" to a "hot side," similar to a system used for pumping water, it is known as a "heat pump." In vending machines, the heat absorbed in the cold compartment where beverages are chilled is condensed in a compressor, and the heat generated in this process is then used to heat beverages in a hot compartment. This greatly reduces the amount of energy used for heating, and contributes to energy saving.



Vending machine heating and cooling system

Saving Energy by Utilizing Surplus Heat from Diesel Engines

Energy Use Reduced by More Than Half

Fuji Electric Power Semiconductor Co., Ltd.'s Iiyama Factory is a manufacturing base for power semiconductors used in automobiles. To ensure a stable supply of electric power to sustain the factory's operation 24 hours a day, 365 days a year, power is generated on site using a diesel engine generator. The exhaust heat generated by this engine is reused in the factory's heating, ventilation, and air conditioning, but about 50% of the overall exhaust heat remained unused. We evaluated possible ways to use that heat more effectively to achieve greater energy savings.

Our attention was drawn to the steam supplied to the factory's clean rooms. Power semiconductors are precision components, and any static electricity generated and released in the manufacturing process can have a negative impact on quality. To prevent this, particularly in the winter season when the air is dry, steam is generated and supplied to the clean rooms using a dedicated boiler. In March 2015, the factory began field testing a steam-generation heat pump developed at Fuji Electric's Mie Factory, aiming to make further energy savings by using the exhaust heat from their diesel engine to generate a supply of steam for the clean rooms.

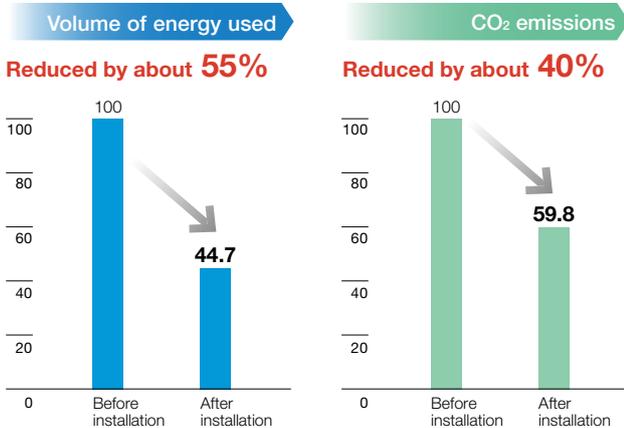


Power semiconductor post-process

The steam-generation heat pump itself is about the size of a typical vending machine. It is simple to operate and can be installed in just a few hours without requiring any special construction. After installation, the volume of energy used in April was down about 55% compared to before, while CO₂ emissions dropped by about 40%. Use of the boiler was also reduced. With energy savings exceeding original estimates, the factory intends to continue its testing to verify product quality and accelerate efforts to commercialize the product.

Post-deployment effects

(%)



Steam-Generation heat pump

Voice Message from the Factory Staff



Hirofumi Uehara
General Administration Department,
Iiyama Factory
Fuji Electric Power Semiconductor Co., Ltd.

The installation of the steam-generation heat pump has enabled us to reduce fuel costs significantly compared to the energy conservation plan we had created previously. Our location along the Sea of Japan means our need for heating between October and June is high, and we now expect to reduce our annual fuel costs and CO₂ emissions well beyond our original estimates.



2 The Challenge of Optimizing Energy in the Agricultural Sector

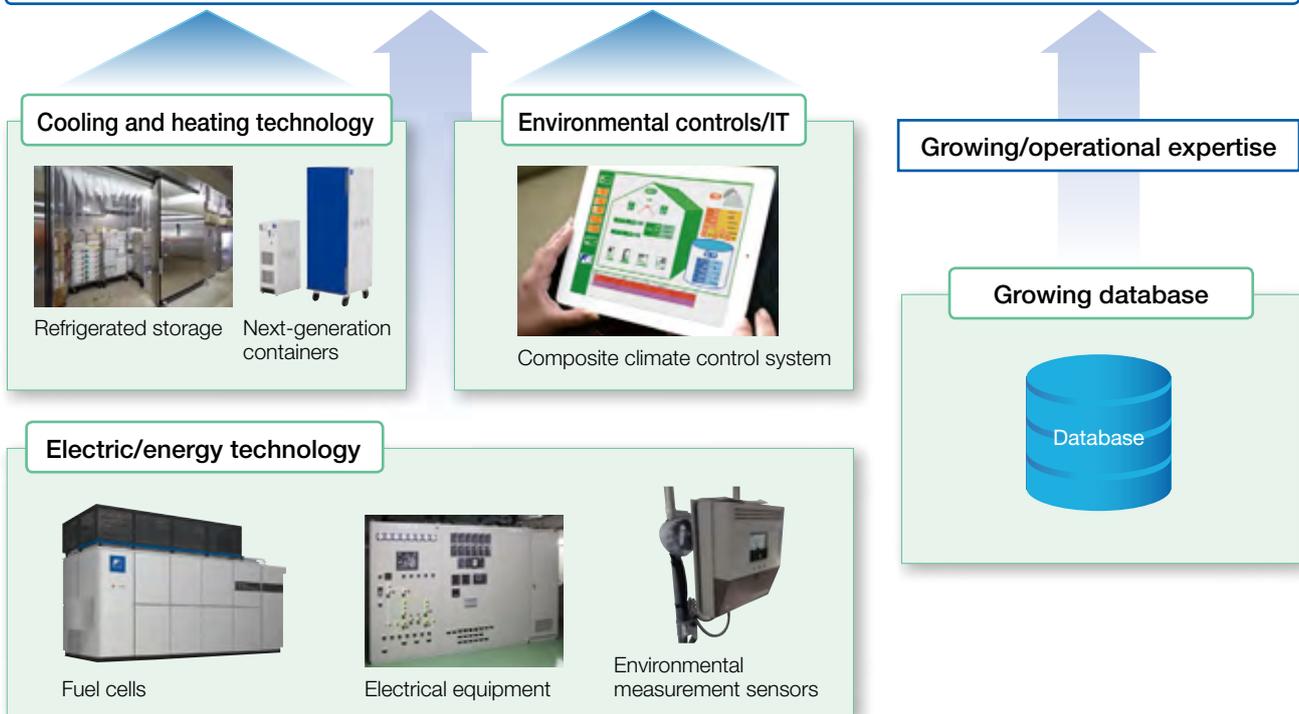
Conditions in Japanese agriculture are changing, with an aging society and falling birthrate, along with a growing awareness of food safety and security. In response to emergent needs in the food and beverage distribution market, new services and business models are appearing. One area attracting considerable attention is plant factories, which make it possible to provide advanced control over growing conditions, ensuring consistent quality and high productivity.

Using our experience in electric and thermal energy and plant control technologies, we are offering proposals for the various facilities, equipment, and information and control systems that support the engineering of plant factories. We also contribute to our customers' businesses by providing complete support for everything from business planning, to construction and operation, including growing and operational expertise.



Smart food distribution chain provided by Fuji Electric

Plant factory engineering, support and services provided by Fuji Electric



The Composite Climate Control System Is the Key to Plant Factories

Plant growth is affected by a complex interplay between a variety of environmental factors, including temperature, humidity and amount of sunlight. Our composite climate control system can manage these complex growing environments, enable growers to check the status via PCs and tablet devices, and create the ideal environment for plant growth, resulting in higher yields and improved quality.

Energy savings can also be achieved by adjusting equipment operation flexibly in response to the immediate situation.



The Optimal Environment for Year-Round Strawberry Cultivation

Tomato Farm Co., Ltd., (located in Tomakomai, Hokkaido) in which Fuji Electric has invested, took advantage of the Ministry of Agriculture, Forestry and Fisheries' "Supportive Projects for Accelerating the Introduction of Next-generation Greenhouse Horticulture" to build a new factory, and in the fall of 2014 began strawberry cultivation. The factory currently raises six different varieties, but in the future, plans to narrow the range down to two or three varieties most suited to cultivation.

Distribution volumes of domestic strawberries decline from summer into autumn, increasing the reliance on imported products. The goal of this cutting-edge growing facility, which is unaffected by climate or weather, is to achieve stable, year-round production and shipments.

The technology required to create the ideal environment for cultivation with minimal use of energy utilizes just the kind of expertise Fuji Electric has developed in its manufacturing business. With a composite climate control system based on our sensor and control technology, crops of consistent quality and volume can be cultivated year-round, while reducing fuel oil, electricity and other energy use by as much as 30% compared to an ordinary greenhouse.

Fuji Electric's entry into agriculture began nearly 20 years ago with the IT sector, but this is our first attempt at engineering a large-scale plant factory measuring two hectares. Plants are living things, and even when handled in a similar fashion, it is not always possible to maintain similar quality. In creating this system, we studied the agricultural expertise needed to create an optimal cultivation environment from the ground up. We also made repeated adjustments to arrive at the ideal combination of Fuji Electric facilities, equipment and



A large-scale, two-hectare greenhouse

systems needed to meet the needs of Tomato Farm. By incorporating feedback from growing data, knowledge, and expertise into the operating and growing process, we are contributing to a stable supply of strawberries that meet the needs of consumers.



Strawberries produced by Tomato Farm are currently being shipped to confectioners and other users in Hokkaido. To provide consumers with the safest, freshest products, Fuji Electric is continuing its efforts to optimize energy use in the agricultural sector too.

Topic D-BOX Proving Useful in Plant Factories

D-BOX is a next-generation cold storage container launched in 2014. It not only enables constant-temperature distribution control during delivery from the production site to stores and sales areas, but can be used for movement of goods within the plant factory. This helps prevent the deterioration of quality in easily-damaged strawberries, and ensures that safe and highly fresh products are delivered to consumers.



Voice Message from a Customer



Seiki Aoyama
Director
Tomato Farm Co., Ltd. (Back row, far left)

Traditionally, agriculture relied largely on experience and instinct. Fuji Electric participated in this project from the initial proposal phase, and worked with us to conceive and build the system. Today, we see enormous potential in the systemization of worker expertise and knowledge through the composite climate control system. We will accumulate more operational data to increase the accuracy of our controls.

3

Contributing to Facility Safety and Security and Higher Productivity throughout the Lifecycle

With the aging of Japan's factories, an increasing amount of infrastructure equipment and machinery is due for renewal, and the demand is growing for products and equipment that offer improved safety and security, as well as higher productivity and energy savings.

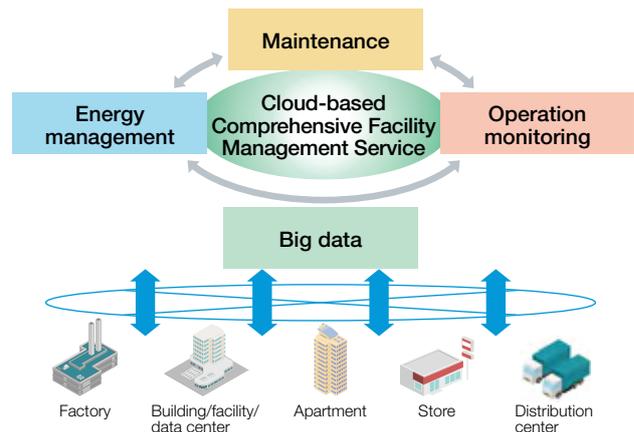
Fuji Electric provides its customers with a wide range of maintenance services throughout the product and equipment lifecycle, from management support and preventative maintenance, to improvement proposals and renewal plans. This contributes to stabilizing operations, reducing overall costs and improving productivity.

Providing Maintenance Services by Product and Equipment Lifecycle



Topic Developing a Cloud-based Comprehensive Facility Management Service System

In addition to the above lifecycle services, we have also developed a service that incorporates the functions of an energy management system on an integrated cloud platform. Operational status can be monitored in a cloud environment, while integrated management of various types of information provides appropriate support for maintenance, inspection, repair and renewal.



Maintenance Services Supporting Stable Data Center Operations

Fujitsu Limited's Tatebayashi System Center is Japan's most advanced data center, offering the country's highest level of information system services. Data from a wide range of corporations is stored on its servers, and the company also assists its customers with system operations. Because customers can enjoy significantly reduced costs compared with managing their own servers, the center has seen data volumes increase along with the number of customers year by year.



Exterior of the Tatebayashi System Center (illustration)

Data centers managing such enormous volumes of data are truly the heart of the customer's business. Security measures must of course be thorough, and power outages must also be avoided because resulting loss of data would directly affect the customer's business. To maintain appropriate temperatures, cooling and ventilation systems also operate 24 hours a day. Given the amount of electrical power required by these data centers, maintaining a quality supply of power and saving energy are massive challenges.

Since the center was established in 1995, Fuji Electric has provided it with substation equipment for converting power to the appropriate voltage, and with uninterruptible power systems (UPS) and other equipment for ensuring a stable supply of power. Because data centers operate 24 hours a day, 365 days a year, backup systems for this kind of equipment are always in place. Still, should a fault occur, service staff must immediately head to the center regardless of the time of day or night, resolve the problem, and implement measures to prevent a recurrence. To prevent these



Substation equipment

kinds of problems, we emphasize regular equipment diagnostics and preventative maintenance. Also, to ensure live data centers are not affected by such problems, we conduct annual systematic maintenance and inspection of substation equipment and UPSs by shutting down individual systems in order and, if necessary, replacing parts and so forth.

Over the 20 years since the center's establishment, we have built a relationship of trust with the client through this kind of day-to-day management, and by offering energy-saving proposals tailored to the client's needs, as well as renewal planning. We will contribute to the next generation of data centers by leveraging our experience in providing and maintaining data center equipment and our expertise in introducing smart technologies in other fields.



Inspecting a UPS unit

Voice

Message from a Customer



Hiroshi Baba
Expert, Energy Management Department
Facility Management Division Department
Outsourcing Business Unit
Fujitsu Limited

We have been using substation equipment and UPSs from Fuji Electric since the center's establishment. Their service staff help ensure stable operation by providing detailed equipment diagnostics and preventative maintenance, and our on-site staff rate their capabilities highly. They also offer technical advice during the renewal planning process.

Today, many IT-related firms have entered the data center business, and competition is intensifying. For customers using these services, cost is of course a factor, but safety and reliability are also extremely important. To ensure we are able to provide our customers with even better service, we will continue to strengthen our relationship with Fuji Electric.

Fuji Electric's CSR

CSR Philosophy

Fuji Electric's CSR is summed up precisely in its Corporate Philosophy and Management Policy. This means contributing to resolving social issues through our energy-related businesses, managing our business in a way that maximizes the positive impact of corporate activity overall on society and the environment, while working to prevent or alleviate any negative impact.

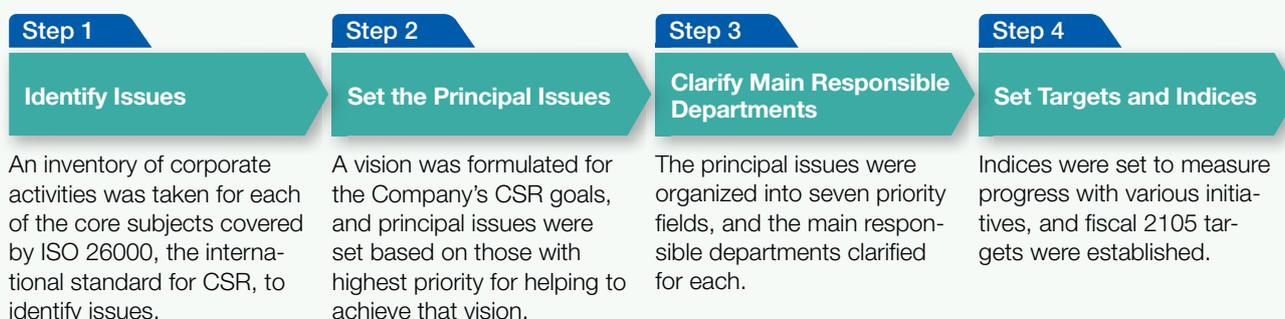
To promote CSR on a global basis, we have also established the Fuji Electric Code of Conduct, a guideline for the Company and employees to share the same values and work together as one.

We hope that through our promotion of these and other CSR practices, we can continue to build strong relationships of trust with all of our stakeholders.

Principal CSR Issues

Fuji Electric first set forth a set of principal CSR issues in 2011, and has focused on these issues primarily through the main responsible departments. For each of the principal issues, indices have been established to measure progress and goals set for fiscal 2015, enabling us to verify the status of our efforts on an annual basis.

Process for Setting the Principal CSR Issues



Priority Fields and Principal Issues

Priority Fields	Principal Issues (Issues for Realizing the CSR Vision)	Reference Page
Customers	<ul style="list-style-type: none"> ● Improve product quality ● Improve the quality of after-sales services ● Promote CSR among sales partners (sales agents, overseas distributors, etc.) 	P23
Suppliers	<ul style="list-style-type: none"> ● Promote CSR among suppliers 	P24
Employees	<ul style="list-style-type: none"> ● Respect for human rights ● Workplace health and safety ● Ensure a pleasant workplace environment (diversity) 	P32–34
The global environment	<ul style="list-style-type: none"> ● Enhance environmental governance ● Contribute to the prevention of global warming ● Contribute to the creation of a recycling-oriented society ● Biodiversity conservation 	P35–40
Local communities	<ul style="list-style-type: none"> ● Build close-knit ties with local communities 	P41–42
Corporate governance	<ul style="list-style-type: none"> ● Risk management 	P43–48
Compliance	<ul style="list-style-type: none"> ● Ensure thorough compliance ● Protect intellectual property ● Strengthen information security 	

In-house Penetration of CSR

In promoting CSR, we are working to cultivate and educate all employees in and outside of Japan, because we consider it important for them to understand Fuji Electric's approach to CSR.

In addition to cultivation activities targeting all employees through our intranet and in-house newsletter, employees learn about our principle CSR issues and initiatives through level-specific training provided at various stages of their careers. They also learn about case studies from other companies, and are taught to recognize their own individual roles in CSR.



For more information about our vision for CSR, principal issues and targets, and the status of our various initiatives, please visit our website.

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.



A consultation through the mentoring system

Major Initiatives in Fiscal 2014

Respect for Human Rights

As our business expands globally, fulfilling our obligation to respect human rights requires an understanding and implementation of human rights based on global standards. We are currently working to establish a framework for doing that.

Developing a Policy for Human Rights

To make the Fuji Electric Code of Conduct more explicit in terms of human rights, we have formulated the Policy for Human Rights of the Employees, which has since been extended to all of our domestic and overseas business sites and subsidiaries. Each business site and subsidiary elected a person to be in charge of human rights, who conducted a self-inspection of the site or subsidiary based on the above policy, using a Human Rights Check Sheet listing specific

items pertaining to human rights and labor practices. The business sites and subsidiaries will now move forward with improvements based on the results of those inspections.

Training and Education

In Japan, as part of its level-specific training, Fuji Electric conducts training designed to deepen 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 are intended to enhance sensitivity to human rights risks not only within the Company, but within the supply chain as well.

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

In February of each year we hold the Fuji Electric Health and Safety Conference. 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, they review the previous year's activities and confirm initiatives for the coming fiscal year.

The latest conference focused on the day-to-day, individual practice of basic safety measures that we have positioned as part of our Health and Safety Action Guideline, including danger prediction and "pointing-and-calling". Attendees affirmed that these practices are important for making employees aware of safety and establishing a culture of safety within the company.

awareness of safety issues and make an effort to maintain that awareness.

To accomplish this, Fuji Electric plans and implements a variety of ongoing health and safety education programs throughout the year based on a practical curriculum. At the same time, systematic safety patrols are also essential to ensuring that workers take notice of the risks and potential for accidents in their work, and raise one another's awareness. Our focus on these safety patrols is delivering significant results, not only at our domestic factories and construction sites, but at our sites in China, Southeast Asia and elsewhere overseas.



Safety patrols

Implementing Effective Health and Safety Education and Safety Patrols

Preventing workplace accidents requires that everyone in the workplace take responsibility for knowledge and

Achieved Accident-Free Record

The Suzuka Factory was recognized by the Ministry of Health, Labour and Welfare for achieving a Class 1 Accident-Free Record. Having achieved this milestone, 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 independent, ongoing 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 2014, 498 employees participated in 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

Promoting Work-Life Balance

We are strengthening initiatives in Japan to help employees achieve work-life balance by creating working environments that are more conducive to diversity and that enable people to fulfill their potential. We have positioned workstyle innovation and the enhancement of a support system to provide fulfillment in and outside of work as key concerns of management for realizing better work efficiency and quality. Management and labor representatives deliberate on these issues, and we are endeavoring to enhance our programs and corporate culture.

In fiscal 2014, as part of efforts to enhance work quality, individual workplaces conducted reviews of their workflows and visualization of business operations. Company-wide, we encouraged all employees to take five consecutive days

of leave to encourage a workstyle of focusing on their jobs while at work and resting properly outside of work and promote teamwork in operations. In addition, as part of encouraging employees to take their paid leave, we revised our system for taking planned leaves so that employees can plan in advance their use of 50% of the paid leave days granted to them in each fiscal year.

Globalization Training

In fiscal 2014, Fuji Electric brought together 13 of its junior sales staff who had been hired locally in five countries throughout Southeast Asia for a training program in Thailand to give them an understanding of products and technologies, and an opportunity to build networks among themselves.



Participants in a training program in Thailand

We also sent 11 junior employees from Japan as trainees to posts overseas in a new program intended to quickly train future overseas personnel and to educate workers in Japan capable of promoting our globalization efforts. All employees posted overseas from Japan were given training prior to their postings, where they learned the importance of appreciating and cooperating with others regardless of cultural differences, and were given a thorough introduction to compliance issues.

Promoting Employment of People with Disabilities

Fuji Electric Frontier Co., Ltd. was established as a special-purpose subsidiary designed to encourage lifetime employment for people with disabilities. The subsidiary encourages the hiring of people who are intellectually challenged or have other disabilities, and is responsible



Attaching shipping labels.

for a range of duties performed at manufacturing sites, parts inspection centers and other business sites nationwide, as it seeks to expand the working roles of people with disabilities.

of leave to encourage a workstyle of focusing on their jobs while at work and resting properly outside of work and promote teamwork in operations. In addition, as part of encouraging employees to take their paid leave, we revised our system for taking planned leaves so that employees can plan in advance their use of 50% of the paid leave days granted to them in each fiscal year.

To promote the participation of men in childcare, Fuji Electric has enhanced its childcare leave system, and also introduced an "Ikumen* Seminar" series aimed at changing employee thinking about fathers participating in childcare. We also held seminars offering employees basic knowledge of nursing care.

*A popular term for men who actively participate in childcare.

In fiscal 2014, 16 new individuals with disabilities were hired (10 new graduates, six mid-career hires), bringing our percentage of employees with disabilities to 2.24% as of June, 2015, exceeding the legally mandated ratio of 2.0%.

As part of its efforts to encourage continuous employment, Fuji Electric also focuses on maintaining and enhancing basic learning skills and physical fitness, both areas generally said to be affected by aging, and supports employees' efforts to lead independent lives as members of society.

Additionally, through participation in outside events and other activities, we encourage employees to regard themselves as independent professionals. This effort is producing steady results, with one employee awarded a bronze medal in the office assistant division at the 35th Abilympics.

Enabling Women to Play Active Roles

Fuji Electric actively promotes diversity as part of our management policy of “maximize our strengths as a team, respecting employees’ diverse ambition.” Particularly in Japan, we are focusing on enabling women to play active

Major Initiatives

Recruiting Activities	<ul style="list-style-type: none"> Project for recruiting women with science and engineering backgrounds
Career Development Support	<ul style="list-style-type: none"> Cross-industry joint training for women in management Sister system (mentor system for women employees)
Helping Employees Return to Work after Childcare Leave	<ul style="list-style-type: none"> Pair work training
Spread of Diversity Promotion	<ul style="list-style-type: none"> Business site or working group initiatives

roles in the workplace, through affirmative actions such as aggressive hiring of women with science and engineering backgrounds, support for career development, and assistance in returning to work after childcare leave.

Female Employees and Managers (As of April)

	FY 2013	FY 2014	FY 2015
Employees	14,472	14,418	14,260
Number of female employees	1,745	1,754	1,764
Ratio of female employees	(12.1%)	(12.2%)	(12.4%)
Number of females in management positions*	40	42	46
Ratio of females in management positions*	(1.5%)	(1.6%)	(1.7%)

*Management: Manager rank or higher.

*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.

ON-SITE REPORT

Support for Balancing Work and Childcare Pair Work Training for Managers and Employees

Helping Child-Rearing Employees Bring Vitality to Their Work

At Fuji Electric, the pair work training program targets employees returning from childcare leave and their managers. This gives the returning employee and the manager an opportunity to share their respective situations and thoughts, and discuss future work and career aspirations. It is intended to help create a better balance between work and family commitments.

Discussing Career Aspirations

“Individuals have different approaches to childcare and work, and face different situations. I’ve seen cases where trying to be considerate of a working parent by reducing her workload left her feeling unhappy,” notes Kaori Kudo, person in charge of diversity in the Human Resources and General Affairs Office.



Ms. Kudo, person in charge of diversity

Pair work training enables the employee and his/her manager to look at and discuss their situations from each other’s point of view. This pair work training also includes a work of the pairs who do not have a direct report relationship, so the employees are freer to ask questions they might not be able to ask in their own workplaces. Many participants have also remarked on how much better they felt after watching a DVD introducing the experiences of senior employees. The training wraps up with a detailed talk between employee and his/her manager about the future.

The Importance of Communication

Mingsuan Chiang, who is in charge of administering plant capital investments in the SCM Promotion Department of the Production & Procurement Group, returned to work after a six-month childcare leave.

“Upon my return to work, I had two concerns. The first

was whether I could finish my work, since I wouldn’t be able to work overtime. The second was how to arrange my workload if I suddenly needed to take time off without prior notice should my child fall ill or for some other reason. I was concerned that I might make trouble for others.”

Takahiro Shimizu, her supervisor and head of the SCM Promotion Department, says he sensed how important it was to maintain communication, noting that, “Since my wife and I also both worked, I thought I understood how hard it could be to balance a job and childcare. But I found out that Ms. Chiang was far more concerned about creating problems for others in her workplace than I had imagined.”



Ms. Chiang and her supervisor Mr. Shimizu of the SCM Promotion Department

“Listening to the other participants, I was glad to hear that I wasn’t the only one with these concerns. Since the training, I’ve also found it easier to discuss things with my manager,” Ms. Chiang commented.

Mr. Shimizu offered her his own warm encouragement, telling her that, “The child-rearing years can be tough, but they don’t last forever. I hope you’ll take the long view in working to advance your career.”

“Our hope is to establish a culture in which employees can balance both childcare and work, keeping in mind his or her contribution to the Company, while the manager provides appropriate support,” notes Ms. Kudo.

Today, almost every Fuji Electric employee who has taken childcare leave has successfully returned to the workplace, and we look forward to the future contributions of all employees who are raising children.

Environment

Efforts to protect the global environment are a key management issue for Fuji Electric, and with 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 2014, we continued demonstrating Smart Factory Initiative benefits at four model factories (Kawasaki, Tokyo, Yamanashi and Mie), while deploying similar measures at other factories in Japan.



Fuel cells installed at a model factory (Yamanashi Factory) under Fuji Electric's Smart Factory Initiative

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

Fuji Electric's Material Issues for Environmental Management

Fuji Electric brought together staff from its management planning, technology development and business divisions to identify and prioritize material issues in promoting environmental management based on our Basic Policies on Environmental Protection, from both stakeholder and corporate viewpoints.

In 2009, we established Environmental Vision 2020 to guide our medium-term activities. The vision sets forth the three important themes below, and establishes specific measures and targets for addressing them.

Material Issues Identified

1

Stop Global Warming

- Reduce CO₂ emissions through products
- Reduce CO₂ emissions during production

2

Create a Recycling-Oriented Society

- Promote the 3Rs [reuse, reduce, recycle] in our products.
- Reduce waste, use of energy and chemical substances

3

Meet Our Corporate Social Responsibilities

- Enhance environmental awareness

Viewpoints Incorporated in Identifying Material Issues

Stakeholder Viewpoint

Global issues

International consensus, laws and regulations, industry agreements

Impact of Fuji Electric's activities

Corporate Viewpoint

Contribution to corporate management
 Connection to management philosophies and policies
 Core technologies
 Increased demand for products and services that contribute to global environmental protection

Management risks

Environmental Vision 2020

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 load of our own production activities, we also seek to achieve a sustainable society by providing products and technologies that leverage our strengths in energy technologies.

Our main initiatives under the issue of stopping global warming are to reduce CO₂ emissions during production by 20% in fiscal 2020 compared with the fiscal 2006 level of 381,000 tons, while reducing society's CO₂ 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 final disposal rates 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.

1. Stop Global Warming

- Reduce CO₂ emissions during production 20% [compared with fiscal 2006 levels]
- Raise the energy efficiency of products, reducing CO₂ emissions by 17 million tons through energy-conserving and energy-creating products.

2. Create a Recycling-Oriented Society

- Increase our number of eco-products by promoting the 3Rs [reuse, reduce, recycle] in our products.
- Achieve zero emissions at operational sites by reducing waste and the use of energy and chemical substances.

Environmental Vision 2020

Fuji Electric will contribute to a sustainable society through energy-related businesses.

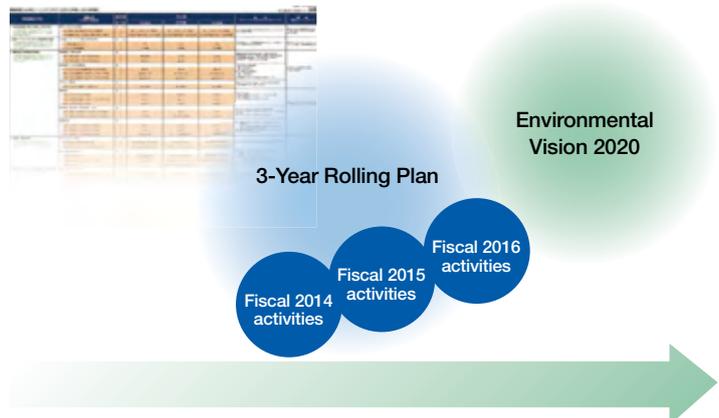
3. Meet Our Corporate Social Responsibilities

- Strive to enhance environmental awareness through environmental citizen movements, activities to protect the natural environment, and environmental education.

Environmental Management 3-Year Rolling Plan

To achieve the goals of the Environmental Vision 2020, Fuji Electric has formulated an Environmental Management 3-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 aim to achieve the goals of Environmental Vision 2020 with certainty.



Fiscal 2014 Efforts to Stop Global Warming

Reducing CO₂ During Production

In Japan, we have been moving ahead with activities to reduce CO₂ emissions since fiscal 2012 to conserve energy and curb costs.

These efforts included reducing electric power by the review and improvement of clean room ventilation and compressor systems, conserving fuel through a revision of production processes, and introducing a cogeneration system (combined heat and power) to curb peak electric power use. In fiscal 2014, these and other energy-saving activities resulted in economic benefits equaling 6.3% of fiscal 2013 energy costs.

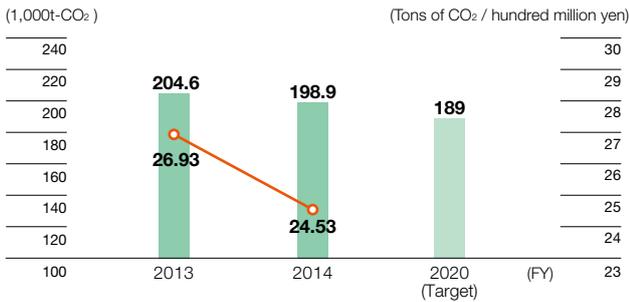
Fiscal 2014 CO₂ emissions from production were 198,900 tons (a 33.6% reduction from fiscal 2006), which surpassed the target of 209,000 tons (a 30% reduction from fiscal 2006). In fiscal 2014, energy conservation efforts enabled us to cut CO₂ emissions by around 10,300 tons,

although the overall reduction was about 6,000 tons when compared to the previous fiscal year due to higher production volumes and other factors.

Overseas, we revised our steam production systems and implemented surplus heat recycling and other energy-saving steps. Because overseas production volumes in Thailand, Shenzhen in China and elsewhere rose by a total of 23%, CO₂ emissions were 127,200 tons* (down 2.5% from fiscal 2010), which did not meet the target of 122,000 tons (down 6.4%).

While the total emissions reduction target for overseas was not met, worldwide we achieved the target in Environmental Vision 2020 of a 20% reduction over 2006 levels, equivalent to 332,000 tons, or a 12.9% reduction from the previous year, with emissions totaling 326,000 tons, for a 14.4% reduction.

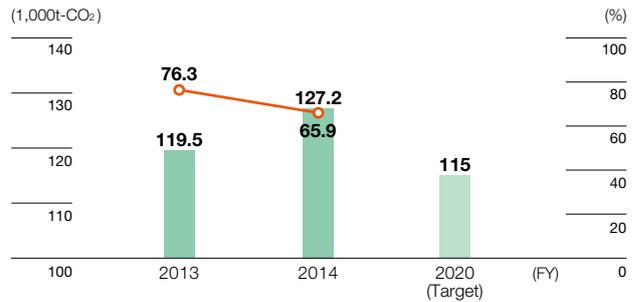
CO₂ Emissions and CO₂ Emissions per Unit of Sales in Japan



■ CO₂ Emissions (left) — CO₂ Emissions per Unit of Sales (right)

* Emissions per unit of sales is calculated by dividing the CO₂ emissions amount by consolidated net sales.

Overseas CO₂ Emissions and CO₂ Emissions per Unit of Production



■ CO₂ Emissions (left) — CO₂ Emissions per Unit of Production (right)

* The amount of CO₂ emitted by production volume (presented taking the value for FY2006 to be 100).

Case Example

Smart Factory Initiative at the Yamanashi Factory

Saving Energy by Optimized Electrical and Thermal Energy Use Linked with Production Planning

Because the Yamanashi Factory produces semiconductors 365 days a year, stable power supplies and energy conservation are essential. The Smart Factory Initiative is thus being promoted both as a way to avoid energy risk and to reduce energy consumption.



Generator

As part of energy risk avoidance, in fiscal 2013 we installed four of our fuel cell units, and in fiscal 2014 added a gas-engine driven generator, bringing the factory's energy self-reliance rate to 100%. With the additional introduction of low-voltage uninterruptible power systems (UPS) units, the factory is also protected against instantaneous voltage drops.

In terms of reducing energy consumption, inverters were applied to fans and pumps or motors were replaced with high-efficiency motors, while the factory also makes effective use of fuel cells and generator exhaust heat as part of a cogeneration system. The factory works to optimize electrical and thermal energy use through an energy management system, resulting in a cut in energy consumption of about 30% in fiscal 2014 compared to fiscal 2010.



Fuji Electric high-efficiency inverter.

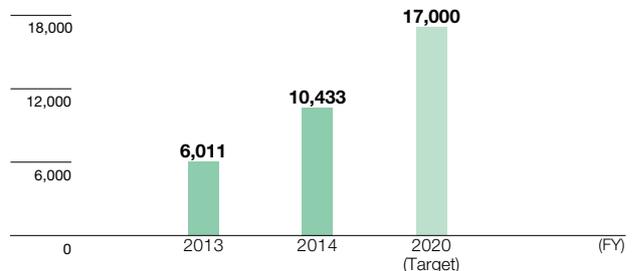


Energy monitor displays the energy being used

Reducing Society's CO₂ Emissions through Products

In fiscal 2014, the contribution to CO₂ emission reductions from products was up 4,422,000 tons from fiscal 2013 to 10,433,000 tons, clearing our target of 7,190,000 tons. This reflected, among other factors, expanded sales of inverters, mega solar power conditioners, solar power generation systems and electronic devices.

Reduced CO₂ Emissions through Products
(1,000t-CO₂)



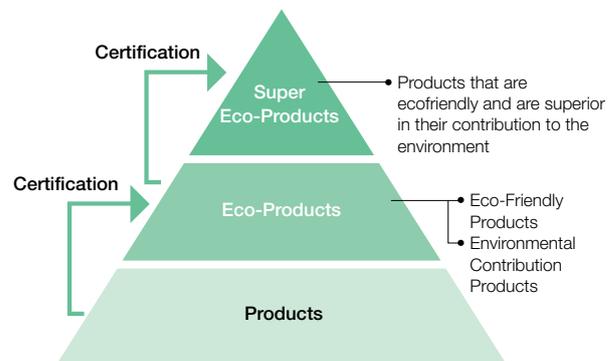
* Amount of CO₂ reduction based on one year of operation of products shipped for each fiscal year after fiscal 2009.
(Calculated making reference to the quantification method of GHG emission reductions stipulated in the Electrical and Electronics Industries' "Action Plan for Commitment to a Low-Carbon 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 are continuing to promote the spread of these products.

In this initiative, Fuji Electric has established a common Fuji Electric Eco-Product Certification System. We evaluate the degree of product eco-friendliness on a Company-wide platform. Products meeting fixed criteria are certified as "eco-products," while those that are at the top of the industry for environmental benefit and contribution, and which are recognized outside the Company at the national level for environmental superiority are labeled "super eco-products."

In fiscal 2014, 21 offerings were certified as eco-products, and another 8 as super eco-products. As a result, we now have 178 eco-products and 24 super eco-products.



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 2014 Super Eco-Products

Awarded the Japan Machinery Federation's President Award for Superior Energy-Saving Machines

"F-COOL NEO" Indirect Outside Air Conditioning Unit

- Responding to changes in outside air temperature, the F-COOL NEO switches automatically between three modes of operation (a hybrid operation of indirect outside air cooling and refrigeration cooling), enabling optimal control over system operation and selecting the mode that provides the maximum energy savings.
- Utilizing the energy of outside air throughout the year can result in power consumption that is one-third that of conventional air conditioners.
- The equipment requires only a power supply, needing no cold water or cooling equipment, making energy-saving operation possible.
- Because outside air is not conducted directly through the air propulsion unit, contamination by outside moisture and dust is avoided, making the system ideal for data centers, precision machining, food and pharmaceutical production areas, and other places where clean cooling systems are required.



Fiscal 2014 Initiatives to Create a Recycling-Oriented Society

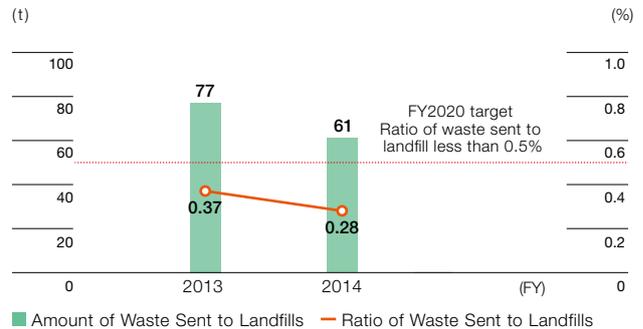
Waste Reduction

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%.

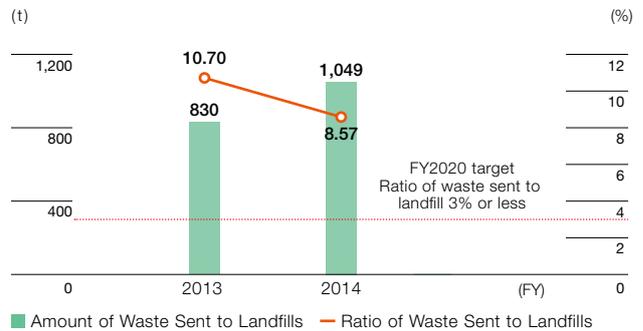
In Japan, efficient use of resources (reduce, reuse, recycle) has enabled Fuji Electric to achieve its goal of zero waste every year since fiscal 2004. In fiscal 2014, we achieved our goal of reducing the ratio of waste sent to landfills to below 0.5%, with a ratio of 0.28%.

Meanwhile, we have also begun promoting zero emission efforts at our factories overseas. Since fiscal 2008, we have been collecting data based on waste categories used in Japan (volume generated, volume recycled, volume sent to landfills). In fiscal 2014, we clarified the types of waste generated by each operation based on their respective waste classifications to assist our efforts to encourage more effective use of resources. Looking ahead, we will continue to monitor how waste is processed, consider further methods for recycling resources, and aim for even greater improvement in the ratio of waste sent to landfills.

Amount and Ratio of Waste Sent to Landfills in Japan



Amount and Ratio of Waste Sent to Landfills Overseas



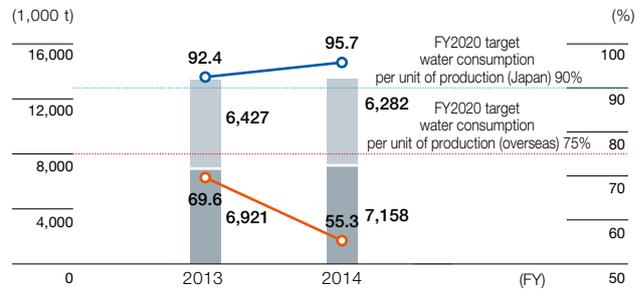
Efficient Use of Water Resources

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.

Water Consumption and Water Consumption per Unit of Production



Water consumption: ■ Japan ■ Overseas

Water Consumption per Unit of Production: — Japan — Overseas

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

Case Example

Shikoku Division Environmental Management System

Involving Everyone in Environmental Activities

At the Shikoku Division, practice committee members are selected for industrial waste reduction, energy conservation and other individual environmental programs across four regions—Takamatsu, Matsuyama, Kochi and Tokushima. Together, they promote the division's environmental management system.

Given the importance of improving awareness of environmental issues and maintaining ongoing activities, the division issues every employee an Environmental Management Card printed with the Company's environmental policies. On the back, employees fill in their own list of things they could or should be doing and display them at their desks. Every-

one gets involved.

The division has been recognized for these efforts, which have been effective in reducing and recycling business-related waste and curbing greenhouse gas emissions, and was given the 3rd Annual Eco City Takamatsu Excellent Business Award by Takamatsu City.

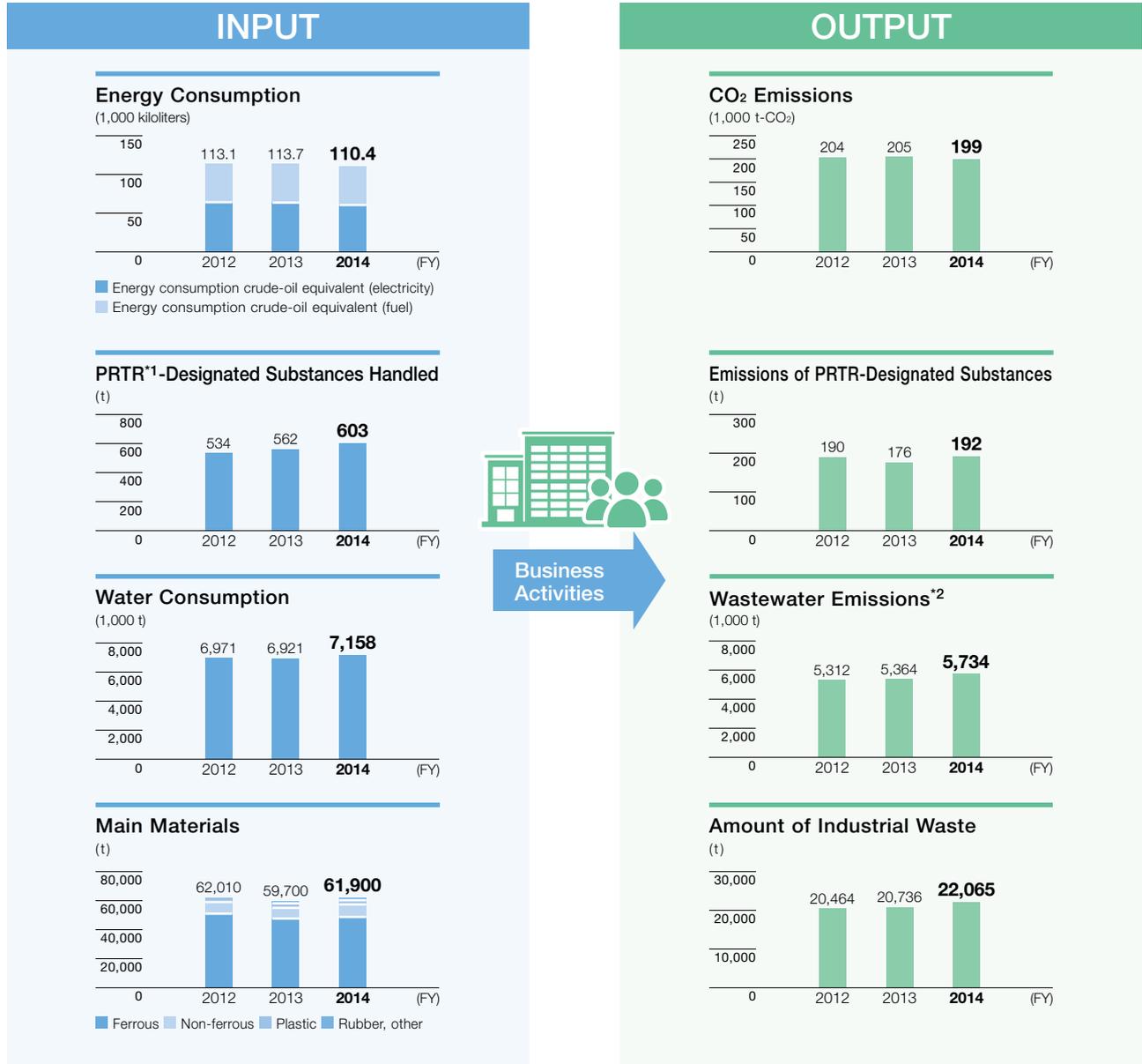


Environmental Management Cards distributed to every employee

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 lifecycle.

Scope: Domestic production base



*1 Pollutant Release and Transfer Register Law

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

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

Contributing to Communities

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.



Tree-planting activities at Fuji Electric Philippines, Inc.

Key Themes and Main Initiatives in Fiscal 2014

- ▶ **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 farmland restoration activities
 - Clean-up activities
- ▶ **Helping Reconstruction after the Great East Japan Earthquake**
 - Supporting Fukushima Prefecture by buying local produce

Case Example Promoting Youth Development: Training for Teachers through Private-Sector Companies

Putting Hands-on Experience in the Private Sector to Work in Teaching Children

In addition to science classrooms for children, one of the ways Fuji Electric is working to combat the recent drift away from the sciences is by offering training to teachers as well.

In one of our initiatives, we work with the Japan Institute for Social and Economic Affairs*, under its program to provide training to teachers through private-sector companies. In fiscal 2014, in our 8th annual program, we invited 24 teachers from elementary and junior high schools in Hino City, near our base in Tokyo, to participate as part of their 10th year training. After an explanation of Fuji Electric's CSR programs and a tour of a company workplace for people with disabilities, the teachers also had the opportunity to disassemble a vending machine. These experiences enabled them to learn more about corporate social initiatives and how companies

work to improve quality and lower costs. We hope that the teachers will be able to use what they learned through the program in the classroom, whether they are teaching children about the excitement of creating things with their own hands, or sharing the importance of being useful to society.

*An organization dedicated to broadly disseminating information on economic thinking and business activity in Japan and overseas, while providing input from society in general to economic and business circles.



Disassembling a vending machine



Simulated assembly line experience

Case Example Helping Reconstruction after the Great East Japan Earthquake: Supporting Fukushima Prefecture by Buying Local Produce

Continuing Support for Fukushima Prefecture through Purchase of Local Produce

We have strong business ties to Fukushima Prefecture, which continues to suffer reputational damage following the Great East Japan Earthquake. In fiscal 2013, Fuji Electric began purchasing farm produce from Fukushima as a way to offer continued support. Produce and processed goods are not only used in our factory cafeterias, but are offered for sale to local residents and our own employees at factory festivals. In fiscal 2014, we partnered with Fukushima Prefecture's Tokyo office in an effort to expand this program. This enabled us to have people from Iwaki City, Fukushima sell their products directly, to add marine products and a wide-ranging selection of foods from Fukushima to our items for sale. We also increased the number of in-house sales events, creating even

more opportunities to build awareness among our employees of the importance of supporting recovery efforts. Many employees responded that they were glad to be able to support Fukushima Prefecture. We will continue these support activities, holding sales events at even more of our business sites and making wider use of products from Fukushima.



Selling at a factory festival



A produce sales event

Heartfelt Desire to Help Others

At Fuji Electric Malaysia, which produces semiconductors and disk media, we are working to instill in employees a spirit of volunteerism through community support and environmental preservation activities. The company takes the lead in forming teams that work to contribute to the local community.

Local Community Contribution Activities of Fuji Electric Malaysia



Production Manager
Effendy

“Reaching out to people seeking help is natural and needed for me. Doing it is something that makes me happy.”

So says Effendy, the Production Manager. It has been 10 years since Effendy started doing local community contribution activities.

Every year, Fuji Electric Malaysia internally seeks recruits and selects the members of the Community Outreach Program team. Currently, 15 employees are participating in the team.

“In all our community outreach programs, we place the highest priority on the feelings of local people.” (Effendy)

The Community Outreach Program team schedules and plans a wide range of activities including visiting the poor, teaching classes at nearby schools, providing support for areas affected by disasters, and doing activities to promote environmental conservation awareness. Usually, members of the team perform these activities, but the goal of the team is to instill the spirit of volunteerism in employees. The team members also urge all employees to participate in environmental conservation activities and donation activities, and they provide employees with opportunities to get involved. In fiscal 2014, there were as many activities as one every two months.



Support for a native village



Visiting a nursing home

Visit to Taman Ria Primary School

On June 12, 2014, eight members of the local community contribution team went out to teach a class at the Taman Ria Primary School in Kulim, Kedah, which is 15 km from the company. We want to visit schools in remote areas that receive very little public assistance. It was a unanimous decision by the team members. On that day, about 100 students from 6th grade attended.

In the class, we played a game using 10 pieces of cardboard and styrofoam cups. The group that stacked



The game played in the class

the cups the highest and sturdiest with the fewest cups won. The purpose of the game was to communicate the basics of science and technology and stimulate the children's interest. “I felt the eyes of the children become positive and animated.”

(Shakir, Process Development Engineer)



Shakir, Process Development Engineer

What especially brought a sparkle to the children's eyes was when Khairul, a development engineer, talked about his study experiences in Japan.

“After it was over, the children asked us for our contact information. I could tell that they wanted to talk more.” Shakir felt that the activity was successful because of the children's reaction.



Visiting a school to give a lesson



Principal Anuar (right)

Anuar, the principal of the primary school, spoke as follows to the team members. “I am thankful that you selected our school for your class. The stories of everyone's study experiences and the learning game about science and technology was a good encouragement for the children as regards the examination that they will soon be taking. I would be grateful if you could have another interaction with the children in the future.”

The Future

“I hope that our local community contribution activities will continue to bring happiness to diverse people.” (Shakir)

Fuji Electric Malaysia will continue contributing to the local community and maintaining its environmental conservation activities.

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 is now considering its response to the Corporate Governance Code of the Tokyo Stock Exchange, which has been in effect since June 2015.

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.

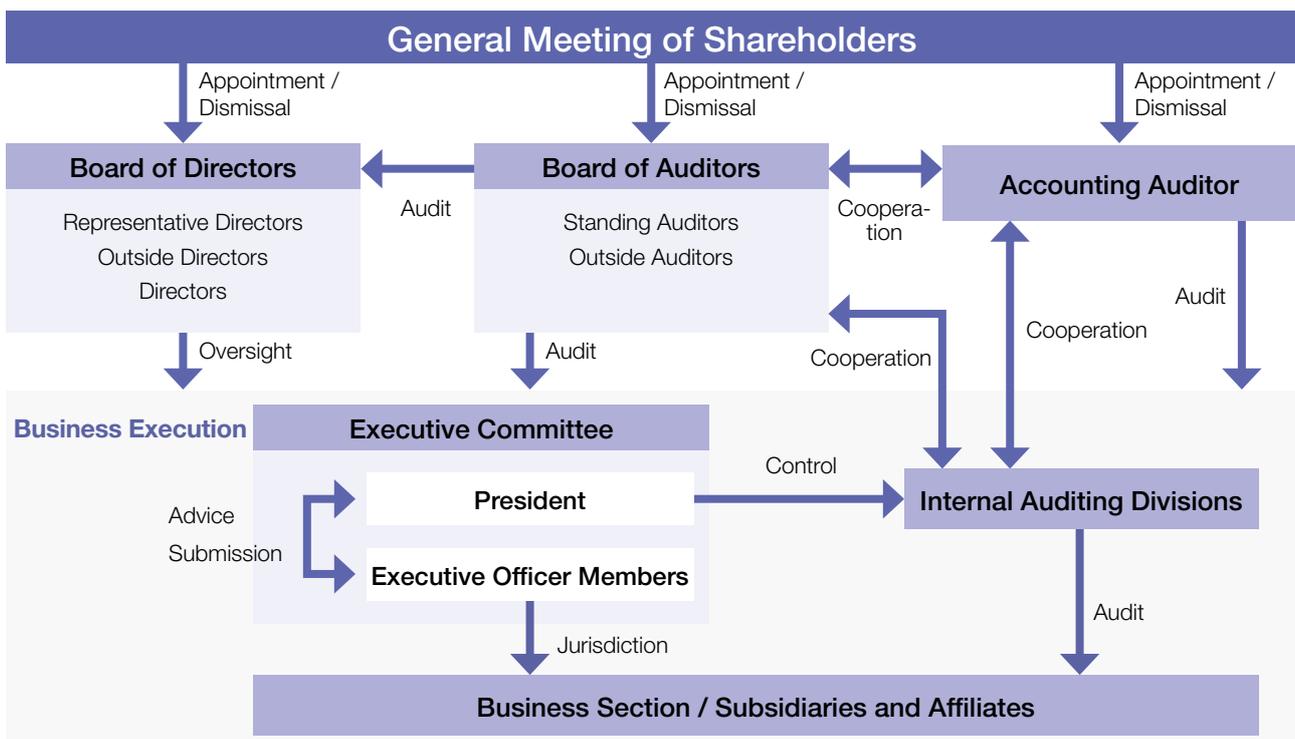
Comprising nine Directors (including three Outside Directors) and five Auditors (of whom three are Outside Auditors) the governance framework is designed to reinforce the Company's management supervision and audit functions. To this end, the system actively calls on outside officers,

making them an essential part of the system.

Outside officers fulfill the role of providing management supervision and management audits from an objective perspective. At the same time, they provide useful advice and instructions across the entire spectrum of Fuji Electric's business, helping to ensure the appropriateness of management judgments.

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

Corporate Governance Framework



(1) 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.

(2) Auditors and Board of Auditors

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.

(3) 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 functions as a consulting system for the President. It fulfills functions such as deliberation and recommendation of important matters, and reports to enable monitoring of the status of management. Each executive officer controls the execution of the business of which he is in charge.

Outside Officers

(1) Outside Directors

To ensure that Outside Directors augment Fuji Electric's management supervisory function and assure the adequacy and appropriateness of important decisions, the standards for outside officers are that they have the insights and experience necessary for making multifaceted management decisions, understand Fuji Electric's management, and are independent from the Company. Candidates for Outside Directors are selected after taking all these factors into due consideration. The Company's three Outside Directors are as follows.

■ Hiroaki Kurokawa

Mr. Kurokawa offers useful advice and opinions concerning the business management of Fuji Electric in general, based on his extensive experience and considerable insight as an experienced manager in the manufacturing sector for electronics and telecommunication equipment.

■ Motoyuki Suzuki

Mr. Suzuki offers useful advice and opinions concerning the business management of Fuji Electric in general, based on his professional standpoint and considerable insight in environmental engineering.

■ Mareto Sako

Mr. Sako 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 in financial institutions.

(2) Outside Auditors

Candidates for Outside Auditors are chosen after taking into overall account such aspects as their ability to reinforce Fuji Electric's management audit function, whether they have the insights and experience necessary to make management judgments, their understanding of Fuji Electric's management, and their independence from the Company. The Company's three Outside Auditors are as follows.

■ Takahiko Ito

Mr. Ito offers useful advice and opinions concerning the business management of Fuji Electric in general, based on his abundant expert knowledge as the Standing Auditor of a listed company and extensive experience and insight as an officer and member of upper management in the manufacturing industry.

■ Yoshiki Sato

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 in financial institutions.

■ Akiko Kimura

Ms. Kimura offers useful advice and opinions concerning the business management of Fuji Electric in general, based on her expert knowledge as an attorney.

* Notification has been submitted that these outside officers are independent officers as required by financial instruments exchanges.

* In fiscal 2014, the rates of attendance of outside officers at the Board of Directors meetings (which were held 13 times) and the Board of Auditors (which were held 9 times) were 95% and 85%, respectively.

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.

(1) 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.

(2) Outside Directors and Outside Auditors

Remuneration for Outside Directors and Outside Auditors is paid as a predetermined amount according to their rank, as Outside Directors and Outside Auditors are charged with the duty of supervising or auditing the execution of duties across Fuji Electric. Outside Directors and Outside Auditors may acquire stock in the Company at their own discretion.

Total Amount of Remuneration Paid to Directors and Auditors (Fiscal 2014)

	Number of Recipients	Amount of Payment (Millions of Yen)
Directors (of which, Outside Directors)	12(3)	270(22)
Auditors (of which, Outside Auditors)	5(3)	80(22)

Notes 1. The above payees include three Directors (zero Outside Director) who retired at the conclusion of the 138th Ordinary General Meeting of Shareholders held on June 25, 2014.

2. The amount paid to Directors does not include performance-linked remuneration for fiscal 2014.

3. In addition to the above, ¥94 million was paid as performance-linked remuneration for fiscal 2013 to Standing Directors (seven recipients).

4. In addition to the above payment, the Company paid ¥23 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 Company 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.

List of Officers

(As of July 1, 2015)

Directors



Michihiro Kitazawa
President and Chairman of the Board of Directors



Yoshio Okuno
Representative Director



Hiroaki Kurokawa
Outside Director



Motoyuki Suzuki
Outside Director
Emeritus Professor, The University of Tokyo; Visiting Professor, The Open University of Japan



Mareto Sako
Outside Director
Advisor, Nippon Tochi-Tatemono Co., Ltd.



Michio Abe
Director



Kenzo Sugai
Director



Naoya Eguchi
Director



Junichi Matsumoto
Director

Auditors



Toshio Shinozaki
Standing Auditor



Toshihiko Ishihara
Standing Auditor



Takahiko Ito
Outside Auditor
Standing Auditor, Furukawa Electric Co., Ltd.



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



Akiko Kimura
Outside Auditor
Advisor, Anderson Mori & Tomotsune

Executive Officers

(As of April 1, 2015)

President	Michihiro Kitazawa	General Management
Executive Vice President	Yoshio Okuno	Assistant to the President; Corporate General Manager, Corporate Management Planning Headquarters; General Manager, Export Administration Office; In charge of compliance management and crisis management
Senior Managing Executive Officer	Michio Abe	Corporate General Manager, Production and Procurement Group
	Kenzo Sugai	Corporate General Manager, Sales Group
Managing Executive Officers	Hidehiko Asahi	Corporate General Manager, Food and Beverage Distribution Business Group
	Kuniaki Yanagisawa	Corporate General Manager, Electronic Devices Business Group
Executive Officers	Motofumi Matsumura	General Manager, Corporate Strategy Office, Corporate Management Planning Headquarters
	Naoya Eguchi	Corporate General Manager, Corporate R&D Headquarters
	Takashi Kusaka	Corporate General Manager, Industrial Infrastructure Business Group
	Junichi Matsumoto	General Manager, Corporate Finance Office, Corporate Management Planning Headquarters
	Takeshi Kadoshima	General Manager, Human Resources and General Affairs Office
	Junichi Arai	General Manager, Corporate Planning Office, Corporate Management Planning Headquarters
	Masatsugu Tomotaka	Corporate General Manager, Power Electronics Business Group
Masahiro Fujiwara	Corporate General Manager, Power and Social Infrastructure Business Group	
Kenji Goto	Deputy Corporate General Manager, Sales Group	

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

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 been implementing the Fuji Electric Compliance Regulations and the Fuji Electric

Compliance Program, which bring together four aspects of domestic and overseas compliance (internal rules, oversight, monitoring, and education), based upon this policy.

Compliance Promotion Structure

The Fuji Electric Compliance Promotion Committee, which is headed by the President and composed of the managers responsible for compliance, with outside experts (attorneys) as observers, has jurisdiction over compliance.

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

Global Promotion of the Fuji Electric Compliance Program

Fuji Electric is bolstering the compliance of its overseas operations.

In addition to globally consistent items that apply at all overseas sites, such as the prohibition of discriminatory acts 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 on this basis through the actions of all our subsidiaries in Japan and overseas.

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 encounter in the course of their business activities. 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 2014, the training was attended by 19 newly appointed directors, 124 newly appointed managers, and 151 new employees.

■ Job-Specific Training

Job-specific training is conducted that features items for consideration in practical business situations. In fiscal 2014, classroom-based training was conducted for sales and administrative unit personnel (668 in Japan and 107 overseas) covering a variety of themes including the Antimonopoly Law. Furthermore, we also conducted e-learning programs for 1,216 employees at overseas subsidiaries.



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 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 business partners about Fuji Electric's materials procurement operations. Building more highly reliable trading relationships with our suppliers is part of fulfilling our social responsibility.

Risk Management

We are redoubling our management of a broad range of 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

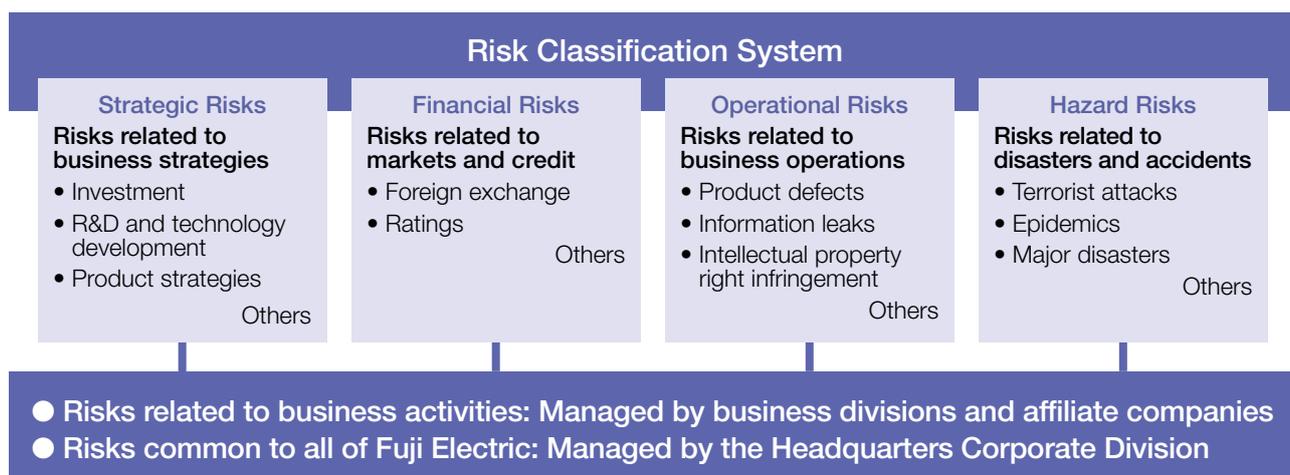
Types of Risk and Risk Management System

Fuji Electric classifies risks into four categories: strategic, financial, operational, and hazard risks; and conducts risk management optimized for each category.

For risks that are common to the whole of Fuji Electric, such as financial and hazard 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.

The business divisions and affiliate companies formulate risk management systems and implement risk countermeasures as part of their responsibility for strategic and operational risks associated with business activities. When business plans are formulated for each fiscal year, the 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, 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 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, also 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 35 companies in fiscal 2014. 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, 2015, six of our operations (at four 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.



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.

Initiatives for Strengthening 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

Learning lessons from the Great East Japan Earthquake, which struck in March 2011, we have produced a Disaster Prevention and Procedural Manual. Based on this 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 required for supplying products, such as production facilities.

In fiscal 2014, we expanded the range of products covered by our BCP and conducted simulation drills for a major disaster at the head office and factories to ensure that the plan can be used if a disaster does occur.

We will continue our initiatives to further expand the number of products covered by the BCP to include those of subsidiaries in Japan and overseas. Meanwhile, we will strengthen our disaster response capabilities by making ongoing efforts to promote wider awareness of the BCP through drills and other measures while continuing to make improvements.

Reducing Procurement Risk

To reduce procurement risk, 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 2014, our internal procurement divisions held a simulation drill, and started BCP training for suppliers to share the procurement BCP with them.

Looking ahead, we will expand the procurement BCP to the procurement divisions of subsidiaries in and outside Japan, as well as strengthen the plan to effectively reduce our procurement risk globally.



A simulation drill to prepare for a large-scale disaster

Reducing IT Risk

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 2014, Fuji Electric and its domestic affiliates took measures to preserve their IT systems, such as strengthening disaster countermeasures and moving facilities to safer locations.

Our next step will be to promote these measures at overseas subsidiaries too, as we continue our efforts to reduce IT risk.

Corporate Information

■ Company Information (As of March 31, 2015)

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)	25,740 (Domestic 17,814, Overseas 7,926)
Net Sales (consolidated)	¥810.7 billion (Year ended March 31, 2015)
Stock Code	6504

■ Stock Information (As of March 31, 2015)

Issued and Outstanding Shares	746,484,957
Number of Shareholders	43,162

Major Shareholders

Shareholders' names	Number of shares (1000s)	Voting rights (%)
FUJITSU LIMITED	74,333	10.40
The Master Trust Bank of Japan, Ltd. (Trust Account)	42,622	5.97
Japan Trustee Services Bank, Ltd. (Trust Account)	39,797	5.57
Mizuho Bank, Ltd. (MHBK)	22,254	3.11
Asahi Mutual Life Insurance Company	19,776	2.77
FANUC CORPORATION	13,421	1.88
FURUKAWA CO., LTD.	11,025	1.54
STATE STREET BANK AND TRUST COMPANY 505223	10,729	1.50
THE BANK OF NEW YORK, NON-TREATY JASDEC ACCOUNT	9,365	1.31
Furukawa Electric Co., Ltd.	8,738	1.22

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

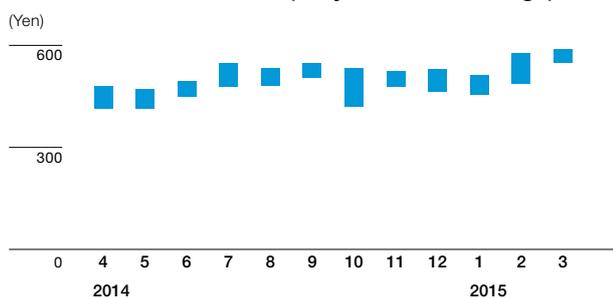
2. The ratio of shareholding is calculated by deducting the number of treasury stocks from the total number of shares outstanding based on the provisions of the Ordinance for Enforcement of the Companies Act.

Share Distribution by Shareholder Type

Type	Number of shareholders	Number of shares	Holding (%)
Financial institutions / securities firms	119	250,504,991	33.56
Other domestic corporations	510	126,637,751	16.96
Foreign corporations	450	228,334,653	30.59
Individuals and other	42,083	141,007,562	18.89
Total	43,162	746,484,957	100.00

Note: "Individuals and other" includes treasury stock.

Share Price Fluctuations (Tokyo Stock Exchange)



■ Consolidated Subsidiaries and Equity-Method Affiliates (As of July 1, 2015)

Consolidated Subsidiaries (Domestic): 22

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

Equity-method Affiliates (Domestic): 4

Japan AE Power Systems Corporation	METAWATER SERVICE Co., Ltd.
METAWATER Co., Ltd.	Fuji Furmanite Co., Ltd.

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

Consolidated Subsidiaries (Overseas): 43

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 Fuji Electric Switchgear Co., Ltd.	Fuji Electric Taiwan Co., Ltd.
Shanghai Fuji Electric Transformer Co., Ltd.	Fuji Electric Korea Co., Ltd.
Shanghai Electric Fuji Electric Power Technology (Wuxi) Co., Ltd.	Fuji Electric Corp. of America
Fuji Electric (Zhuhai) Co., Ltd.	Fuji Electric Europe GmbH
Wuxi Fuji Electric FA Co., Ltd.	Fuji Electric France S.A.S.

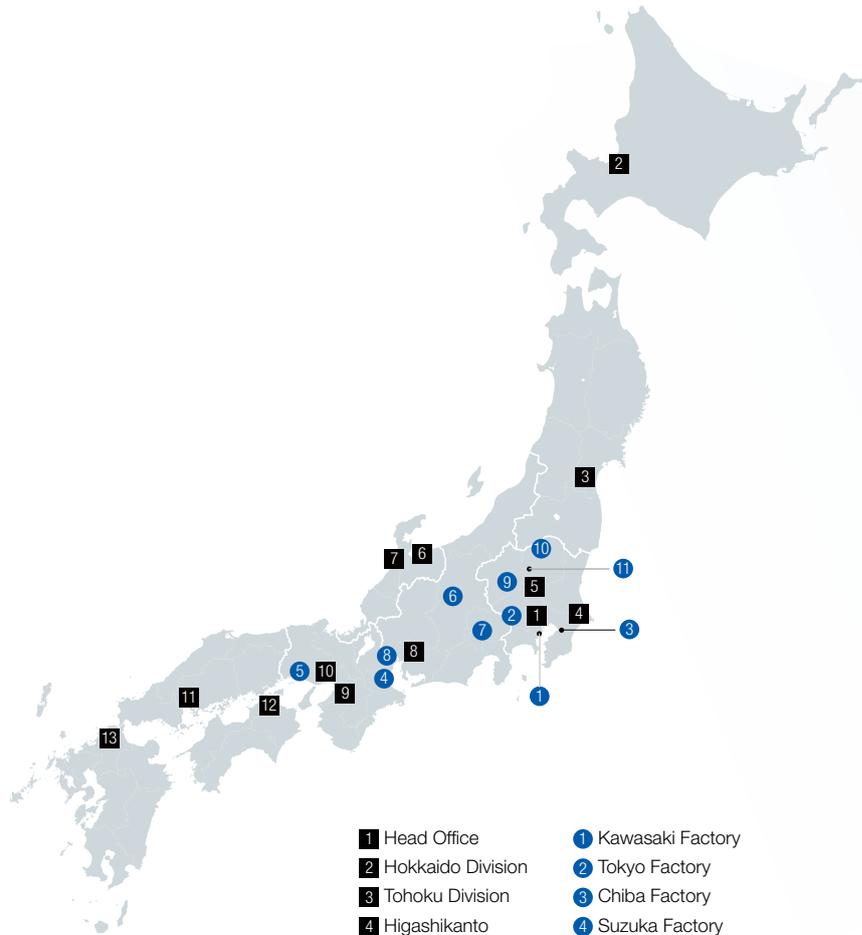
Including the 30 above-listed companies, 43 companies.

Equity-method Affiliate (Overseas): 1

FUJI FURUKAWA E&C (THAILAND) Co., Ltd.
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Global Network (As of July 1, 2015)

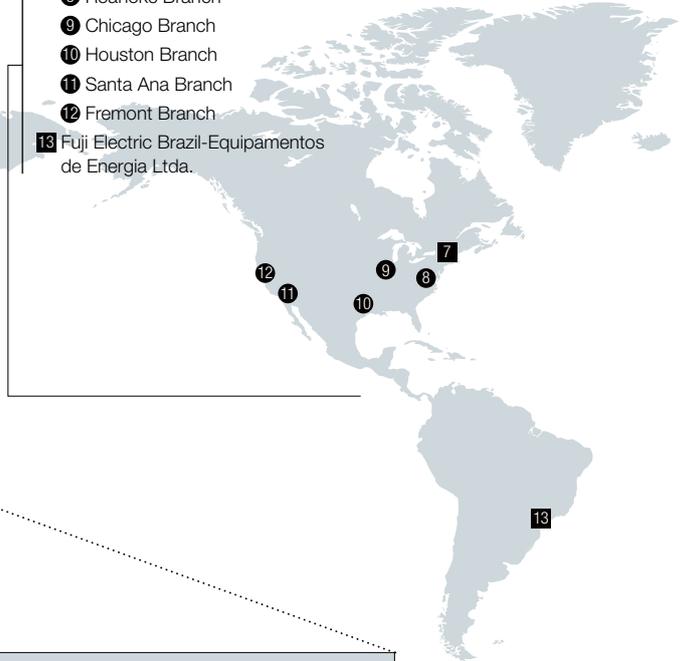
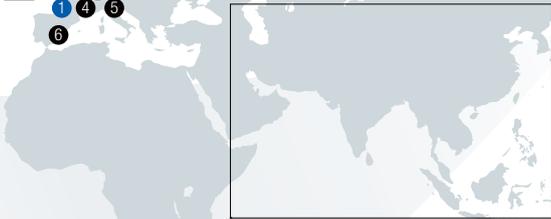
- : Sales sites
- : Manufacturing sites
- ◆ : Overseas offices



- | | |
|---------------------------|-------------------------------|
| 1 Head Office | 1 Kawasaki Factory |
| 2 Hokkaido Division | 2 Tokyo Factory |
| 3 Tohoku Division | 3 Chiba Factory |
| 4 Higashikanto Department | 4 Suzuka Factory |
| 5 Kitakanto Department | 5 Kobe Factory |
| 6 Hokuriku Division | 6 Matsumoto Factory |
| 7 Kanazawa Department | 7 Yamanashi Factory |
| 8 Chubu Division | 8 Mie Factory |
| 9 Kansai Division | 9 Fukiage Factory |
| 10 Kobe Department | 10 Otawara Factory |
| 11 Chugoku Division | 11 Facility Technology Center |
| 12 Shikoku Division | |
| 13 Kyushu Division | |
| 14 Okinawa Division | |

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

- 7 Fuji Electric Corp. of America
- 8 Roanoke Branch
- 9 Chicago Branch
- 10 Houston Branch
- 11 Santa Ana Branch
- 12 Fremont Branch
- 13 Fuji Electric Brazil-Equipamentos de Energia Ltda.



- 14 Fuji Electric Korea Co., Ltd.
- 15 Fuji Electric (China) Co., Ltd.
- 16 West China Branch
- 17 South China Branch
- 18 North China Branch
- 19 Dalian Fuji Bingshan Vending Machine Sales Co., Ltd.
- 20 Fuji Electric Taiwan Co., Ltd.
- 21 Fuji Electric Hong Kong Co., Ltd.
- 22 Hoi Hong Kong Co., Ltd.
- 23 Fuji Electric FA (Asia) Co., Ltd.
- 24 Fuji Electric Vietnam Co., Ltd.
- 25 Fuji Electric (Thailand) Co., Ltd.

- 26 Fuji Electric Asia Pacific Pte. Ltd.
- 27 PT Fuji Electric Indonesia
- 28 Fuji Electric India Private Ltd.
- 2 Fuji Electric Dalian Co., Ltd.
- 3 Fuji Electric Motor (Dalian) Co., Ltd.
- 4 Dalian Fuji Bingshan Vending Machine Co., Ltd.
- 5 Fuji Electric (Changshu) Co., Ltd.
- 6 Wuxi Fuji Electric FA Co., Ltd.
- 7 Shanghai Fuji Electric Switchgear Co., Ltd.
- 8 Shanghai Fuji Electric Transformer Co., Ltd.

- 9 Shanghai Electric Fuji Electric Power Technology (Wuxi) Co., Ltd.
- 10 Fuji Electric Philippines, Inc.
- 11 Zhejiang Innovation Fuji Technology Co., Ltd.
- 12 Fuji Electric (Hangzhou) Software Co., Ltd.
- 13 Fuji Electric (Shenzhen) Co., Ltd.
- 14 Fuji Electric (Zhuhai) Co., Ltd.
- 15 Fuji Electric Manufacturing (Thailand) Co., Ltd.
- 16 Fuji Tusco Co., Ltd.

- 17 Fuji Electric (Malaysia) Sdn. Bhd.
- 18 Fuji SMBE Pte. Ltd.
- Fuji SMBE Pte. Ltd. subsidiaries (13 companies)

- ◆ Beijing Rep. Office
- ◆ Fuji Electric Co., Ltd. (Myanmar Branch Office)
- ◆ Rep. Office of Fuji Electric Co., Ltd. (in Cambodia)
- ◆ Middle East Branch



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.



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



Certification mark for companies that provide support to families raising children

Care for the Environment



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TEL: +81-3-5435-7111 <http://www.fujielectric.com/>

