

To Our Stakeholders

Our mission is to contribute to the realization of a safe, secure and sustainable society through our energy-related businesses



Michihiro Kitazawa
President and Representative Director
FUJI ELECTRIC CO., LTD.

A proud history of helping to solve energy problems through technology

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

We, Fuji Electric, pledge as responsible corporate citizens in a global society to strengthen our trust with stakeholders. Our basic philosophy is to apply ourselves earnestly in carrying out our mission.

Since the Great East Japan Earthquake, significant changes have been made in the way energy is used in Japan. We have seen the proactive introduction of renewable energy and reforms to the electric power system aimed at providing a stable supply of electricity.

On the other hand, emerging countries, especially in Asia, are beginning to experience energy shortages with their ongoing rapid economic growth. These countries are hurrying to implement measures to increase the supply and quality of their electric power, and to use energy more efficiently and reduce their environmental impact.

Our mission is to contribute the realization of a safe, secure and sustainable society through energy-related businesses that make full use of the electrical and thermal energy technologies we have developed over the 90 years since our founding. I strongly sense that our capabilities are valued and needed by society today more than ever.

Fiscal 2013 Marked a Major Turning Point in Our Management Direction as a “New Base Year for Aggressive Management”

As the business restructuring implemented through fiscal 2012 had progressed to a certain point, we designated fiscal 2013 as a “new base year for aggressive management.” In July 2013, we formulated the FY2015 Medium-Term Management Plan, and during the fiscal year we worked to establish a growth foundation and to strengthen profitability.

On a consolidated basis, net sales increased ¥14.1 billion year on year to ¥759.9 billion, while operating income grew ¥11.1 billion year on year to ¥33.1 billion. The improvement in operating income was mainly attributable to thorough cost cuts and

expense reductions achieved through the “Pro-7 Activities” to improve profits, as well as the benefits of the business restructuring carried out in the power semiconductors and drive businesses in fiscal 2012.

Expansion of Business in Japan and Asia to Establish a Growth Foundation

In fiscal 2013, we focused on expanding our business in Japan and Asia with the aim of establishing a growth foundation.

In Japan, investment in electric power has been brisk as the market environment surrounding energy undergoes significant changes. Amid these changes, mega solar power generation has been rapidly growing in the market, triggered by the introduction of the feed-in tariff system, and Fuji Electric has been supplying power conditioners, a key component, in a timely manner. We have also fully demonstrated our strength in plant engineering technology, winning many orders for engineering, procurement, and construction (EPC) projects in the mega solar power generation field.

We were awarded a contract from Tokyo Electric Power Company, Incorporated to provide the company with smart meters, which are a vital element for creating smart communities that use energy efficiently. To support this new demand, we made a capital investment in an automated production line at our subsidiary GE Fuji Meter Co., Ltd.’s Azumino Factory.

In the food and beverage distribution business, we leveraged our thermal energy technologies to develop a next-generation portable cold storage container with the objective of increasing safety and reliability. We will work to increase the market penetration of this product by presenting it to a variety of industries, in particular the food and beverage industry, as a product that will help raise the quality of temperature control.

Meanwhile, in Asia, we bolstered our base in both the industrial infrastructure and the power electronics businesses in order to capitalize on the demand for stable electric power supply and quality improvement, thereby expanding our business in this region.

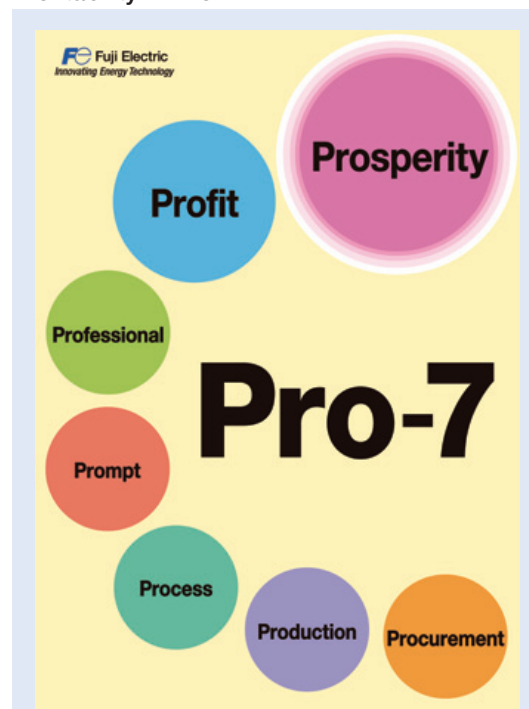
In order to accomplish our goal of continued growth in Asia, we established Fuji Tusco Co., Ltd. after making capital investments in Tusco Trafo Co., Ltd., a transformer manufacturer in Thailand. In addition, we launched a new factory at an existing

facility in Thailand and commenced production of inverters and uninterruptible power supply systems. Furthermore, in China, we established joint ventures in the area of medium-voltage inverters with state-owned Shanghai Electric Group Co., Ltd.

We will continue to increase local procurement and production, and enhance our lineup of competitively priced transformers and power electronics equipment. In addition, we will accelerate our business growth in markets in Asia and China by fully leveraging our strong sales network with deep local roots.

Alongside these initiatives, we also invested in our state-of-the-art technologies for power semiconductors, the source of Fuji Electric’s competitiveness. In addition to launching a cutting-edge production line in the Yamanashi Factory, we built a SiC (silicon carbide) power semiconductor production line at the Matsumoto Factory with the expectation that SiC power semiconductors will become a next-generation device.

Company-Wide Activities to Boost Profitability — Pro-7



Pro-7 Activities are a company-wide initiative to improve operating performance. By having every employee approach work with a strong sense of professionalism and prompt action, we are emphasizing business execution processes and working to boost production efficiency and reduce procurement costs.

Fiscal 2014—The Year to Expand Aggressive Management

Focus on Increasing Orders to Achieve the Fiscal 2015 Medium-Term Management Plan

We have positioned fiscal 2014 as the year for expanding aggressive management, and will accelerate our efforts to establish a growth foundation and strengthen profitability.

We will place particular emphasis on increasing orders, and have set a target of ¥850 billion in orders for fiscal 2014. Achieving this goal will put us on track to reaching our target of net sales of ¥850 billion in fiscal 2015, which we set in our FY2015 Medium-Term Management Plan.

To date, the biggest challenge has been converting our efforts in fiscal 2013 in the industrial infrastructure and power electronics businesses in Asia and China into orders. In order to overcome this hurdle, we will continue to consider new ways to collaborate with local companies, while proactively making proposals for renewal investments and rationalization investments by industrial infrastructure facilities, an area where growth is expected in Japan.

In the power plant business, companies from a wide-range of industries are entering the power generation business due to the reforms made to the electric power system. We will work to increase orders by continuing to strengthen the relationships we have built with customers in the industrial infrastructure business. Furthermore, we will continue making proposals aimed at increasing orders both in the solar power generation systems business, which drove our profits in fiscal 2013, and in smart meters, which are now being introduced by electric power companies.

In the semiconductors business, we will continue to expand design and manufacturing overseas, and strive to grow the business in the industrial sector in particular. In the vending machines business, we plan to establish joint venture sales companies with local companies, targeting business expansion in Asia and China.

Laying a Foundation for Sustainable Growth

Along with the aforementioned initiatives, we will continue to bolster our research and development platform in order to achieve continued growth over the medium- to long-term.

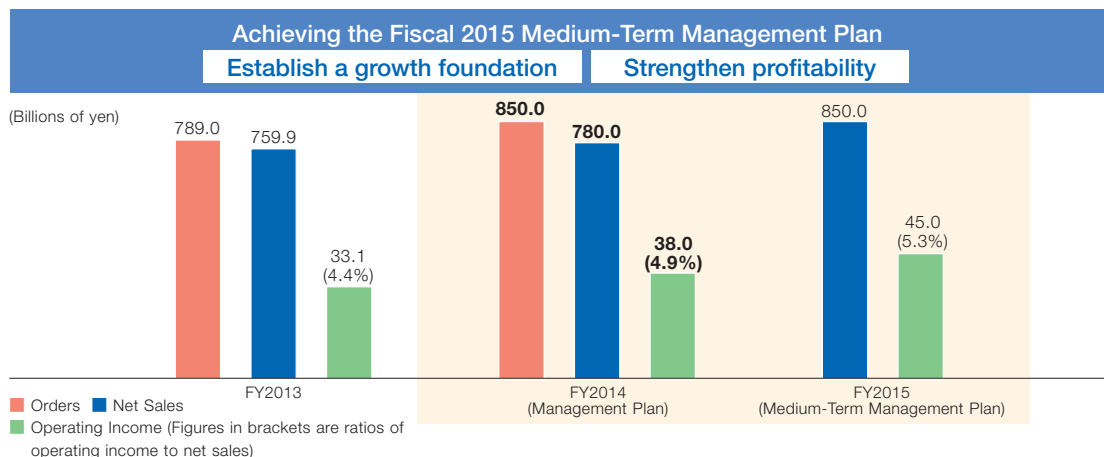
We will construct research and development buildings at the Tokyo Factory, the Matsumoto Factory, and the Fukiage Factory, with a goal of enhancing our ability to develop competitive products that make the most of our core strengths, in power semiconductors, power electronics and thermal technologies.

We will focus on developing next-generation power semiconductors as well as power electronics equipment, where the power semiconductors will be applied. We aim to become the global leader in this field, and we will also bolster our development of electric and thermal energy solutions that combine power electronics with measurement and control technologies.

Returning to Our Roots to Improve Business Operation Quality

The Pro-7 Activities serve as the linchpin of our efforts to strengthen profitability. Up until fiscal 2013, we worked to improve our business by reducing costs, such as the cost of sales and selling, general and administrative expenses. In addition, in fiscal 2014, we will also focus on raising the quality of our business operations.

Increasing the quality of our business operations entails changing the way of thinking among our employees. Discarding the notion of benchmarks as the way of “the old Fuji Electric,” we will review all operations from the ground up. After all, Fuji Electric is a manufacturer. We will return to our roots, where it is the frontline that creates the Company, and continue to strive to manufacture better, more affordable, and aesthetically pleasing products at an accelerated pace.





Responding to Diverse Social Issues with Concerted Team Strength

In fiscal 2013, Fuji Electric celebrated its 90th year in business. In order for us to continue to grow and prosper as a company, I believe it is important that our employees work together as a team to tackle the issues we face.

It is particularly important that we respect and channel the strengths of individuals. We must capitalize on our employees' diverse attributes, including nationality and gender, as well as their differing values and beliefs.

Particularly in Japan, we are focusing on encouraging our female employees to play larger roles. We will continue to hire more female employees and enhance career development support for

them, while working to create a workplace where female employees can work comfortably. We will also be proactive in developing female employees for advancement to managerial positions.

In addition, we have decided that the best way for Fuji Electric to continue to grow its businesses globally is for local employees to run our local business operations since they know the culture and practices of their particular country or region. Based on this decision, we are placing local employees in top management positions at key sites and proactively transferring skills and abilities to the local employees responsible for manufacturing our products and carrying out engineering projects.

Continuing Our Company's Contributions to Society

Our brand statement, "Innovating Energy Technology," expresses the value that Fuji Electric offers society. The brand statement reflects Fuji Electric's desire to contribute to a safe, secure and sustainable society, through innovation in electric and thermal energy technology. Putting this brand statement into practice is our corporate social responsibility (CSR).

At the same time, Fuji Electric places a strong emphasis on its trusting relationships with stakeholders in its approach to management, and participates in the United Nations Global Compact (GC). We view the 10 universally accepted principles in the areas of human rights, labor, the environment, and anti-corruption as vital guidelines in our global business development and have reflected the GC in the Fuji Electric Code of Conduct, which we

rigorously follow.

We will continue to play a vital role in society as a company through our energy-related businesses that are helpful to the world and founded on our strengths. As we take on these challenges, I would like to ask all of our stakeholders for their continued support and understanding.

July 2014

Michihiro Kitazawa

President and Representative Director
FUJI ELECTRIC CO., LTD.