

Review of Operations— Fiscal 2014 Performance

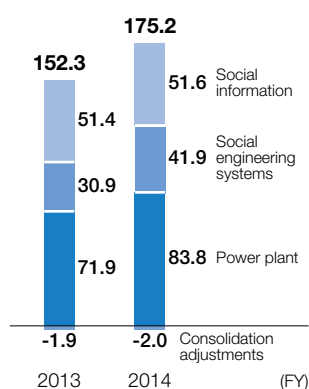
In fiscal 2014, the year ended March 31, 2015, the operating environment for Fuji Electric saw a modest recovery trend in the domestic economy. While there was a fallback from the demand rush that preceded the April 2014 consumption tax hike, this was offset by positive factors including the recovery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

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

Power and Social Infrastructure

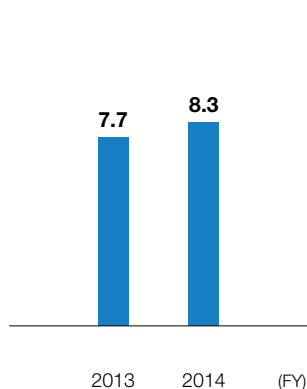
Net Sales

(Billions of yen)



Operating Income

(Billions of yen)



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

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

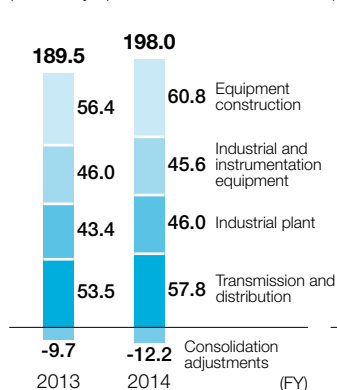
In the social information business, sales increased as a result of the rise in activities targeting small- to medium-scale orders.

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

Industrial Infrastructure

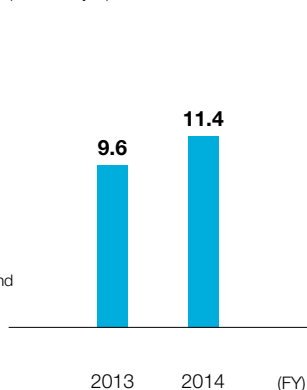
Net Sales

(Billions of yen)



Operating Income

(Billions of yen)



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

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

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

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

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

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

Main Initiatives

Increase Sales of Solar Power Generation Systems

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



Kisozaki reclaimed land mega-solar

Grow Orders for Thermal and Geothermal Power Generation Facilities

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

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



Steam turbines

Commence Mass Production of Smart Meters

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



Mass production facilities for smart meters

Reinforcing Sales Activities for Data Center Facilities

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



Data centers

Reinforcing Substation Equipment Development and Production Systems

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

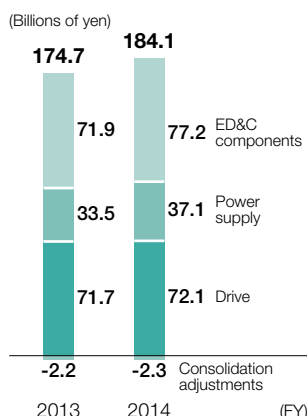
We also expanded the product lineup at Fuji Tusco Co., Ltd., extended the sales and services network, and strengthened the substation equipment business.



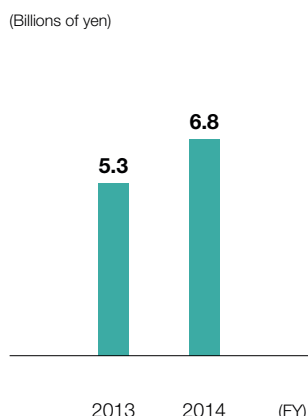
High-power testing facility (Chiba Factory)

Power Electronics

Net Sales



Operating Income



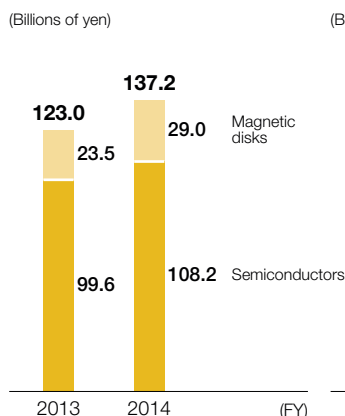
In the drive business, sales and operating results improved year on year following a rise in demand for mainstay inverters and servos.

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

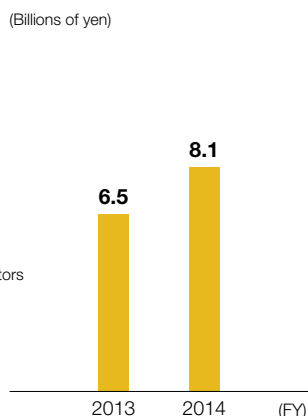
In the ED&C components business, sales and operating results improved year on year due to strong demand for machine tools and solar power generation-related equipment.

Electronic Devices

Net Sales



Operating Income

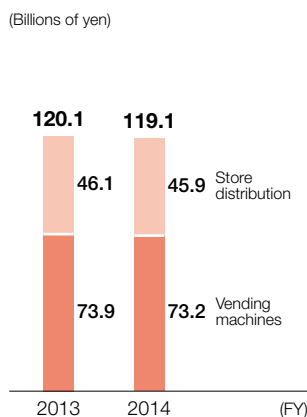


In the semiconductors business, sales were up year on year due to strong demand for inverters, servos, and other industrial machinery in the industrial business and recovered demand for products for telecommunications equipment in the power supply application business. These factors outweighed a decrease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

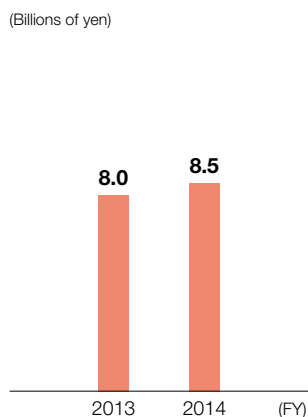
In the magnetic disks business, sales increased, but operating results were unchanged year on year due to the negative impacts of changes in prices and the ratios of sales for specific models.

Food and Beverage Distribution

Net Sales



Operating Income



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

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

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

Launch of Power Electronic Systems Utilizing SiC Power Semiconductors

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

*Please refer to page 20 "Research and Development"



Large-capacity FRENIC-VG (stack type) inverter



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

Accelerating Development and Launch of New Products

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

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



Low-voltage three-phase premium efficiency motor



FRENIC-Ace inverter

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

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



8-inch line front-end process

Construction of a Development Center at the Matsumoto Factory

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

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



Development center

Expanding Vending Machine Demand in China and Asia

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

Please refer to page 21 "Research and Development"



Twistar, a vending machine for China and Asia

Investment in a Plant Factory

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

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



Plant factory

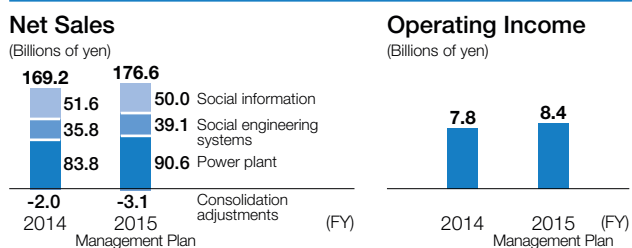
Review of Operations— Management Plan for Fiscal 2015

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

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

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

Power and Social Infrastructure

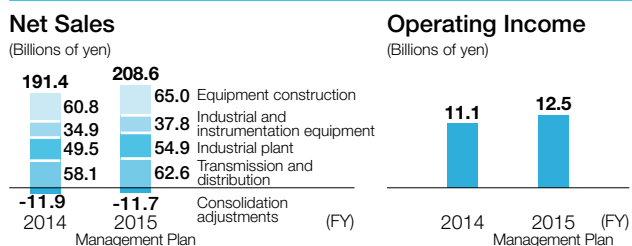


Environmental Factors

- 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

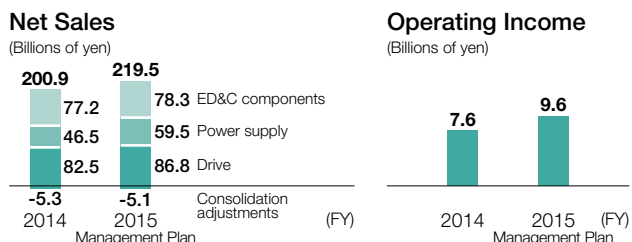
*1 IPP: Independent Power Producer
*2 PPS: Power Producer and Supplier

Industrial Infrastructure



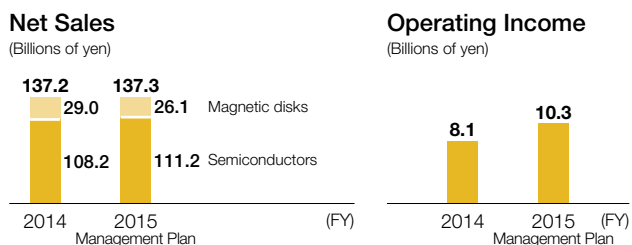
- Expansion in replacement and rationalization investments in Japan
- Ongoing infrastructure investment in Asia

Power Electronics



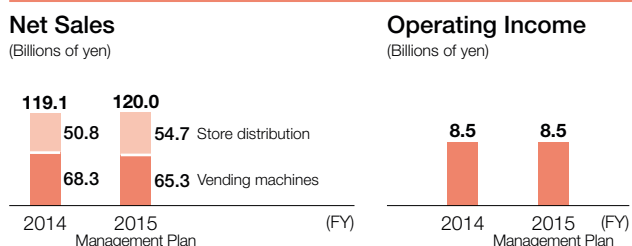
- For inverters, steady growth in Japan, flat growth in China, and a recovery trend in Asia, Europe, and the Americas are expected
- For uninterruptible power systems (UPS), slight decline in Japan, flat growth in China, and ongoing favorable conditions for data centers in Asia and the Americas are expected

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

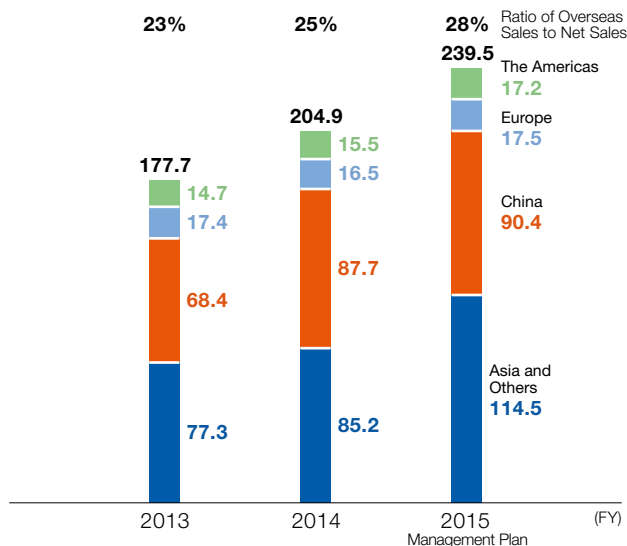
Review of Operations — Overseas Operations

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

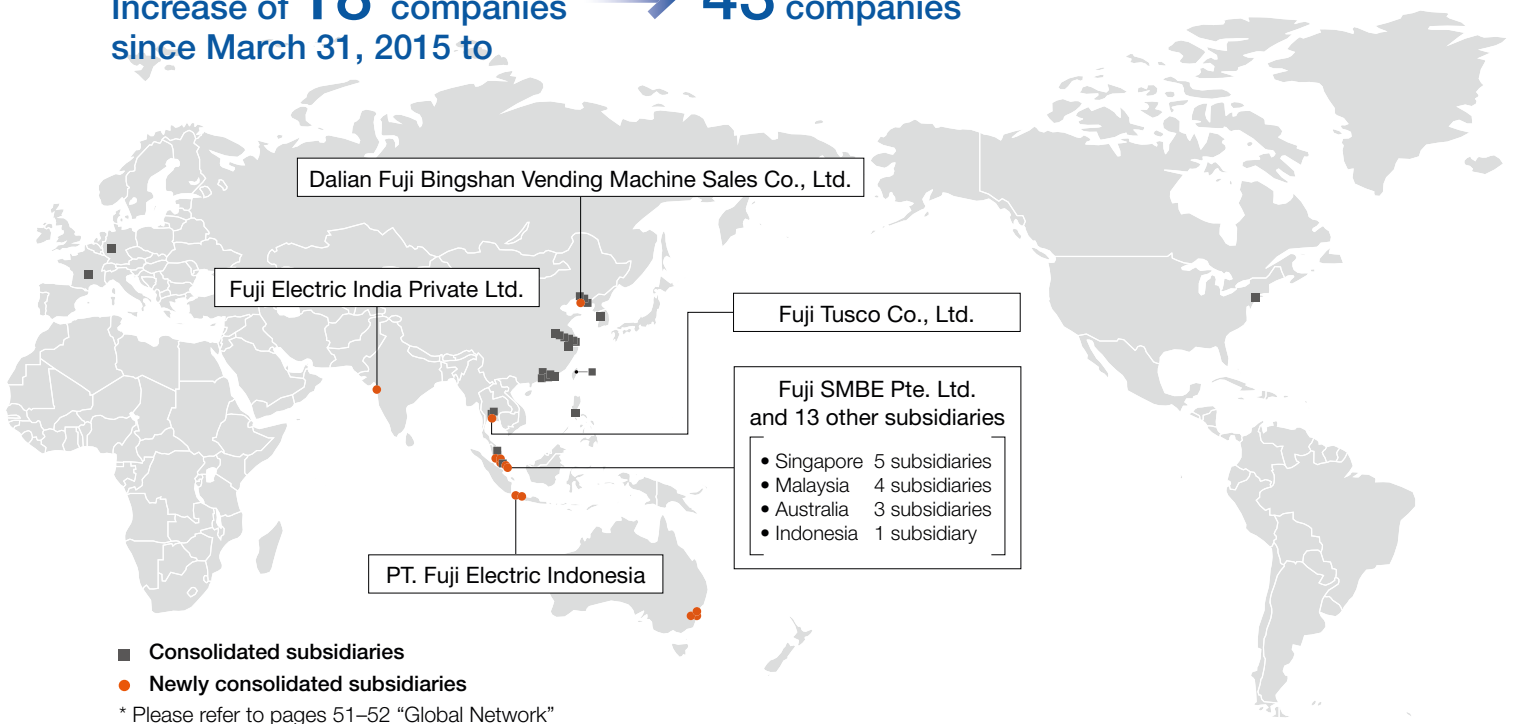
We will strengthen sales of fuel cells and accelerate the launch of new power electronics products, such as inverters. We will also expand sales of power semiconductors by capturing increasing demand for new energy applications.

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

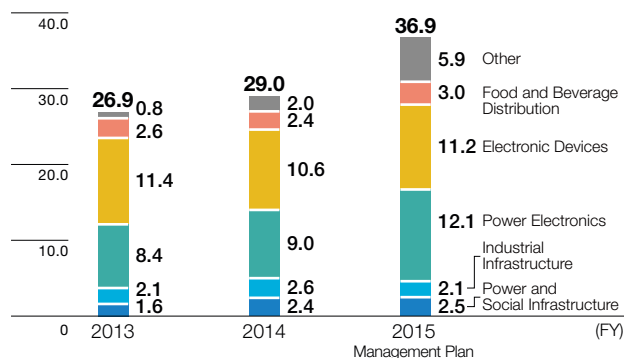
Constructing New Research and Development Centers, Increased Production Capacity, and Improved Product Development Capabilities

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

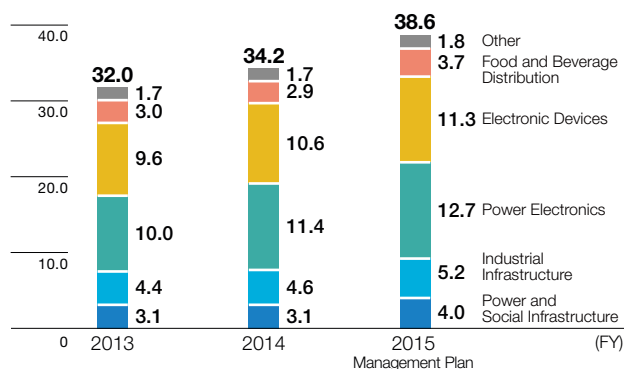
Strengthen Core Technologies in All Areas and Accelerate Development of New Products

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.