



# **Renovation 2018**

## **FY2018 Medium-Term Management Plan**

**April 28, 2016**

**Fuji Electric Co., Ltd.**

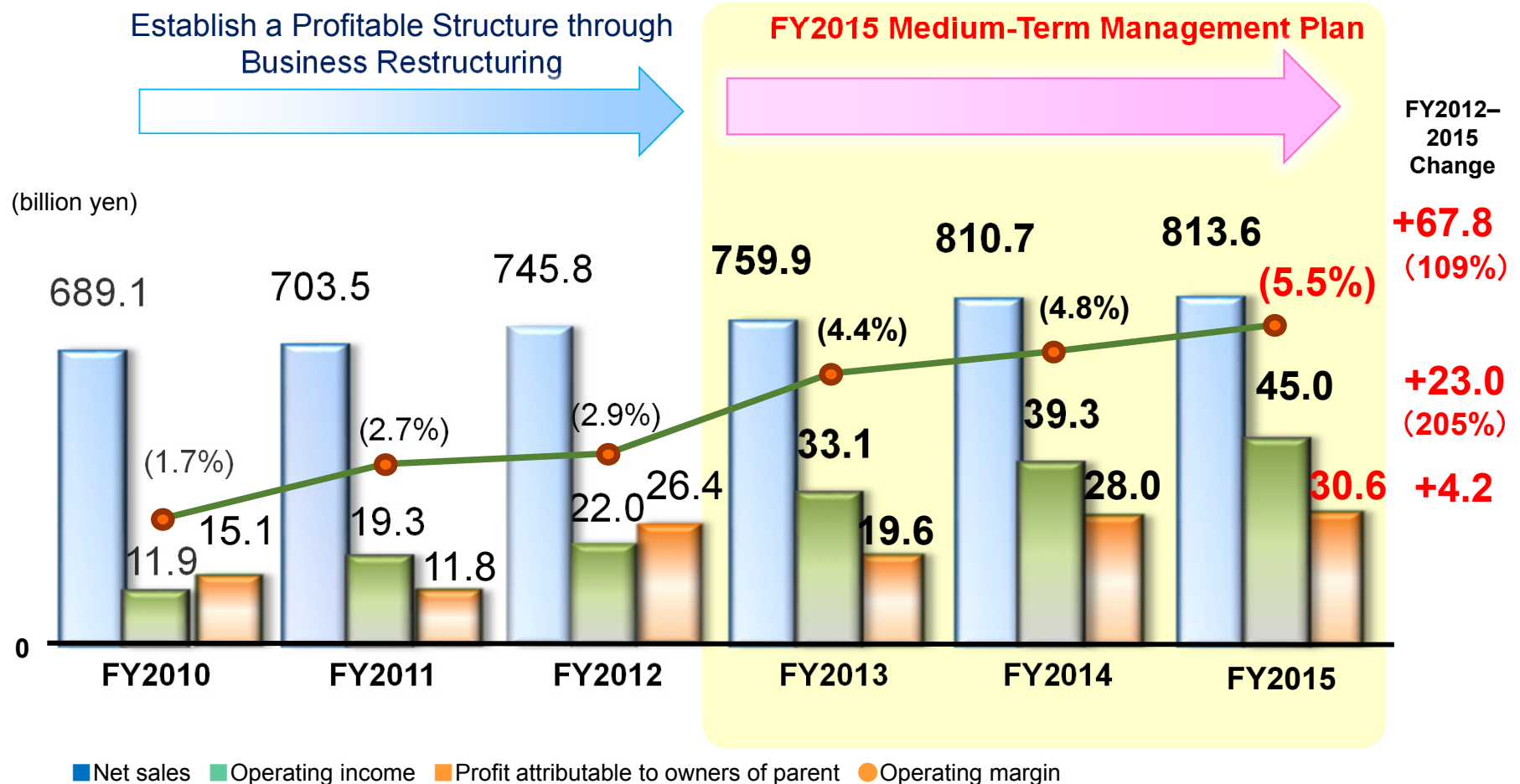
- **Looking back at  
FY2015 Medium-Term Management Plan**
  - Comparison with FY2012
  - Comparison between FY2015 Medium-Term Management Plan and Results
  
- **FY2018 Medium-Term Management Plan**

# Looking back at FY2015 Medium-Term Management Plan

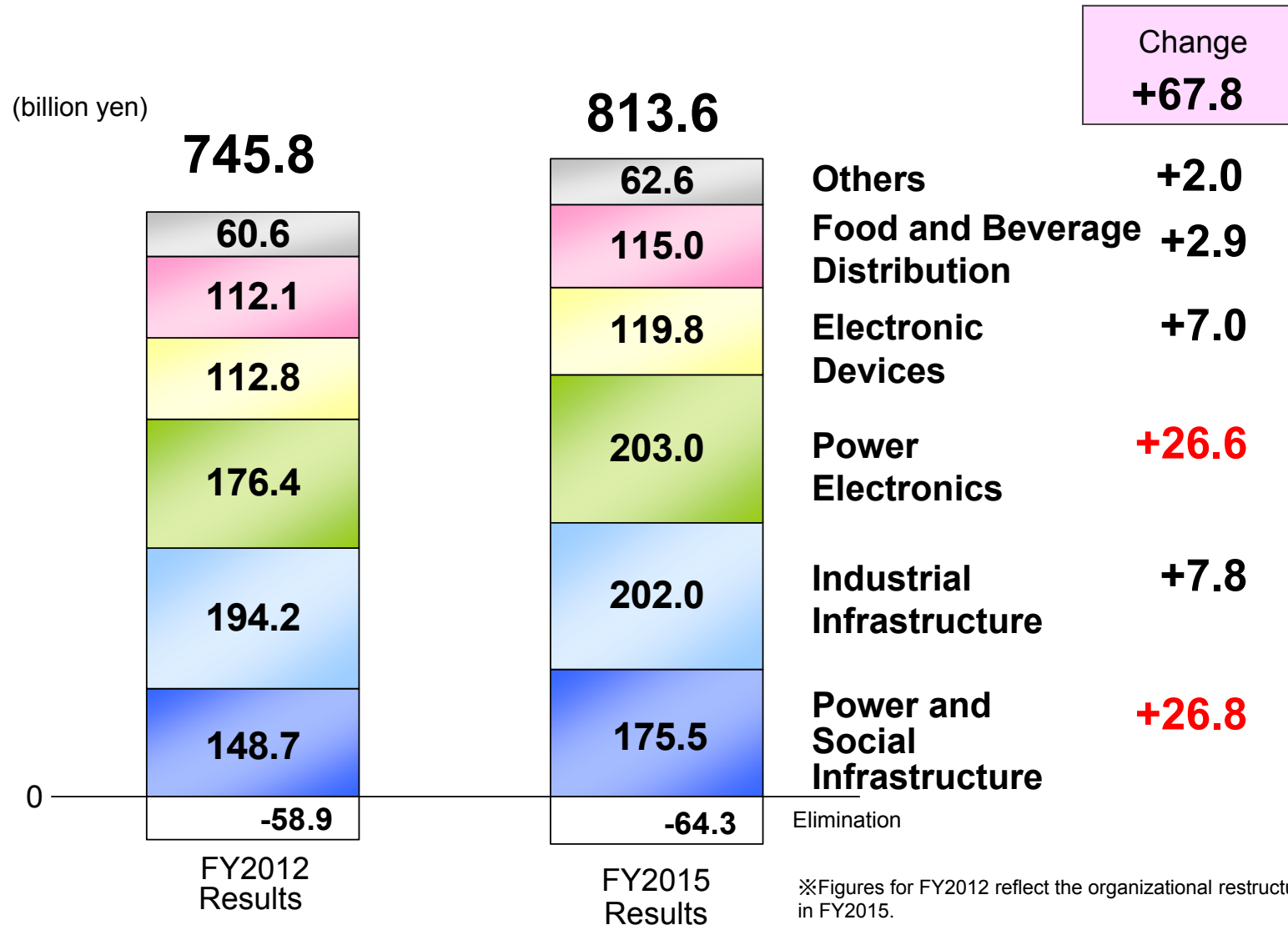
— **Comparison with FY2012** —

# Business Performance Trends

Record-breaking operating margin and net income, operating income doubled in comparison to FY2012



# Net Sales (by Segment)



# Net Sales (Japan and Overseas)

(billion yen)

Ratio of overseas sales

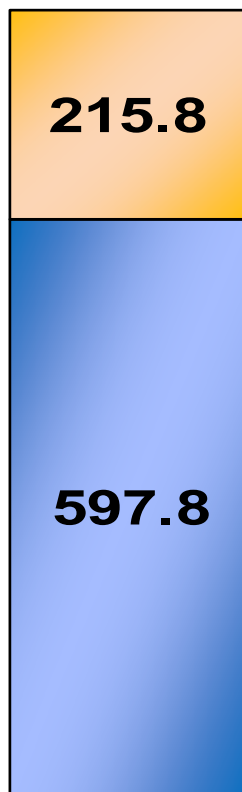
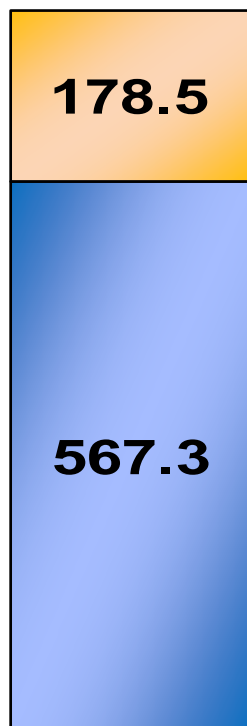
24%

27%

Change  
**+67.8**

**745.8**

**813.6**



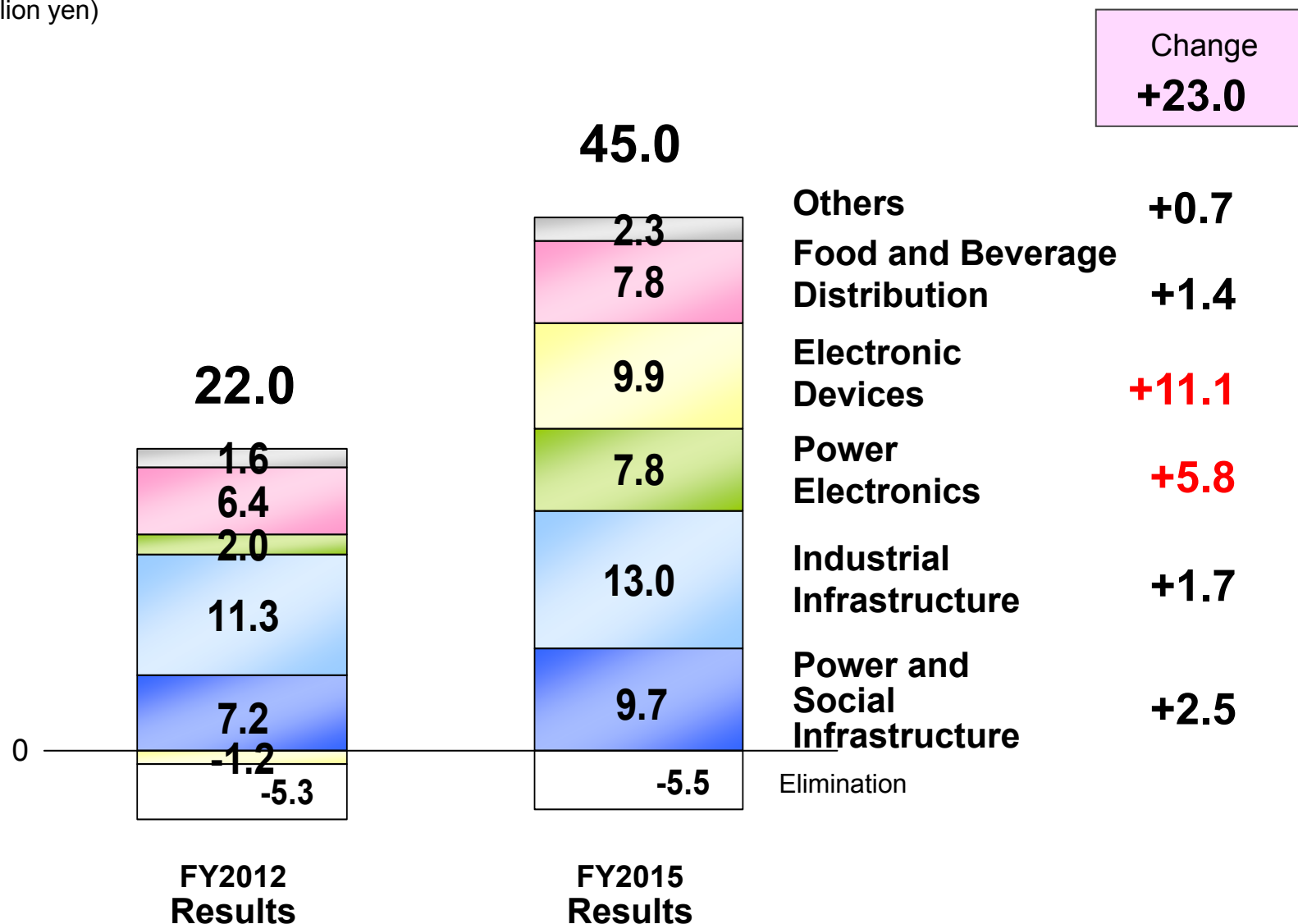
Overseas	<b>+37.3</b>
China	<b>+28.1</b>
Asia	<b>+8.1</b>
Japan	<b>+30.5</b>

**FY2012 Results**

**FY2015 Results**

# Operating Income (by Segment)

(billion yen)



# Establish Foundations to Expand Overseas Business (Looking Back Three Years)

## ● Establish production bases

- Asia      Thai Factory (power electronics, substation equipment and vending machines)  
              India Factory (inverters)
- Americas    Virginia Factory (inverter boards, electrical equipment for railcars)



India Factory



Virginia Factory

## ● Conduct M&A: 8    Investment amount: **approx. ¥20.0 billion**

- Asia      Fuji Tusco (transformers)  
              Fuji SMBE (switchgear and controlgear)  
              Fuji CAC (engineering)  
              Fuji GEMCO (engineering)
- China      Shanghai Electric Fuji Electric Power Technology (Wuxi) (medium-voltage inverters)
- Americas    RTS (power plant service)  
              Fuji SEMEC (electrical equipment for railcars)
- Europe      Fuji N<sub>2</sub> (fuel cells)



Fuji Tusco



Fuji SMBE



RTS



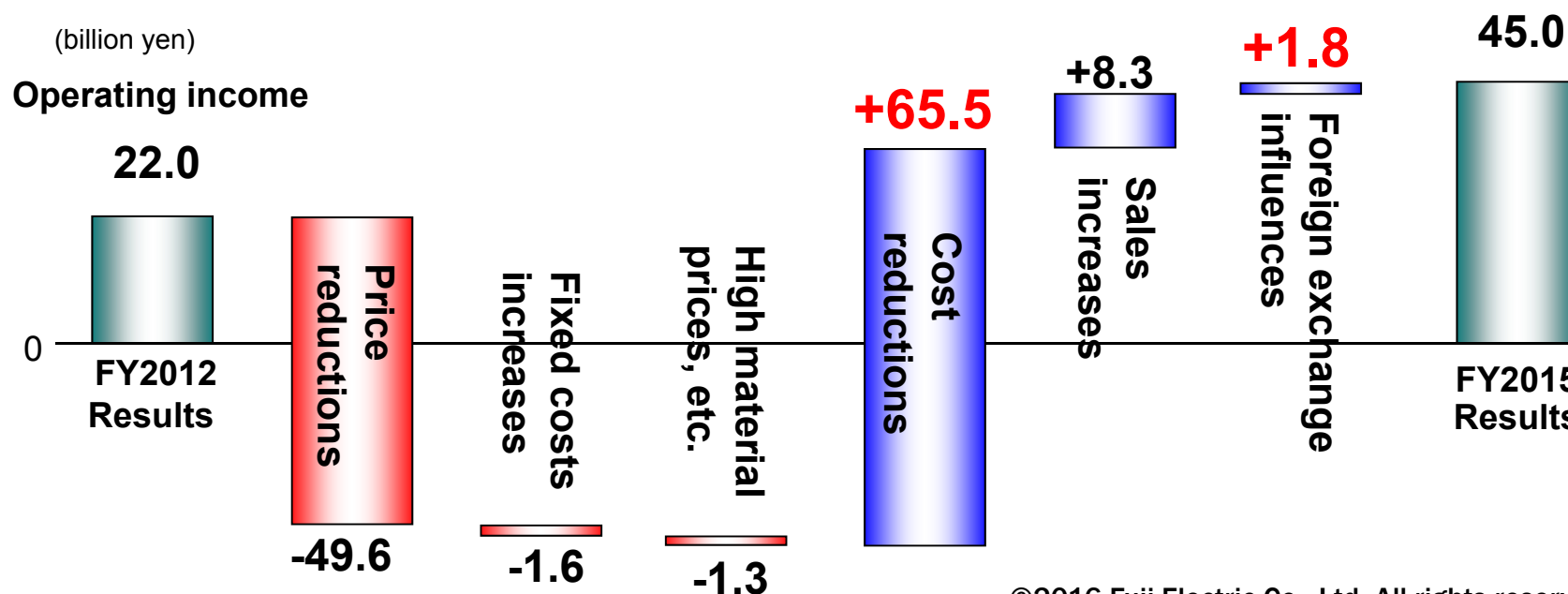
# Measures to Establish a Profitable Structure (Looking Back Three Years)

## ● Advancement of profitability improvement activities (Pro-7 Activities)

- Cost reductions: ¥65.5 billion  
Group centralized purchasing, global procurement, in-house manufacturing, and business efficiency improvement

## ● Promotion of local production and consumption

- Reduced foreign exchange exposure



# — Comparison between FY2015 Medium-Term Management Plan and Results —

Net sales target unmet, **operating income target met**

(billion yen)

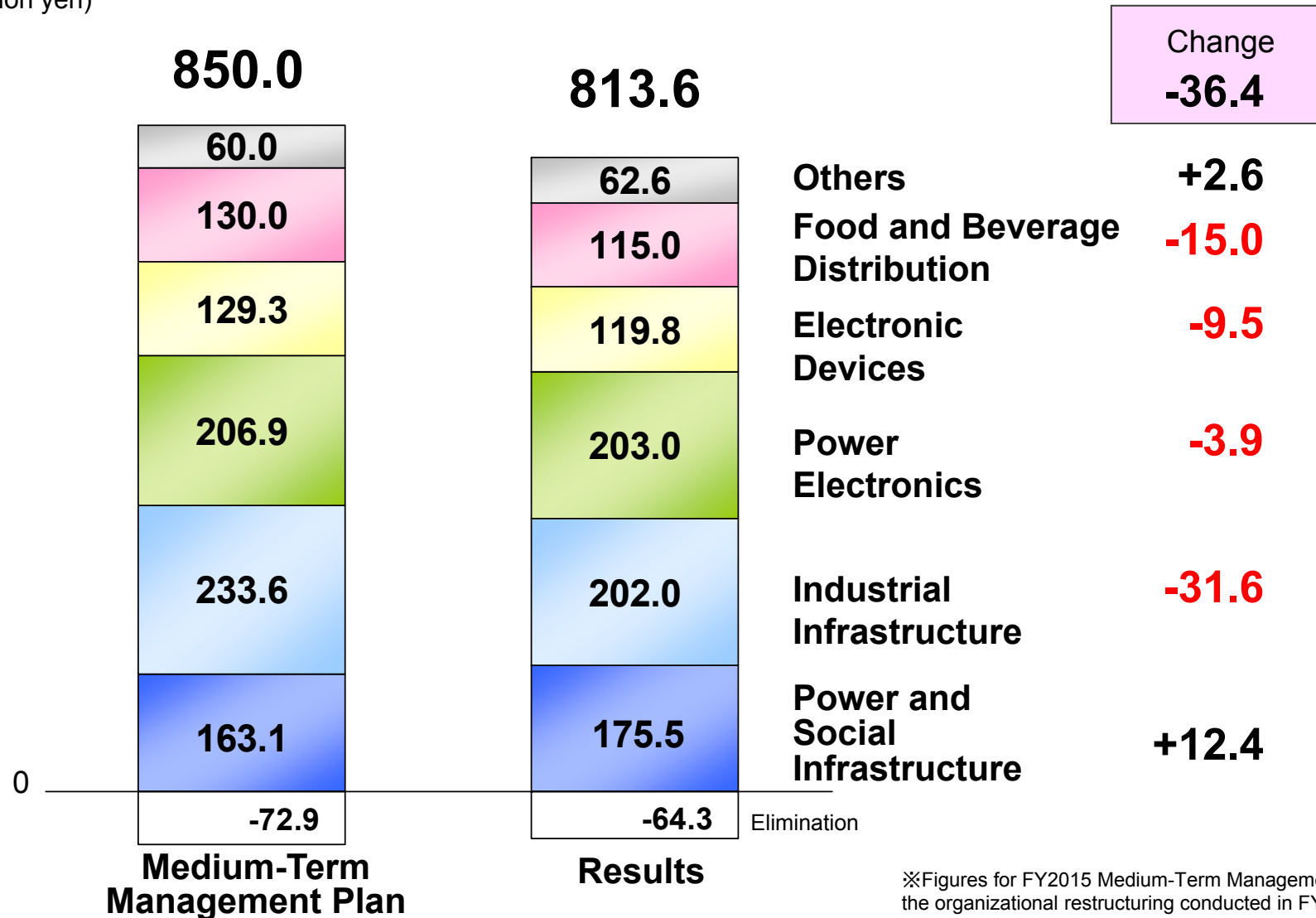
	FY2015 Medium-Term Management Plan	FY2015 Results	Change
<b>Net Sales</b>	<b>850.0</b>	<b>813.6</b>	<b>-36.4</b>
<b>Operating Income</b>	<b>45.0</b>	<b>45.0</b>	<b>0.0</b>
<b>Operating Margin</b>	<b>5.3%</b>	<b>5.5%</b>	<b>+0.2pt</b>
<b>Profit Attributable to Owners of Parent</b>	<b>-</b>	<b>30.6</b>	<b>-</b>

**【Financial Indicators】**

	FY2015 Medium-Term Management Plan	FY2015 Results	Change
<b>Net Dept-Equity Ratio</b>	<b>0.7 times</b>	<b>0.7 times</b>	<b>0.0 times</b>
<b>Total Net Asset Ratio</b>	<b>25%</b>	<b>27%</b>	<b>+2pt</b>
<b>ROA (Return on assets)</b>	<b>3%</b>	<b>4%</b>	<b>+1pt</b>
<b>ROE (Return on equity)</b>	<b>14%</b>	<b>12%</b>	<b>-2pt</b>

# FY2015 Net Sales (by Segment)

(billion yen)



※Figures for FY2015 Medium-Term Management Plan reflect the organizational restructuring conducted in FY2015.

# FY2015 Net Sales (Japan and Overseas)

(billion yen)

Ration of  
overseas  
sales

28%

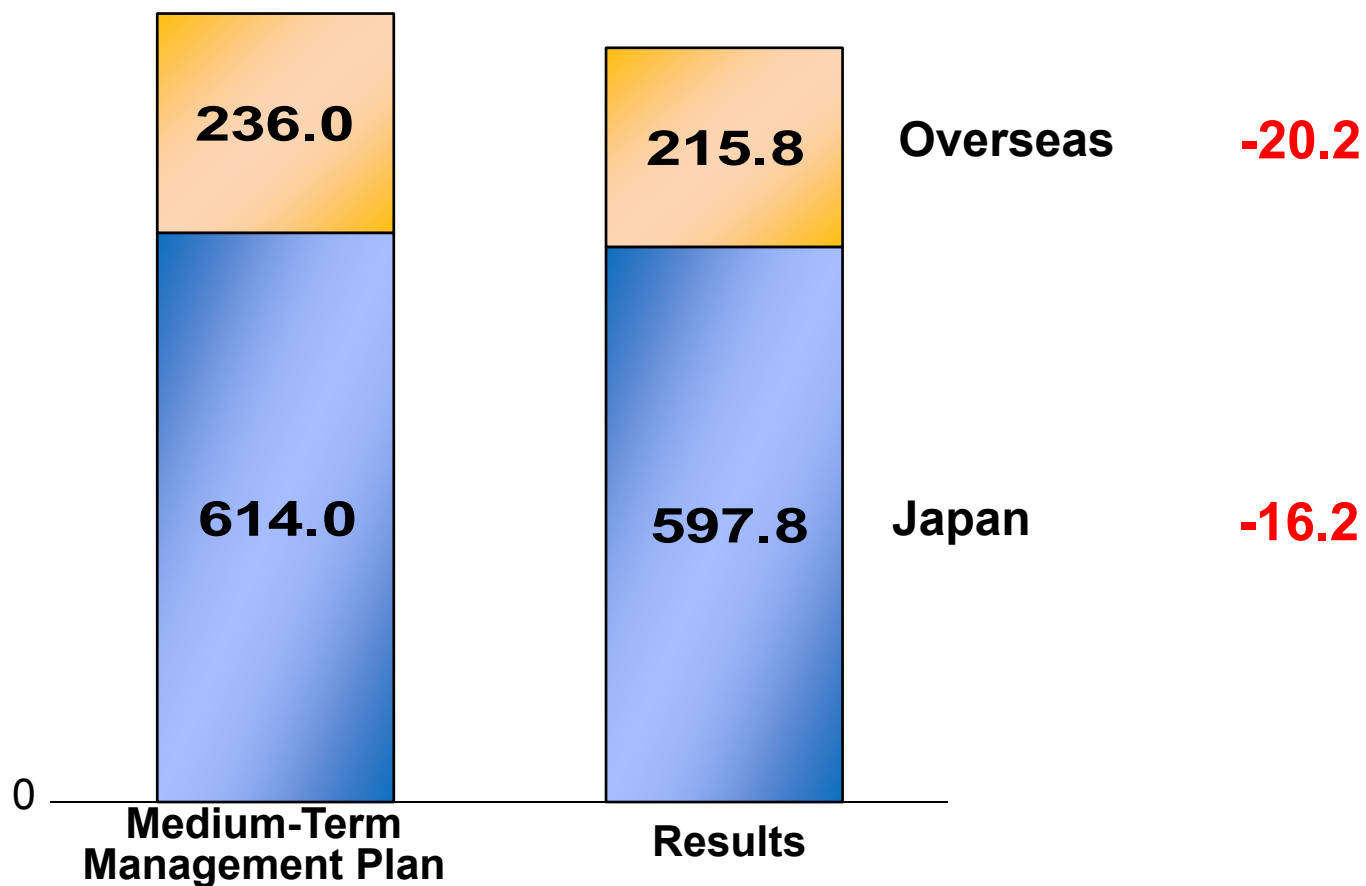
850.0

27%

813.6

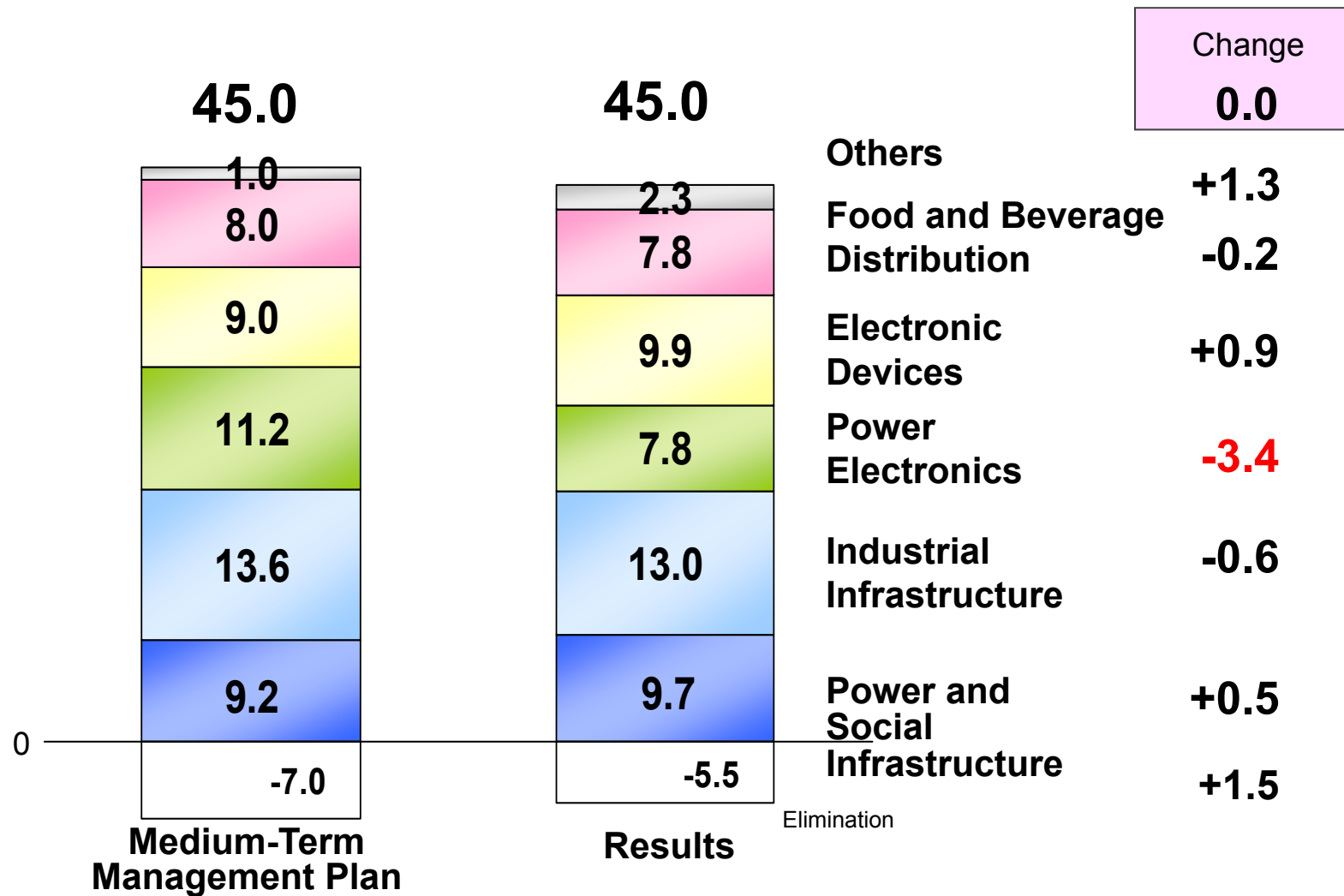
Change

-36.4



# FY2015 Operating Income (by Segment)

(billion yen)



## Issues Identified Under FY2015 Medium-Term Management Plan

- **Failure to grow net sales in line with targets**
- **Low profit margins for power electronics**

Renovation 2018

# **FY2018 Medium-Term Management Plan**



## Corporate Philosophy

**We, Fuji Electric, pledge as responsible corporate citizens in a global society to strengthen our trust with communities, customers and partners.**

■ Contribute to prosperity ■ Encourage creativity ■ Seek harmony with the environment

## Slogan

**To be enthusiastic, ambitious and sensitive.**

## Management Policies

1. Through our innovation in energy and **environment** 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.

# Further Renovation of Fuji Electric

## Renovation 2018

### 【Implement growth strategies】

- Reform operating processes in social infrastructure, industrial infrastructure, and power electronics businesses
- Continue expansion of overseas operations through additional M&As
- Create high-value-added products that meet customer demand

### 【Improve profitability】

- Reinforce profit structure for power electronics
- Re-energize “Pro-7 Activities”

# FY2018 Medium-Term Management Plan

Target **operating margin of more than 6%** in FY2018

(billion yen)

	FY2015 Results	FY2018 Medium-Term Management Plan	Change
<b>Net Sales</b>	<b>813.6</b>	<b>900.0</b>	<b>+86.4</b>
<b>Operating Income</b>	<b>45.0</b>	<b>54.0</b>	<b>+9.0</b>
<b>Operating Margin</b>	<b>5.5%</b>	<b>6.0%</b>	<b>+0.5pt</b>
<b>Profit Attributable to Owners of Parent</b>	<b>30.6</b>	<b>34.0</b>	<b>+3.4</b>

## 【Financial Indicators】

<b>Net Dept-Equity Ratio</b>	<b>0.7 times</b>	<b>0.6 times</b>	<b>-0.1 times</b>
<b>Total Net Asset Ratio</b>	<b>27%</b>	<b>32%</b>	<b>+5pt</b>
<b>ROA (Return on assets)</b>	<b>4%</b>	<b>4%</b>	<b>0.0pt</b>
<b>ROE (Return on equity)</b>	<b>12%</b>	<b>12%</b>	<b>0.0pt</b>

FY2016-2018	US\$	EURO
Assumed Exchange Rate	¥110	¥120

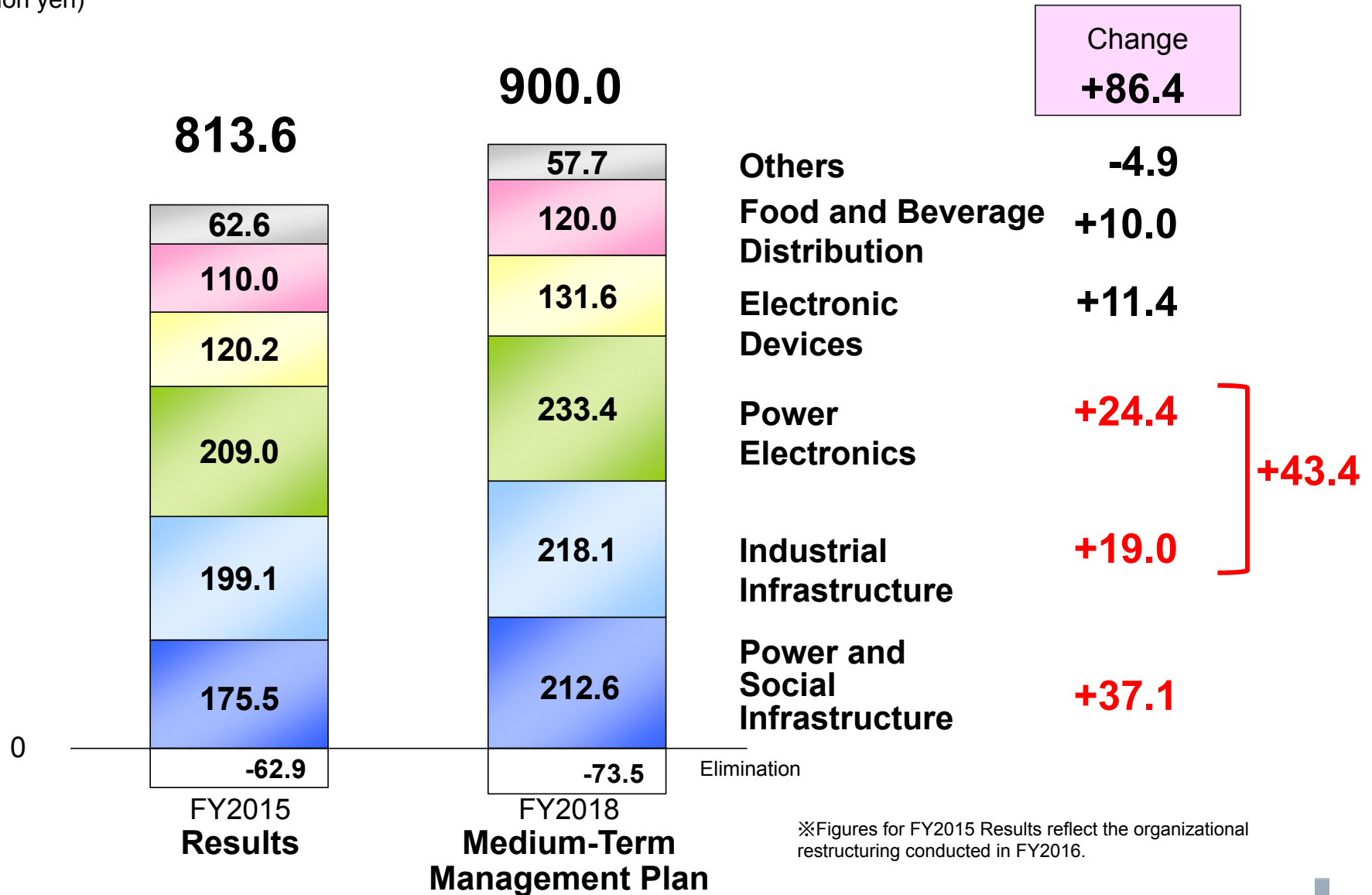
# Megatrends and Macroeconomic Market Projections (2016-2018)

Megatrends	Region	Market trend forecasts	Real GDP growth rate*
	Growing population and changing population distribution	<b>Japan</b>	Increased investment stimulated by deregulation of electricity sales. Progressive social and industrial infrastructure redevelopment in consideration of 2020 Tokyo Olympics and infrastructure aging. Expansion of new services utilizing IoT.
Rapid urbanization	<b>China</b>	Overall deceleration in investment growth but higher environment- and production facility automation-related investment and growth in general consumption and retail fields.	<b>6.1%</b>
More-advanced industry / technological progress	<b>Asia</b>	Higher energy demand centered on emerging countries, accelerated investment in social infrastructure and production facilities, and increased infrastructure investment in India fueled by robust internal demand.	<b>4.4%</b>
Climate change (environmental regulations)	<b>Americas</b>	Overall economic stability and growth in railroad, transportation, telecommunications, and automotive markets.	<b>2.4%</b>
	<b>Europe</b>	Improved energy efficiency and growth in renewable energy investment and high-efficiency production facility investment.	<b>1.7%</b>

\* GDP: Fuji Electric estimates based on IMF (Investigation on April 2016)

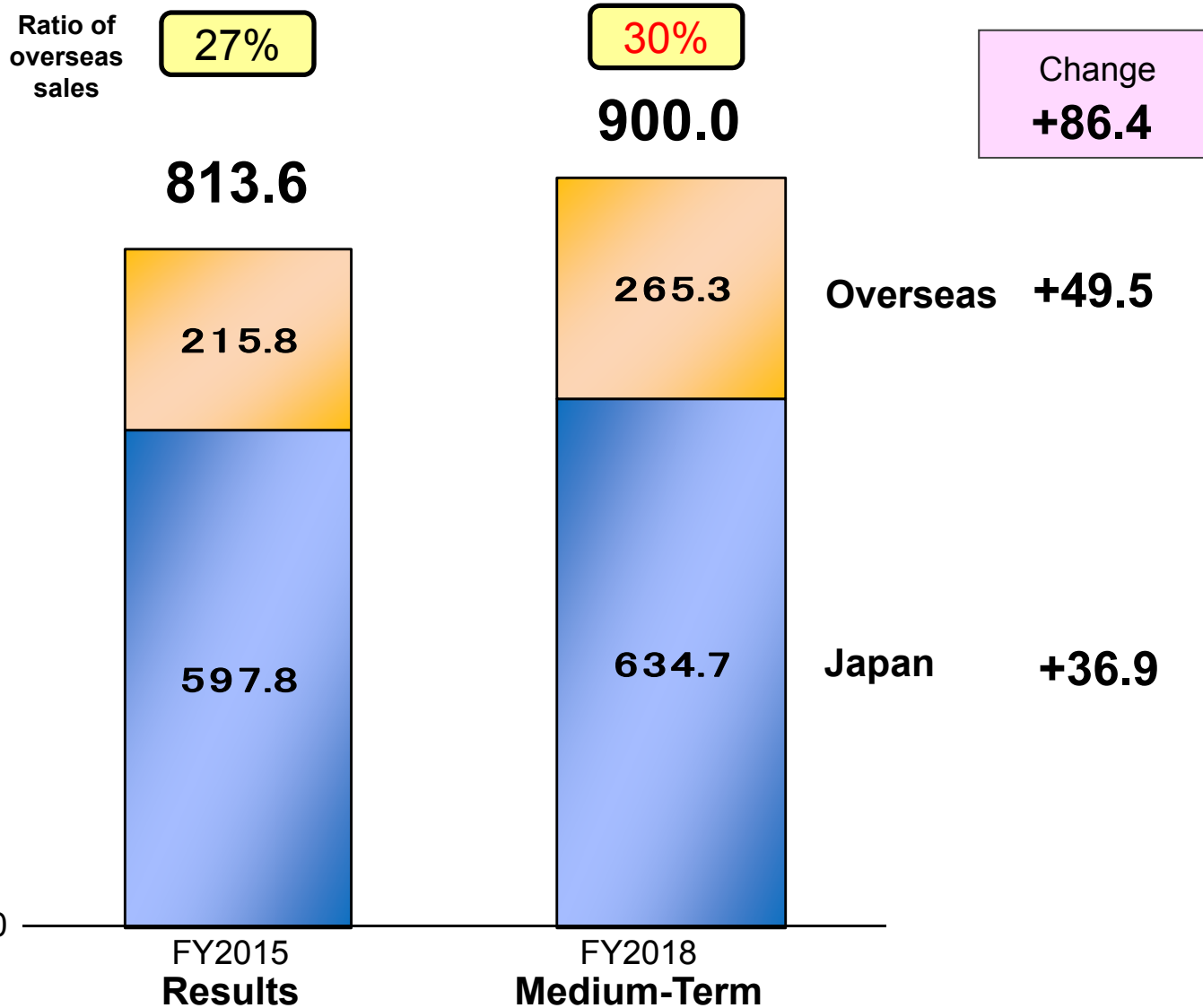
# Net Sales (by Segment)

(billion yen)



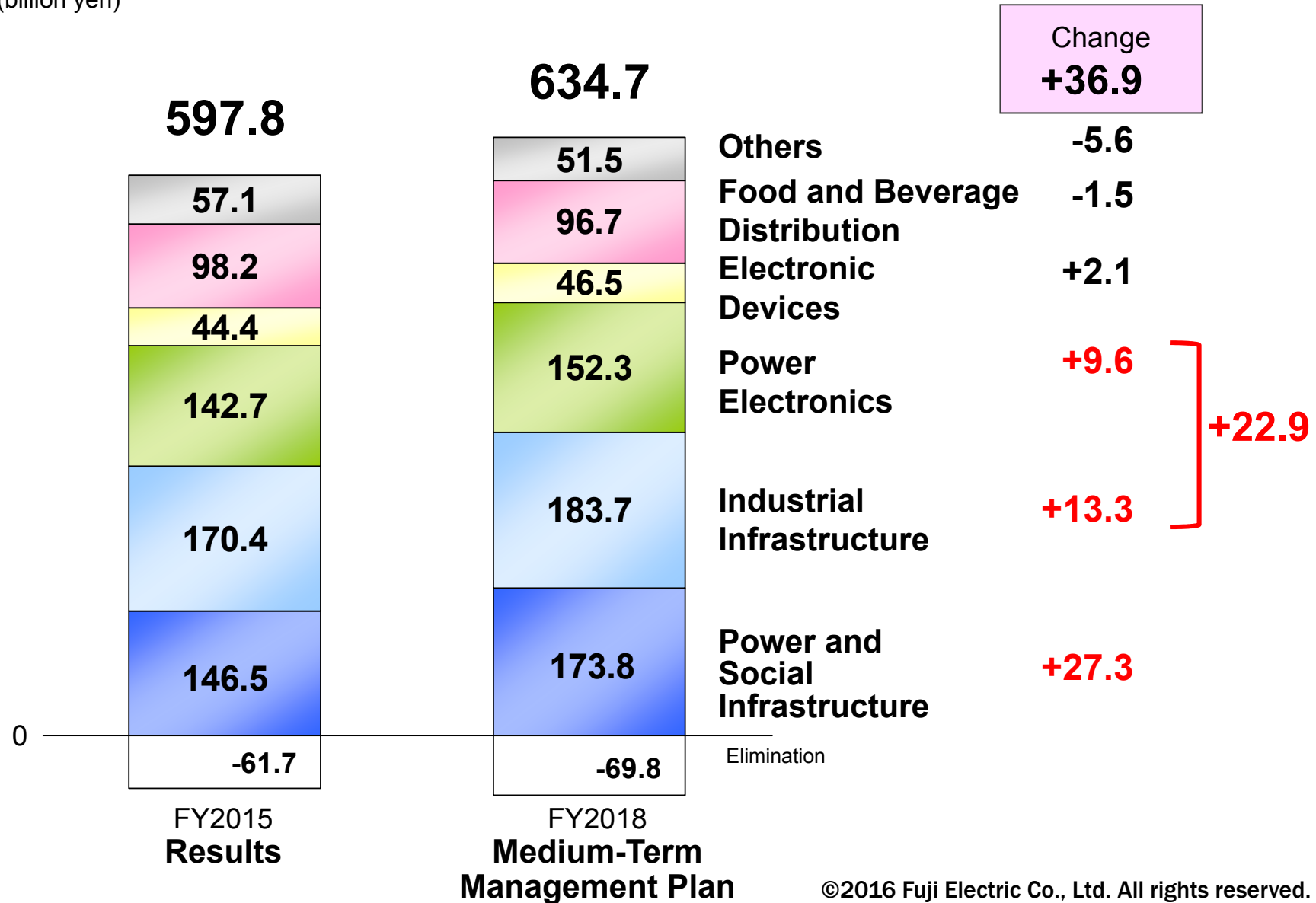
# Net Sales (Japan and Overseas)

(billion yen)



# Net Sales in Japan (by Segment)

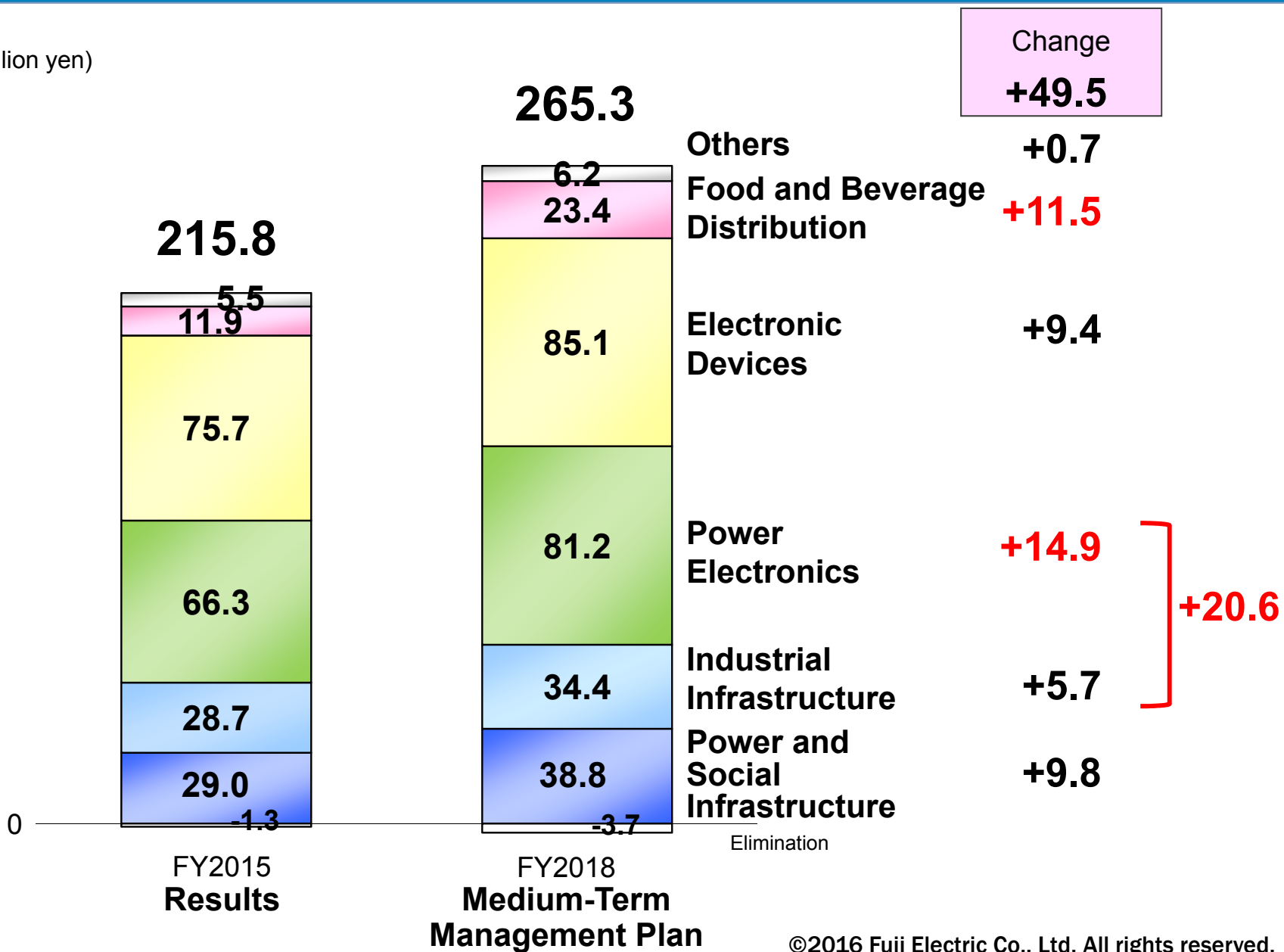
(billion yen)





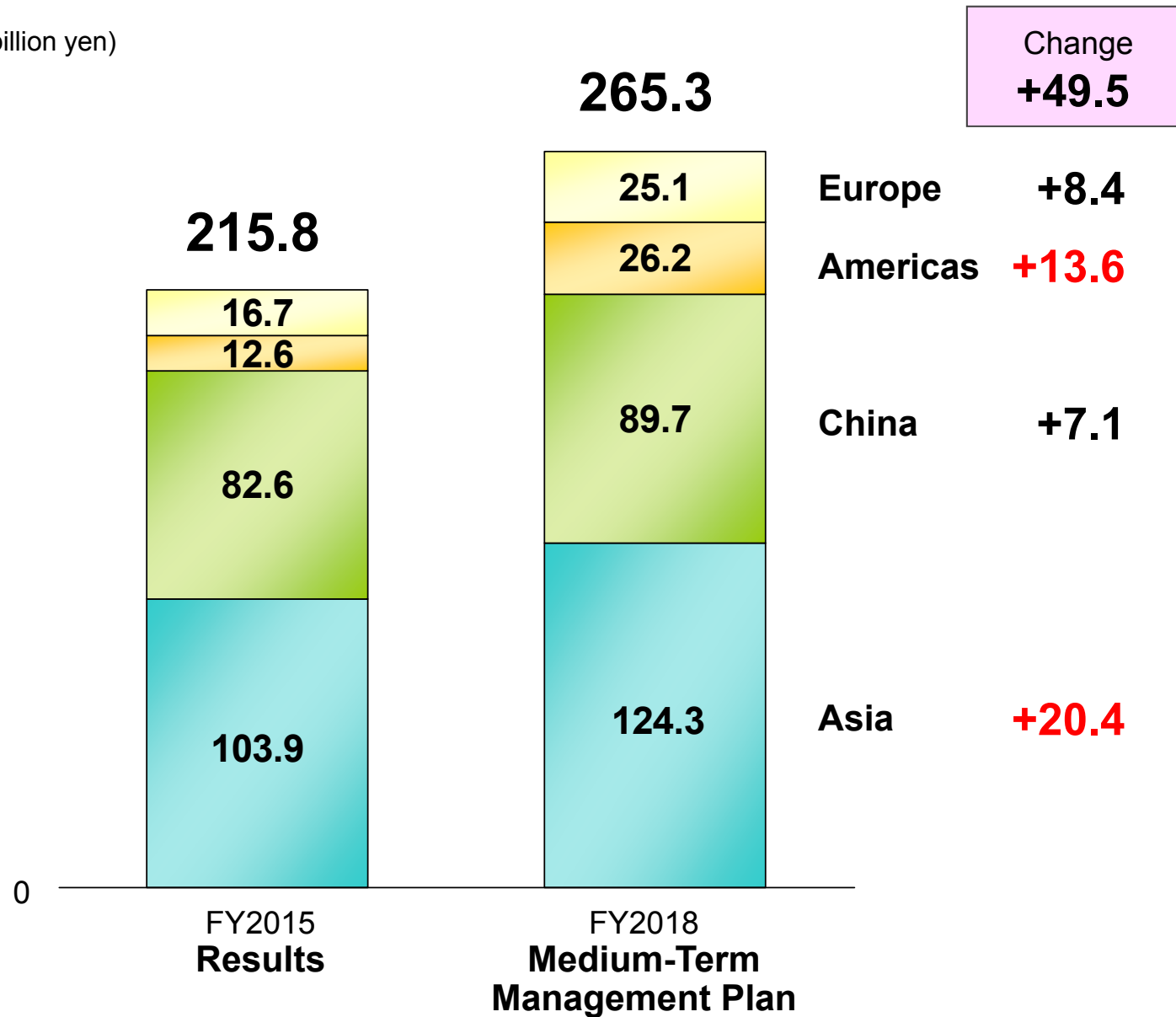
# Overseas Net Sales (by Segment)

(billion yen)



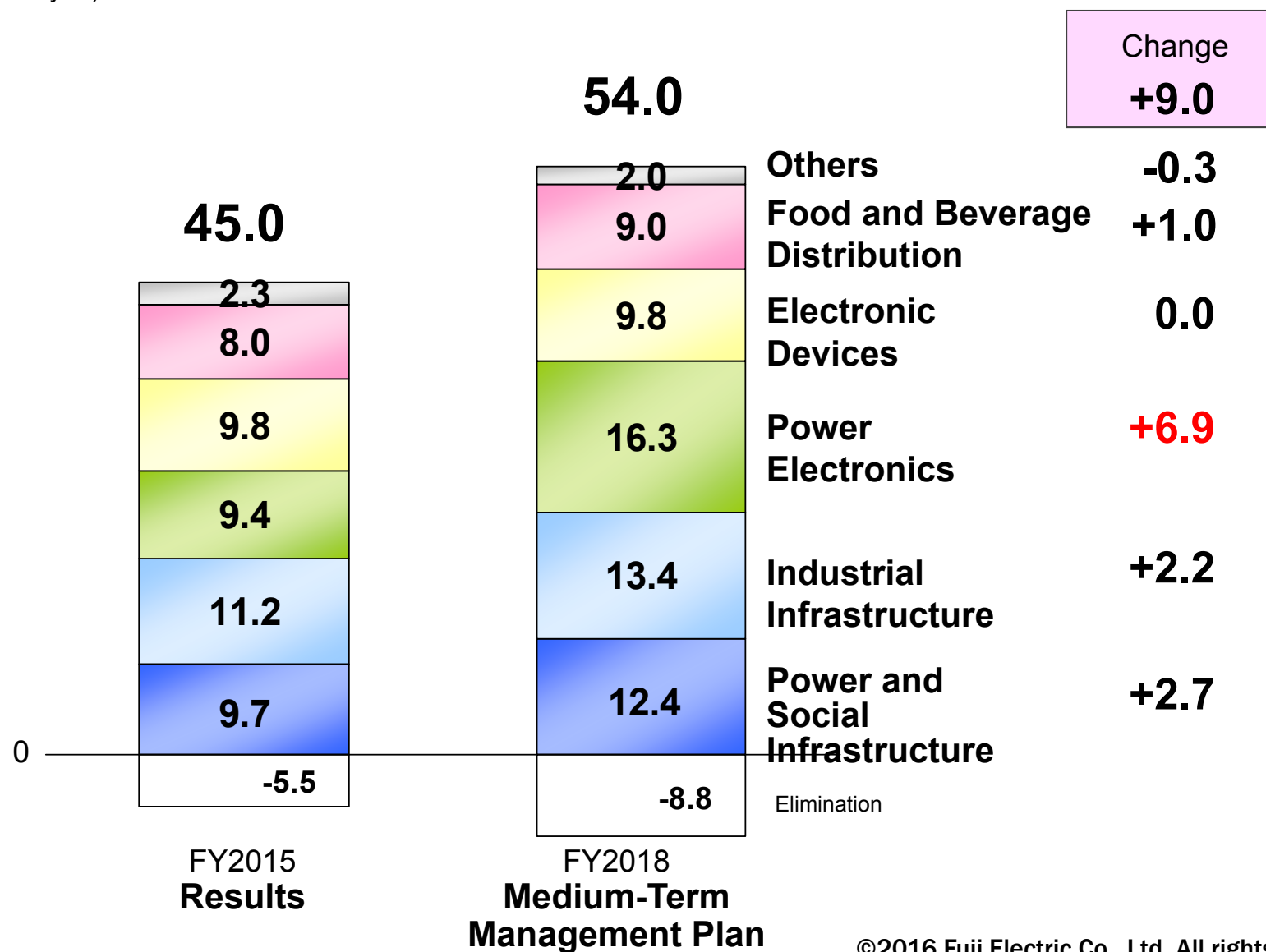
# Overseas Net Sales (by Area)

(billion yen)



# Operating Income (by Segment)

(billion yen)



# — Priority Measures by Segment —

## < Japan >

- Increase thermal and geothermal power generation orders and sales
- Bolster smart meter production capacity and reduce costs
- Expand new businesses targeting new power suppliers (cloud systems, electricity storage systems, etc.)

## < Overseas >

- Expand thermal and geothermal power generation service businesses
- Increase fuel cell and solar power generation system orders and sales



Smart meters



Thermal power generation service business (Americas)



Fuel cells (Germany)

## <Japan>

- Continue addressing domestic infrastructure investment and replacement demand
- Expand system and service businesses centered on IoT

## <Overseas>

- Expand operations in Asia
  - Utilize M&As to reinforce completely localized businesses
- Grow environmental measure operations centered on China



**Service business**



**Asia business  
(Thailand /transformers)**



**Aerosol analyzer (China)**

- Reinforce profit structure

<Japan>

- Develop and launch competitive, new products
  - SiC-equipped power electronics equipment and DC-related equipment

<Overseas>

- Increase sales by stepping up M&As and overseas collaboration
- Grow system businesses in motion and FA fields

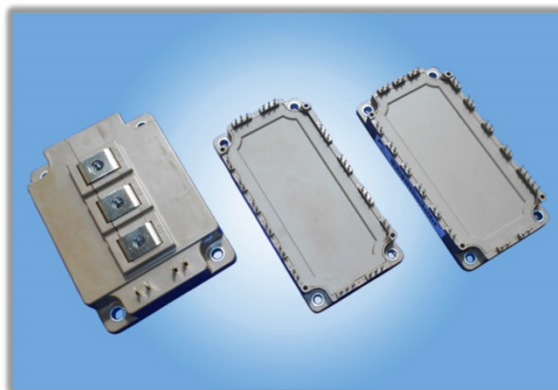


DC power supply system

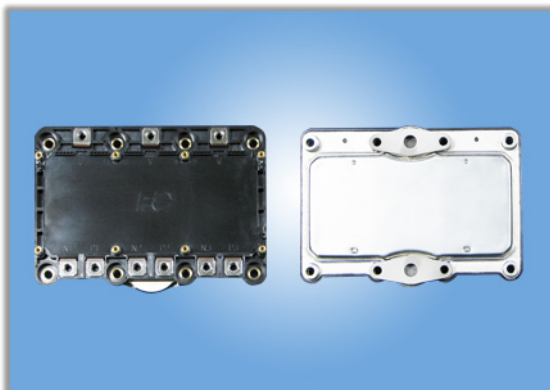


Motion and control

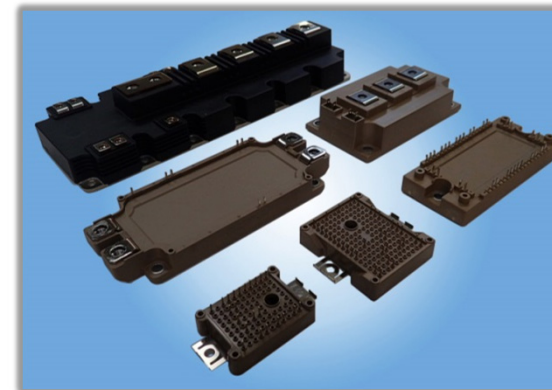
- Reinforce development of SiC modules
  - SiC modules (industrial, railway and automotive-use)
- Boost share of 7th-generation IGBTs (industrial fields)
- Accelerate local production and consumption
  - Ratio of back-end production processes conducted overseas (50%→56%)



SiC hybrid modules for industrial



IGBT modules for automotive



7<sup>th</sup>-generation IGBT modules



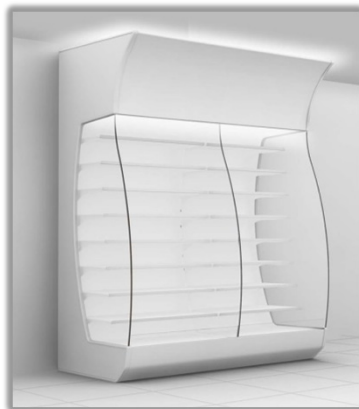
# Food and Beverage Distribution

## <Japan>

- Develop and promote new products for convenience store industry

## <Overseas>

- Expand vending machine business in China and Asia
  - Production capacity increases in China (develop system with annual production capacity of 100,000 units)



Refrigerator unit integrated showcase



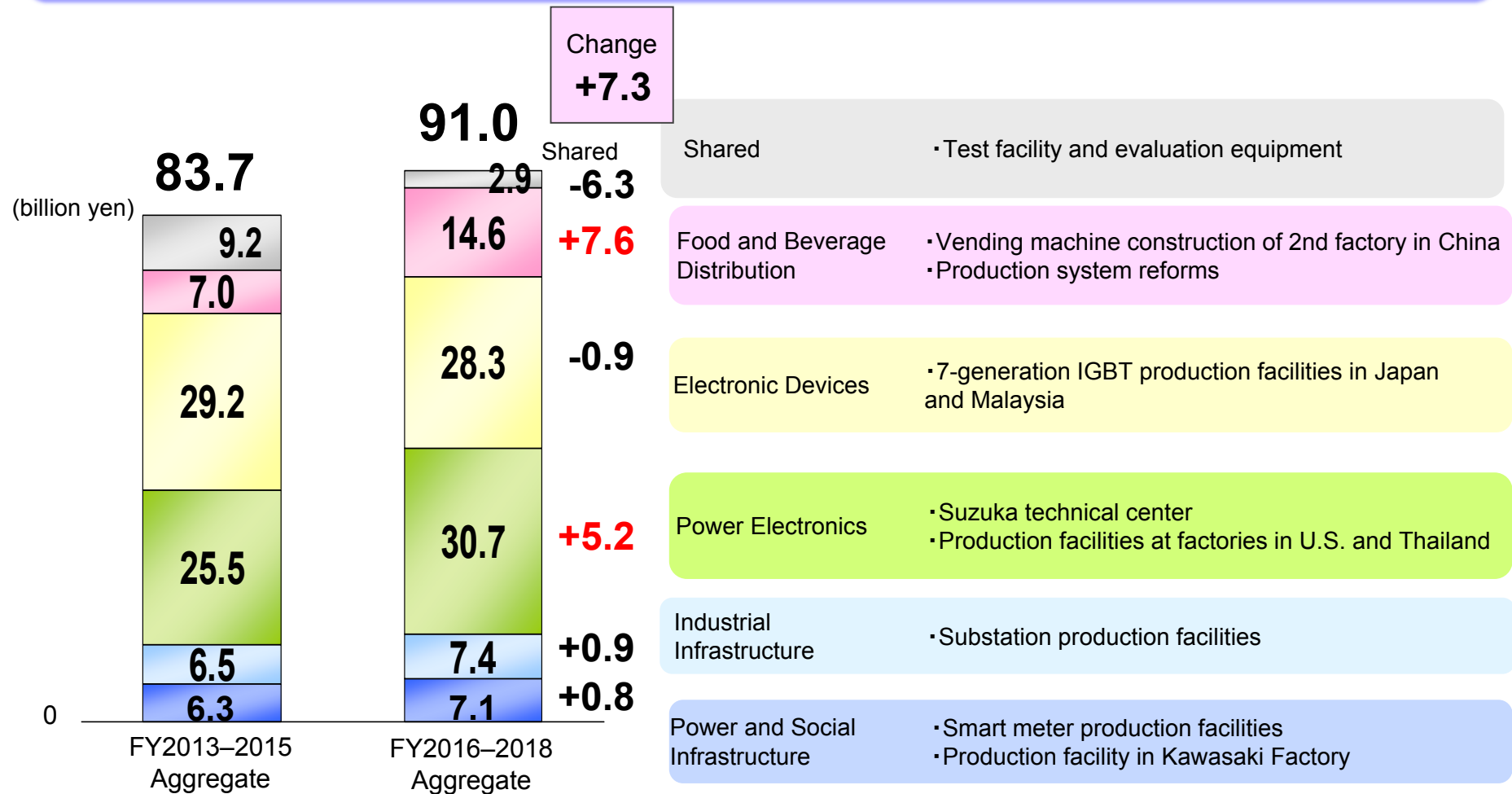
Cup vending machine (China)



Production line of vending machine (Dalian, China)

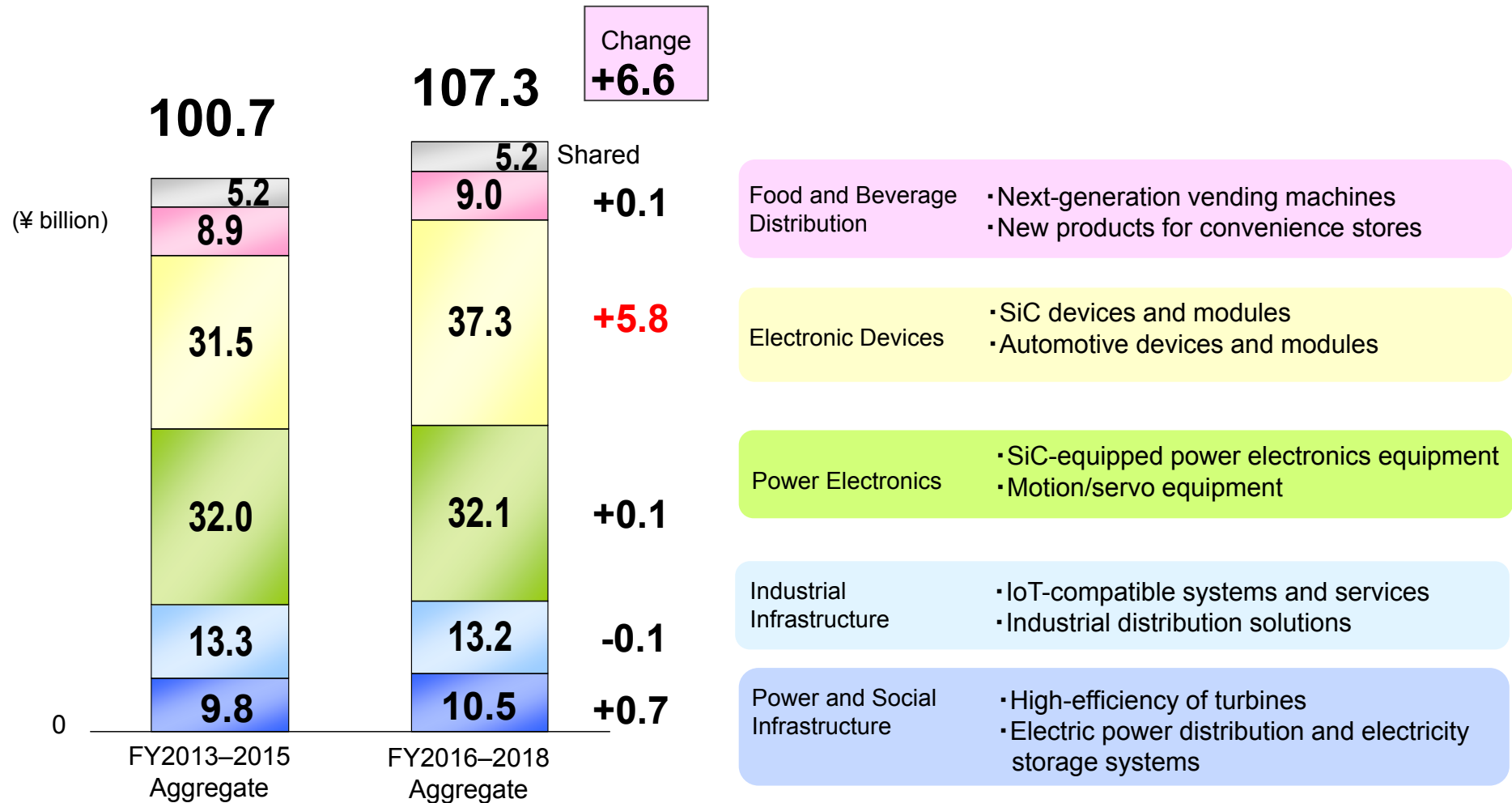
# Capital Investment

Increase overseas production facility investment (19%→26%)  
Strengthen manufacturing capabilities using IoT



# Research and Development

Develop competitive, value-added products and conduct related upfront investments



Note: Figures for R&D expenditures above have been divided by segment based on theme and may therefore differ from the figures contained in the consolidated financial report for the fiscal year ended March 31, 2016.

## Utilize diverse range of human resources

### ● Globally-competent human resources

- Cultivate managers
- Promote strategic rotation programs for mid-level employees and stock-model for human resources
- Increase dispatch of young employees as overseas trainees

### ● Empowerment of female employees

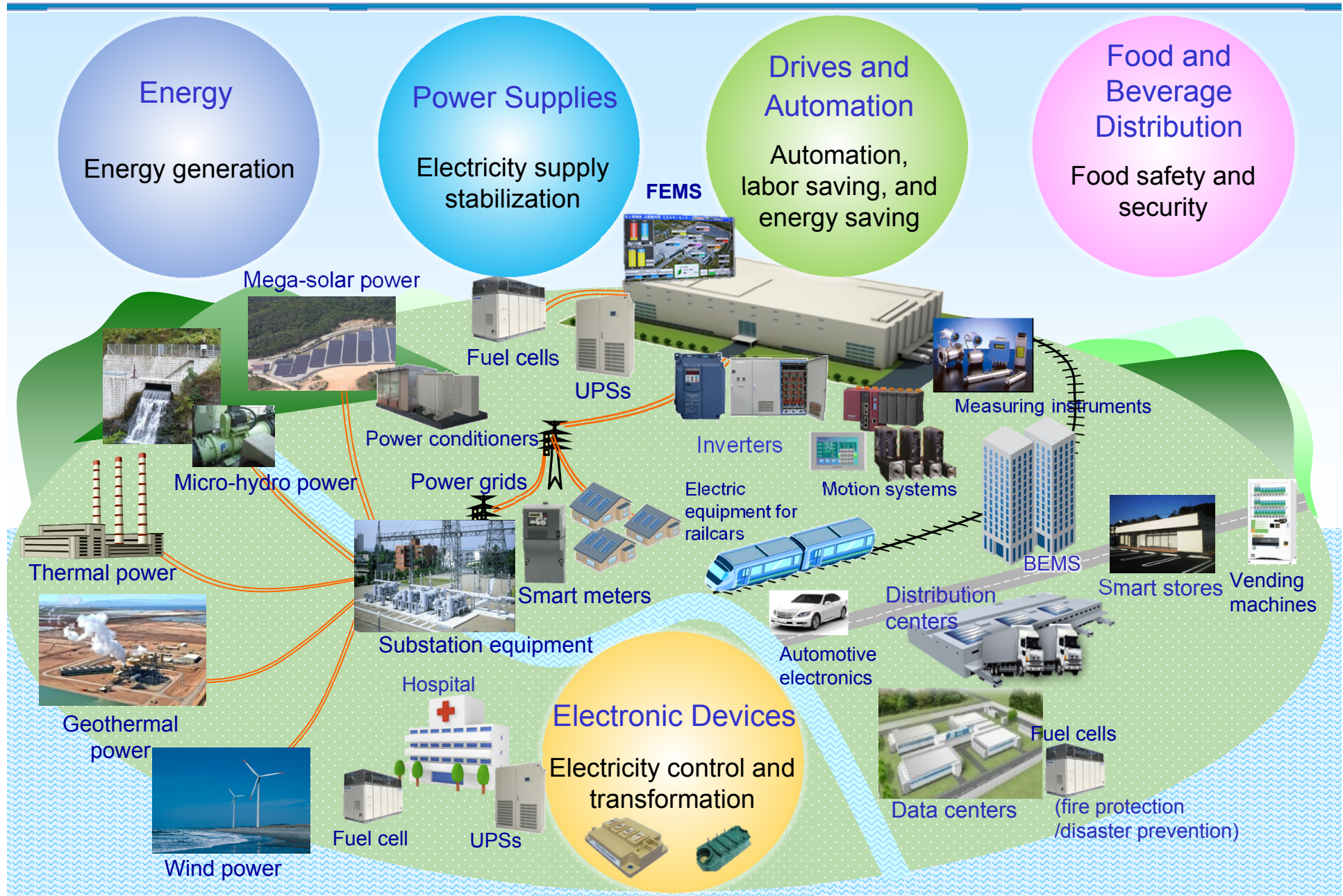
- Increase number of female officers: 172 people in FY2015 → 300 people in FY2020

### ● Flexible working styles

- Enhance work-nursing care balance support systems

# Pursuit of Sustainable Growth

# Energy and Environment Business Operated by Fuji Electric in Pursuit of Sustainable Growth



# Pursuit of Sustainable Growth

**FY2016~2018**

## Renovation

Business model renovation and growth foundation establishment

**FY2019~**

## Fruition of new products and businesses

Transformation into sustainably growing company

Thermal power generation  
IoT  
SiC  
Automotive power electronics, etc

**~FY2023**

## (100th anniversary of foundation)

Net sales of ¥1 trillion  
Operating margin of 7%

**Contribute to realization of sustainable society**

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