

Management Plan for FY2017

April 28, 2017

Fuji Electric Co., Ltd.

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.

Slogan

To be enthusiastic, ambitious and sensitive

● **Establishment of Power Electronics Systems Business Group**

- **Integration and reorganization of social engineering systems, industrial infrastructure and power electronics businesses**
Change from 5 business groups to 4 business groups

● **Reorganization of Power and New Energy Business Group**

- **Introduction of energy sales into business group and integrated operations**

(Similar measures have already been taken in Electronic Devices and Food and Beverage Distribution)

FY2017 Segment Changes

Previous Segments (FY2016)

Segment	Subsegment
Industrial Infrastructure	Transmission and Distribution
	Industrial Plant
	Industrial and Instrumentation Equipment
	Equipment Construction
Power Electronics	Drive
	Power Supply
	ED&C Components
Power and Social Infrastructure	Power Plant
	Social Engineering Systems
	Social Information

New Segments (FY2017)

Segment	Subsegment	Main Business Areas
Power Electronics Systems – Energy Solutions	Energy Management	FEMS, Power distribution, Smart meters
	Transmission and Distribution Systems	Substation equipment, Industrial power supply facilities (“Transmission and Distribution” was renamed “Transmission and Distribution Systems”)
	Power Supply Systems	Data centers, Uninterruptible power systems (UPS), Power conditioning sub-systems (PCS), Switchboards
	ED&C Components	Power distribution and control equipment
Power Electronics Systems – Industry Solutions	Factory Automation	Inverters, Motors, FA components (Servos and Controllers)(*1) FA systems (*2)
	Process Automation	Drive control systems, Measurement and control systems
	Environmental and Social Solutions	Distribution systems, Plant factories, Measuring instruments and sensors, Radiation monitoring systems, Transport systems
	Equipment Construction	Electricity and air conditioning equipment construction
Power and New Energy	IT Solutions	Information systems (“Social Information” was renamed “IT Solutions”)
	Power and New Energy	Thermal, Geothermal, Hydraulic power generation facilities, Solar power generation systems, Fuel cells (“Power Plant” was renamed “Power and New Energy”)

*1 (newly-organized) FA components: combine servos and controllers

*2 (newly-organized) FA systems: factory automation fields of previous industrial plant subsegment

Management Plan for FY2017

(billion yen)

	FY2016 Results	FY2017 Management Plan	Changes	FY2018 Medium-term Management Plan
Net Sales	837.8	850.0	+12.2	900.0
Operating Income	44.7	48.0	+3.3	54.0
Operating Margin	5.3%	5.6%	+0.3pt	6.0%
Net Income Attributable to Owners of Parent	41.0	29.0	-12.0	34.0

【Financial indicators】

Net Dept-Equity Ratio	0.4 times	0.3 times	-0.1pt	0.6 times
Total Net Asset Ratio	33%	35%	+2pt	32%
ROA (Return on assets)	5%	3%	-2pt	4%
ROE (Return on equity)	16%	10%	-6pt	12%

	US\$	EURO	RMB
FY2017 exchange rate	¥105	¥115	¥15.7
Foreign exchange sensitivity (million yen) *	20	60	140

*Impact on operating income/loss
 US\$ and EURO: Impact of ¥1-fluctuations
 RMB: Impact of 1% fluctuations

<FY2017 new consolidation : 2 companies>

- Fuji SEMEC Inc.
- Fuji SEMEC Corp.

Net Sales (Japan and Overseas)

Ratio of overseas sales

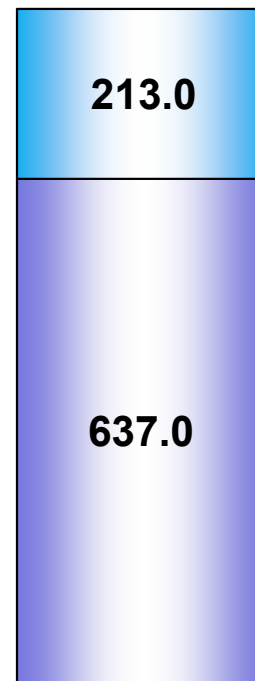
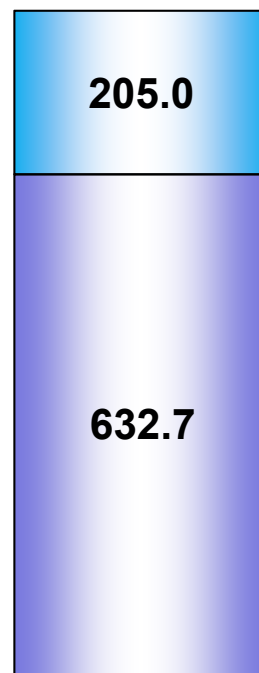
24%

25%

(billion yen)

837.8

850.0



Overseas +8.0

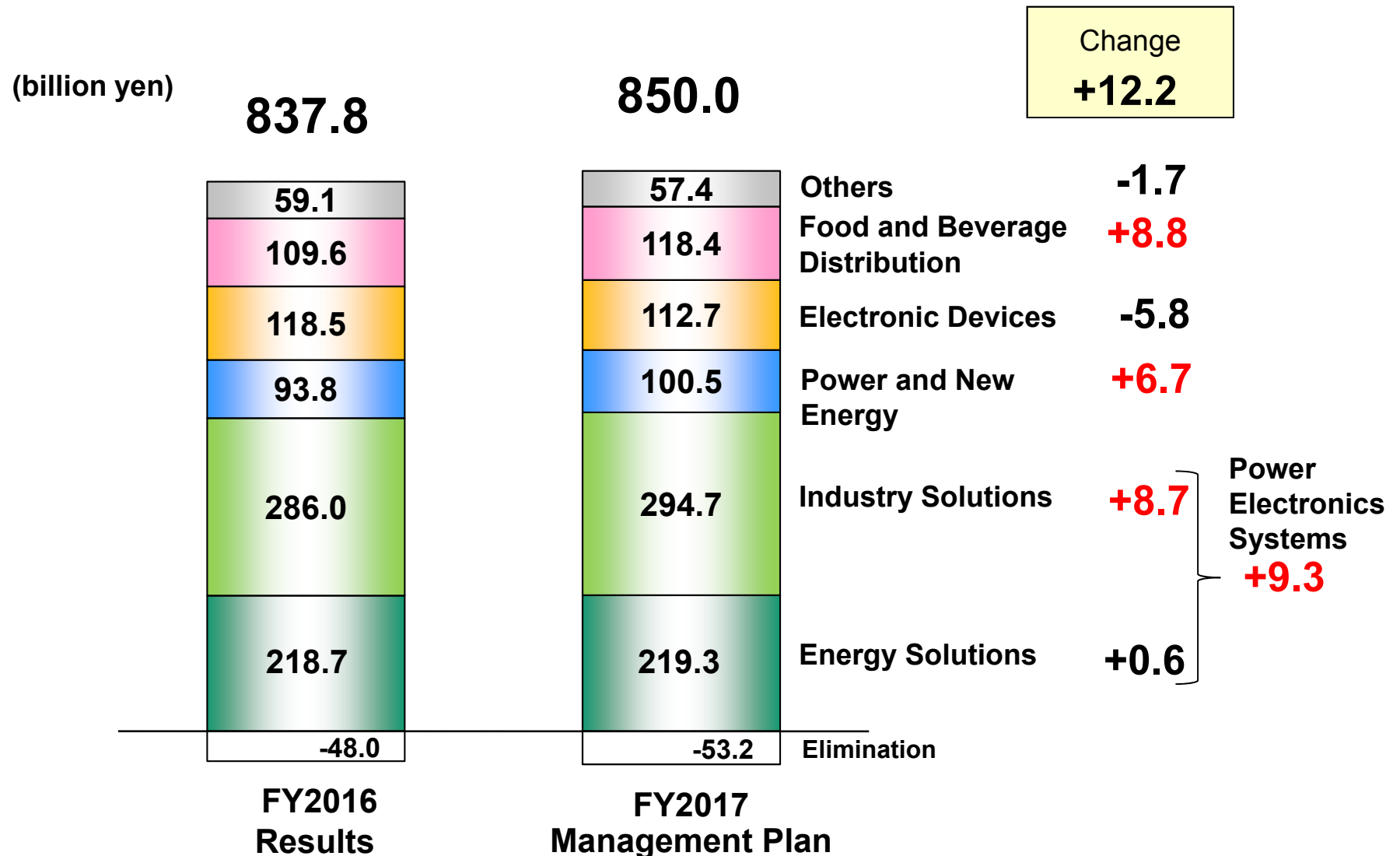
(Loss on translation of earnings of overseas subsidiaries -10.0)

Japan +4.3

**FY2016
Results**

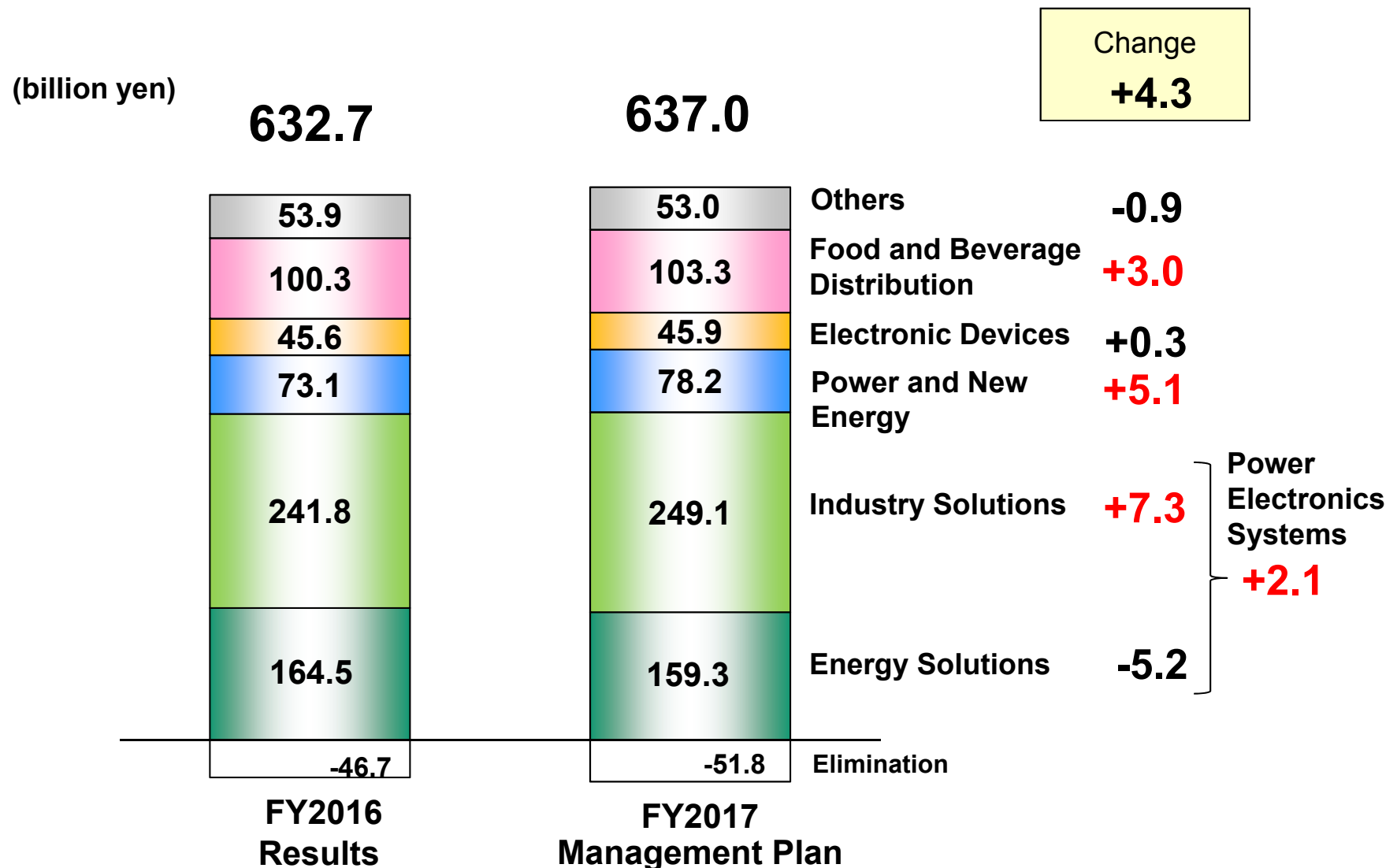
**FY2017
Management Plan**

Net Sales (by Segment)



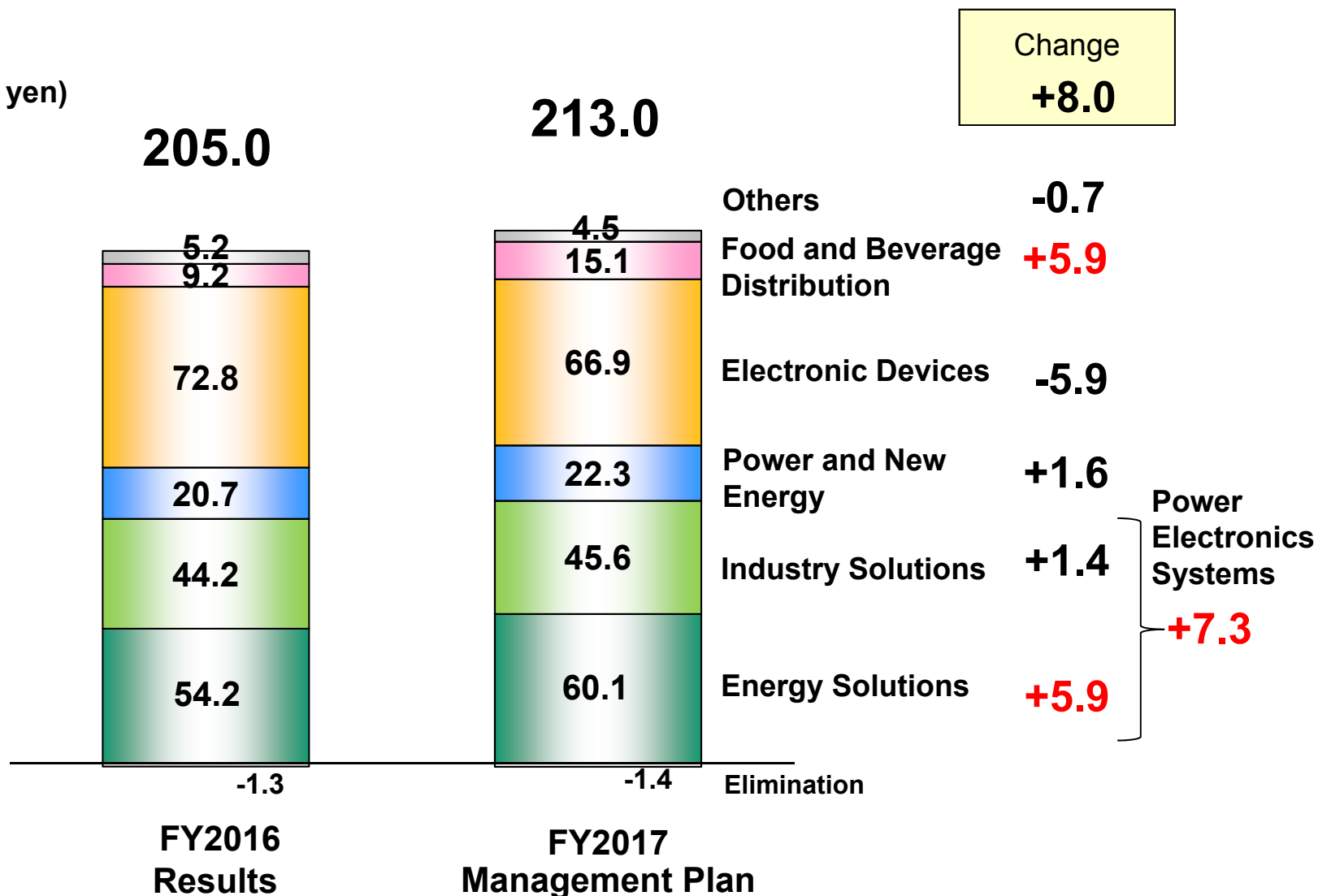
* Figures for FY2016 reflect the organizational restructuring conducted in FY2017.

Net Sales in Japan (by Segment)

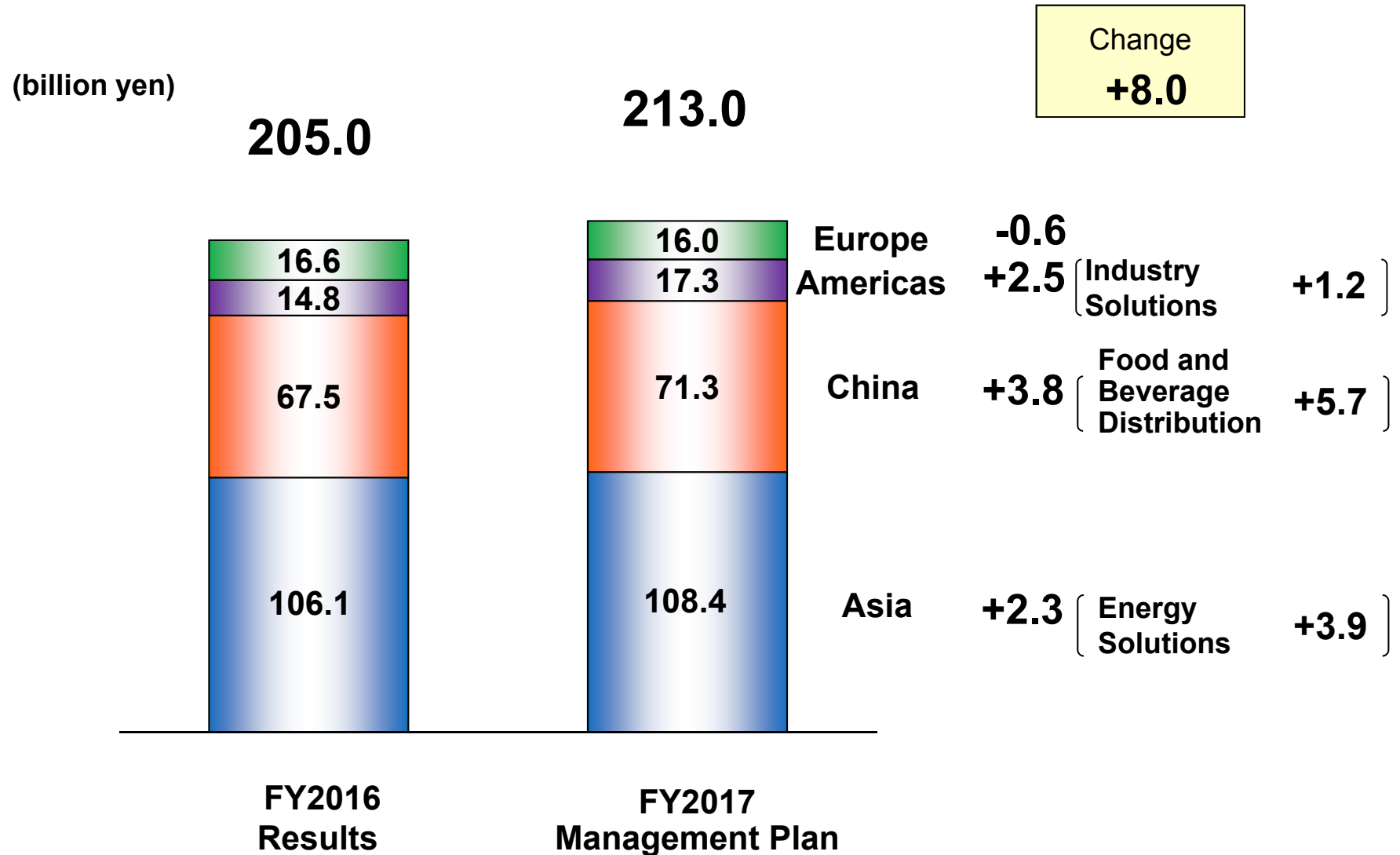


Overseas Net Sales (by Segment)

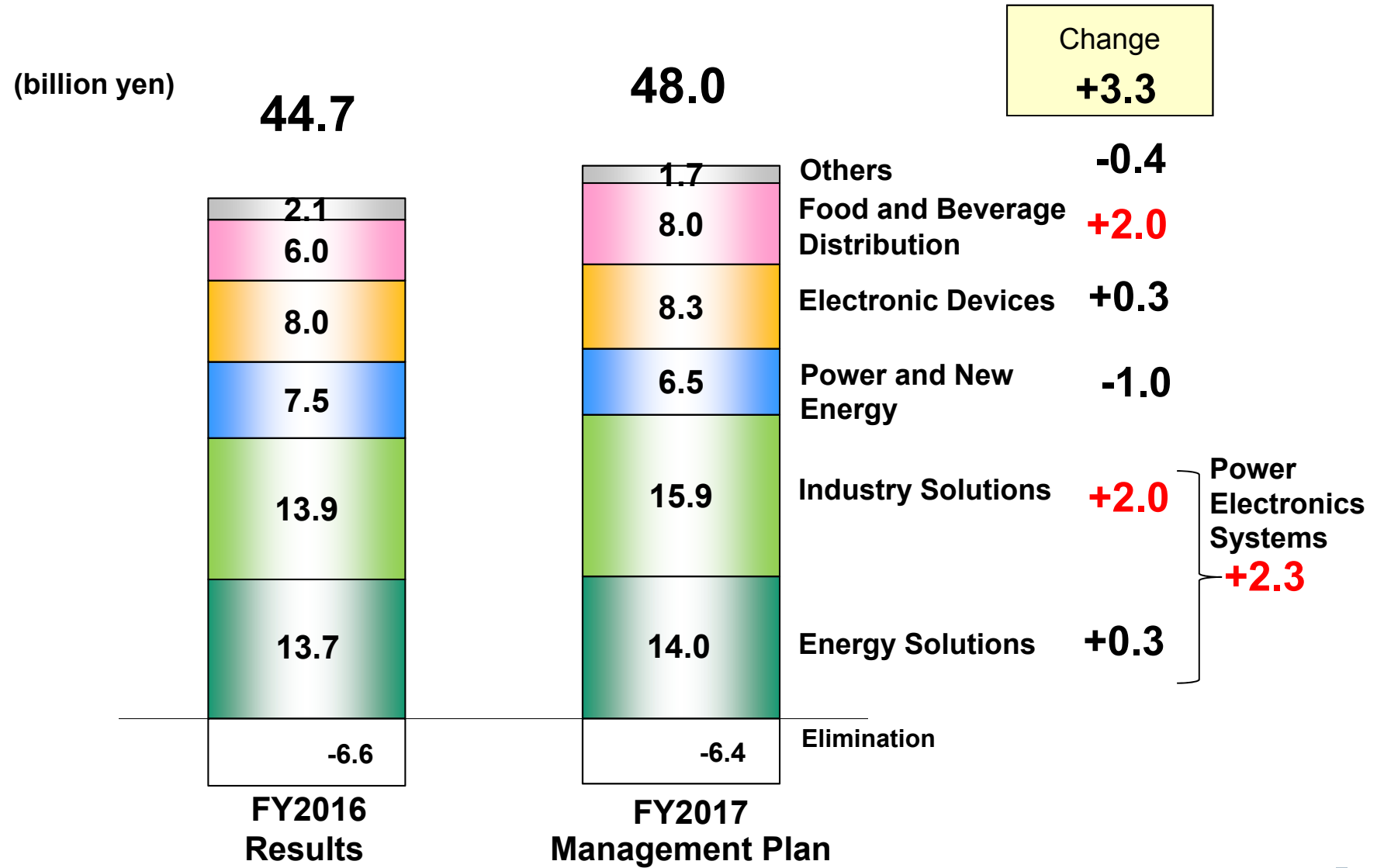
(billion yen)



Overseas Net Sales (by Area)



Operating Income (by Segment)



Construct Growth Foundations through Business Model Renovation

- Cut fresh start on quest toward net sales of ¥1 trillion and operating margin of 7% -

Advance growth strategies

Strengthen power electronics systems business

- Create competitive components
- Enhance systems with competitive components
- Expand overseas operations with systems

Enhance earnings systems

Further enhance manufacturing capabilities

- Improve value and productivity through expansion of in-house production
- Reduce costs with IoT

Re-energize “Pro-7 Activities”

- Enhance work quality and advance overseas expansion

— Priority Measures by Segment —

【Priority Measures】

Energy management

- Introduce next-generation smart meters

Transmission and distribution systems

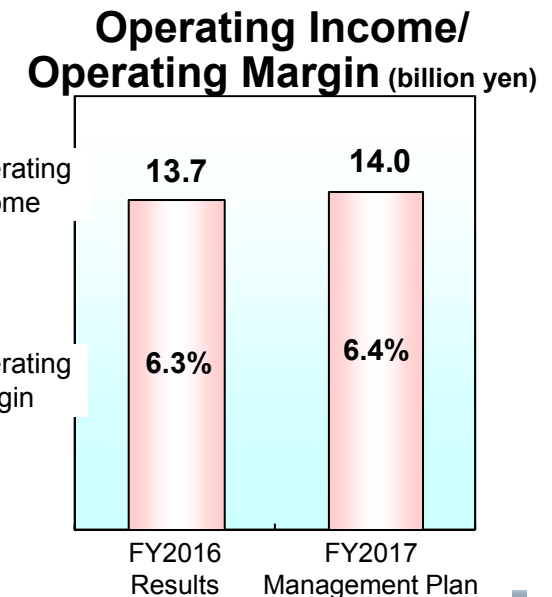
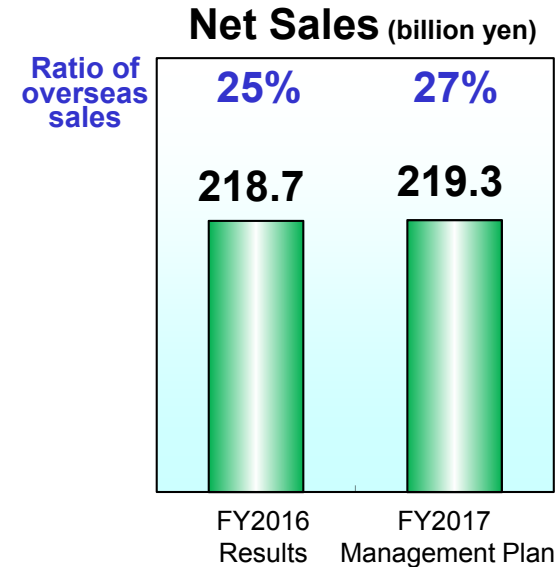
- Incorporate domestic replacement demand
- Enhance manufacturing and engineering capabilities in Asia

Power supply systems

- Reinforce data center business
- Introduce SiC-equipped UPS

ED&C components

- Capture domestic construction demand



【Priority Measures】

Factory automation

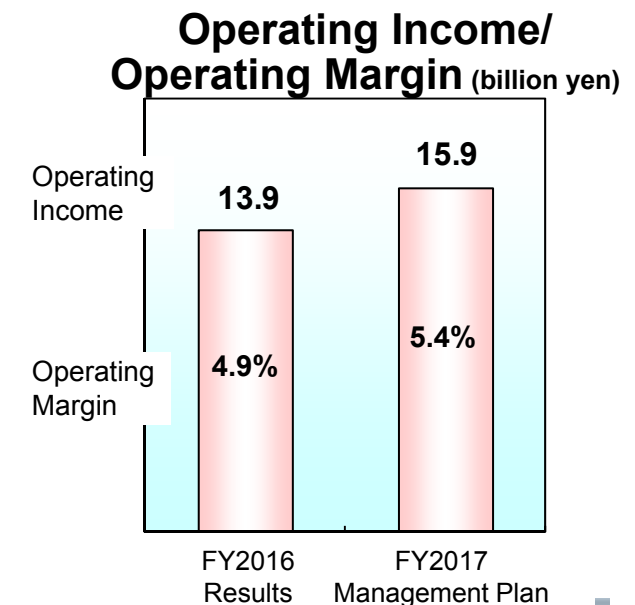
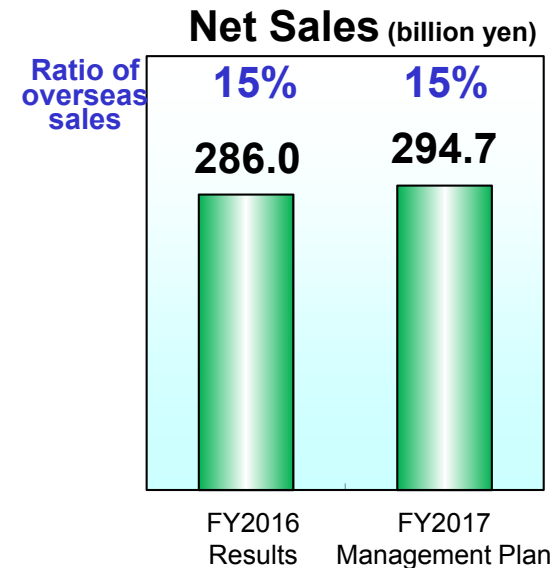
- Expand factory automation systems business
(Automotive fields in China and Japan)

Process automation

- Capture domestic replacement demand
- Leverage engineering subsidiaries (Vietnam and India) to reinforce overseas operations

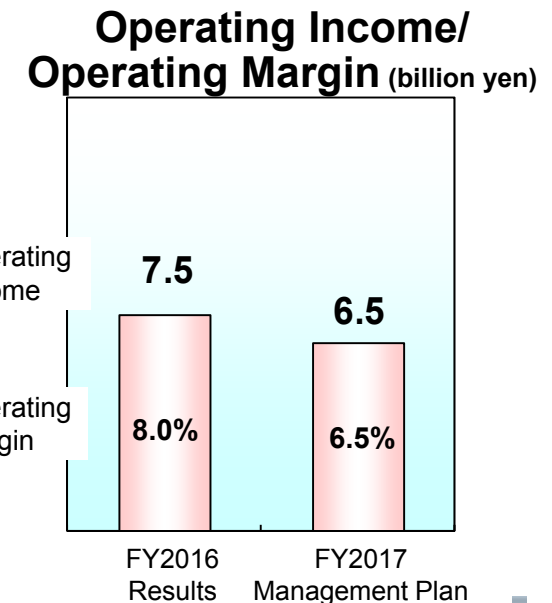
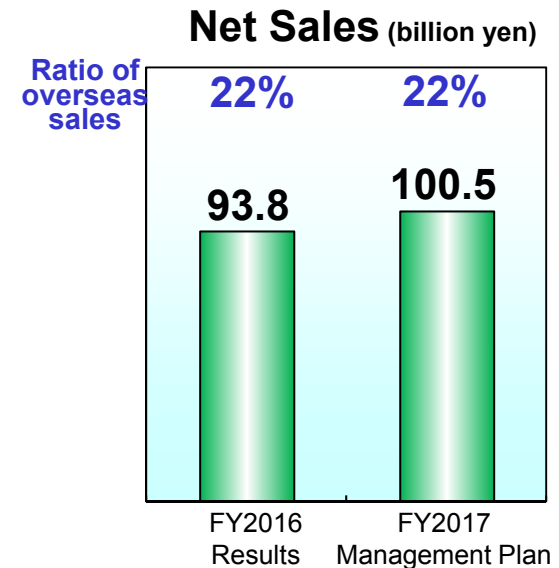
Environmental and social solutions

- Expand sales to the logistics industry
- Accelerate development of new transportation systems



【Priority Measures】

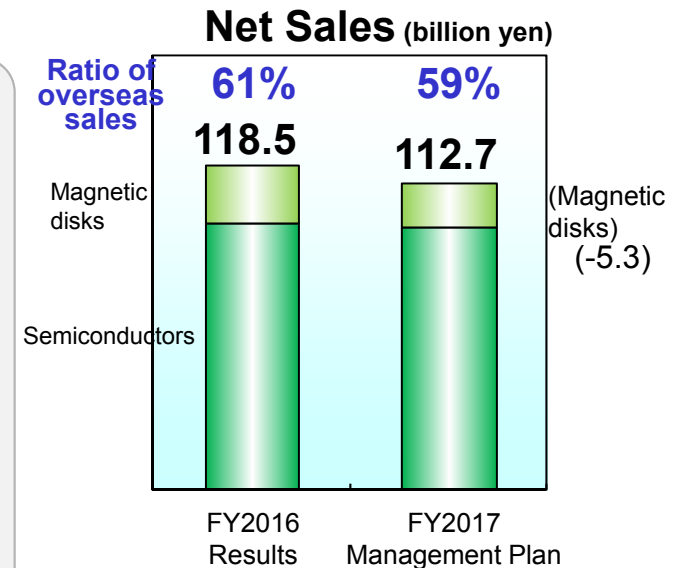
- Enhance management of large-scale projects
- Thermal and geothermal power
 - Increase orders
 - Expand service business (30% increase in sales)
- Increase orders in the new energy business (solar power, wind power, fuel cells)



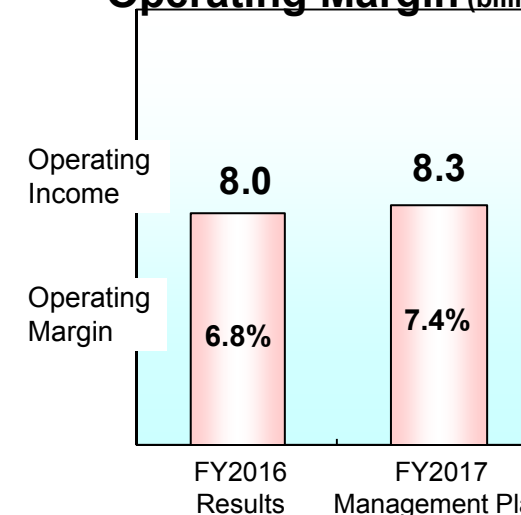
【Priority Measures】

Power semiconductors

- Step up development of SiC and automotive field products
- Grow industrial and automotive field sales
- Increase front-end production capacity for 8-inch wafers
(Improve productivity, reduce costs)
- Expand ratio of post-process production conducted overseas (to 47%)



Operating Income/ Operating Margin (billion yen)



Food and Beverage Distribution

【Priority Measures】

Vending machines

<Japan>

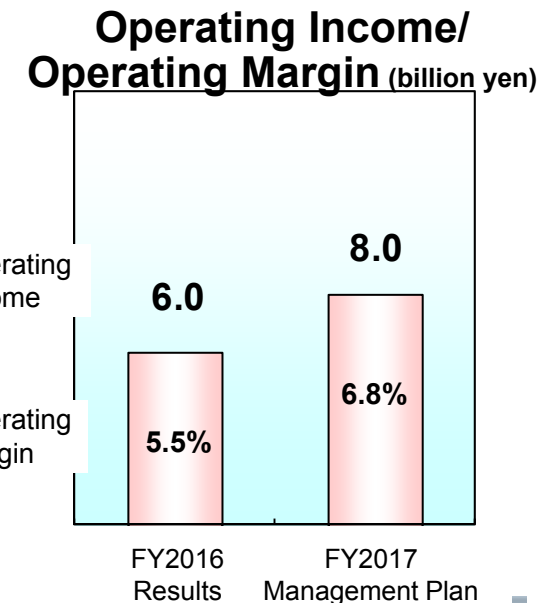
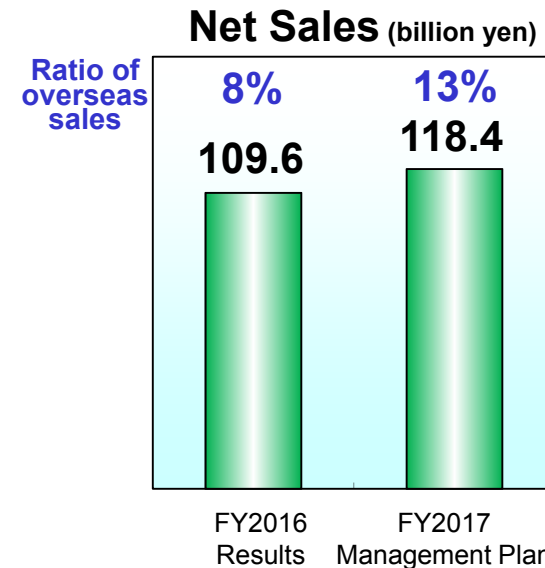
- Maintain current scale of sales by introducing high-value-added vending machines

<Overseas>

- Expand vending machine business in China
 - Acquire new customers
 - Expand model lineup (beverage, food product, and coffee vending machines, etc.)
 - Commence operations at 2nd factory in Dalian (introduce state-of-the-art automation equipment)
- Create vending machine market in Southeast Asia

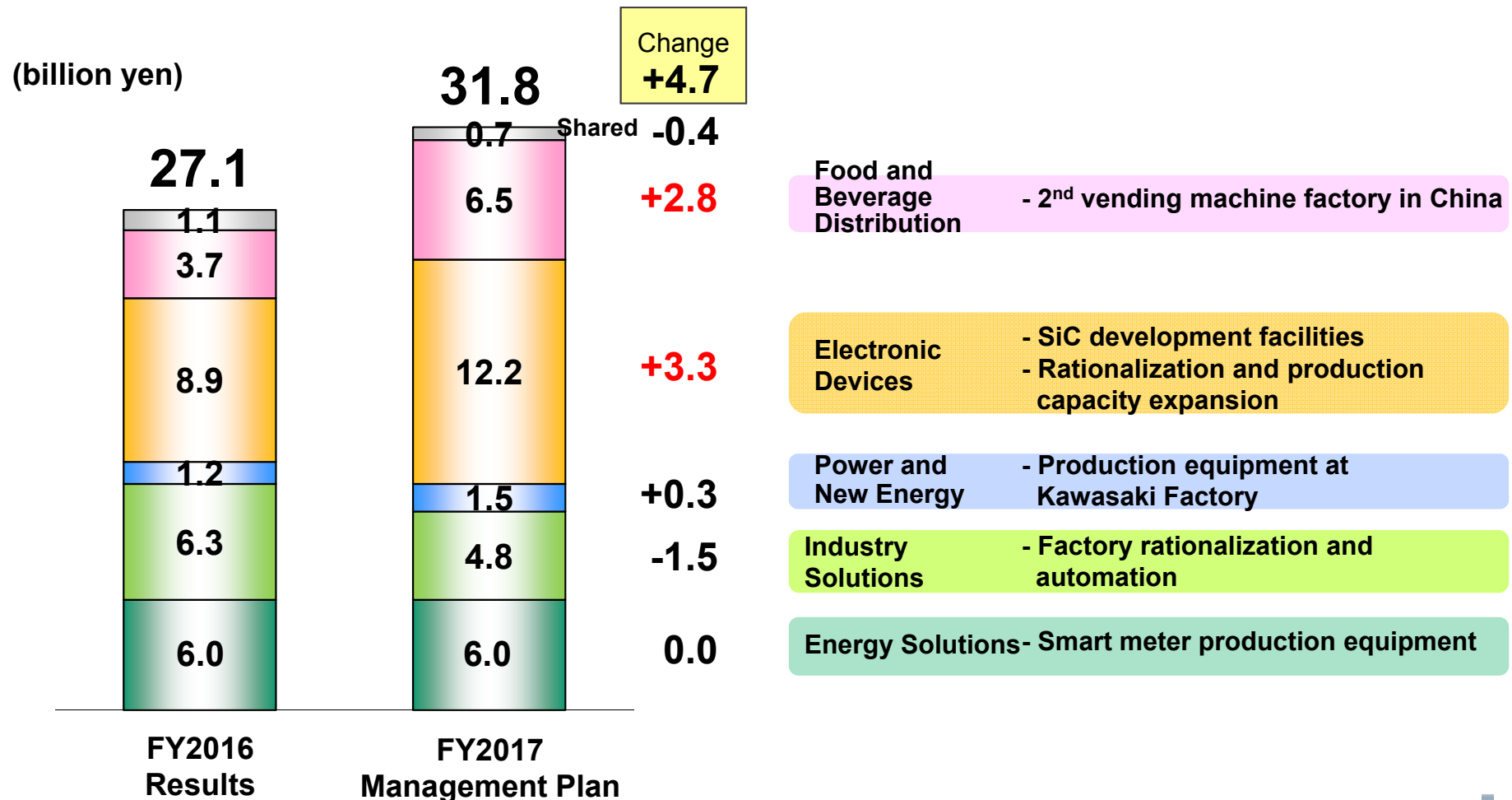
Store distribution

- Increase orders for fixtures from convenience stores and develop new products for next-generation stores



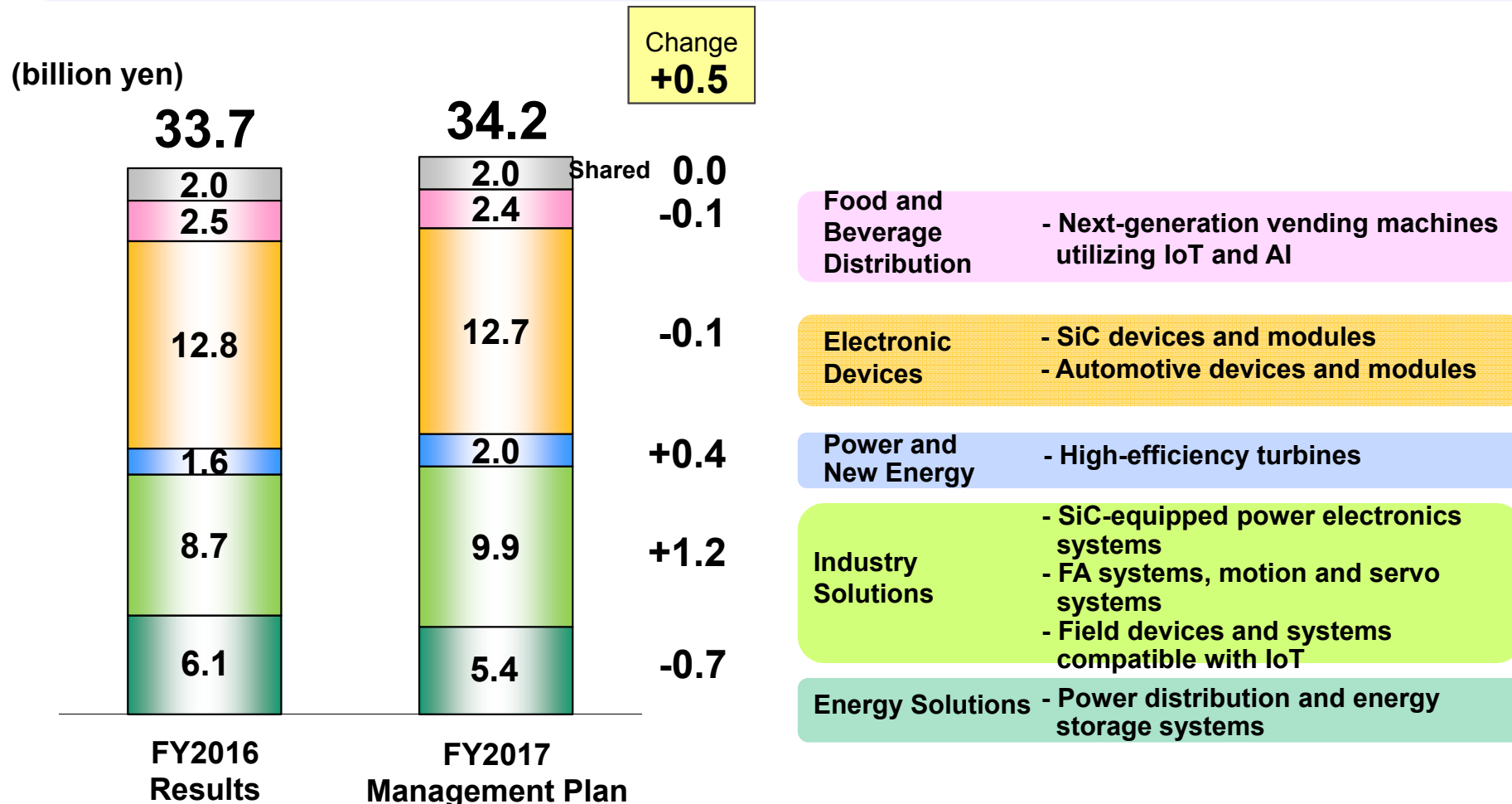
Capital Investment

Conduct upfront investments in new product development and new technologies
Invest in augmentation of overseas production facilities



Research and Development

Develop competitive, high-value-added products



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, 2017.

CSR Activities (Diversity)

- Included in FY2016 Nadeshiko Brand (for 2nd consecutive year)
 - Empowerment of female employees



- Acquired Platinum “Kurumin” certification
 - Recognized as company that supports employees’ child-rearing efforts



<Introduce from FY2017>

- Introduce new working system
 - Location Flexible working systems(work in satellite or home offices)
- Enhanced leave systems usable when spouses undergo job relocations
- Introduced reemployment system for employees that have left work (For use by individuals that have left work for reasons related to childcare, nursing care, or spouse job relocations)

● **Environmental Preservation**

- **CO2 emissions reduction activities**

FY2017 target: -2% YoY (global basis)

FY2020 target: -20% vs. FY2006

**(Compatible with 50% reduction target declared
by G8)**

● **Social Contributions**

- **Ongoing support for post-Great East Japan
Earthquake reconstruction in Tohoku region
(Fukushima Prefecture)**

- **Expansion of science class program in Japan
(for elementary school students)**

- **Support for cultivation of engineers overseas
(Vietnam, Cambodia, India)**



Pursuit of Sustainable Growth



Contribute to realization of a sustainable society



Fuji Electric

Innovating Energy Technology

Management Plan for 1H FY2017 (YoY Comparison)

(Billion yen)

	1H FY2016 (Results)	1H FY2017 (Management Plan)	Change
Net Sales	351.6	368.9	17.3
Operating Income/Loss	5.9	6.1	0.2
Ordinary Income/Loss	2.7	3.2	0.5
Net Income Attributable to Owners of Parent	0.0	0.0	0.0

	US\$	EURO	RMB
FY2017 Assumed Exchange Rate	¥105	¥115	¥15.7

(Billion yen)

	1H FY2016 (Results)		1H FY2017 (Management Plan)		Change	
	Net Sales	Operating Income/Loss	Net Sales	Operating Income/Loss	Net Sales	Operating Income/Loss
Power Electronics Systems - Energy Solutions	94.6	2.4	92.0	2.5	-2.6	0.0
Power Electronics Systems - Industry Solutions	112.5	-2.2	120.0	-2.2	7.5	0.0
Power and New Energy	30.8	2.1	38.2	1.7	7.4	-0.3
Electronic Devices	57.6	3.2	58.1	4.5	0.5	1.3
Food and Beverage Distribution	49.5	2.0	54.8	2.0	5.3	-0.0
Others	28.3	1.1	27.7	0.8	-0.6	-0.4
Elimination and Corporate	-21.7	-2.8	-21.8	-3.1	-0.1	-0.3
Total	351.6	5.9	368.9	6.1	17.3	0.2

* Figures for 1H FY2016 reflect the organizational restructuring conducted in FY2017.

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