

# Taking the Offensive

**Q** Tell us about Fuji Electric's new medium-term management vision, the "S21 Plan."

**A** Our mission is to be the company that provides customers with the highest satisfaction. The "S21 Plan" provides us with the direction and the means to accomplish this. The "S" stands for Satisfaction, Speed and Sensibility.

The plan hinges on the concept of creating valuable products and services to maximize customer satisfaction by working with customers in the business-to-business (B2B) sector—an area where our strong track record is recognized throughout the industry. This, we believe, will



lead to long-term growth for the Fuji Electric Group. To accomplish this, we must harness the wisdom, knowledge and creativity of every Fuji Electric employee to provide superior services, develop advanced technology and offer unsurpassed quality.

Through the "S21 Plan," we aim to raise our presence in the B2B field, which is the main focus of our operations. This will involve turning the Fuji Electric Group into the "Most Valuable Service Provider" to industries that form the basis for social infrastructure, to general industry and to the retail sector. Providing optimum, high-quality services to customers will be at the core of these efforts. In addition, we aim to earn a reputation as the "Most Valuable Components Provider" by supplying customers with components of outstanding quality that can be incorporated into their own products. To realize these aims, it is essential that we continue to reinforce our management structure and put in place an operating base capable of generating new value.

In terms of Group management, the parent company will increasingly take on the role of a holding company. Currently, the Fuji Electric Group comprises four groups centered on the internal companies, and a fifth group comprising Group companies involved in other activities. The raising of corporate value across the entire Group forms the cornerstone of our strategy. This can only be achieved by raising value within each of the five operating sectors. In other words, we aim to expand operations by making each internal company and Group company the leading specialist within its own field.

In terms of specific operations, first of all we will concentrate on core existing businesses that still have great potential. These include power semiconductor devices and other power electronic products, low-voltage circuit breakers and switches, systems businesses such as water treatment systems, and vending machines. The focus will be on responding to environmental issues, increasing our use of IT and offering enhanced services. Furthermore, we will concentrate the resources of the whole Fuji Electric Group on four key fields with high growth potential: environment, information, services and components. In this way, we will endeavor to leverage our strengths in specific fields to supply technology that meets market needs.

To make this vision a reality, we are implementing the "Seven-Challenge Program." The vision will unfold in two stages: the strategic growth phase, which will continue for three years until the end of March 2003, and the growth acceleration phase, which will take us up

to the end of March 2006. We aim to complete the first stage with net sales of ¥1,000 billion, ordinary income of ¥30 billion and ROE of 10%. For the fiscal year ending March 31, 2006, we aim to have net sales of ¥1,200 billion, ordinary income of ¥60 billion and ROE of 15%.

**Q** What specific areas are being addressed by the “Seven-Challenge Program”?

**A** Many issues need to be addressed to take the Fuji Electric Group back onto the offensive and spur renewed corporate growth. The seven policies were devised to solve these problems. The first four are operating strategies for environmental, information systems, service and component operations. The remaining three are management strategies: complete implementation of the internal company system and strengthen corporate governance; improve the Group’s financial structure; and establish new personnel and training systems.

**Q** What strategies will you be implementing regarding the core growth areas of environment, information, services and components?

**A** Policies for Environmental Operations—*“Most Valuable Service Provider” Area*

We are designating environmental operations as a core business of the entire Fuji Electric Group. As such, a large proportion of resources will be focused on this field. Plans call for the development of the water environment preservation business, the new-energy business, the energy-saving management business, the waste treatment business and the zero-emission business. Growth in these operations will be driven by the Energy & Electric Systems Group and the ED&C-Drive Systems Group.

We will move further into the environmental field by mobilizing our considerable plant expertise, starting with the systems technology built up over many years in areas such as energy, industrial plants and water treatment. At the same time, we will expand our refuse-derived fuel (RDF) power generation business and waste treatment facility operations. And, in addition to supplying equipment and infrastructure, we will bolster the service and technology

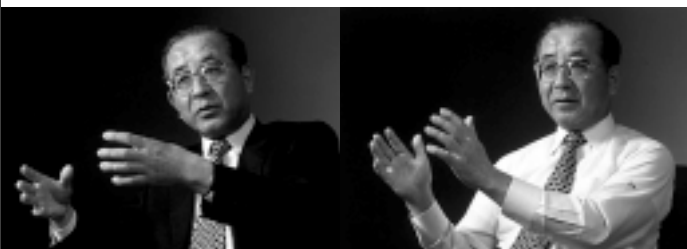
side of operations by supplying maintenance, monitoring and energy conservation consulting services tailored precisely to customer requirements.

In terms of targets, we are aiming for net sales of ¥120 billion for the fiscal year ending March 2003, and ¥150 billion for the year ending March 2006.

Policies for Information Systems Operations—*“Most Valuable Service Provider” Area*

In information systems, our objective is to use IT to raise the profitability of our customers’ businesses by providing comprehensive solutions that bring together both the plant and service aspects of our business. The Energy & Electric Systems Group, ED&C-Drive Systems Group and Retail Support Equipment & Systems Group will be at the heart of these operations.

Through our Solution\_MEISTER menu, which will form the strategic core of this business, we intend to offer solutions to customers in a diverse array of fields, including distribution, food-stuffs, electric power and government agencies. To accomplish this, we will focus resources on this sector while reinforcing our operating base through alliances with other companies. At





the same time, we will nurture talented systems engineers and launch an information dealer's system. The restructuring of Group companies will also form part of these efforts.

Our net sales targets are ¥140 billion for the year ending March 2003, and ¥200 billion for the year ending March 2006.

#### Policies for Service Operations—*"Most Valuable Service Provider" Area*

Here, our objective is to provide service solutions in all fields in which we are active, including heavy electrical equipment, by combining the plant experience of the Fuji Electric Group with its expertise in services. Operations will center on the Energy & Electric Systems Group, the ED&C-Drive Systems Group and the Retail Support Equipment & Systems Group.

We aim to establish an operating structure that will allow us to offer services and products that span the complete lifecycle of plant and other equipment. These will range from the initial proposing of solutions to the running, maintenance and control of plants, the upgrading and extension of the useful life of equipment, and its eventual disposal. In this way, we will raise levels of customer satisfaction and reduce the lifecycle costs of plant and equipment. The new operating structure will endeavor to link these services to new product and business development, as well as making service operations profitable in their own right.

Our net sales targets are ¥70 billion for the year ending March 2003, and ¥100 billion for the year ending March 2006.

#### Policies for Component Operations—*"Most Valuable Components Provider" Area*

Leveraging the technological expertise acquired in the fields of power electronics and low-voltage circuit breakers and switches, we will pursue a strategy of specialization by supplying distinctive products on a global basis. Through this policy, we aim to establish the Fuji Electric Group as the "Most Valuable Components Provider" in specific fields. The ED&C-Drive Systems Group and Electronics Group will be the driving force behind these efforts.

In terms of specific aims, in the IC business, we will set out to be the leading maker of power-supply ICs. In the discrete semiconductor business, we aim to become the world's leading provider of power semiconductors to fields such as industrial equipment, IT, and automobiles by increasing the intelligence of our products and accelerating the formation of strategic alliances with other companies. In magnetic disks, we are aiming for market leadership by moving into AV equipment, as well as continuing to supply disks for PCs and servers. We also aim to be the world's most prominent company in the field of low-voltage circuit breakers and switches by globalizing production and marketing. Finally, in the field of power electronics products, we aim to capitalize on our strength in power semiconductor technology to dominate the market for power semiconductor applications.

We are aiming for net sales of ¥200 billion for the year ending March 2003, and ¥250 billion for the year ending March 2006.



Tell us about the management policies outlined in the “Seven-Challenge Program.”

**A** The new management style of the Fuji Electric Group aims to strike the optimum balance between centripetal force and centrifugal force: the former to keep the focus on the overall management vision, and the latter to allow the internal companies and Group companies to expand operations and develop new markets. To fully establish this management system, the “Seven-Challenge Program” calls in particular for the full implementation of the internal company system and the strengthening of corporate governance.

First, regarding the internal company system, we will maximize autonomy by transferring more decision-making authority to each group. By allowing the groups to act as independent companies, we aim to establish each as the leading specialist in its own particular field. The same applies to Group companies. Strategic alliances will be sought where achieving preeminence independently is likely to prove problematic. At the same time, we will take decisive action to divest or withdraw from businesses where the outlook is bleak.

As we strengthen corporate governance in tandem with completing implementation of the internal company system, the parent company will increasingly take on the role of a holding company. As this process takes place, we will also reinforce Group management to maintain focus on the overall vision. Authority for amalgamations, spin-offs and reorganization relating to Group companies will rest with the senior management of the parent company. We will also endeavor to promote the efficient use of capital and ensure each group takes full responsibility for its own management by making the rate of return on investment our key performance indicator.

In terms of improving our financial structure, plans call for ROE of 4% for the fiscal year ending March 2001, 10% for the year ending March 2003 and 15% for the year ending March 2006. We will also implement a policy of selection and focus throughout the whole Fuji Electric Group. By doing so, we aim to improve both total asset turnover and the interest-bearing debt ratio, and to establish an operating structure capable of generating higher earnings. In addition, we will strengthen market value accounting through actions such as the lump-sum processing of unreserved retirement liabilities.

Other initiatives call for the establishment of new personnel and training systems. As with our results-based appraisal system for operating groups, we will introduce a performance-based personnel system for individual employees. We will also implement a staff training system and placement program designed to bring out the creativity and originality of all employees, thereby creating a corporate culture that values individuality. As part of this drive, we will expand our internal recruiting system. Finally, we will be increasing the number of solutions engineers as we strive to nurture the specialist knowledge needed to drive future business reform.

