

Overseas Bases: Key Elements of Our Business Plan

With imports benefiting from the strong yen and the users of our components shifting production offshore, high sales growth cannot be expected in the domestic market. Fuji Electric is therefore emphasizing growth and improved profitability by cutting costs and creating a more efficient, global network. By shifting production overseas, increasing sales in overseas markets and expanding



local procurement, our global strategy will create low-cost and efficient operations.

From China and Southeast Asia to Germany, the United Kingdom and the United States, we are expanding on all fronts: manufacturing, marketing and procurement. In particular, we are opening new procurement offices in Southeast Asia and Europe in order to sharply increase the use of overseas materials and parts.

MANUFACTURING

Fuji Electric is making a companywide effort to increase its overseas production ratio.

This is exemplified by Fuji Electric Dalian, a wholly owned subsidiary in Dalian, China, which began production of magnetic contactors, molded-case circuit breakers and earth leakage circuit breakers in December 1994 and industrial motors in July 1995. We also made a large investment to expand the factory of Dalian Fuji Electric Motor Co., Ltd. to supply industrial motors to the Japanese, Chinese and U.S. markets, and for the Southeast Asian production bases of Japanese air conditioner manufacturers.

Fuchunjiang Fuji Electric was established in December 1994 to manufacture and market various types of hydraulic turbines and generators. We expect operations to grow in line with increased demand for electric power in China and the expansion there of hydroelectric power generation.

To meet growing demand in China and Southeast Asia for organic photoconductive drums, we are planning to increase the production capacity at Hong Kong Fujidenki by the fall of 1995 with an investment of ¥2 billion.

We are boosting the production capacity of single-phase induction motors in Indonesia at our joint venture EMI (P.T. Elemotor Menides Indonesia). This will help meet growing demand for fan motors used in air conditioners and other machinery as the offshore production shift of Japanese consumer electronics manufacturers accelerates.

In March 1995, we established Fuji Electric Philippines, Inc. We intend to begin producing discrete semiconductors in October 1996. Paid-in capital will be approximately US\$26 million, with nearly all output intended for Asian markets.

At Fuji Electric (Scotland) Ltd., we have doubled production of power devices. Shipments of power devices to Europe are growing with a recovery in demand for industrial equipment there. Although we had been supplying the European market from both our U.K. subsidiaries and our Matsumoto Factory, the yen's continued strength and the approach of full capacity at our Matsumoto Factory have led to our decision to expand capacity overseas.

In France, we established Fuji Electric France S.A. This manufacturing base for measuring instruments will expand our position in this important market and other European countries.

MARKETING

In August 1994, we established Suzhou Lanlian-Fuji Instruments, Co., Ltd., a joint venture to market measuring instrument. This will support and expand business with the petrochemical industry in China. And, as part of our strategy to increase our market share of inverters, we led the industry by establishing Fuji Electric Technology and Service (Shenzhen)



Co., Ltd., a subsidiary to provide such services as engineering, repair and maintenance, not just for stand-alone inverters, but also for imported equipment incorporating Fuji Electric inverters.

In March 1995, we established Fuji/GE (Taiwan) Co., Ltd., a joint venture in Taiwan with General Electric Co. of the United States, to market electrical distribution and control equipment, inverters, motors and related products. With Fuji/GE Private Ltd. of Singapore, we are now well positioned in the markets of Southeast Asia and Taiwan.

We are currently preparing to establish P.T. Bukaka Fuji Electric, in Jakarta, Indonesia, for the planning, design, procurement, marketing and maintenance of equipment used in electric power substations.

We have increased the capital of our German subsidiary, Fuji Electric GmbH, to improve our ability to support the overseas expansion of our



customers and to bolster our international competitiveness. We are expanding both the number of staff and the service network.

PROCUREMENT

During fiscal 1996, Fuji Electric intends to establish procurement offices in the United Kingdom and Singapore. These new offices will build on our established network of procurement offices in the United States, South Korea, Taiwan and Hong Kong and will be staffed with purchasing specialists. In order to achieve sharp cost savings, we are aiming for a dramatic increase in overseas procurement, from ¥22 billion, or 8% of material costs, at present.



Fuji Electric Dalian Co., Ltd.



Fuji Electric (Scotland) Ltd. (photo by Graeme Macklin)



Hong Kong Fujidenki Co., Ltd.



U.S. Fuji Electric Inc.