

FY2015

Medium-Term Management Plan

**— Strengthen Profitability and
Establish Growth Foundations —**

July 26, 2013

Fuji Electric Co., Ltd.

Corporate Philosophy Management Policy

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

Expand energy-related businesses

Globalize

Realize concerted strength as a team

Power and Social Infrastructure



Steam turbine



Cluster Energy Management System

Industrial Infrastructure



Power receiving and transforming facilities



Industrial drive systems

Power Electronics



General-purpose inverters



Uninterruptible power supply systems



Magnetic switch

Electronic Devices



IGBT Module



Power MOSFET

Food and Beverage Distribution



Vending machine



Freezer and refrigerated showcases

Innovating *Energy Technology*

Through our pursuit of innovation in electronic and thermal energy technology, we develop products that maximize energy efficiency and lead to a responsible and sustainable society

FY2015 Medium-Term Management Plan

FY2015 Medium-Term Management Plan

	FY2012 Results	FY2015 Medium-Term Management Plan	Change
Net Sales	¥745.8 billion	¥850.0 billion	+¥104.2 billion
Operating Income	¥22.0 billion	¥45.0 billion	+¥23.0 billion
Operating Income Margin	2.9%	5.3%	+2.4 pts.

[Financial Indicators]	FY2012 Results	FY2013 Management Plan ^(*1)	FY2015 Medium-Term Management Plan
Net Debt-Equity Ratio	1.0 time	1.0 time	0.7 time
Total Net Assets Ratio ^(*2)	25%	21%	25%
ROA	3%	2%	3%
ROE	15%	8%	14%

	US\$	EURO
Assumed Exchange Rate	¥90.00	¥115.00

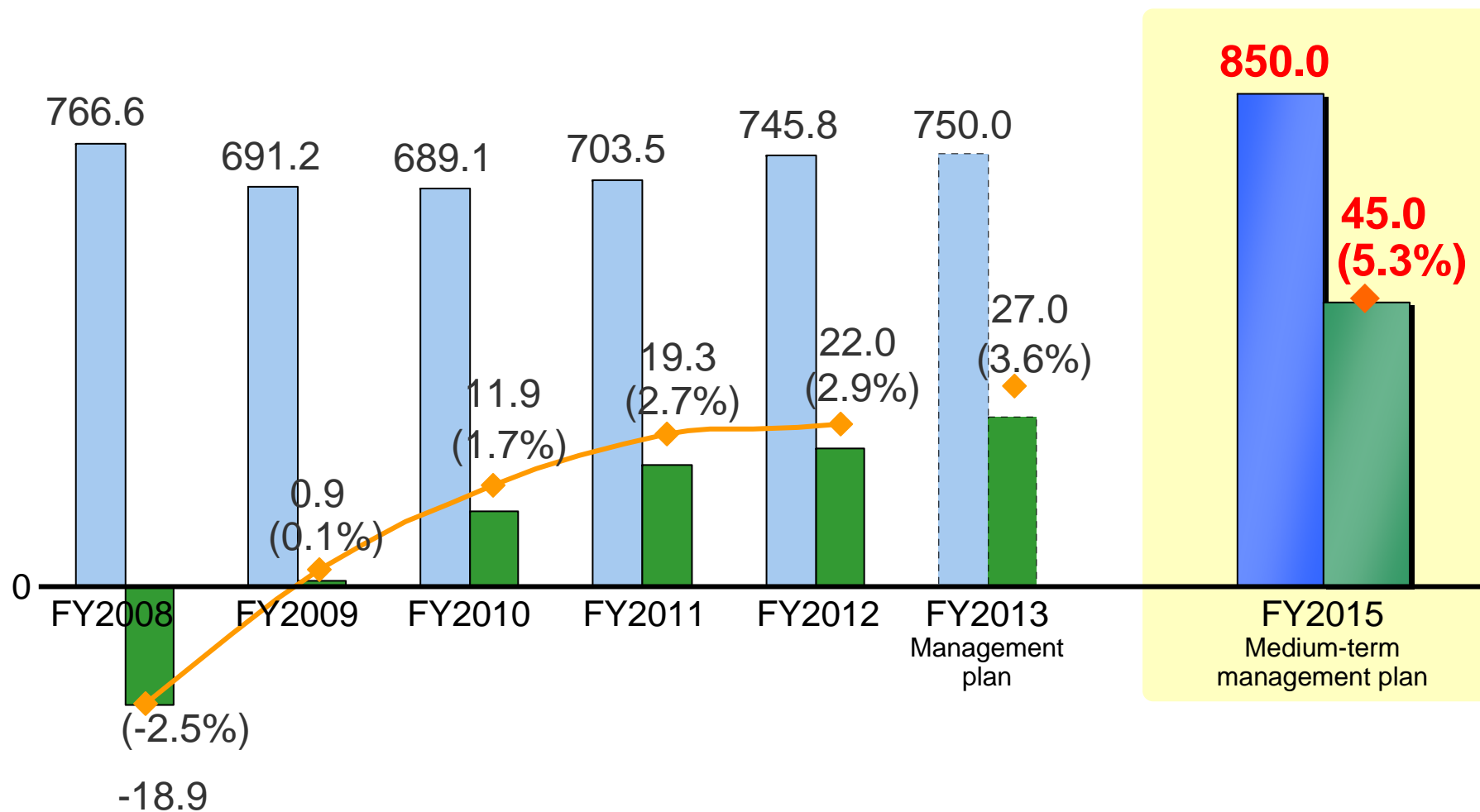
*1: Reflects effect of revised accounting standard for retirement benefits

*2: Total net assets ratio = (Total net assets – Minority interests in consolidated subsidiaries) / Total assets

Business Performance Trends

Net Sales / Operating Income / Operating Income Margin

(Billion yen)



Forecasts of Market Conditions 2013–2015

Region / country	Forecasts of market conditions	Growth rates 2012–2015 (CAGR)	
		GDP Company's estimates based on IMF figures	Energy / environmental market
Japan	Due to economic policies and obsolescence of social and industrial infrastructure, energy investment (renewable energy, high-efficiency thermal energy), renewal investment for obsolete equipment and facilities, and energy-saving investment accelerates	1.0–2.5%	4%
Asia	Centered on Thailand, Indonesia, Vietnam, and India, infrastructural investment increases, electric power related investment increases due to higher energy demand, and capital investment increases as Japanese companies accelerate entry into markets	5.9%	9%
China	Although urbanization and environmental investment accelerate, faces risk of softening growth rate as benefit of economic stimulus measures lessens and exports and industrial production slow down	7.8%	9%
Americas	Industrial production remains favorable thanks to shale revolution and renaissance in manufacturing industry	2.6%	5%
Europe	Although promises to emerge from economic recession phase and see modest pick-up in capital investment from 2014 onward, risk remains	1.2%	4%

* GDP: Estimates based on IMF figures (July 2013 announcement) and documents issued by respective think tanks

Energy / environmental market: Company's estimate, this market comprises power transmission and distribution, power generation and distribution, decentralized power sources, large capacity industrial drives, industrial power sources, PA / FA control, and consumer use

Government's growth strategy (strategic market creation plan)

Themes related to Fuji Electric

Realize clean and economic energy supply and demand

- Supply clean and economic energy
- Distribute energy efficiently through competition
- Use energy wisely

Realize local communities that earn by using their local resources to attract the world

- Produce high-quality agricultural, fisheries, and forestry products and food products

Fuji Electric's business

- High-efficiency thermal power generation
- Solar power / Geothermal power / Wind power generation
- Power distribution systems
- Smart meters
- Power electronics for energy-saving
- Energy control systems
- Power electronics for automobiles
- Next-generation power semiconductors (SiC)

- Agricultural support systems
- Food distribution systems

Changes in market conditions

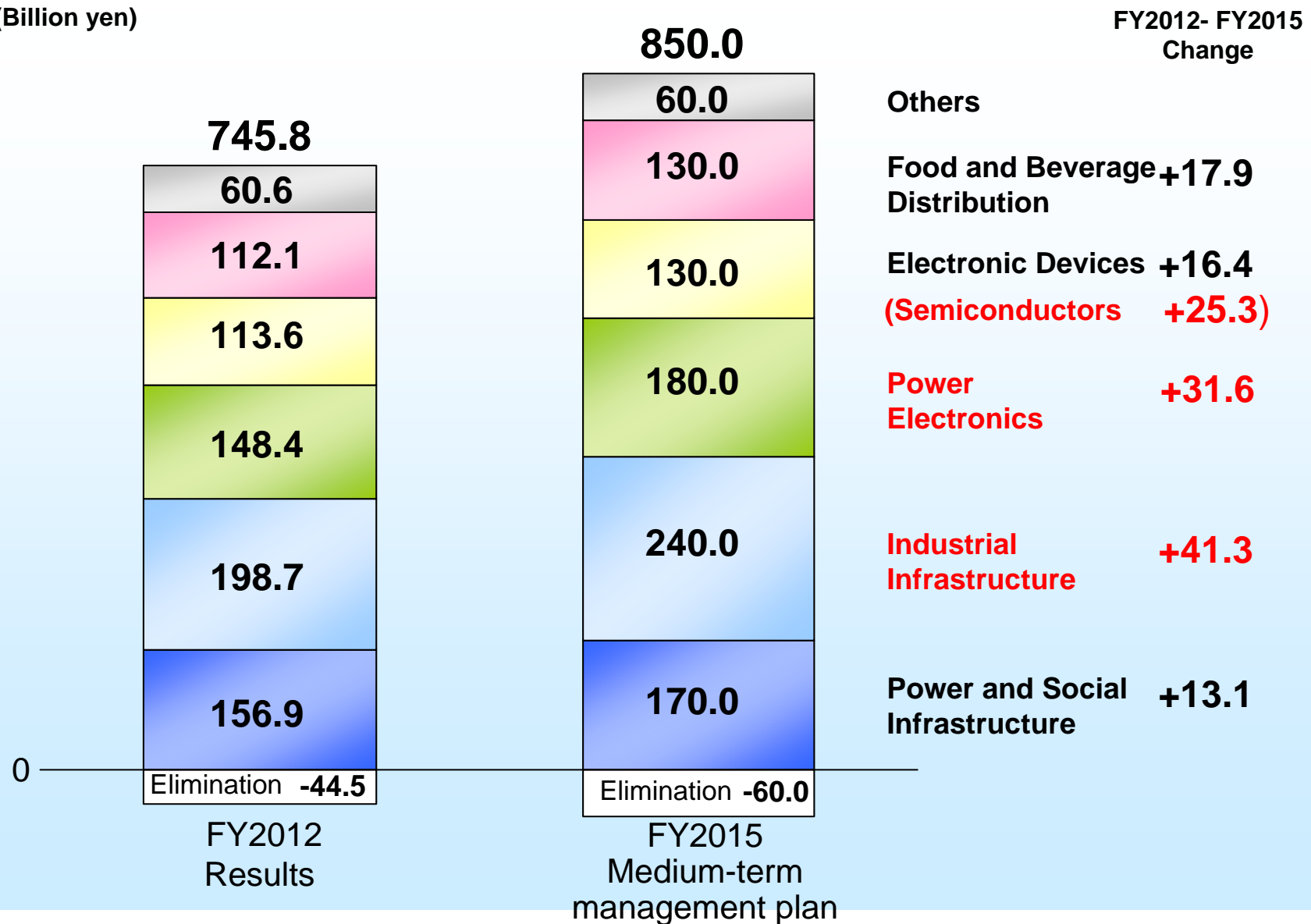
- ◆ **Electric power related investment increases due to higher energy demand**
- ◆ **Capital investment increases as Japanese companies accelerate entry into markets**
- ◆ **Local companies increase investment in energy-saving, automation, power source stabilization**

Fuji Electric's business

- **Thermal power / Geothermal power generation**
- **Power grid substation equipment**
- **Industrial substation equipment**
- **Energy control systems**
- **Drive control systems for plant**
- **Inverters**
- **UPS**
- **Power semiconductors**

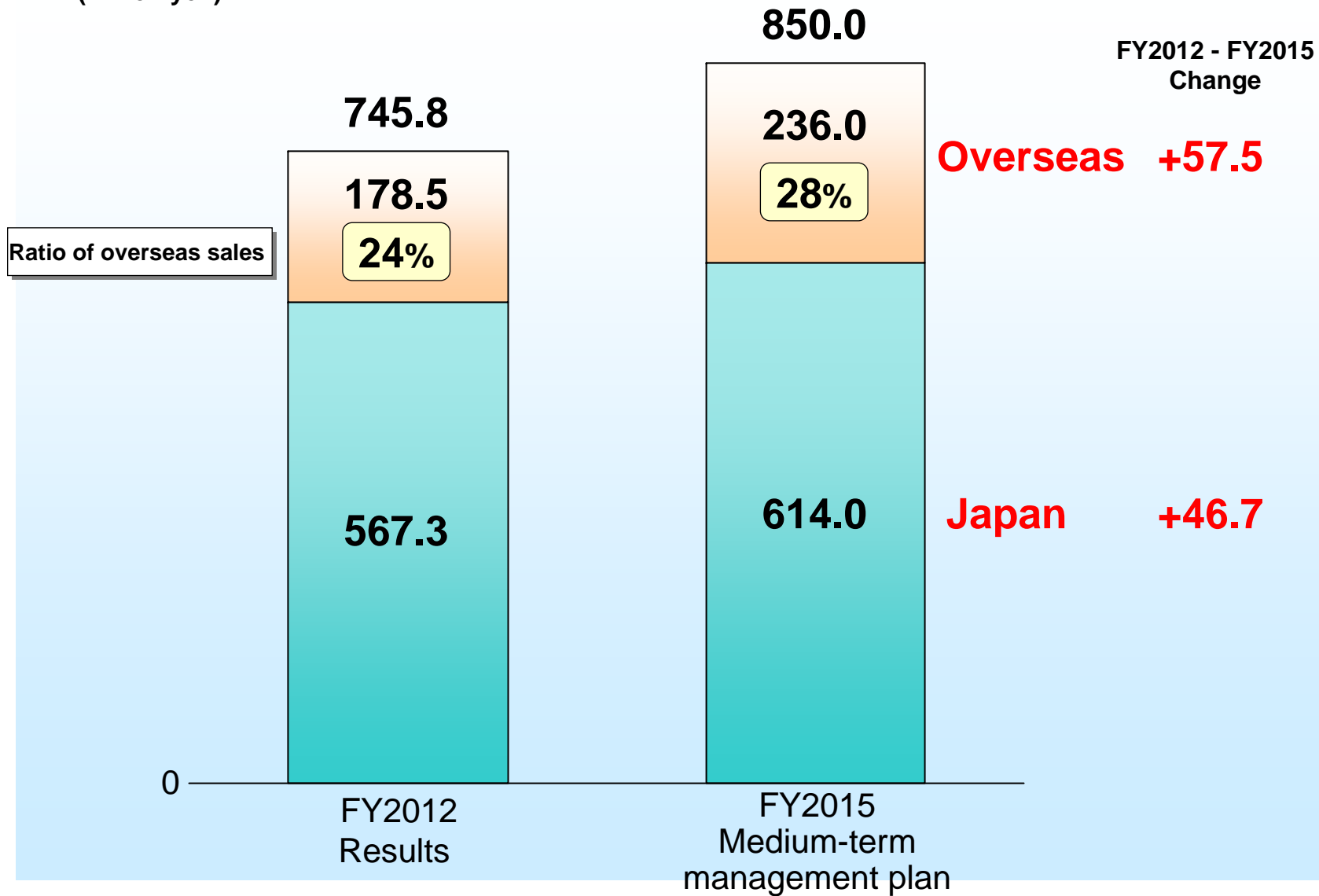
Net Sales (by segment)

(Billion yen)



Net Sales (by Japan and Overseas)

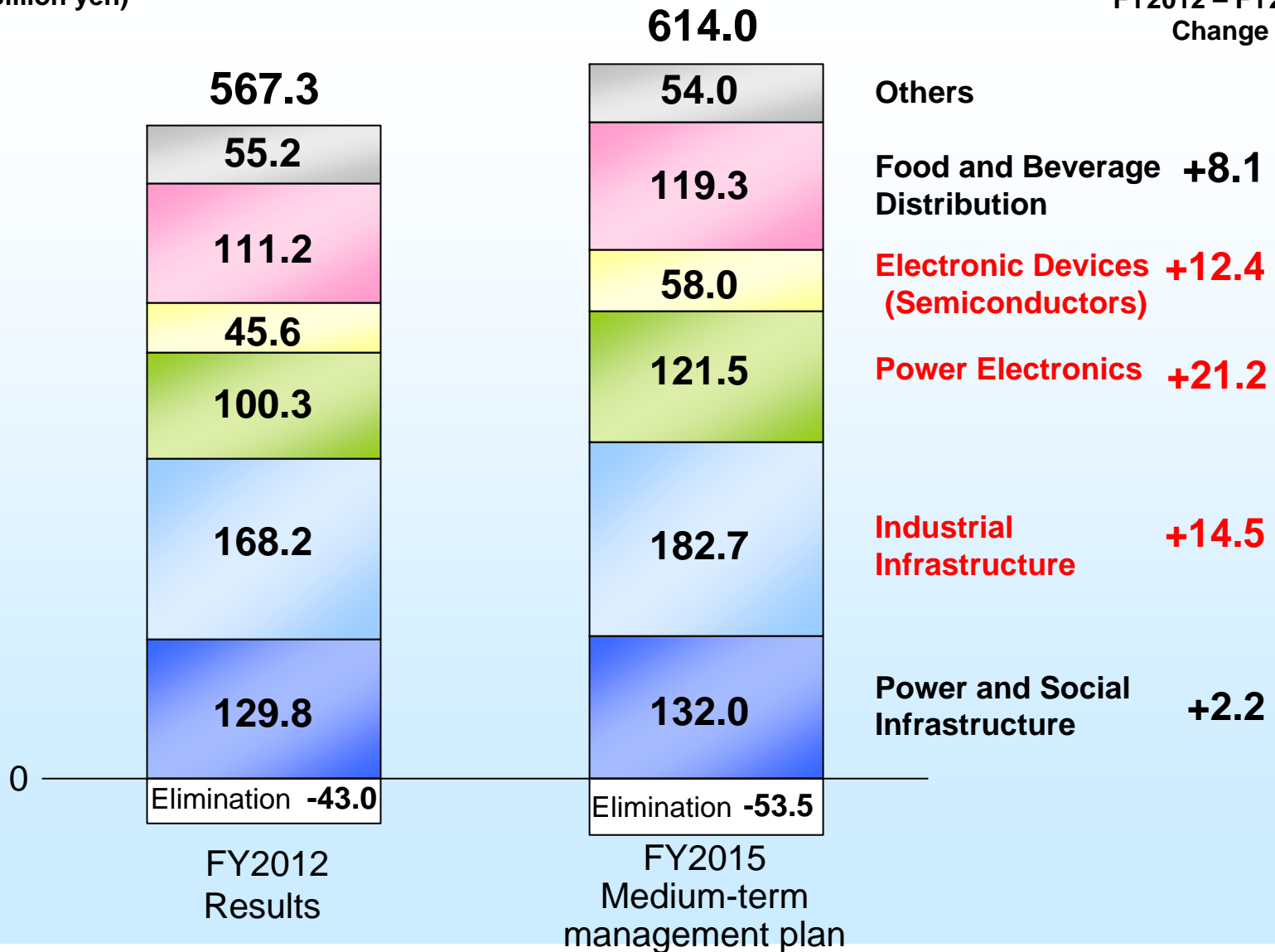
(Billion yen)



Net Sales in Japan

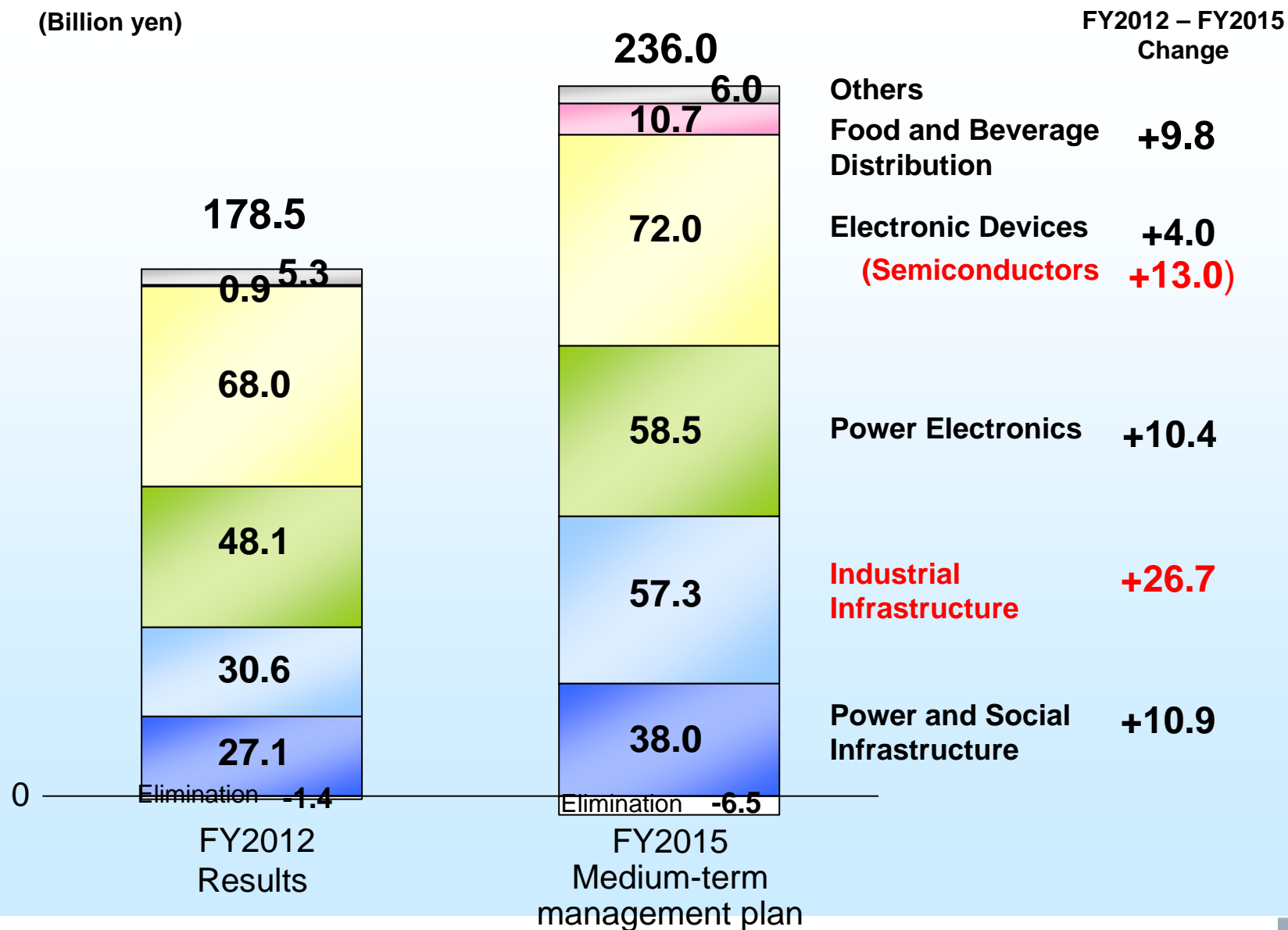
(Billion yen)

FY2012 – FY2015
Change



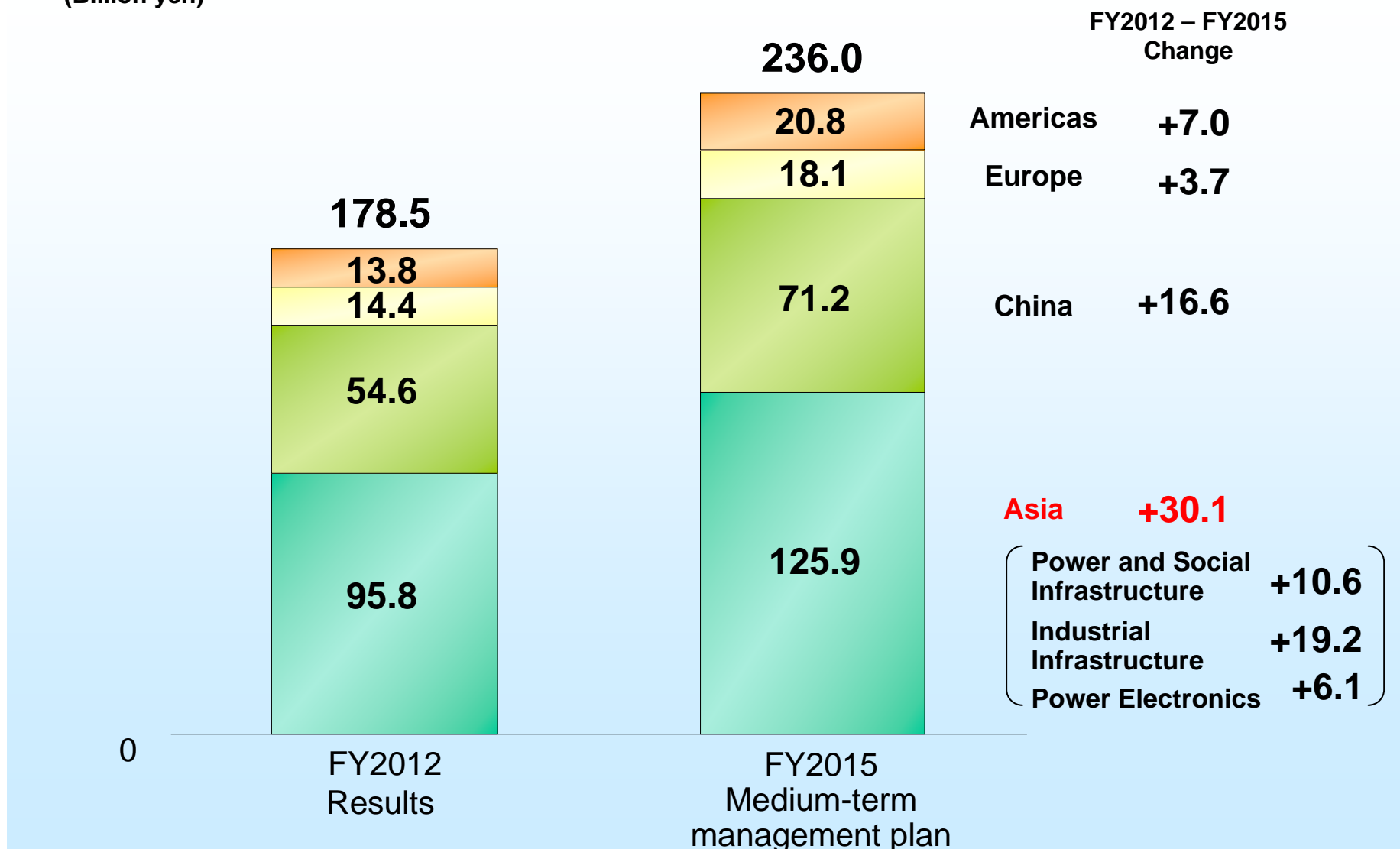
Overseas Net Sales (by segment)

(Billion yen)

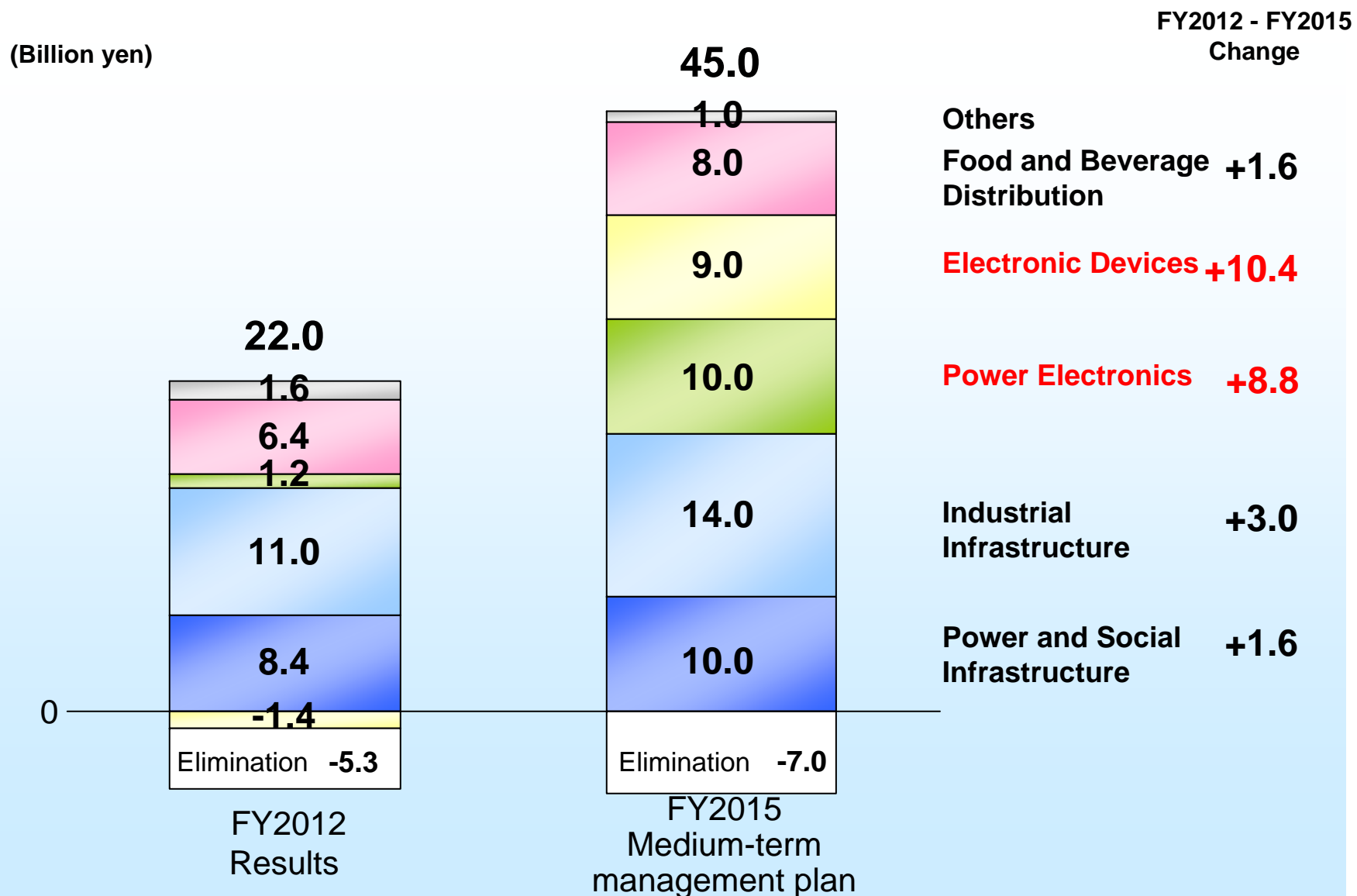


Overseas Net Sales (by area)

(Billion yen)

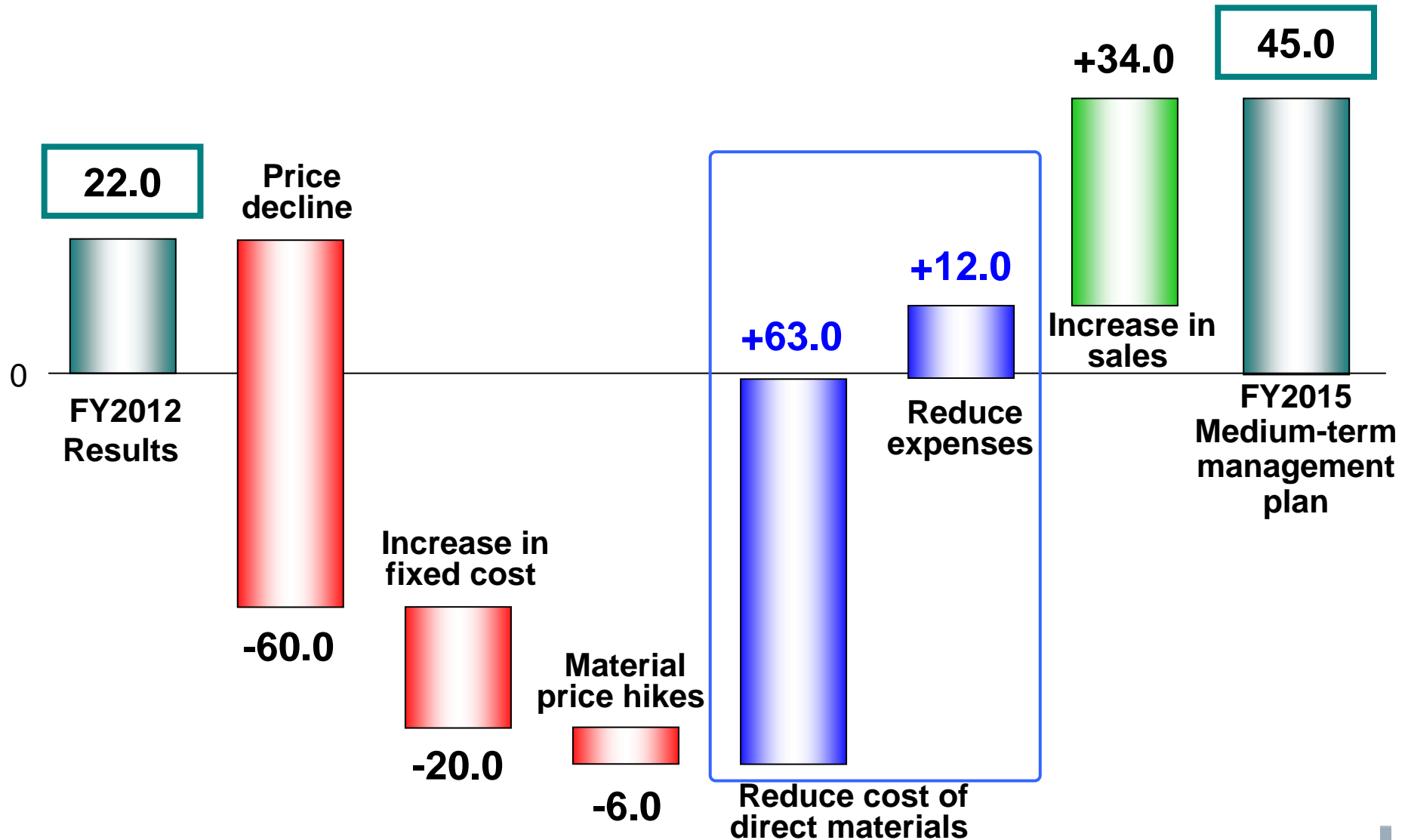


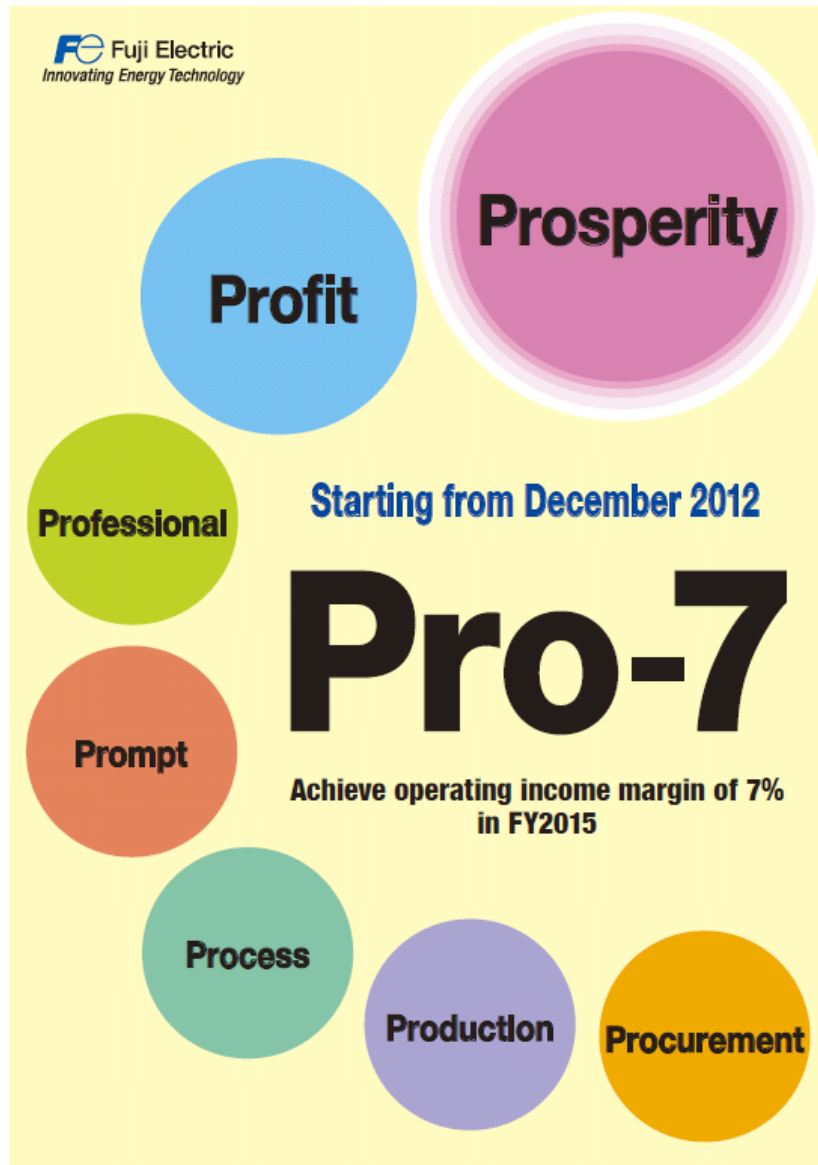
Operating Income



Analysis of Operating Income Increase and Decrease

(Billion yen)





Reduce cost of direct materials:
¥63.0 billion

- Plant system materials
- Expand global procurement / centralized purchasing
- Promote further in-house production
- Enhance production efficiency

Reduce expenses:
¥12.0 billion

- Enhance operational efficiency
- Revise procurement methods for indirect materials

* Poster for internal activity

Business Strategies by Segment

Market conditions

- Japan : Demand for thermal power generation facilities increases and renewable energy market expands
- Overseas : Energy demand becomes vigorous centered on Asia

Business strategies

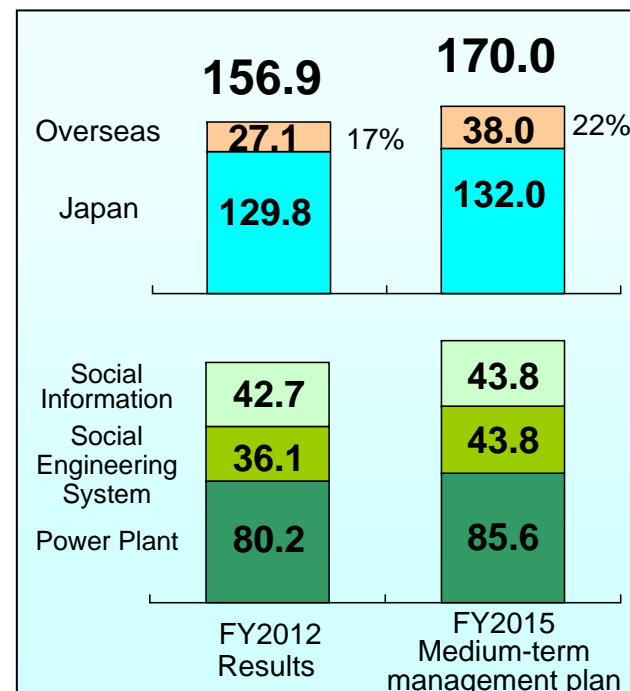
Power plant

- Bring to market high-efficiency steam turbines
- Increase orders and sales for thermal and geothermal power generation facilities
- Increase orders and sales for solar and wind power generation systems

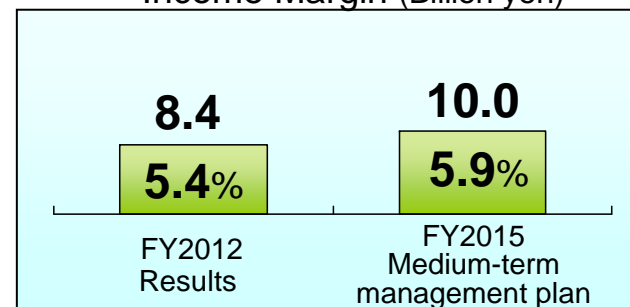
Social engineering systems

- Develop smart community business in earnest
- Increase orders and sales for smart meters

Net Sales (Billion yen)



Operating Income / Operating Income Margin (Billion yen)



Market conditions

- Japan : Renewal demand for obsolete facilities and energy-saving demand increases
- Overseas : Infrastructural investment increases and investment increases due to Japanese companies' acceleration of entry into Asian markets

Business strategies

Transmission and distribution

- Advance M&A, increase overseas manufacturing

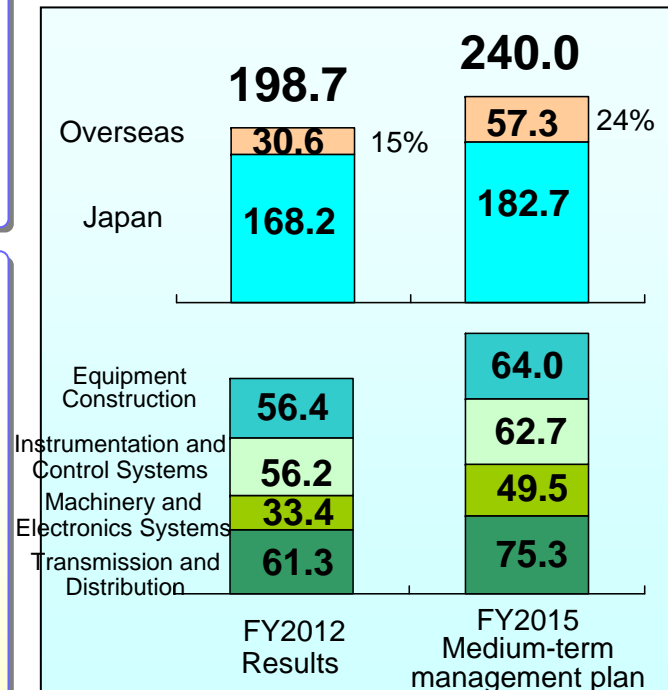
Machinery and electronics systems and instrumentation and control systems

- Increase orders and sales for renewal businesses in Japan
- Strengthen initiatives for Japanese companies in Asia

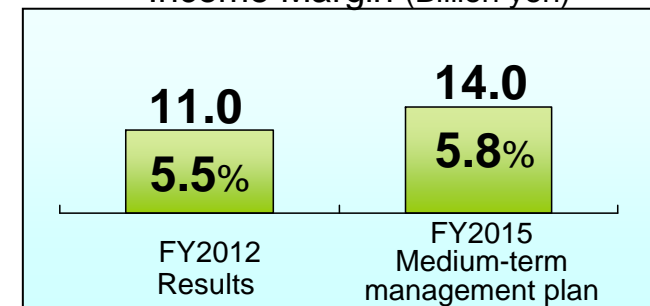
Equipment construction

- Increase orders and sales for solar power generation systems and equipment construction for IDC
- Increase orders and sales for renewal businesses in Japan

Net Sales (Billion yen)



Operating Income / Operating Income Margin (Billion yen)



Market conditions

- Japan : PCS market expands. Inverter market grows due to introduction of energy saving and equipment renewal
UPS market grows due to IT investment
- Overseas : Inverter market expands in Asia and China due to introduction of energy saving and automation.
UPS market expands in Asia due to investment in power source stabilization

Business strategies

Realize significant recovery in earnings

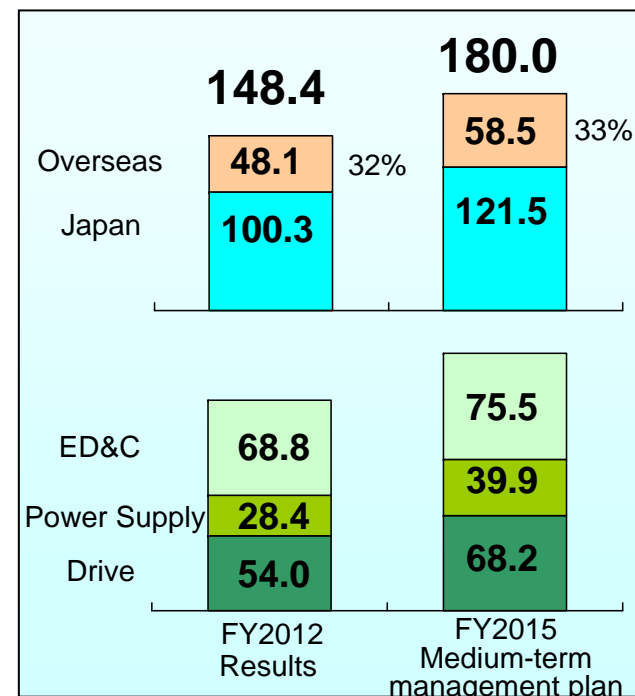
Drive and power supply

- Develop and market global products for each region and business type
- Strengthen price competitiveness by increasing overseas manufacturing
[Overseas manufacturing percentage 24% → 47%]
- Strengthen sales and services through business collaborations with local companies
- Develop and market power electronic equipment compatible with SiC devices

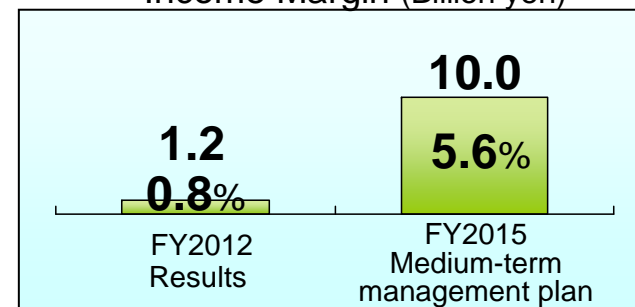
ED&C components

- Develop and market high-voltage DC current devices

Net Sales (Billion yen)



Operating Income / Operating Income Margin (Billion yen)



Power semiconductors market conditions

- Japan : Markets for EV / HEV and industrial equipment grow
- Overseas : Markets for industrial equipment and consumer electronics grow in Asia and China
- Markets for renewable energy and environment-friendly vehicles grow in Europe and Americas

Power semiconductors business strategies

Realize significant recovery in earnings

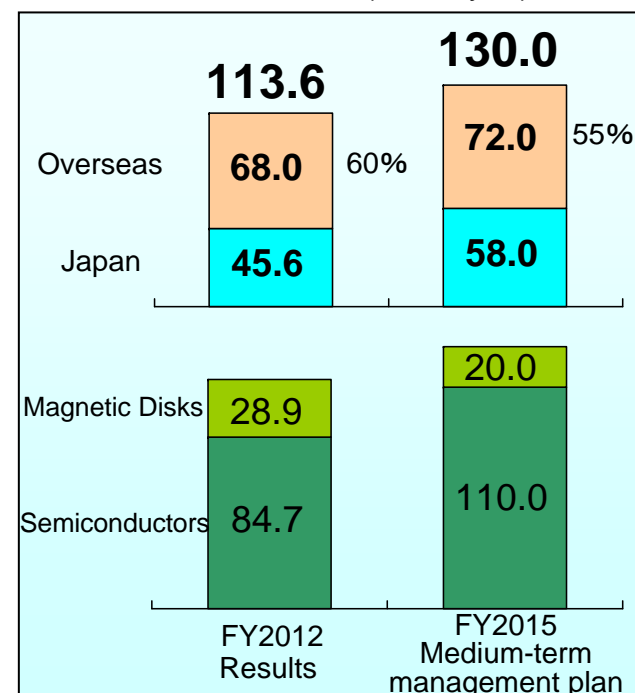
Accelerate new product development

- EV, renewable energy, industrial equipment, IGBT for consumer electronics
- **Begin production of 6-inch SiC devices (October 2013)**

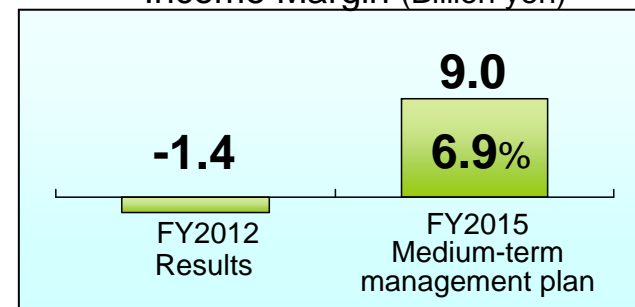
Enhance price competitiveness

- Start up 8-inch production line (October 2013)
- Increase overseas manufacturing
(overseas manufacturing percentage 35% → **60%**)

Net Sales (Billion yen)



Operating Income / Operating Income Margin (Billion yen)



Food and Beverage Distribution

Market conditions

Japan : Vending machines market declines gradually. Store distribution business market remains favorable, while refrigerated distribution market expands
 Overseas : Vending machines market expands in China

Business strategies

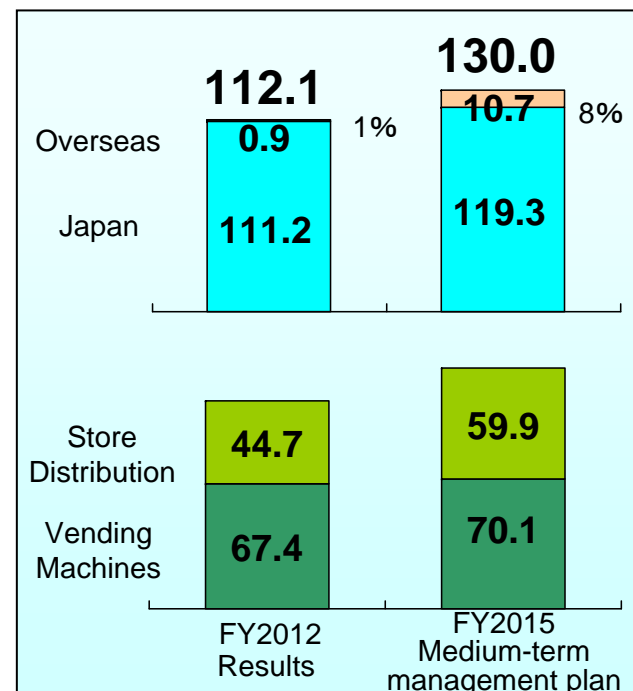
Vending machines

- Capture replacement demand in Japan by marketing new energy-saving vending machines
- In China, acquire new customers for vending machines and ramp up production capacity
- Start up global vending machine production in Thailand

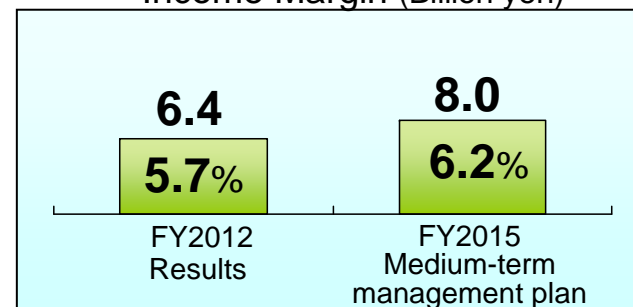
Store distribution

- Increase smart stores sales
- Expand automatic change dispenser business by strengthening cost competitiveness
- **Develop and expand new businesses for distribution systems (refrigerated distribution, etc.) (Toward net sales at ¥10 billion level)**

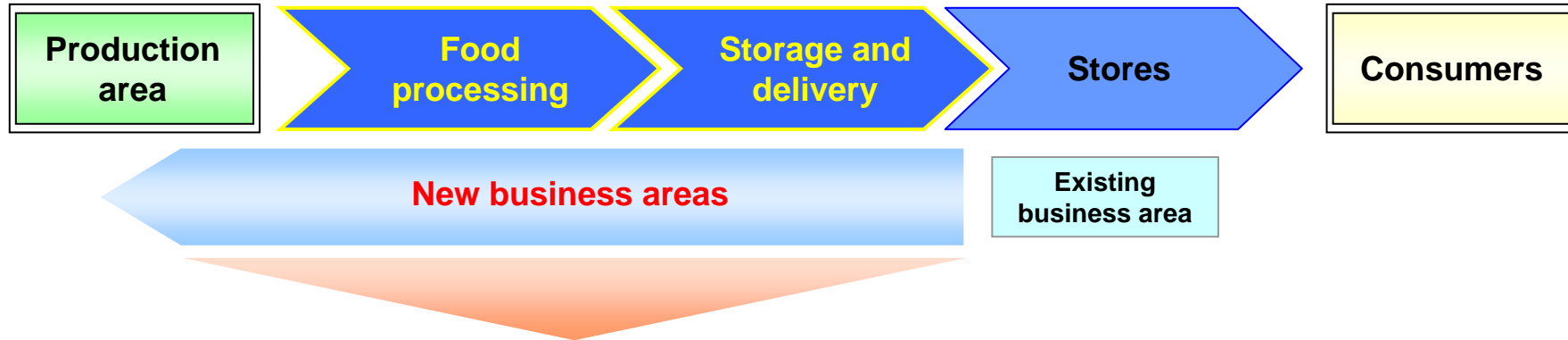
Net Sales (Billion yen)



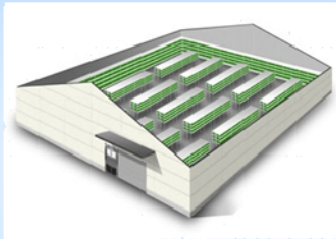
Operating Income / Operating Income Margin (Billion yen)



Developing New Businesses for Distribution Systems



Pursue safety and reliability, freshness and efficiency



Plant factory



Distribution center

Air curtain



Chilled container

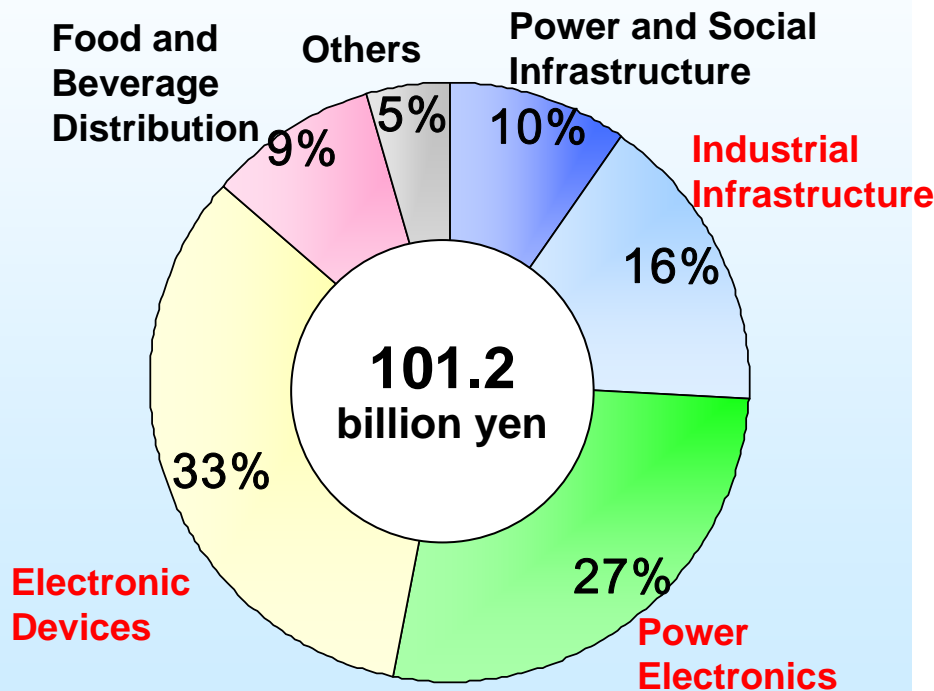


Refrigerated truck

Combine technologies (thermal, IT control and electric)

R&D / Capital Investment

**FY2013 – FY2015
Accumulated total**



Main contents

■ **Electronic Devices**

- SiC Devices
- Next-generation power semiconductors (high value-added)

■ **Power Electronics**

- Products for global market (Inverters, UPS, PCS)
- Power electronics equipped with SiC devices

■ **Industrial Infrastructure**

- Smart factory related products (Electricity and thermal energy saving products that leverages sensor, control, information and communications technologies)
- Measuring sensor for safety solution market

■ **Power and Social Infrastructure**

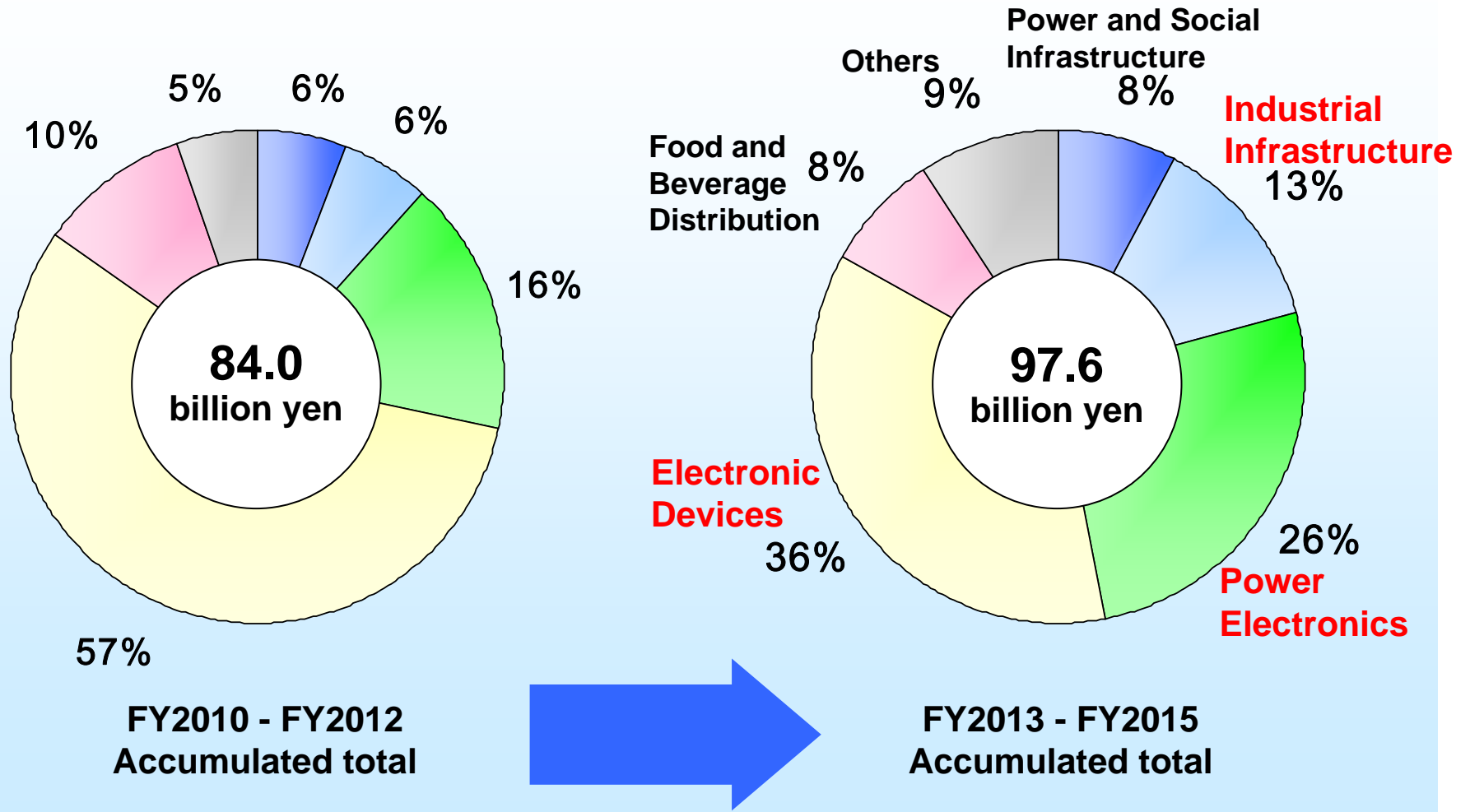
- Smart grid related products
- Renewable energy systems (mega-solar, wind power)

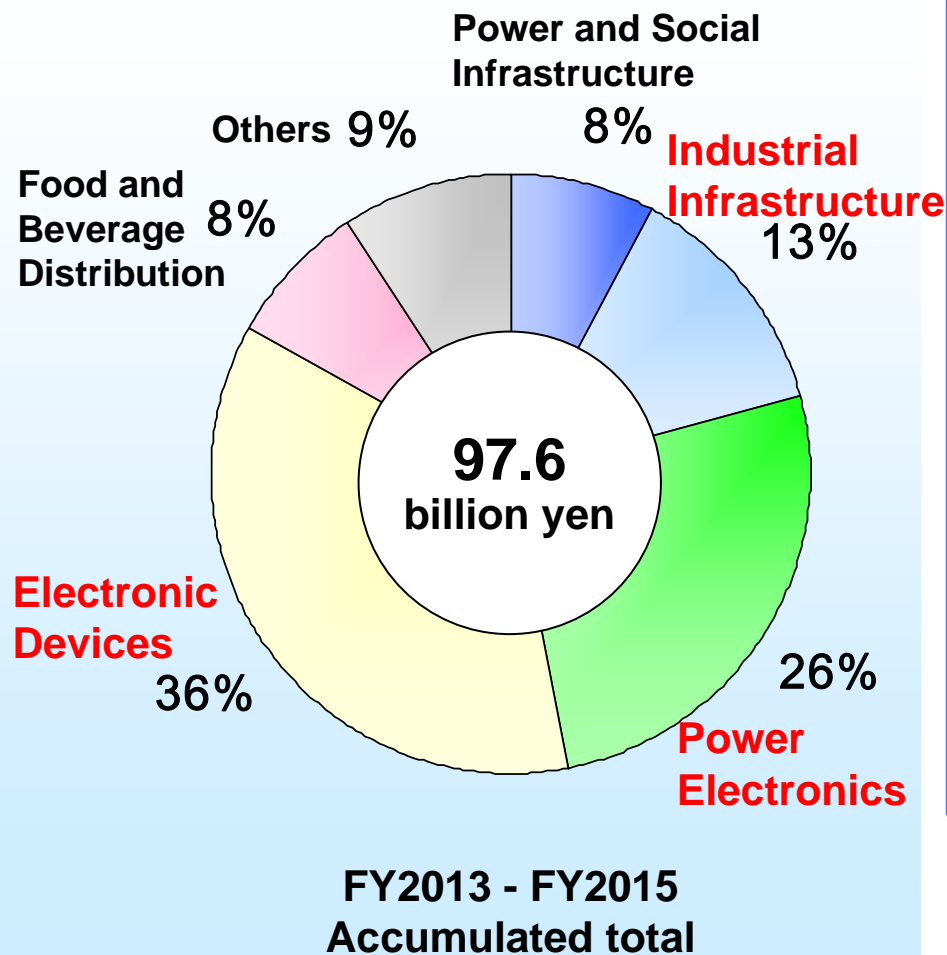
■ **Food and Beverage Distribution**

- Energy saving, safe and reliable food distribution system

Capital Investment

Shifting Investment from Electronic Devices to Power Electronics and Industrial Infrastructure



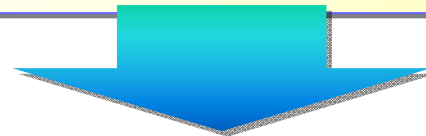


Main contents

- **Electronic Devices**
 - Install production facility of SiC devices
 - Increase production of IGBT
- **Power Electronics**
 - Establish production bases in Asia
 - Expand production of inverters and power supply systems
- **Industrial Infrastructure**
 - Establish production bases in Asia
 - Commence production of industrial substation equipment

Pillar of the FY2015 Medium-Term Management Plan

- Strengthen profitability
- Establish growth foundations
- Expand businesses in Japan and Asia
- Expand industrial infrastructure, power electronics, and power semiconductors businesses



Targets of new medium-term management plan

Aiming for net sales of ¥1 trillion and operating margin of 7%

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