

Management Plan for Fiscal 2017

Issues to be Addressed in Fiscal 2017

For fiscal 2017, Fuji Electric has set forth a policy of working to construct growth foundations through business model renovation, and we plan to advance initiatives to strengthen the power electronics systems business, further enhance manufacturing capabilities, and re-energize Pro-7 Activities.

Issues to be Addressed in Fiscal 2017

Construct growth foundations through business model renovation

Implement growth strategies
Improve profitability

- Strengthen the power electronics systems business
- Further enhance manufacturing capabilities
- Re-energize Pro-7 Activities

Strengthen the Power Electronics Systems Business

Fuji Electric aims to expand its overseas systems operations by creating competitive components. We are implementing the following initiatives through a cross-business structure encompassing development, engineering, production, and after-sales services to ensure that this policy can be implemented effectively. As part of our efforts on this front, we will create differentiated products through marketing practices based on actual market needs and move ahead with the standardization of systems and the development of systems packages for specific target industries. Fuji Electric will also optimize its global supply chain by stepping up coordination among production bases in Japan and overseas. In addition, we will consolidate after-sales service divisions and provide one-stop service based on the customer's perspective to improve customer satisfaction.

Further Enhance Manufacturing Capabilities

Based on its policies of promoting local production and consumption, Fuji Electric plans to enhance its global mother factories in Japan and pursue coordination with overseas production bases to reinforce its systems for responding to diverse market needs in Japan and overseas.

Furthermore, we will expand in-house production to improve value and productivity while utilizing IoT to reduce costs.

Re-energize Pro-7 Activities

Fuji Electric's Pro-7 Activities is a program that entails a ground-up review of all costs associated with business activities as well as efforts to radically improve operational quality in order to prevent waste and losses. In fiscal 2017, these activities will be re-energized through accelerated implementation at overseas bases by which we aim to enhance earnings systems.

New Business Segments

Effective April 1, 2017, the Company underwent a reorganization resulting in the current structure of four business groups comprising five segments.

As part of this move, the power electronics systems business was created through the reorganization of the prior Power and Social Infrastructure segment's social engineering systems business as well as the industrial infrastructure business and the power electronics business. In this new business, we provide two types of solutions. Energy solutions contribute to the consistent supply,

optimization, and stabilization of energy for customers. Industry solutions contribute to improved productivity and energy savings with factory automation and monitoring. In this area, we seek to combine components and systems so that the resulting systems can be utilized to expand overseas operations.

In addition, the newly established Power and New Energy segment will be responsible for the supply of clean and eco-friendly power.

Previous Segments
(~March 31, 2017)

New Business Segments
(April 1, 2017~)

Business Segments	Business Segments	Subsegments	Value Provided
Power and Social Infrastructure	Power Electronics Systems	Energy Solutions <ul style="list-style-type: none"> • Energy management • Substation systems • Power supply systems • ED&C components 	Consistent supply, optimization, and stabilization of energy
Industrial Infrastructure		Industry Solutions <ul style="list-style-type: none"> • Factory automation • Process automation • Environmental and social solutions • Installation • IT solutions 	Automation, productivity improvement, and energy savings
Power Electronics	Power and New Energy		Clean and eco-friendly power
Electronic Devices	Electronic Devices		Efficiency improvement and energy savings
Food and Beverage Distribution	Food and Beverage Distribution	<ul style="list-style-type: none"> • Vending machines • Store distribution 	Food safety and security, labor savings

Fiscal 2017 Targets

Net sales are projected to increase ¥12.2 billion year on year, to ¥850.0 billion, as the benefits of progress in growth strategies and higher domestic and overseas demand will outweigh the negative impacts of foreign exchange influences.

In addition, we will target a record high for operating income of ¥48.0 billion, an increase of ¥3.3 billion year on year. This accomplishment is to be achieved through higher sales as well as through cost reductions stemming from enhancements to manufacturing capabilities.

Net income attributable to owners of parent is forecast to decline ¥12.0 billion year on year due to the absence of the gain on sales of investment securities recorded in fiscal 2016.

Meanwhile, we are anticipating an equity ratio of 35% and return on equity of 10%.

Domestic and Overseas Net Sales

Domestic net sales of ¥637.0 billion, an increase of ¥4.3 billion year on year, are projected to be achieved through higher sales from plant projects in the Industry Solutions and Power and New Energy segments.

Although foreign exchange rates will place downward pressure on earnings of overseas subsidiaries when translated to yen, overseas net sales are forecast to increase ¥8.0 billion, to ¥213.0 billion. This increase will be a product of a rise in sales of sub-station systems in the Energy Solutions segment and of vending machines in the Food and Beverage Distribution segment.

Capital Expenditures

The policy of local design, local production, and local consumption pursued in fiscal 2016 will be maintained in fiscal 2017. Investment targets will include production equipment compatible with SiC power semiconductors and other new product developments in the Electronic Devices segment and production equipment for boosting vending machine production capacity in China in the Food and Beverage Distribution segment.

Furthermore, investments will be conducted to facilitate Companywide efforts to utilize IoT for automating production equipment and tracking production data in order to improve product competitiveness.

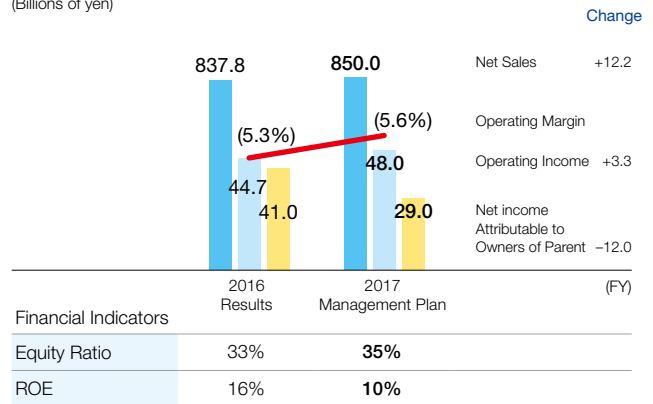
R&D Expenditures

R&D ventures for creating competitive, value-added products will be accelerated.

Specifically, we will focus on the development of differentiated equipment and platform technologies to give rise to solutions that create value for customers by utilizing new power electronics systems products and IoT.

In the Electronic Devices segment, which accounts for approximately 40% of R&D expenditures, our focus will be the power semiconductors that are the source of Fuji Electric's competitive edge.

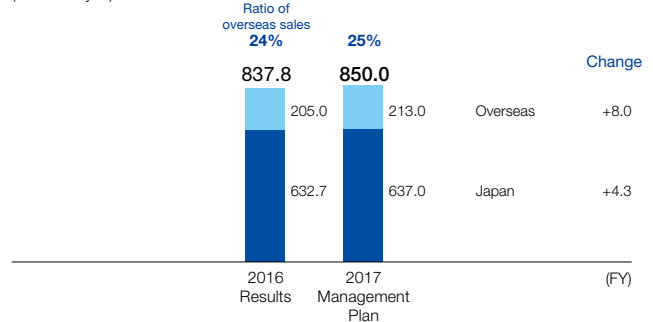
(Billions of yen)



Projected Foreign Exchange Rates in Fiscal 2017
 US\$1 = ¥105, €1 = ¥115, RMB 1 = ¥15.7

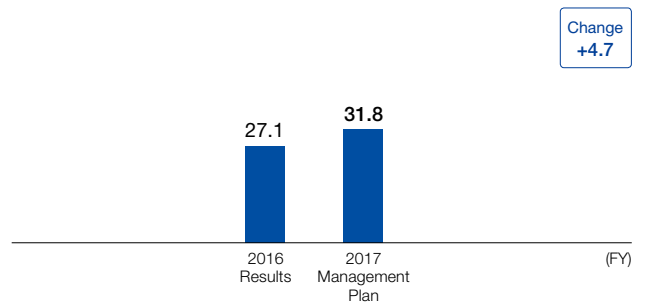
Net Sales (Japan and Overseas)

(Billions of yen)



Capital Expenditures

(Billions of yen)



R&D Expenditures

(Billions of yen)

