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Fuji Electric FA Components & Systems Co., Ltd.

Fuji Electric Holdings Co., Ltd.

## New Fuji Electric FA Components & Systems To Be Established on October 1 as Joint Venture with Schneider Electric (France)

*Aspiring to Become an Industry-Leading Component and Solution Provider in Power Distribution and Industrial Control Equipment*

Fuji Electric Holdings Co., Ltd., the parent company of Fuji Electric FA Components & Systems, headquartered in Shinagawa-ku, Tokyo and headed by President Haruo Ito, announced that it signed a shareholder agreement today with Schneider Electric Industries SAS, (“Schneider Electric”), headquartered in Rueil-Malmaison, France and headed by CEO Jean-Pascal Tricoire, regarding the establishment of a joint venture in the field of power distribution and industrial control equipment.

The joint venture will be established on October 1, 2008 under the name of Fuji Electric FA Components & Systems Co., Ltd., with its headquarters in Chuo-ku, Tokyo, headed by President Naoto Higo (“New FCS”). The current Fuji Electric FA Components & Systems Co., Ltd., headquartered in Chuo-ku, Tokyo and headed by President Naoto Higo (“FCS”), and Schneider Electric Japan Ltd., a Japanese affiliate of Schneider Electric, headquartered in Taito-ku, Tokyo and headed by CEO Pierre Leveque, (“SEJ”), will integrate most of their business operations to form the new company as a consolidated subsidiary within the Fuji Electric Group. Fuji Electric Group will have approx. a 63% stake in the joint venture and Schneider Electric Japan Holdings Ltd., SEJ’s holding company, headquartered in Taito-ku, Tokyo and headed by CEO Pierre Leveque, will have approx. a 37% stake.

The goal of New FCS is to become an industry-leading component and solution provider in power distribution and industrial control equipment. To this end, New FCS will expand business through a shared strategy between FCS and Schneider Electric, and jointly supplying and developing products. It will also utilize the both companies’ existing global networks and combine high quality products and services with advanced consulting capability.

New FCS will target an increase in net sales to ¥100.0 billion by fiscal 2012 from the initial level of ¥70.0 billion.

## I. Background of the Joint Venture

FCS's core business is power distribution and industrial control equipment. It has established a position as a leading company in the Japanese market and also earned a strong reputation in other Asian markets.

Schneider Electric, SEJ's parent company, is one of the world leading corporate groups that provides the power distribution and industrial control equipment in compliance with major international standards. Specifically, it has a strong presence in Europe, Asia and North America.

The worldwide market for power distribution and industrial control equipment is becoming increasingly competitive due to the development and increased recognition of IEC standards in Europe and intensifying price competition brought about by the rise of emerging markets, among other factors. At the same time, the sector is under pressure to respond to new challenges that include environmental compliance, greater energy efficiency and tighter safety requirements.

Against this backdrop, FCS and Schneider Electric have developed a collaborative relationship through mutually supplying products since November 2003 and establishing a joint venture for breaker manufacturing in China in March 2004. The needs of FCS who desired to expand market share in Asia as its medium-term goal, matched those of the Schneider Electric who was seeking to increase its presence in the Japanese market. As such, both companies reached an agreement in March 2008 regarding establishment of a joint venture in the area of power distribution and industrial control equipment. Based on this agreement, FCS and SEJ will merge their relevant operations and establish the new joint venture on October 1, 2008.

## II. Goal of the Joint Venture

New FCS will strengthen its component supply capability by combining FCS's power distribution and industrial control equipment with Schneider Electric's high-value-added products, including safety and energy efficient devices, and leveraging the expertise of both companies in new product development.

With the extended product lineup, New FCS will also expand solution business by appropriately responding to customer needs through a collective pool of consulting experience that both companies have acquired in their operating markets in Japan, the United States and Europe.

It will also seek to become an industry-leading component and solution provider that is capable of providing value-added solutions backed by a global product lineup.

New FCS will specifically target the following:

1. Net sales of ¥100.0 billion in fiscal 2012

To expand its operations as a leading component and solutions provider through the synergy of the partnership, and high quality products and services.

2. The top share in the power distribution equipment market in Japan

To increase its market share in Japan from its current level of 23% (a total share of FCS and SEJ) to 35%, the highest level in the market, in fiscal 2012.

3. Overseas sales ratio of 35%

To achieve overseas sales ratio of 35% in fiscal 2012 by providing services ideally suited to those Japanese enterprises looking to expand overseas, especially in Asia.

### III. Overview of (New) Fuji Electric FA Components & Systems

Name: Fuji Electric FA Components & Systems Co., Ltd.

Established: October 1, 2008 (tentative)

Location: Chuo-ku, Tokyo

Paid-in capital: ¥ 8 billion (tentative)

Shareholders: Fuji Electric Assets Management Co., Ltd. approx. 63%

Schneider Electric Japan Holdings Ltd. approx. 37%

Representative: Naoto Higo, President and Representative Director

Sales: ¥70 billion (estimated as of 2007)

Employees: Consolidated number is approx. 3,000 and stand-alone number is approx. 1,200.

Business: Development, manufacture, sale and service of power distribution and industrial control equipment

### IV. Strategies of the Joint Venture

Through its establishment as a joint venture, New FCS strengthens its product lineup of power distribution and industrial control equipment by distributing Schneider Electric's products via the established FCS domestic sales network. Under a new corporate structure, New FCS will carry out the following business strategies.

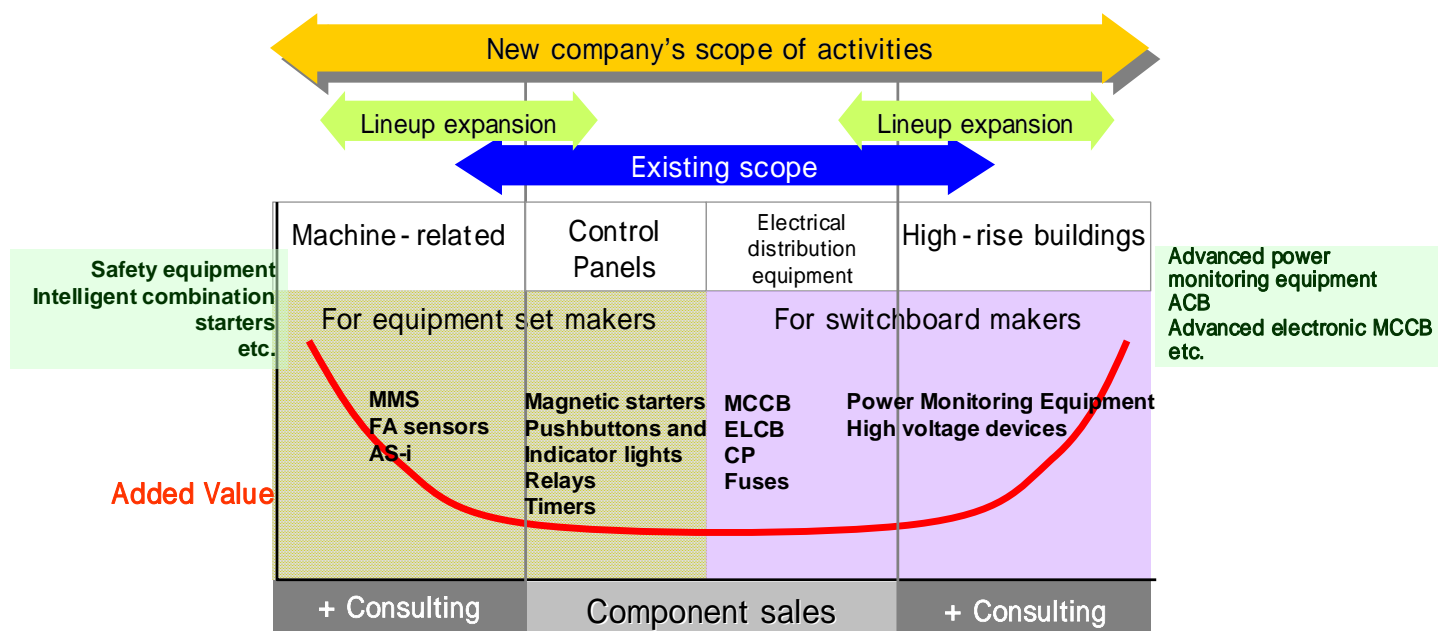
1. Increasing market share with competitive products

**1) Acquire top share in the power distribution equipment market by providing energy efficient solutions**

By upgrading lineup of power distribution equipment, New FCS will seek to increase order volume. It will enhance capability to provide high-value-added products and services, specifically energy efficient solutions such as advanced power monitoring devices.

**2) Acquire 20% market share in the safety device sector by expanding industrial control equipment product lineup**

By combining Schneider Electric’s safety devices and consulting ability, two of its strengths, with the current FCS’s offering, in addition to strengthening industrial control equipment product lineup, the new company will seek to raise its share of the market in this area, from its current level of 4% (a total share of FCS and SEJ) to 20% by fiscal 2012. The safety device market is expected to see more than 10% of annual growth and New FCS will make safety devices a part of its core business.



2. Developing new business fields by enhancing consulting capability

Leveraging its consulting ability, New FCS will expand its solutions business, targeting net sales of ¥10.0 billion in fiscal 2012, to fields such as energy efficient solutions, automobile industries,

and the retrofit business.

In particular, it will create a new area of business by developing its presence in sectors that require critical power technologies for completely uninterruptible power supplies, such as data centers and hospitals. To achieve this, it will foster sales engineers specialized in consulting.

### 3. Upgrading global sales and service network

Schneider Electric has a vast sales and service network which covers North America, South America, Europe, the Middle and Near East, and Africa (over 15,000 locations in 190 countries). New FCS will expand its support network worldwide by offering support for New FCS's products through this Schneider's network and utilizing FCS's sales and service network in Japan, China and Southeast Asia.

The new company will provide best services to Japanese global companies in such fields as machinery for automobile industries, machine tool, industrial robot, and semiconductor production equipment. It will also establish a new sales and service company in Thailand in order to bolster sales and services in Southeast Asia.

### 4. Reinforcing development and production structure

New FCS will enhance its product development capabilities by increasing development speed through sharing research and development costs and intellectual properties between FCS and Schneider Electric. Specifically, joint development of next-generation magnetic starters is under discussion between both companies.

In Japan, development functions that are currently scattered across different locations will be brought together in the Fukiage factory. The process ranging from product planning through mass-production will thereby be integrated into a single system, facilitating timely launch of new products. Also, New FCS will establish its new Technology Center in Dalian, China in order to enhance capability to develop products for Chinese market and technical support for Chinese customers.

New FCS will concentrate its domestic production operations in Otawara and Chichibu factories, while it will strengthen production functions in China and establish a new factory in Southeast Asia. In this way, New FCS aims to increase overseas production ratio to 50%.

## Overview of Companies Involved

### **Fuji Electric Holdings Co., Ltd.**

Established: August 1923

Location: Gate City Ohsaki, East Tower, 1-11-2 Osaki, Shinagawa-ku, Tokyo

Representative: Haruo Ito, President and Representative Director

Paid-in capital: ¥47,586,067,310 (as of March 31, 2008)

Consolidated sales: ¥922.1 billion (for year ended March 2008)

Consolidated number of employees: 25,634 (as of March 31, 2008)

Major operating companies: Fuji Electric Systems Co., Ltd., Fuji Electric FA Components & Systems Co., Ltd., Fuji Electric Device Technology Co., Ltd., Fuji Electric Retail Systems Co., Ltd.

Website: <http://www.fujielectric.co.jp/>

### **Schneider Electric Industries SAS**

Established: 1994 (France)

Location: Rueil-Malmaison, France (a suburb of Paris)

Representative: Jean-Pascal Tricoire, Chief Executive Officer

Paid-in capital: €896 million

Consolidated sales: €17 billion (for fiscal 2007 [approx. ¥2.7 trillion])

Employees: Approx. 120,000 (worldwide)

Business: Manufacture, sale and service of electricity transmission/distribution/transformation equipment and facilities, industrial control equipment and automation equipment

Website: <http://www.schneider-electric.com/>

### **Schneider Electric Japan Holdings Ltd.**

Established: August 1975

Location: Torigoe F Building, 1-8-2 Torigoe, Taito-ku, Tokyo

Representative: Pierre Leveque, Chief Executive Officer

Paid-in capital: ¥1.384 billion (wholly owned by Schneider Electric Industries SAS)

Business: The holding company of Schneider Electric Japan Ltd. (one of the shareholders of Fuji Electric FA Components & Systems Co., Ltd. as of October 1, 2008)

Website: <http://www.schneider-electric.co.jp/> (Schneider Electric Japan Ltd.)