



# **Industrial Infrastructure Business Strategies**

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Industrial Infrastructure Business Group



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# Business Overview



# Business Overview

Contributing to energy-saving and sustainable society by combining power electronics with control technologies

Providing “life cycle services” and “energy saving solutions” related to industrial production lines and infrastructure

## Industrial plant engineering business

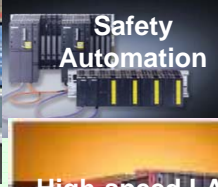
—Mainly drive & automation systems and instruments for production lines



Large drive systems



Plant control systems



High-speed LAN equipped PLCs



Measuring instruments/sensors



Environment analyzers (Top class in Japan)

Main area: All general industry field including steel, chemical plants, food products, and pharmaceuticals

## Core technologies



Plant control technologies

## Facility business—Mainly various factory power supplies, induction heating and air conditioning systems that use power electronics



Large capacity rectifiers (No.2 market share worldwide)



Heating units for induction furnaces (leading market share in Japan)

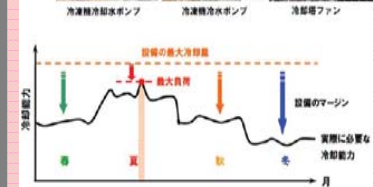


Power receiving and distribution substation equipment



IDC

Main area: All general industries field including steel, nonferrous metal smelting, chemical plants, and IDCs

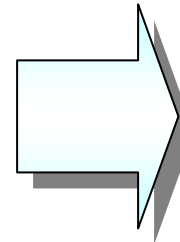


Energy-saving technologies






# Energy-Saving Solutions and Concepts for Factory

- Ensure stable operation through energy supply
- Construct production lines employing energy (electricity/heat) saving equipment
- Realize control/management needed for optimal operation by data visualization




**Contribute to be higher customer's income throughout product lifecycle**


**Energy supply systems supporting stable operation**

Photovoltaic power generation facilities 	Co-generation facilities 	Power receiving and distribution substation equipment 	Highly efficient UPSs 
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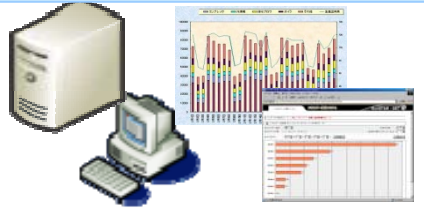
**Data visualization systems**  
**Operational optimization systems**

Monitoring control systems  
Production control systems

Sensors/Measuring instruments  


High-speed LAN equipped PLCs  


**Visualization and analysis system for energy management**

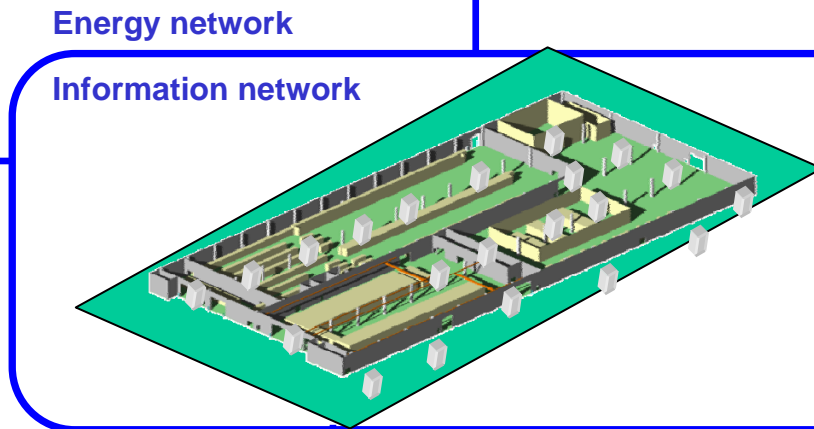


**Environmentally friendly heating and air conditioning systems**

Highly efficient Fan & filter unit  


Energy-saving air conditioners  


Heating units for induction furnaces  

**Production lines employing energy- and electric power saving equipment**

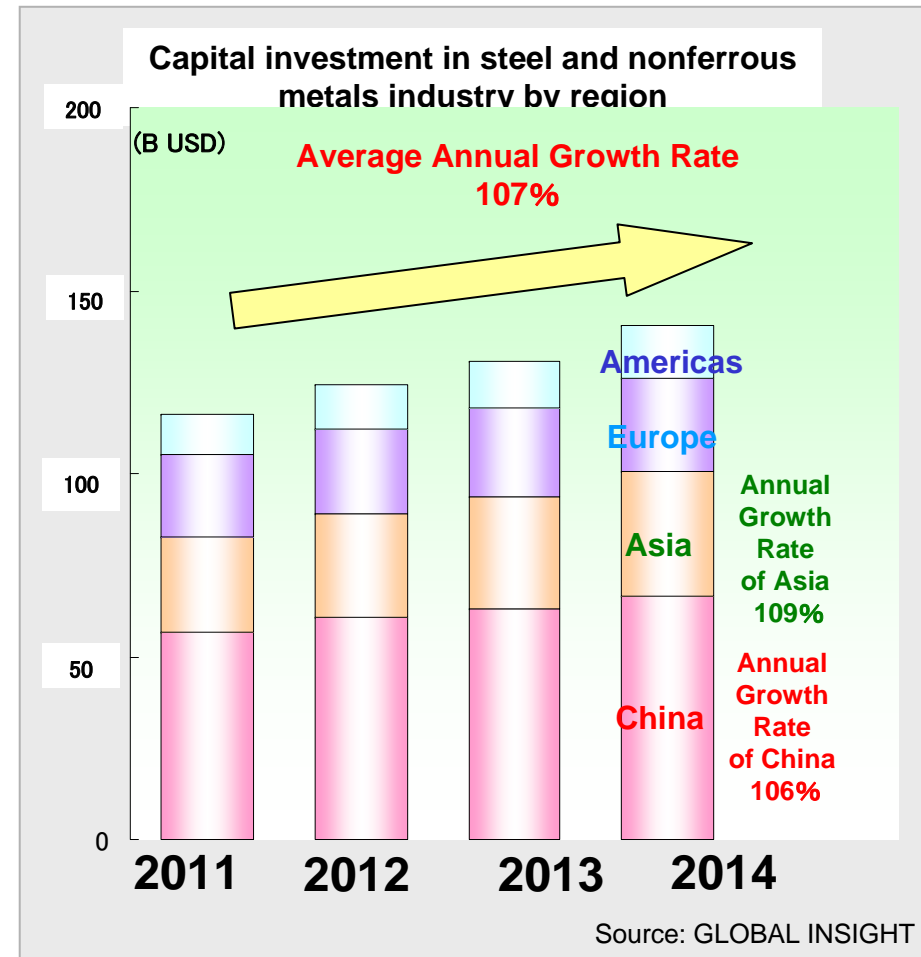
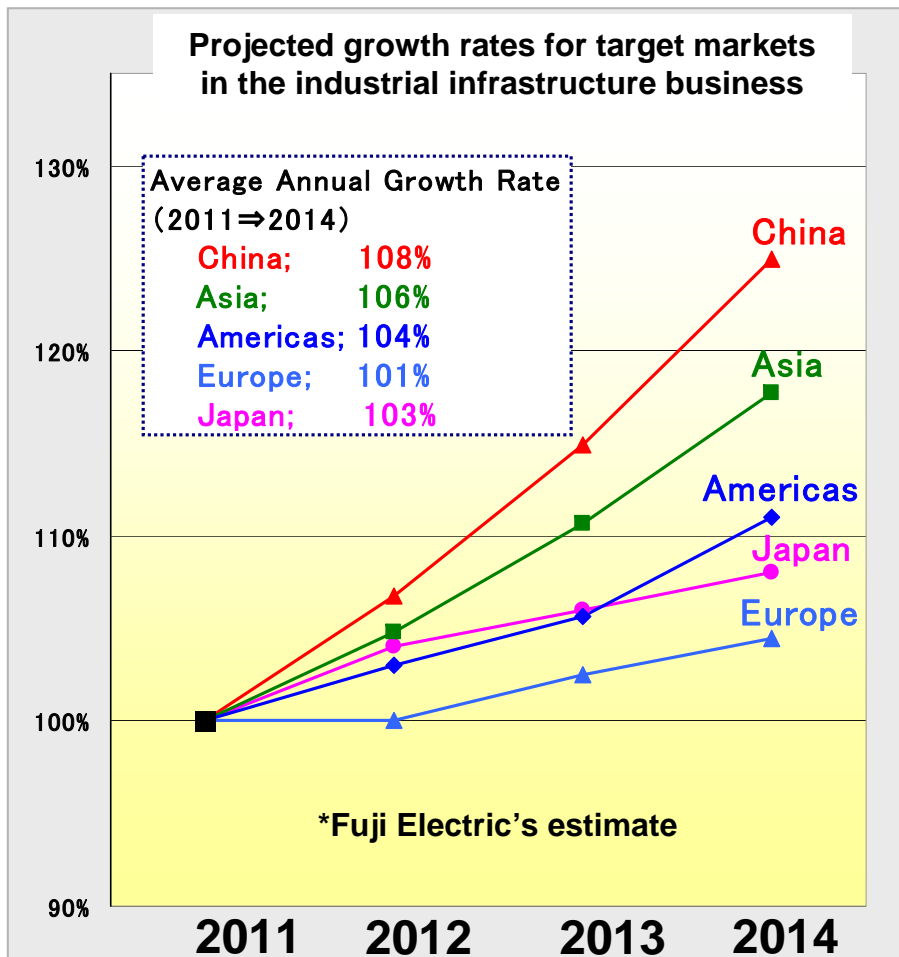
Inverters 	Highly efficient motors 	Large capacity drives 
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Improved productivity Higher income	Lower CO2 emissions Reduced waste	Production status Environmental reports
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# Business Targets

## Favorable conditions will continue in Asian and Chinese markets

- High growth rates continuing in Asian and Chinese markets
- Capital investment will grow in focus industries of steel and nonferrous metals in Asia

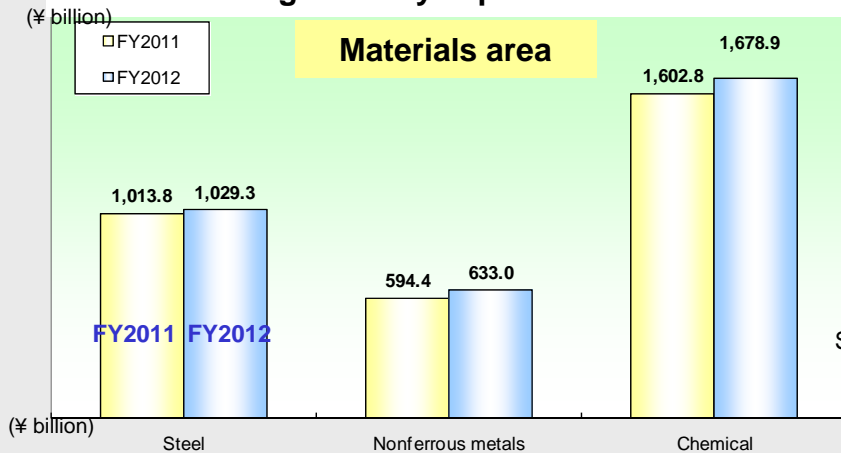


# Capital Investment Trends Among Japanese Companies

## Diversified investment and accelerated shift of operations to overseas due to the strong yen and Great East Japan Earthquake

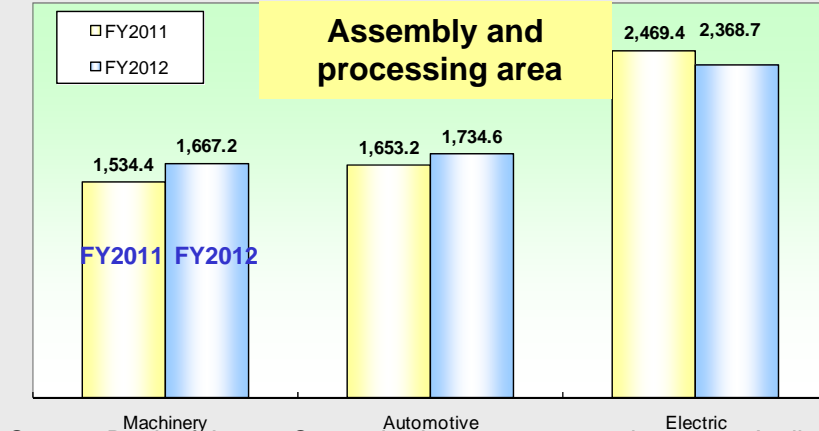
- Continued flat growth in capital investment by manufacturing companies
- Investment in maintenance, repairs, and efficiency improvement continues to grow, investment in production increases continues to shrink
- Overseas investment continues to grow, expected to grow further in response to electricity rate hikes in Japan

### Manufacturing industry capital investment trends



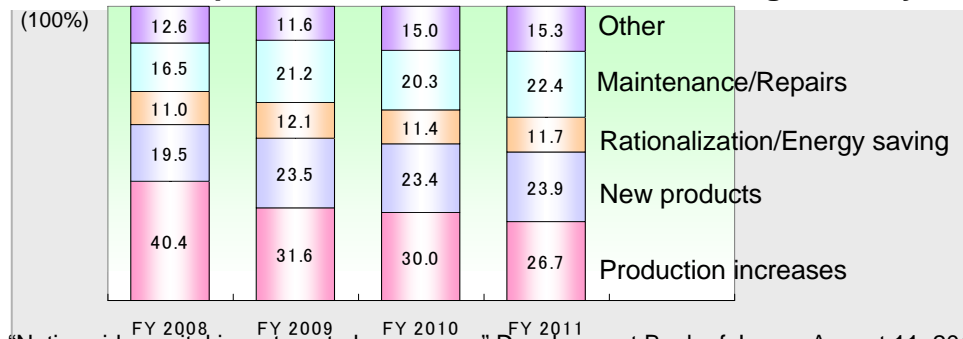
#### Materials area

#### Assembly and processing area



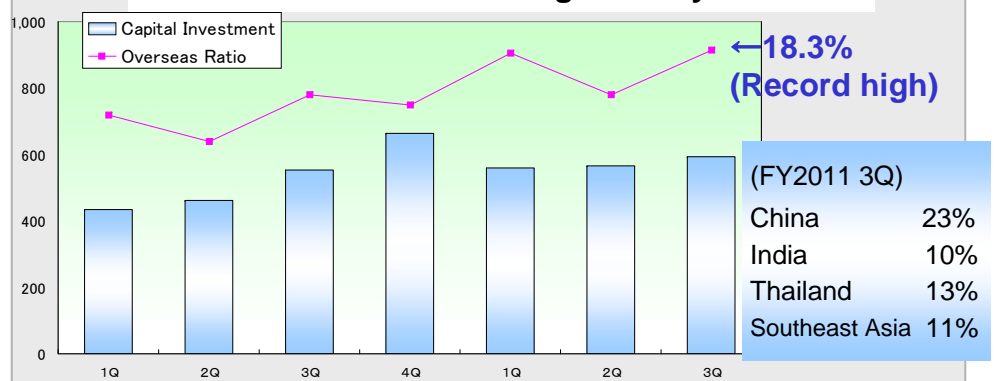
Source: Bank of Japan, Quarterly short-term economic survey, April 2, 2012

### Aim of capital investment in the manufacturing industry



Source: "Nationwide capital investment plans survey," Development Bank of Japan, August 11, 2011

### Recent overseas capital investment trends in the manufacturing industry



Source: "Local Trends of Overseas Companies," Ministry of Economy, Trade and Industry, March 22, 2012

(FY2011 3Q)	
China	23%
India	10%
Thailand	13%
Southeast Asia	11%

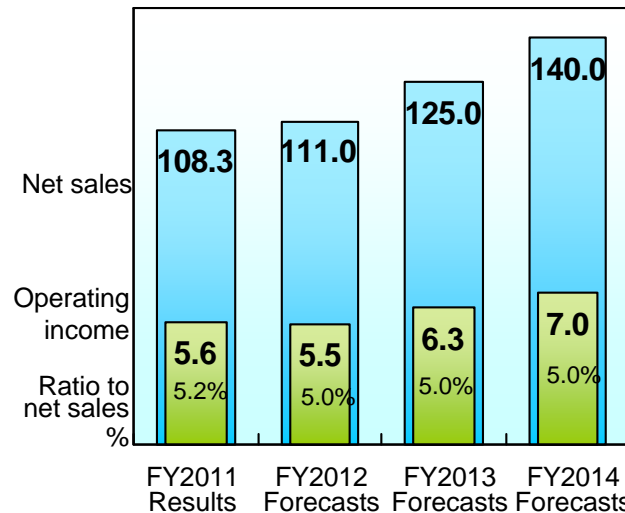


# Three-Year Basic Direction and Business Targets

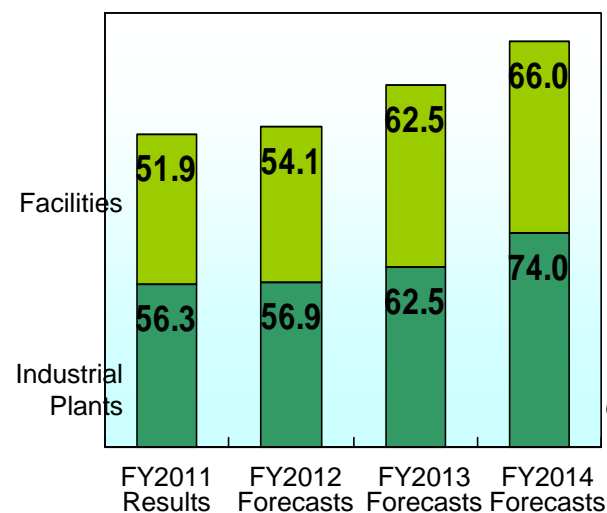
## Basic Policy

- Overseas: Expand business centered on materials field in Asia and China
  - Expand business by localizing operations and carefully selecting markets and fields
- Domestic: Improve profitability and capturing demand for facility upgrades
  - Strengthen product life cycle services
  - Secure income by thoroughly cutting costs and strengthening financial structures

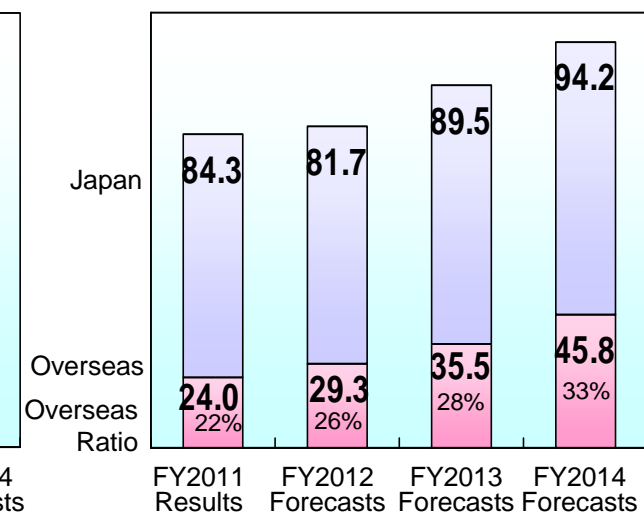
Net sales / Operating income (¥ billion)



Net sales by sub-segment (¥ billion)



Sales in Japan / Overseas (¥ billion)





# FY2012 Business Strategies / Priority Measures



# Overseas Businesses

## -Business Strategies/Priority Measures for FY2012

### Business strategies

- Complete shift to overseas in FY2012, reap benefits in FY2013
  - Strengthen and expand regional engineering bases
  - Construct local design systems and promote local production and consumption
  - Conduct joint-ventures with overseas partners and M&A transactions

### Priority measures

- Establish new engineering bases for each regions and countries, increase staff by **25 people**
  - FY2011: Singapore, Thailand, South Korea
  - > FY2012: Vietnam, Indonesia, India, Bahrain
- Accelerate initiatives to ensure product competitiveness
  - Establish overseas production systems (local design/production) for core products (power electronics)
  - Reduce costs by expanding local procurement of mature equipment (OEM, EMS)
    - > **Cost reduction by at least 30%**
    - > Industrial-use motors, transformers, switchboards, and air conditioners
  - Promote development of products responsive to global trends (standard compliant)
    - > Industrial-use motors
- Cultivate and secure human resources > Dispatch employees to sales companies, educate and promote local staff
- Cooperate with overseas machinery manufacturers to acquire complete electric machinery orders > Steel
- Conduct joint-ventures (including M&A activities) targeting the expansion of new fields
  - > Resources (Oil, gas)

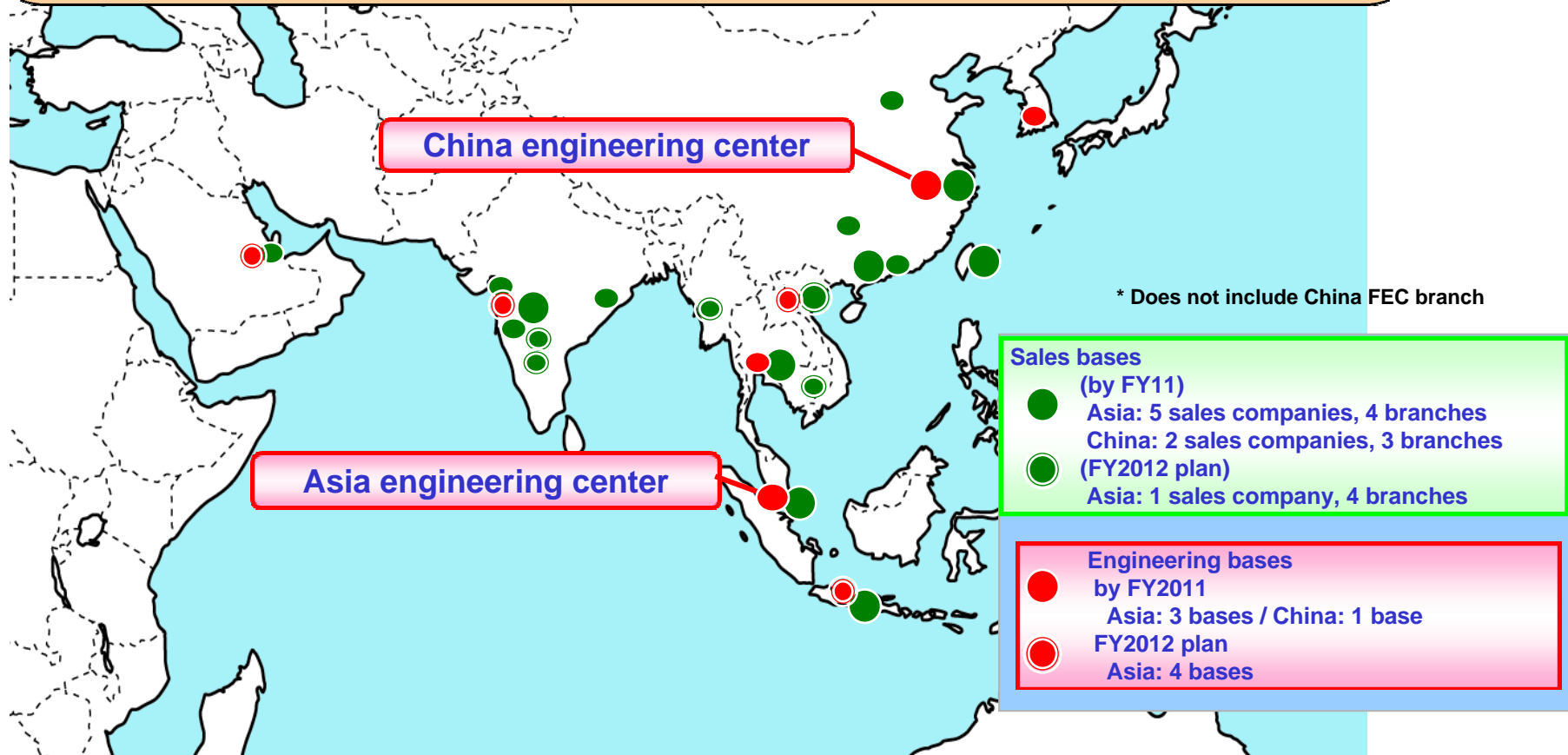
# Overseas Businesses

## -Sales and Engineering Bases

**Establish engineering bases in each region of Asia**

**Plans to bolster engineering staff**

	FY2011	FY2012
China	50	60
Asia	10	25

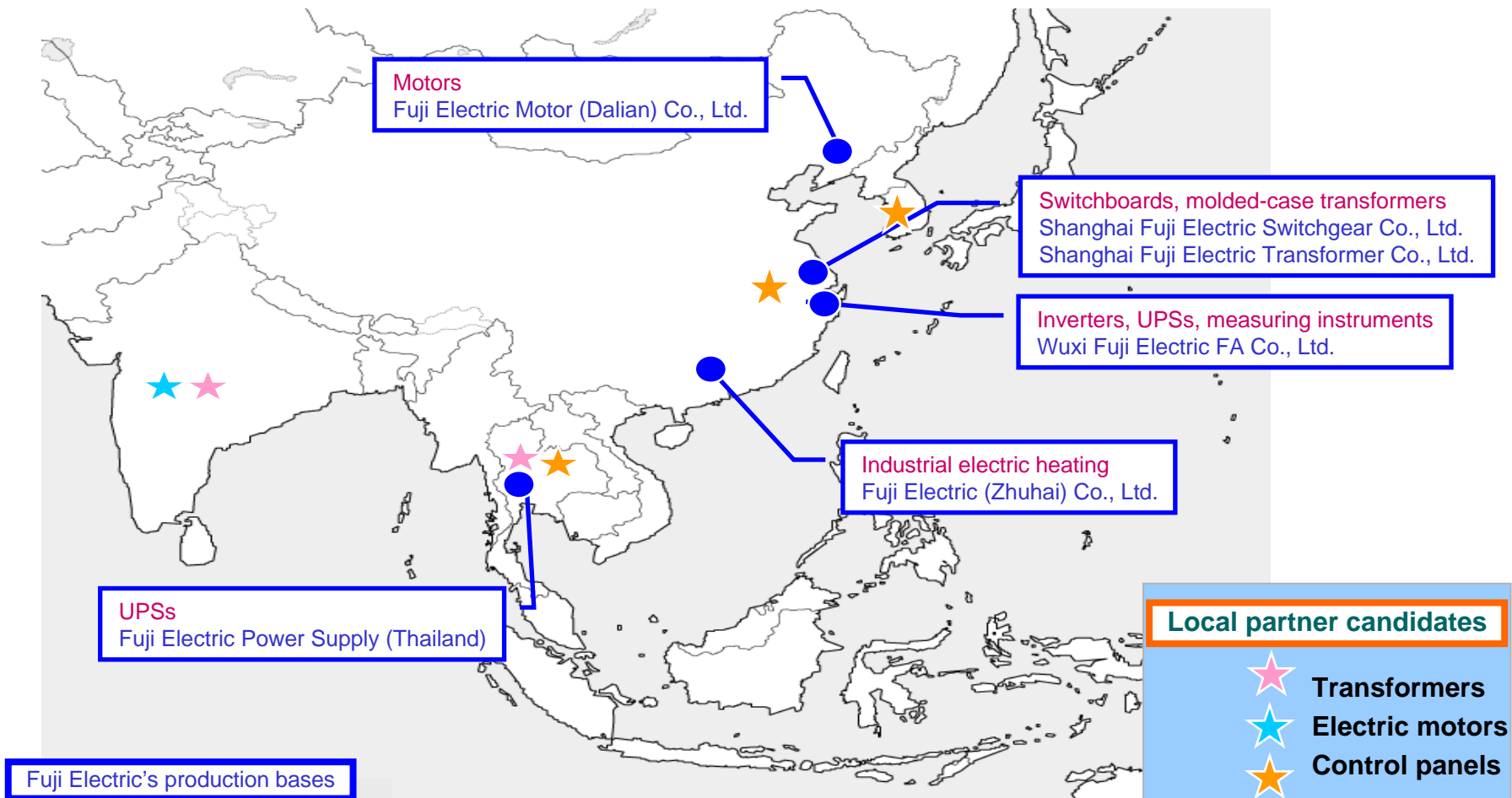




# Overseas Businesses

## -Production Bases and Manufacturing Joint-Ventures

Promote local production and local consumption in each market  
Develop joint-ventures and conduct M&A activities with promising partners  
Joint-venture partner candidates reduced from 20 to 6, final decision pending





# Domestic Businesses

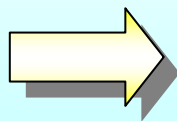
## -Business Strategies/Priority Measures for FY2012

### Business strategies

- Capture upgrading demand based on extensive delivery track record
- Secure overseas business resources by cutting costs and strengthening financial structures

### Priority measures

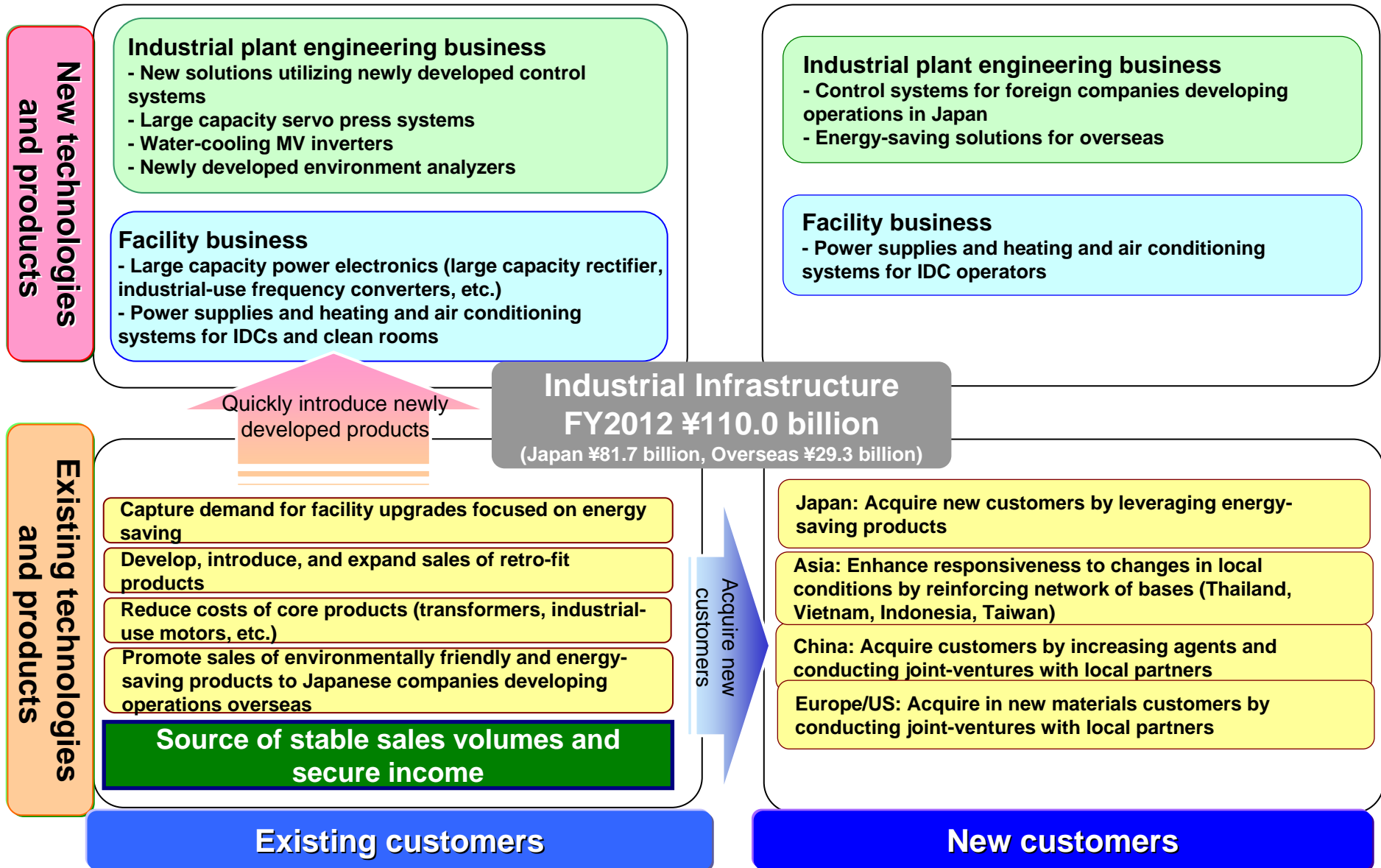
- Strengthen approach toward existing customers by [developing retro-fit products and proposing service courses](#)
  - > Industrial plants: Controllers, upgrade solution courses (drives, control systems)
  - > Facilities: VCBs compatible with existing facilities
- Expand in environment and energy saving markets by leveraging environmental improvement products
  - > Industrial plants: Environment analyzers
  - > Facilities: Industrial-use frequency converters, module IDCs
- Reduce costs by expanding usage of overseas products in mature products
  - > Transformers, induction furnaces
- Improve operational efficiency through optimal deployment of engineers
- Strengthen service business systems (bolster staff, integrate resources)



Improve domestic income margins:  
1.5% increase from FY2011



# Business Strategies for FY2012





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