

Message from the Chairman of the Board and CEO

By pursuing our corporate philosophy and management policies, we aim to contribute to the sustainable improvement of corporate value and the realization of a sustainable society

Michihiro Kitazawa

Chairman of the Board and CEO



Toward the next 100 years

Fuji Electric celebrated its 100th anniversary in September 2023, and fiscal 2024 will mark the start of a new 100-year period. We, Fuji Electric, pledge as responsible corporate citizens in a global society to strengthen our trust with communities, customers and partners in our corporate philosophy. Our corporate philosophy also calls on us to contribute to prosperity, encourage creativity, and seek harmony with the environment, and we have positioned contributing to society through our energy and environment businesses as a pillar of our management policies. This attitude will not change in the future.

Since its foundation in 1923, Fuji Electric has continuously refined and evolved its energy and environment technologies, excelling in power semiconductors and power electronics

that achieve the industry's top-of-the-line power conversion efficiency. In the industrial and social infrastructure sectors, we have consistently provided our customers with products that contribute to clean energy, stable supply of energy, energy saving, and automation.

We are currently taking on numerous challenges aimed at global decarbonization. As a company with core technologies and products in the energy and environment sectors, contributing to the creation of a sustainable society is our mission. As society changes, we will continue to tackle the challenges of solving problems together with customers from a wide range of industries, working toward the advancement of the SDGs and the creation of a sustainable society.

Achievement of the FY2023 Medium-Term Management Plan is a team effort

In fiscal 2019, we launched a five-year Medium-Term Management Plan called "Reiwa Prosperity 2023," which ends at the close of fiscal 2023, with the aim of achieving prosperity in the energy and environment businesses with management targets of ¥1 trillion in net sales and an operating profit ratio of at least 8%. Over the past five years, the environment surrounding Fuji Electric has changed dramatically as we have encountered situations we have never experienced before. These include U.S.-China trade friction, the COVID-19 pandemic, Russia's invasion of Ukraine, and more extreme weather events. The combined effects of these factors caused supply chain disruptions due to rising material and power prices and difficulty in procuring parts, among other problems. I believe that the fact that we have been able to minimize their impact on our business performance, despite this critical

management situation, is largely due to our efforts over the past 10 years to strengthen our teamwork and manufacturing capabilities. Recognizing that every challenge is also an opportunity, we continued to invest in plant and equipment investments and R&D expenditures in anticipation of future growth in demand in the growth fields of energy, industry, and semiconductors. I believe this has allowed us to adapt to changes in the market and expand our business performance without missing business opportunities.

To strengthen orders in the energy and industry sectors, we revamped our sales structure and worked to grow in unison with the Business Groups. Against the backdrop of advances in digitalization, demand for data centers and semiconductor factories grew in Japan and Asia, and net sales for the comprehensive electrical equipment business doubled in fiscal

2023 compared to fiscal 2018. Overseas, we have established a platform for local production for local consumption in India through M&A, and our net sales in India in fiscal 2023 were approximately five times higher than in fiscal 2018. In power semiconductors, we increased production capacity ahead of schedule as the uptake of electric vehicles advanced faster than expected and made additional investments while aiming to curb the amount invested by repurposing the discontinued magnetic disk production line for power semiconductors. In fiscal 2023, there was a fivefold increase in front-end 8-inch silicon (Si) wafer production capacity in comparison to fiscal

2018, and power semiconductor sales doubled in comparison to fiscal 2018.

As a result, in fiscal 2023, we achieved record highs in all areas with net sales of ¥1,103.2 billion, an operating profit of ¥106.1 billion (profit ratio of 9.6%), and a profit attributable to owners of parent of ¥75.4 billion, successfully surpassing a major milestone on our 100th anniversary. Furthermore, the fact that our market capitalization exceeded ¥1 trillion for the first time indicates that the results of our efforts to date and our reason for existence are being recognized by the stock market, and that expectations for further growth are increasing.

What has changed at Fuji Electric?

I would like to take a look back at how Fuji Electric's profit structure has become stronger, that is, what has changed and what we have changed in our management.

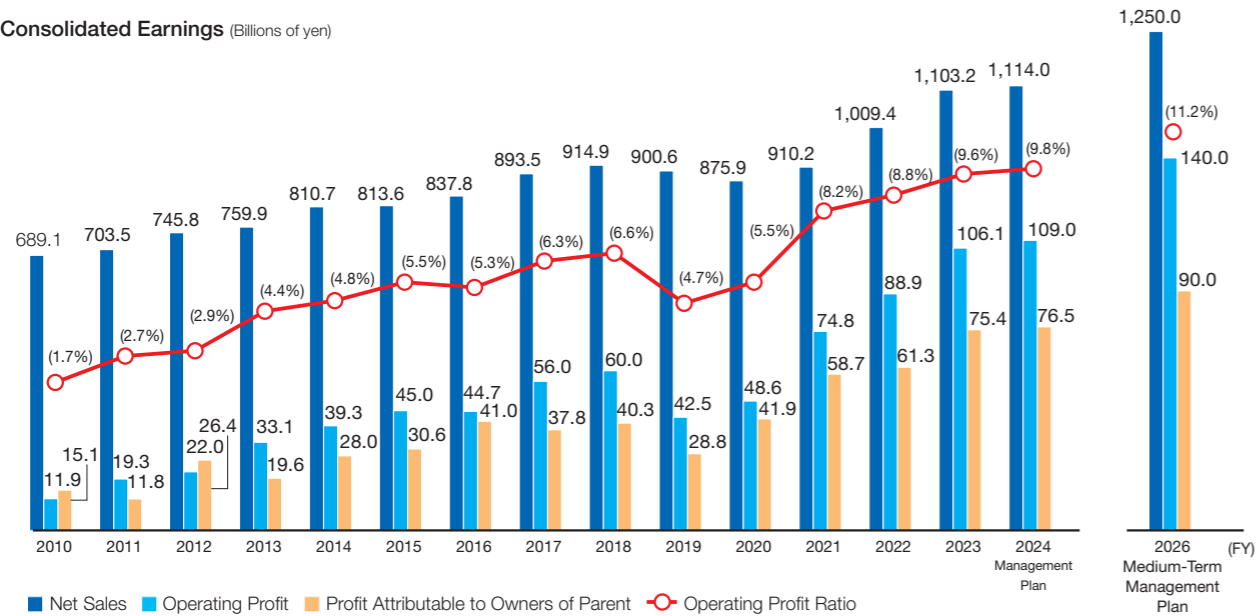
What we have changed is that we have increased employees' attachment to the Company and created an environment where they can realize their potential. To achieve this, management must change first. To make management decisions quickly and ensure that they are thoroughly communicated throughout the organization, the number of executive officers was reduced from 53 to 18, and in principle, these executive officers are the Corporate General Managers of Business Groups and General Managers of Offices who form the foundation of the organization. Next, we clarified our strengths by designating the energy and environment businesses as our business domain and the power electronics business as our core competence. We incorporated our major management targets and vision into our management policies, clearly defined medium-term targets, and shared them across the entire Group companies. Prime examples of this are our "Dream 1" initiative to achieve net sales of ¥1 trillion, and our

"Pro-7" initiative to achieve an operating profit ratio of 7%.

In management execution, we have consciously worked to ensure that the core of management remains unwavering, the targets are kept simple, and all employees can embrace them as their own. We have worked to change the mindset of our employees by continuously and directly reminding them that the targets are there to be achieved. Addressing the employees directly, we repeatedly emphasized our corporate slogan "To be enthusiastic, ambitious and sensitive" and announced that our performance results would be reflected in their compensation.

One thing that has significantly changed through these continued initiatives is the employees' mindset: Achieving the targets has instilled confidence in both the employees and the organization. Another thing that has changed is our manufacturing capabilities, which can be defined as the ability to generate profits in the factory. The source of profit lies in the factory. In-house manufacturing, automation, standardization, and production technologies are all directly linked to profits. I believe this is the result of over 10 years of accumulated effort.

Consolidated Earnings (Billions of yen)



Medium-Term Management Plan: “To be enthusiastic, ambitious and sensitive 2026”

In May 2024 we launched a three-year Medium-Term Management Plan called “To be enthusiastic, ambitious and sensitive 2026,” which ends at the close of fiscal 2026. Now that we have achieved our long-held goal of ¥1 trillion in net sales and an operating profit ratio of over 8%, I feel that we must return to the fundamentals of management and pursue sustainability management. Eagerness and lofty goals also represent a struggle against ourselves. We aim to make Fuji Electric into a global leader by leveraging our expertise in power electronics, honed over a long history, to create a fifth business pillar in the energy and environment businesses. To achieve this, it is essential that we continue to be a company that is trusted by our customers, business partners, shareholders, investors, and other stakeholders. Using the current Fuji Electric as a benchmark, we will consider what we should become in light of societal changes, clearly identify what needs to be improved and changed, and continue to evolve.

Continuing management emphasizing profit and promoting growth strategies

The targets of the FY2026 Medium-Term Management Plan now include profit attributable to owners of parent (and its ratio to net sales) and ROIC, in addition to the existing targets of net sales, operating profit (ratio), and ROE, to further underline the emphasis on profit in our management. At the core of our growth strategies to strengthen profitability are the areas we have strengthened thus far: clean energy generation, stable supply of energy, energy saving, automation, and electrification. Since the needs of our customers are constantly changing, we will further evolve our business model, which consists of power semiconductors (key devices), components of the products in which they are used, and systems that combine these. In particular, our comprehensive business, which allows us to make the most of our strengths, is built on the foundation of a relationship of trust with our customers. I am convinced that building three-way win-win relationships

among our customers, business partners, and Fuji Electric will lead to medium- to long-term growth and sustainability and ultimately contribute to society.

Over the next three years, we plan to invest approximately ¥250 billion in plant and equipment investment. We will enhance the profitability of existing businesses to generate cash and direct that cash toward investments in growth fields and the creation of businesses that will become the pillars of Fuji Electric in the future. In semiconductors, we plan to spend ¥180 billion, mainly to increase silicon carbide (SiC) production capacity. We will assess market trends in order to execute investments at the optimal time.

Our R&D, procurement, manufacturing, and business divisions will work together in a cross-functional manner to create new products and businesses, solidifying our foundation as a company with sustainable growth.

To increase profitability amid an increase in production volume, it is important to improve productivity. We will build systems and platforms that utilize digital technology and AI. Furthermore, just as in the previous medium-term management plan, where business operations emphasizing cost of capital were carried out, we plan to develop a strong business portfolio based on hurdle rate of ROIC of 10% for all segments in order to improve profits. While maintaining both growth potential and financial soundness, we aim to provide stable and continuous returns to shareholders with a dividend payout ratio of approximately 30%.

In promoting our growth strategies, we will steadily take advantage of opportunities for increased investment in the Japanese market to win orders, while at the same time expanding our energy and industry businesses, particularly in India and Southeast Asia, which are experiencing remarkable growth. M&A is also an option, and we will further expand our overseas business by further expanding local design and local production for local consumption and by introducing global products.

Promoting sustainability management

To sustainably increase our corporate value, it is essential that we continue to make unremitting efforts in accordance with our corporate philosophy and management policies. It is also essential to implement the three initiatives set forth in our FY2026 Medium-Term Management Plan: Promotion of Environmental Vision 2050, Promotion of Well-Being, and Strengthening of Corporate Governance.

The world is accelerating its efforts toward transitioning to a green society, but it is clear that there will be twists and turns along the way to the goal. To promote decarbonization throughout the entire supply chain, it is necessary to have a variety of options based on mutual understanding with stakeholders. Recognizing the circular economy perspective on the effective use of limited resources as a material issue, we will focus our management resources on developing new products and launching new businesses that contribute to CO₂ reduction in our customers’ facilities and business models. To achieve this, we will cooperate with our business partners to comply with the Ecodesign for Sustainable Products Regulation (ESPR) being implemented in Europe with the goal of building a green supply chain.

Human resources are the source of improvement in corporate value. I believe that management’s unwavering commitment to “employees first” is essential for corporate growth. By adding the perspective of employee well-being to our employee-first approach, we aim to further develop a virtuous cycle of employee growth, company prosperity, and returns to employees, shareholders, and society.

In Japan, addressing labor shortages and labor mismatches will be an important issue in the future. To secure talent, it is necessary to enhance the attractiveness of Fuji Electric and

to make people aware of its appeal. To make this happen, we must be a company and a workplace where employees work with vigor and enthusiasm. We will emphasize diversity and strive to enhance systems and operations that support employee success. We will promote the revitalization of our open application system based on business needs and prioritize the improvement of employee job satisfaction and career development through the revision of human resource benefit systems and reskilling programs. We will continue to work to increase the number of female employees in supervisory positions and to pursue the revision of workstyles and reimbursement of senior employees. Meanwhile, on the global front, we will reinvigorate our global human resource development, which had stalled due to the COVID-19 pandemic, and begin developing managerial talent and establishing compensation systems to help local operations become more independent.

In terms of strengthening corporate governance, we will focus on compliance and risk management throughout the entire Group, including our overseas subsidiaries. We will incorporate an ESG perspective into the conduct of our business and promote transparent and effective governance with the support of the entire Group. With the stock market increasingly emphasizing P/B ratios in addition to P/E ratios, Fuji Electric’s market capitalization has now exceeded ¥1 trillion. In this setting, we have introduced a performance-related share-based remuneration plan that more clearly links the remuneration of directors to the value of the Company’s shares. We aim to enhance awareness of the value of the Company’s shares and manage the business in a way that meets shareholders’ expectations.

Fuji Electric’s DNA

Our corporate slogan, “To be enthusiastic, ambitious and sensitive,” represents the DNA of our Company that we want our employees to cherish and pass on to future generations of employees. Enthusiasm means the eagerness to contribute to society by creating new technologies and products. Ambition means the determination and spirit to set high goals to share with the team and continuously pursue them. Sensitivity means the kindness to appreciate and care for our customers, colleagues and families, which is exactly the Fuji Electric DNA that our predecessors have built up and

passed down to us. This is what makes the team stronger. To maintain high aspirations and goals, it is necessary for the leaders themselves to maintain that same attitude and always share the big goals with the team. We will evolve our energy and environment businesses together with our customers and business partners, contribute to solving social and environmental issues and creating value for our customers, and continuously improve our corporate value. We look forward to the continued understanding and support of all stakeholders, including shareholders and other investors.

Chairman of the Board and CEO