

Interview with the President and COO



Shiro Kondo  
President and COO

We will improve corporate value by creating new businesses

Q: Please explain the positioning of the FY2026 Medium-Term Management Plan.

Adapting to change and contributing to the creation of a sustainable society

I believe that the business environment surrounding Fuji Electric will change significantly in the future. These changes—including the trend toward decarbonization to protect the global environment, the dramatic progress in the utilization of digital technology, global environmental changes, geopolitical risks, demographics changes, and workstyle reforms —bring both opportunities and risks to Fuji Electric’s management. The FY2026 Medium-Term Management Plan is a stage for us to adapt to such changes in the external environment while achieving ongoing improvement of corporate value and contributions to society. Our corporate philosophy and management policies emphasize our contribution to a sustainable society through our energy and environment businesses. In pursuit of our social mission, we aim to be a leading company in power electronics, which is

our core competence. In the energy and environment fields, as we approach 2030, the conventional mainstream energy supply system of centralized, large-scale power generation will become increasingly supplemented with decentralized local production for local consumption of energy as typified by renewable energy. Under these circumstances, from the perspective of providing value to customers and society, there will be growing needs in areas such as making clean energy mainstream, stabilization and optimization of energy supplies, and consumer-side energy saving, automation, and electrification. We will expand our business by introducing new products to meet these needs, and we will also promote initiatives with a view to creating new businesses after 2027.

Aiming to improve corporate value through management emphasizing profit

We have decided to use the period of the FY2026 Medium-Term Management Plan to advance our three-year growth strategies starting in fiscal 2024 while also preparing for future business growth. We have therefore once again adopted the basic policy of “improvement of corporate value through management emphasizing profit.” Instead of merely pursuing

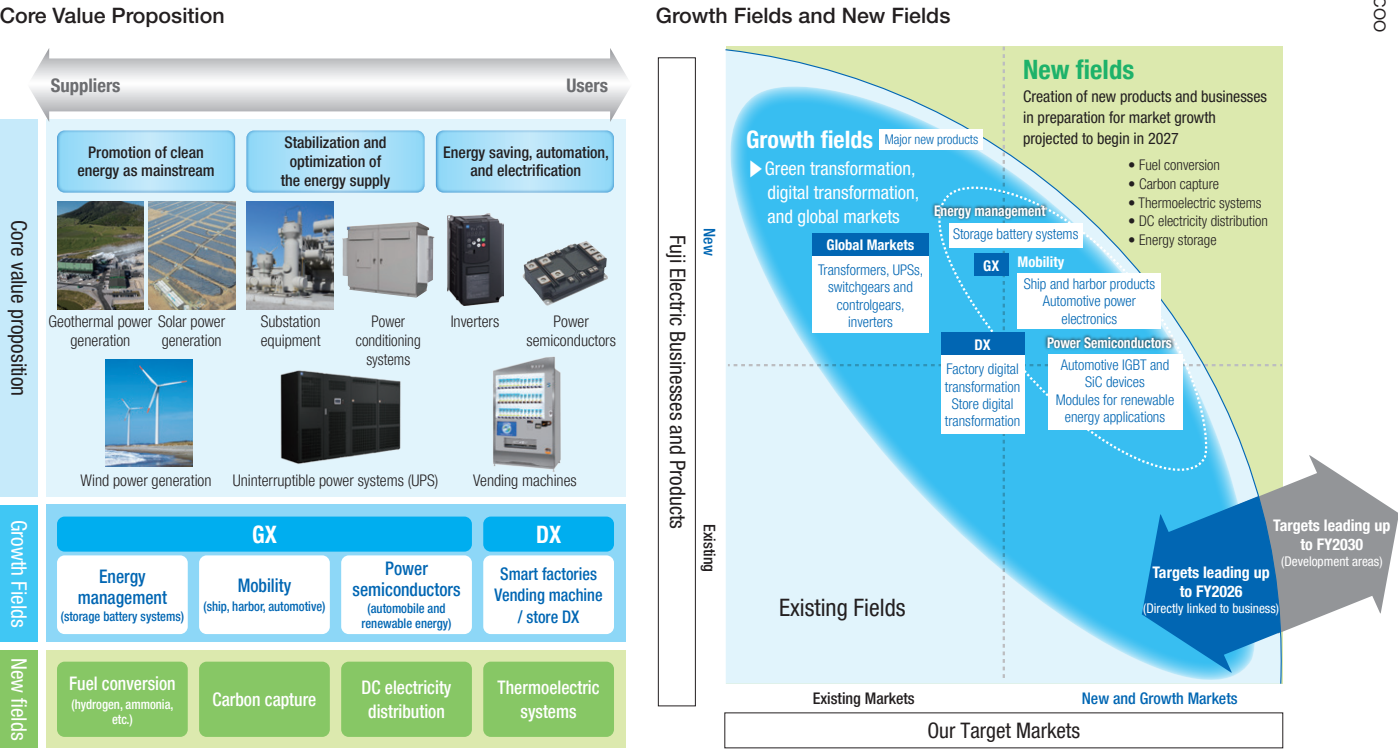
business expansion, we aim to further improve profitability and achieve business growth accompanied by profits. In addition to operating profit (ratio), we will emphasize profit attributable to owners of parent (and its ratio to net sales) and direct the cash generated into growth investments through management emphasizing cost of capital.

Q. Please describe your vision for Fuji Electric.

Expanding business with synergies of existing businesses and technologies and new products demanded by the times

We have the businesses and technologies to create clean energy, provide a stable supply of energy, and contribute to consumer-side energy saving, automation, and electrification. This is Fuji Electric’s core value proposition. We will build on this core value to expand our value fields by leveraging synergies with our existing businesses and

technologies in line with the demands of the times. We will launch new products to achieve green transformation (GX) and use digital transformation (DX) to create new value, expanding our businesses through the creation of customer value and the solution of social issues in the energy and environment fields.



Q. What fields are you targeting for growth by fiscal 2026?

Business expansion centered on new product launches with GX and DX as growth fields

I already mentioned expanding our value fields, but not all of these fields can necessarily be commercialized within the period of the FY2026 Medium-Term Management Plan (which covers up to fiscal 2026). Therefore, among the expansion fields we are working on, we identified those to be commercialized by fiscal 2026 as growth fields and those to be commercialized in fiscal 2027 and beyond as new fields, and formulated the medium-term management plan based on these fields. The net sales target for the FY2026 Medium-Term Management Plan is ¥1,250 billion, an increase of approximately ¥150 billion from fiscal 2023, of which approximately half is to come from the launch of new products. In the GX field, for example, the “comprehensive renewable energy business” consists of renewable energy systems,

energy management systems, and new products of power conditioning systems for storage batteries. We expect this business to be one of the outcomes of integrating the resources of our former power generation and energy divisions. We also aim to expand our business by focusing on the mobility sector, including electrification systems for ships and harbors, as well as silicon carbide (SiC) power semiconductor products for electrified vehicles and renewable energy. In the DX field, one highlight will be the development of the smart factories business, which aims to totally optimize productivity improvement, contribution to the environment, and facility maintenance. We will also provide operational efficiency improvements to address labor shortages in the vending machine and store distribution sectors.

Developing new global products with a focus on India and Southeast Asia

Another growth field is overseas. We aim to expand our business by enhancing added value in the form of systems, centered on new global products such as transformers, switchgears and controlgears, uninterruptible power systems (UPSs), and low-voltage inverters. Based on the principle of local production for local consumption, in addition to the localization of production and sales that has been underway, we will strengthen our localization of design (“local design”) and expand locally-led business by local subsidiaries. We will also consider utilizing M&A to strengthen our local operations.

The focus will be on India and Southeast Asia. For example, in India, smart meters are being introduced in a national project to modernize the electricity infrastructure and improve energy efficiency. Based on our extensive experience in Japan, we are entering the smart meter market and will leverage our

automation production technology in Japan to promote local production for local consumption. Similarly, in the area of steel plants, as economic growth drives greater demand for steel, we aim to expand our business mainly by utilizing local subsidiaries to expand sales of new global products.

I believe that strengthening our “local design” is key to expanding overseas development because it enables us to quickly reflect the different market needs of each country and region in our product designs. For example, we have already begun customizing inverters to suit local applications and switching to locally-sourced materials for some products at our major overseas bases. In the future, we will strengthen our human resources in design and development in order to expand the scope of target products, mainly at our focused overseas bases.

Q. What are the key points of the efforts to create new businesses in fiscal 2027 and beyond?

Creating new businesses through co-creation with partner companies

When creating new businesses, we develop strategies based on a roadmap that takes into account our future goals as well as future predictions for related technologies and markets. The New Products Development Office serves as a hub, with the sales, business, and R&D divisions working cross-functionally to consider strategies, but the key point is that we create new businesses through collaborations with companies that are partners in various ways. In the future, we aim to create new business opportunities through co-creation with our partners

based on the technological and market trends anticipated in the roadmap. Excelling in power semiconductors and power electronics, Fuji Electric’s strength is its ability to harness its measurement, control, and freezing and heating technologies to provide optimal system solutions that address customer challenges through a wide range of businesses and products, from the energy supply side to the demand side. We will leverage this strength to advance GX and DX.

Focusing on new fields such as fuel conversion, carbon capture, thermoelectric systems, and DC electricity distribution

In order to realize a decarbonized society, it is expected that small- and medium-sized decentralized energy sources will become essential in addition to the conventional large-scale centralized energy sources. Leveraging its proven track record in geothermal, hydro, and solar power generation, Fuji Electric aims to contribute to business in 2027 and beyond by focusing on clean energy such as fuel conversion and carbon capture, as well as new fields such as thermoelectric systems and DC electricity distribution. Specifically, in the field of fuel conversion, we are engaged in the development to harness hydrogen and ammonia, such as large-capacity transformer rectifiers for producing hydrogen through water electrolysis, fuel cell solutions for factories and harbors using hydrogen fuel cells, and safety instrumentation systems for hydrogen

and ammonia supply systems. In the field of carbon capture, we are working in collaboration with industry and academia to commercialize a system for separating and capturing CO<sub>2</sub> emitted from factories, ships, and other sources. In thermoelectric systems, we will develop waste heat recovery heat pumps and ejector cooling systems that utilize waste heat from factories and plants, which has been discarded until now, to save energy and meet the demand for waste heat utilization. DC electricity distribution has the advantage of reducing power loss in renewable energy, energy storage, and similar applications. By making full use of power semiconductor conversion technology, we will contribute to the efficient and stable supply of electricity.

Q. What initiatives are key to increasing profitability?

Improving productivity through the use of digital technology

The key to enhancing profitability is to improve productivity. In the previous medium-term management plan, under the theme of “Manufacturing IoT,” we promoted the expansion of automation and in-house production and the visualization of factory management data. Going forward, under the theme of “IoT-Linked Smart Factories” aimed at further improving productivity, we will collect, analyze, and optimize manufacturing site data in real-time, automate skill-intensive tasks and inspection processes, and promote digitization

of facilities. Furthermore, we aim to integrate supply chain management, which seamlessly manages procurement, manufacturing, and sales, with product lifecycle management, which manages product planning, sales, and services in cyberspace. Digital collaboration between design and manufacturing floors is particularly important. We hope to improve productivity by 20% compared to fiscal 2023 by increasing development efficiency and improving business processes in design, production, and procurement.

Development of strong business portfolio based on hurdle rate of ROIC of 10% for all segments in order to improve profits

In the medium-term management plan that covers up to fiscal 2026, we will focus our investments on growth areas, including plant and equipment investments and R&D investment, which will yield returns after fiscal 2027. Setting a hurdle rate of 10% ROIC for all segments, we will actively invest in growth fields of energy, industry, and semiconductors to generate profits. In the food and beverage distribution segment, where Fuji Electric enjoys an overwhelming market share and a strong competitive advantage, we aim to generate stable profits by

improving production efficiency and promoting high added value in our products. We also believe that there is a high level of synergy between our businesses, mainly on technical aspects, such as those related to decarbonization. For all of these reasons, we intend to maintain our current business portfolio. By thoroughly managing ROIC by segment and building a robust business portfolio, we will maintain ROIC of 10% or more and ROE of 12% or more on a consolidated basis even when upfront investments are required.

Q.What is your focus in achieving the FY2026 Medium-Term Management Plan and the ongoing improvement of Fuji Electric’s corporate value?

Honing our ability to adapt to change and identify challenges through dialogue

To achieve ongoing improvement of its corporate value, Fuji Electric emphasizes Adaptability to Change and the Two Drivers of Innovation, which is composed of Imagination, and Creativity.

I believe that Adaptability to Change begins with being able to sense the signs of change, and this is something that everyone should do. Next, once you sense the signs, you must consider what kind of future they might bring. On the other hand, I believe that the Two Drivers of Innovation, that is, Imagination and Creativity, will be very important elements for Fuji Electric to increase value in new fields and businesses going forward. As a prerequisite for these abilities, it is also important to hone your ability to identify challenges in the first place. Adaptability to change and the ability to identify challenges are important; to combine and strengthen both abilities, dialogue is crucial. We will repeatedly question conventional wisdom and explore new possibilities through dialogue in various combinations, including collaboration among various divisions within Fuji Electric, customers and business partners in diverse industries, and even with startup companies and universities that have technologies we do not have. By doing so, I believe that a shift in thinking will occur, leading to the discovery of ideas that have never been seen

before and new challenges.

I personally would like to maximize the potential of our employees by creating an open organization where people, regardless of their position or age, can freely exchange opinions and generate new ideas. I believe that this will form the basis for enhancing each employee’s job satisfaction and well-being. In addition, to set new targets and promote change, we will work on enhancing our human resources through manpower shifts and reskilling, while also creating an environment that supports the success of diverse human resources. To achieve ongoing improvement of corporate value, Fuji Electric will work to generate innovation in various teams both inside and outside the Company, solve social and environmental issues, and create value for our customers. In doing so, I hope Fuji Electric will continue to be a company that is trusted by our stakeholders, including customers, business partners, and shareholders.

President and COO

