

Management's Discussion and Analysis

Overview

Starting this fiscal year, we have launched a three-year Medium-Term Management Plan called "To be enthusiastic, ambitious and sensitive 2026," which ends at the close of fiscal 2026. Under the basic policy of "Improvement of corporate value through management emphasizing profit," the plan aims to expand sales and profits and continuously improve corporate value by further strengthening our adaptability to changes in the external environment, while continuing to advance the goals of enhancing earnings power, promoting growth strategies, and strengthening management foundations.

In the fiscal year under review, the market environment surrounding the Company was characterized by strong capital investment in manufacturing and data centers, fueled by broader capital investments in decarbonization, the transition to a circular economy, and digitalization. Conversely, with China's economic recovery at a standstill, demand in fields like machine tools remained weak. In addition, the electrified vehicle (xEV) market has been strong in some regions and weak in others, with growth slower than expected. Furthermore, the outlook for the global economy has become increasingly uncertain due to U.S. trade policies, necessitating closer attention to market trends.

Financial Performance

Net Sales

Net sales in fiscal 2024 increased by 1.8%, to ¥1,123,407 million.

In the Energy, Semiconductors, and Food and Beverage Distribution segments, net sales increased. However, in the Industry segments, net sales decreased. Domestic sales increased by 3.5%, to ¥797,923 million. Overseas sales decreased by 2.1%, to ¥325,484 million.

The ratio of overseas sales decreased by 1.2 percentage points, to 29.0%.

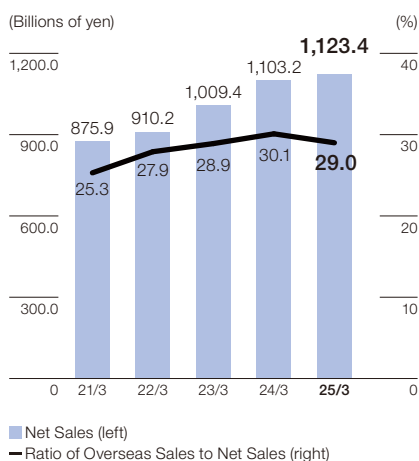
Cost of Sales, Selling, General and Administrative Expenses and Operating Profit

Cost of sales increased by 0.7 percentage points, to ¥805,506 million. The ratio of cost of sales to net sales decreased by 0.8 percentage points, to 71.7%.

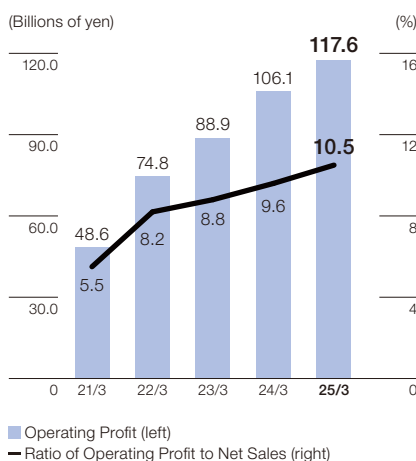
Selling, general and administrative expenses increased by 1.5%, to ¥200,255 million. The ratio of selling, general and administrative expenses to net sales decreased by 0.1 percentage point, to 17.8%.

Operating profit increased by ¥11,580 million, to ¥117,646 million, primarily due to higher demand for plant and system, launches of high value-added products, increase in product sales price, strengthening cost reduction and impact from foreign exchange rate fluctuations, while being affected by soaring material prices and reduction in component sales volumes. The operating margin increased by 0.9 percentage points, to 10.5%.

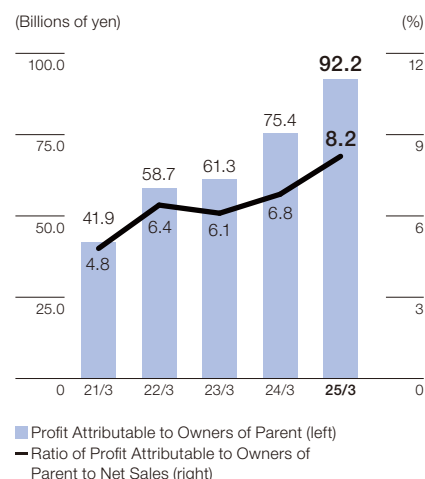
Net Sales / Ratio of Overseas Sales to Net Sales



Operating Profit / Ratio of Operating Profit to Net Sales



Profit Attributable to Owners of Parent / Ratio of Profit Attributable to Owners of Parent to Net Sales



Non-Operating Income (Expenses) and Ordinary Profit

Non-operating income (net) was ¥1,113 million, a ¥643 million decrease from ¥1,756 million of non-operating expenses in the previous fiscal year. This decrease was primarily due to a ¥1,126 million foreign exchange loss, which ¥2,419 million foreign exchange gain turned into, while business conversion expenses decreased by 1,915 million. As a result, ordinary profit increased by ¥10,937 million, to ¥118,759 million.

Extraordinary Income (Loss), Profit before Income Taxes and Non-Controlling Interests

Extraordinary income was ¥19,776 million, included gain on sales of noncurrent assets, gain on sales of investment securities and settlement income. This represented a ¥11,222 million increase due to an increase in gain on sales of investment securities.

Extraordinary loss was ¥4,874 million, included loss on disposal of noncurrent assets, loss on devaluation of investment securities, and settlement payments. This represented a ¥2,530 million increase due to settlement payments.

Profit

Profit before income taxes increased by ¥19,629 million, to ¥133,661 million. After deducting ¥36,980 million of income taxes (the net of income taxes-current and income taxes-deferred) and ¥4,442 million of profit attributable to non-controlling interests, profit attributable to owners of parent increased by ¥16,886 million, to ¥92,239 million.

Results by Business Segment

Energy

Net sales: ¥350,909 million (an increase of 2.4%)

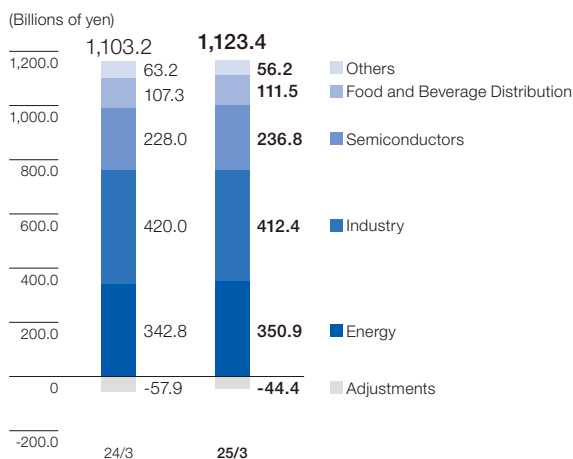
Operating profit: ¥32,125 million (an increase of ¥1,979 million)

Net sales and operating profit increased year on year primarily due to higher demand for plant and system in the energy management business and the power supply and facility systems business while increased expenses in the power generation business and lower demand due to delayed recovery in the ED&C components business.

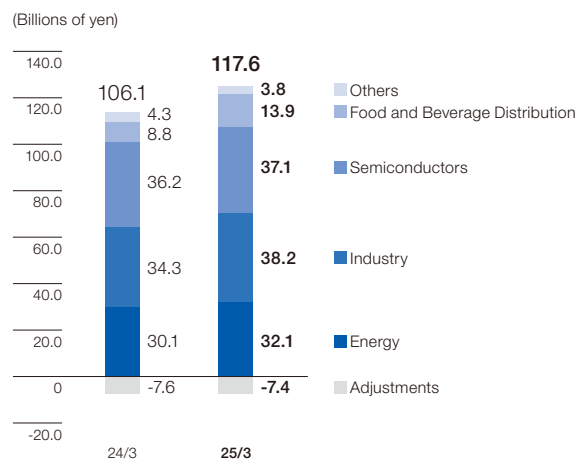
- In the power generation business, net sales increased year on year due to large-scale orders for renewable energy. However, operating profit decreased year on year due to increased expenses in thermal power and geothermal power generation projects.
- In the energy management business, net sales and operating results increased year on year due to large-scale orders for substation equipment for power, industrial and railway applications.
- In the power supply and facility systems business, net sales and operating profits increased year on year due to higher demand from data centers while a decrease of large-scale orders from overseas semiconductor manufacturers.
- In the ED&C components business, net sales decreased year on year due to lower demand caused by delayed recovery in demand from machine set manufacturers. Operating profit decreased due to the lower sales and soaring material prices.

Orders received in fiscal 2024 (Energy segment of Fuji Electric Co., Ltd., non-consolidated-basis) totaled ¥292 billion.

Net Sales by Segment



Operating Profit (Loss) by Segment



Industry

Net sales: ¥412,443 million (a decrease of 1.8%)

Operating profit: ¥38,164 million (an increase of ¥3,900 million)

Net sales decreased year on year due to lower demand for low-voltage inverters in the automation systems business and a decrease of large-scale orders in the equipment construction business. However, operating profit increased year on year due to higher demand for the process automation in the automation systems business, the social solutions business and the digital transformation solutions business.

- In the automation systems business, net sales and operating profit decreased year on year due to the impacts of the ongoing inventory adjustment in relation to low-voltage inverters in factory automation, while strong demand for plant including a higher demand for drive control systems in process automation.
- In the social solutions business, net sales and operating results increased year on year due to higher demand for transportation systems.
- In the digital transformation solutions business, net sales and operating profit increased year on year due to large-scale orders in IT solutions.
- In the equipment construction business, net sales decreased year on year due to large-scale orders in air-conditioning equipment construction in the previous fiscal year. However, operating profit increased year on year due to favorable sales mix and strengthening cost reduction.

Orders received in fiscal 2024 (Industry segment of Fuji Electric Co., Ltd., non-consolidated-basis) totaled ¥193.2 billion.

Note: Effective April 1, 2024, the name of the IT solutions business subsegment was changed to the digital transformation solutions business and the information solutions operations previously contained in the social solutions business subsegment were transferred to the digital transformation solutions business subsegment. Year-on-year comparisons use figures that have been restated to reflect this change in subsegments.

Semiconductors

Net sales: ¥236,788 million (an increase of 3.8%)

Operating profit: ¥37,081 million (an increase of ¥917 million)

- In the semiconductor business, net sales for power semiconductors for electric vehicles (xEV) increased year on year due to higher demand in domestic market, while lower demand in overseas market. Net sales for power semiconductors for industrial semiconductors increased year on year due to higher demand for renewable energy in overseas market. Operating profit increased due to sales increased and increased sales price, while increasing the costs related to the expansion of production capacity and being affected by soaring material prices.

Orders received in fiscal 2024 (Semiconductors segment of Fuji Electric Co., Ltd., non-consolidated-basis) totaled ¥195.7 billion.

Food and Beverage Distribution

Net sales: ¥111,497 million (an increase of 3.9%)

Operating profit: ¥13,902 million (an increase of ¥5,099 million)

- In the vending machine business, net sales and operating results increased year on year due to higher demand in domestic market and cost reduction.
- In the store distribution business, net sales and operating results increased year on year due to the special demand for currency handling equipment in response to the issuance of new banknotes.

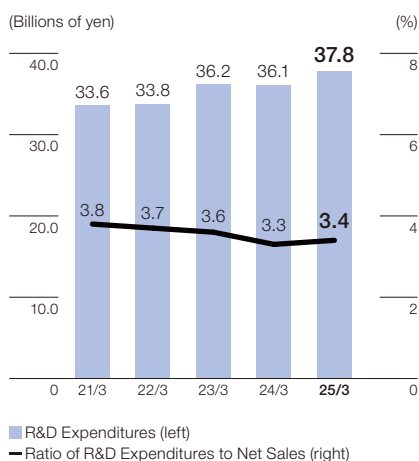
Orders received in fiscal 2024 (Food and Beverage Distribution segment of Fuji Electric Co., Ltd., non-consolidated-basis) totaled ¥107.5 billion.

Others

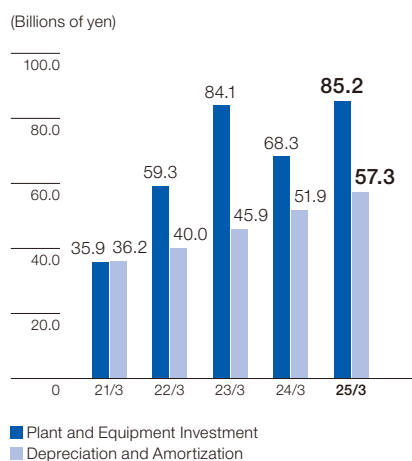
Net sales: ¥56,150 million (an decrease of 11.1%)

Operating profit: ¥3,764 million (an decrease of ¥549 million)

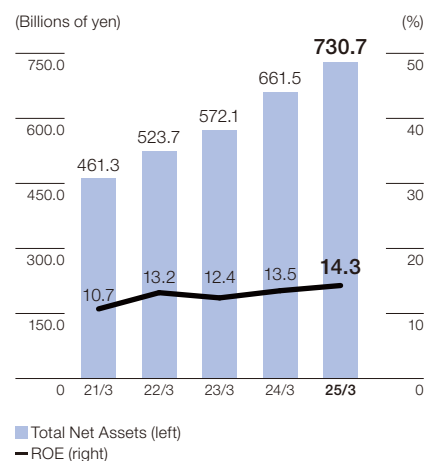
R&D Expenditures / Ratio of R&D Expenditures to Net Sales



Plant and Equipment Investment / Depreciation and Amortization



Total Net Assets / ROE



R&D Investment and Plant and Equipment Investment

R&D

Based on the research and development strategy of the “FY2026 Mid-Term Management Plan,” Fuji Electric is working to strengthen the competitiveness of current products, develop next-generation machines, develop new products for GX, DX and global products that will drive the growth strategy, and acquire new technologies related to hydrogen, ammonia, CO₂, etc., with an eye on market expansion after 2030. To this end, we are also promoting collaboration and co-creation with partner companies and academia.

The Company’s R&D expenditures in fiscal 2024 totaled ¥37,822 million.

As of March 31, 2025, the number of our industrial property rights registered in Japan and overseas was 13,373.

Plant and Equipment Investment

In fiscal 2024, in order to increase sales, we invested a total of ¥85.185 billion in efforts to expand production capacity and accelerate the development of new products, including testing equipment and investments in environmental measures. The major investments were as follows.

<Energy>

In the energy management business, our large-capacity shortcircuit testing equipment was put into operation at the Chiba Factory to shorten lead times for the development of new eco-friendly substation equipment. In the ED&C components business, we installed a fully automated assembly line for our new product, SC-NEXT, a compact and energy-efficient magnetic switch, and started mass production at the Fukiage Factory.

<Industry>

In the automation business, we invested in upgrading our aluminum die-casting equipment at the Suzuka Factory to bring our competitive new AC motors (75 kW and higher) to market. We also installed an assembly line for Fuji Electric Meter Co., Ltd.’s second-generation smart meters capable of measuring power and voltage with high precision.

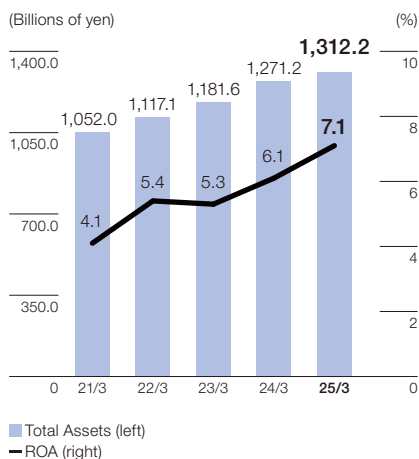
<Semiconductors>

In response to the growing demand for electrified vehicles and renewable energy, we invested in enhancing the production line capacity for power semiconductor Si chips at Fuji Electric (Malaysia) Sdn. Bhd. We also made investments to increase the capacity for power semiconductor SiC chip production at the Matsumoto Factory, aiming for further miniaturization, lighter weight, and higher efficiency. We also made investments at Fuji Electric Power Semiconductor Co., Ltd.’s Hokuriku Factory to increase the production line capacity for automotive IGBT modules.

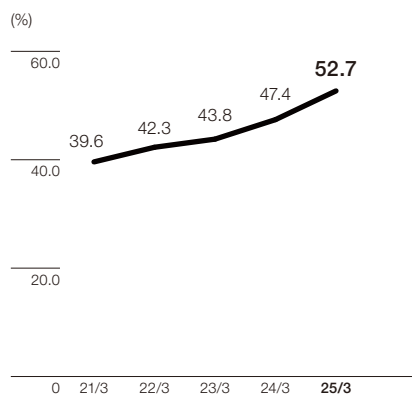
<Food and beverage distribution>

At the Mie Factory, we invested in streamlining the assembly line for printed circuit boards used in vending machines and coin changers. We also installed solar power generation equipment within the factory to reduce greenhouse gas emissions.

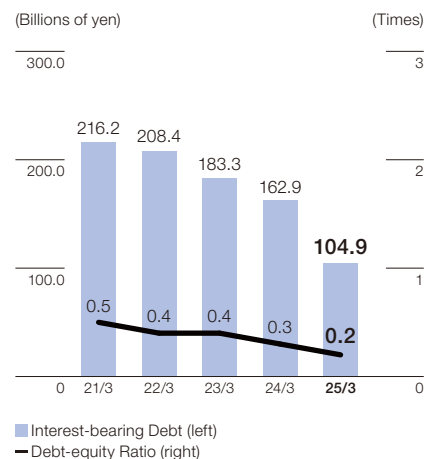
Total Assets / ROA



Equity Ratio



Interest-bearing Debt / Debt-equity Ratio



Financial Position

Total Assets

As of March 31, 2025, total assets was ¥1,312,175 million, an increase of ¥41,001 million.

Current Assets and Current Liabilities

Total current assets was ¥766,672 million, an increase of ¥3,600 million. This increase was primarily due to an increase of ¥12,515 million in inventories, while a decrease of ¥8,019 million in accounts receivable-trade.

Total current liabilities was ¥431,466 million, a decrease of ¥43,876 million. This decrease was primarily due to a decrease of ¥37,166 million in short-term debt.

Noncurrent Assets

Total noncurrent assets was ¥545,503 million, an increase of ¥37,401 million. Net property, plant and equipment was ¥347,074 million, an increase of ¥35,618 million. Total investments and other assets was ¥198,429 million, an increase of ¥1,783 million. This increase was primarily due to an increase of ¥6,797 million in deferred tax assets.

Long-term Liabilities

Total long-term liabilities was ¥150,051 million, an increase of ¥15,691 million. This increase was primarily due to an increase of ¥24,973 million in long-term debt.

Net Assets

As of March 31, 2025, net assets was ¥730,658 million, an increase of ¥69,186 million. This increase was primarily due to an increase of ¥70,750 million in retained earnings. As a result, the equity ratio was 52.7%, an increase of 5.3 percentage points.

Debt

As of March 31, 2025, interest-bearing debt was ¥104,876 million, a decrease of ¥58,030 million. The ratio of interest-bearing debt to total assets was 8.0%, a decrease of 4.8 percentage-points.

Cash Flow

Consolidated free cash flow (net cash provided by (used in) operating activities + net cash provided by (used in) investing activities) was a positive ¥81,536 million, a ¥59,096 million increase from the previous fiscal year's positive free cash flow of ¥22,440 million.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥144,920 million, compared with ¥84,858 million in the previous fiscal year. Major factors of the cash decrease included a decrease in trade receivables and an increase in inventories. Major factors of the cash increase included profit before income taxes. Cash flows from operating activities increased by ¥60,062 million.

Cash Flows from Investing Activities

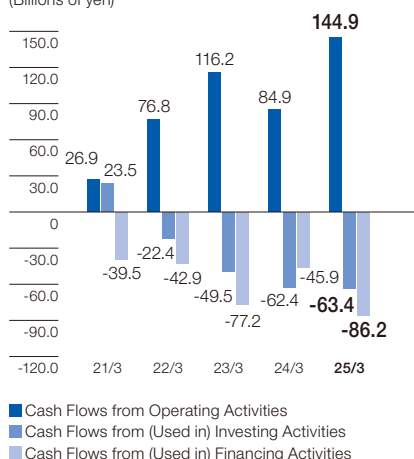
Net cash used in investing activities was ¥63,384 million, compared with net cash used by investing activities of ¥62,418 million in the previous fiscal year. This was primarily due to purchases of property, plant and equipment offset by sales of investment securities. Net cash used in investing activities increased by ¥966 million.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥86,246 million, compared with net cash used in financing activities of ¥45,868 million in the previous fiscal year. This was primarily due to decrease in short-term loans payable, repayments of long-term loans payable and lease obligations partially. Net cash used in financing activities increased by ¥40,378 million.

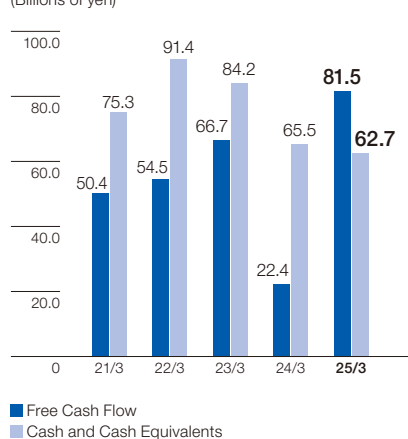
Cash Flows

(Billions of yen)



Free Cash Flow / Cash and Cash Equivalents

(Billions of yen)



Risk Factors

Fuji Electric manages business and other risks in a coordinated, systematic manner and takes appropriate measures to minimize the impact of such risks. The following factors were judged to have a potential future effect on Fuji Electric's business performance and financial position. Any forward-looking statements in the following are based on the judgment of management as of the date of submitting the securities report (June 23, 2025).

(1) Management Strategies, Business Strategies, and Operating Environment

Fuji Electric works to swiftly concentrate management resources on businesses earmarked for growth while making capital and R&D investments aimed at expanding and developing its businesses. With respect to semiconductor-related capital investments, which require large amounts of money, we make decisions based on negotiations with customers regarding physical quantities and pricing. Regarding R&D investments, we emphasize consistency with our business strategies and contribution to our businesses. Based on our roadmap, we pursue R&D on fundamental and advanced technologies that support Fuji Electric's future. Here, the management engages in regular deliberations about key development themes and constantly reviews the roadmap according to market changes. However, the semiconductor field is characterized by short product cycles, major fluctuations in product supply/demand levels, and intense competition. In some cases, therefore, we may be unable to recover our investment, which may affect its business performance and financial position.

Fuji Electric is contributing to realize a sustainable society through our energy and environment related businesses, considering protection of the global environment to be an important management priority. Also, we promote our Environmental Vision 2050, which aims to realize a low-carbon society, recycling-oriented society, and a society in harmony with nature, across the supply chain. Further, we announced its support for the recommendations of the TCFD, Task Force on Climate-related Financial Disclosures, and conduct climate change risk analysis from a long-term perspective. However, stricter enforcement of the Paris Agreement and other environmental regulations, as well as assessments by ESG evaluation institutions may lead to stronger criticism of part of Fuji Electric's operations (coal-fired power generation business), which may affect its business performance and financial position.

Fuji Electric has business bases around the world and provides products and services to markets and customers in multiple regions. If infectious diseases spread in many countries and cause restrictions on economic activities, it could potentially impact various business activities, including restrictions on sales activities, factory operation suspensions,

and limitations on construction site visits. These may affect Fuji Electric's business performance and financial position.

(2) Corporate Governance

Fuji Electric is working to strengthen its corporate governance by improving management transparency and auditing functions during normal times. However, an unprecedented event may lead to deficiencies in our internal control and audit functions, resulting in corporate governance breakdown and business disruption, etc., which may affect our business performance and financial position.

(3) Business Reorganizations, Alliances, and Withdrawals

Fuji Electric actively engages in M&As, joint ventures, business alliances, and the like with third parties in order to strengthen its competitiveness in each business field. As part of these activities, we share our corporate philosophy, management policy, code of conduct, business plans, business strategies, and so on to facilitate integration of our business strategies, technologies, products, and human resources. Through management meetings and other forums, we strive to maintain close communication with partners and build good relationships with them. Due to differences in systems and cultures, however, we may be unable to achieve the desired outcomes, which may affect our business performance and financial position.

(4) Orders, Marketing, and Sales Promotion

Fuji Electric is developing operations actively in overseas markets, focusing particularly on expanding sales in China and other Asian markets. We have sales offices in various markets to better understand customer trends and centrally manage the information we collect for analysis and consideration and otherwise strive not to miss business opportunities. We also work to reduce costs and expenses in order to minimize the impact of domestic and overseas trends on our business performance. However, any number of events may affect our business performance and financial position. These include deteriorating market conditions in each country—including private capital investments and public expenditures—as well as sudden changes in supply and demand of products, intensifying competition, and the resultant significant falls in prices.

Fuji Electric receives orders for large-scale plant projects in the energy field and the industry field, etc. In order to secure appropriate profits in each project, we work to improve the accuracy of our quotations at the time of order receipt and strengthen project management afterwards. After receipt of orders, however, any number of events may affect our business performance and financial position. These include unanticipated specification changes, process delays, and profitability declines due to natural disasters and the like.

(5) Development and Design Engineering

Fuji Electric has established an R&D system to accelerate research and development and constantly monitors market, customer needs and the latest technological trends. At the same time, we conduct R&D aimed at creating strong components and systems, focused on power electronics and power semiconductor technologies, and R&D to develop solutions that generate customer value through combinations of elemental technologies.

Due to rapid technological advances, however, we may lose our advantage over other companies, and product development may not proceed as planned, making it impossible to launch new product at the right time. Any of these events may affect our business performance and financial position.

(6) Procurement

Fuji Electric deploys various means, including product swaps, to reduce the risk of rising raw material prices. However, in addition to increasing raw material and components prices against the background of a weak yen, such changes as the drastically increasing demand in emerging nations may result in tightened supply and demand as regards materials and raw materials and significant increases in their prices. Any of these events may affect our business performance and financial position.

(7) Production, Manufacturing, Shipping, Logistics, Installation, Delivery, and Service

Fuji Electric always keeps track of the latest physical quantity flows by sharing information between its sales and business departments at management meetings and other forums. We have also built an optimal production management system that can respond to changes in physical quantity flows by such as improving productivity and promoting local production for local consumption. However, an unprecedented event could result in increased/decreased demand and other changes in physical quantity flows, leading to delayed responses and inventory shortages/surpluses, which may affect our business performance and financial position.

Through reforms of its supply chain, Fuji Electric works to promote “completely localized” manufacturing through local production for local consumption while also emphasizing global procurement. However, an unprecedented event could result in restrictions on human and commodity movements and disruptions to our distribution network. This could prevent our supply chain from functioning and cause delays in deliveries, which may affect our business performance and financial position.

(8) Quality Assurance

Fuji Electric has established a quality control system for the products it manufactures and sells and strives to ensure high quality standards. Although we have made the necessary insurance arrangements, an unprecedented event could cause quality-related problems in our products to arise and spread, which may affect our business performance and financial position.

(9) Human Resources and Labor

The business activities of Fuji Electric depend heavily on its human resources. To attract and develop excellent human resources in various fields—such as technology, production, sales, and business management—we focus on cultivating professional human resources who will help strengthen our global competitiveness. We also actively conduct employee education and training and are expanding mid-career recruitment and other measures to attract exceptional human resources. However, failure to attract and develop such important human resources may have an impact on our business performance and financial position.

(10) Finance and Accounting

Seeking to minimize fund-raising costs, Fuji Electric constantly examines the optimal mix of corporate bonds, commercial paper, and short-term and long-term borrowings, in order to ensure flexible and stable financing arrangements. However, an unexpected increase in interest rates could raise the interest rate burden on our interest-bearing debt, which may have an impact on our business performance and financial position.

Fuji Electric works to strengthen credit management, including by monitoring long-overdue receivables and the financial status of business partners, in order to enhance its collection of trade receivables. However, restrictions on economic activities and economic downturn could cause business partners' cash flows to deteriorate and prevent us from recovering debts, which may have an impact on our business performance and financial position.

(11) Legal and Ethical

Fuji Electric engages in business in various fields and regions, and as such is subject to the laws and regulations of each country. The Fuji Electric Compliance Promotion Committee, chaired by our representative director, spearheads efforts to ensure rigorous compliance with laws and regulations. We also have a compliance program that clearly identifies roles and responsibilities covering each aspect of legal regulations—namely, internal rules, monitoring, auditing, and education—and our compliance structure also includes a whistleblowing system. However, any occurrence of legal violations and the like may have an impact on our business performance and financial position.

In preparation for lawsuits and other legal disputes, Fuji Electric has formed a task force aimed at building a system to ensure that necessary procedures (fact investigation, corrective action, recurrence prevention, internal write-down, and disclosure) and are conducted promptly. However, we may be ordered to pay unexpectedly large amounts of damages, which, depending on the nature of the decision, may have an impact on our business performance and financial position.

Fuji Electric strives to effectively protect intellectual property rights and develop products and technologies that respect the rights of other companies. Due to the speed of technological innovation and the global expansion of our business activities, however, intellectual property disputes could arise, which may have an impact on our business performance and financial position.

(12) Political and Socioeconomic Trends

Fuji Electric engages in currency exchange contracts, based on certain criteria, to minimize the impact of foreign exchange fluctuations. However, any changes in exchange rates, primarily between the yen and the U.S. dollar, may have an impact on our business performance and financial position.

Fuji Electric develops its business in many overseas markets, mainly in China and other Asian markets, and always closely monitors the latest information on geopolitical risks. We are also diversifying our production and sales bases in preparation for unexpected risks.

However, any of the following events may have an impact on our business performance and financial position:

- Unexpected enactment of laws/regulations and changes in tax systems with adverse effects
- Disadvantageous political situations
- Social turmoil due to social upheaval, terrorism, war, and the like

(13) Trends of Shareholder and Other Investors

Fuji Electric attaches great importance to disclosure of financial information, active disclosure of non-financial information, and communication with shareholders and institutional investors. We also strive to foster understanding of our management through sincere and accurate disclosure of information according to our Disclosure Policy. However, the intentions of stockholders and other investors may differ from those of the Company's management, which could result in a vote against the election of directors. Also, a shareholder proposal against management could cause disruption of our operations. These and other events may have an impact on our business performance and financial position.

(14) Natural Disasters and Accidents

Fuji Electric has business bases all over the world and is committed to fulfilling its responsibilities to customers and society by continuously supplying products and services in the event of disaster or accident. To this end, we established a dedicated crisis management team to spearhead fire and disaster prevention efforts, formulation of a business continuity plan (BCP), and adoption of necessary insurance arrangements in order to "strengthen our business continuity capability."

However, any number of events may have an impact on our business performance and financial position. These include large-scale disasters or accidents at/near our business sites, which could cause damage of production equipment, interruption of operations, and delays in product shipments.

(15) External Attacks

To address increasingly diversified and sophisticated cyber-security threats, Fuji Electric established a countermeasure system and a security response organization (CSIRT/SOC) to monitor and suppress any attacks. We are also continuously strengthening our response capabilities—in such areas as defense, detection system reinforcement, and cyber training—to prepare for the emergence of new threats. However, any number of events may have an impact on our business performance and financial position. These include system malfunction and information leakage due to external attacks (such as cyber-terrorism), resulting in loss of social trust.