

# ESG Meeting for FY2022

February 27, 2023  
Fuji Electric Co., Ltd.

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- Fuji Electric's Energy and Environmental Businesses
- Progress of Management Reforms
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- Improving Board Effectiveness
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## Corporate Philosophy

Established:1991  
Revised:2011

**We, Fuji Electric, pledge as responsible corporate citizens in a global society to strengthen our trust with communities, customers and partners.**

Our mission is to:

■ Contribute to prosperity ■ Encourage creativity ■ Seek harmony with the environment

## Slogan

To be enthusiastic, ambitious and sensitive.

## Management Policies

Established:2010  
Revised:2011 and 2015

1. Through our innovation in energy and environment technology, we contribute to the creation of responsible and sustainable societies.
2. Achieve further growth through our global business expansion.
3. Maximize our strengths as a team, respecting employees' diverse ambition.

## Corporate Code of Conduct

Established: 1992  
Revised: 2010 and 2019

- 1. Respect and value all people**
- 2. Respect and value our customers**
- 3. Respect and value our business partners**
- 4. Respect and value our shareholders and investors**
- 5. Respect and value the global environment**
- 6. Respect and value interaction with society**
- 7. Make global compliance a top priority**
  - 7-1. Thorough compliance**
  - 7-2. Thorough risk management**
- 8. Top management will thoroughly practice this standard**

※ Fuji Electric Code of Conduct

In order to practice our corporate philosophy to fulfill social responsibility and act with high ethical standards while understanding and complying with relevant laws, regulations, international rules, and the spirit of such regulations and rules, both domestically and abroad, Fuji Electric and its employees have defined this code as a foundation for decision-making and behavior.

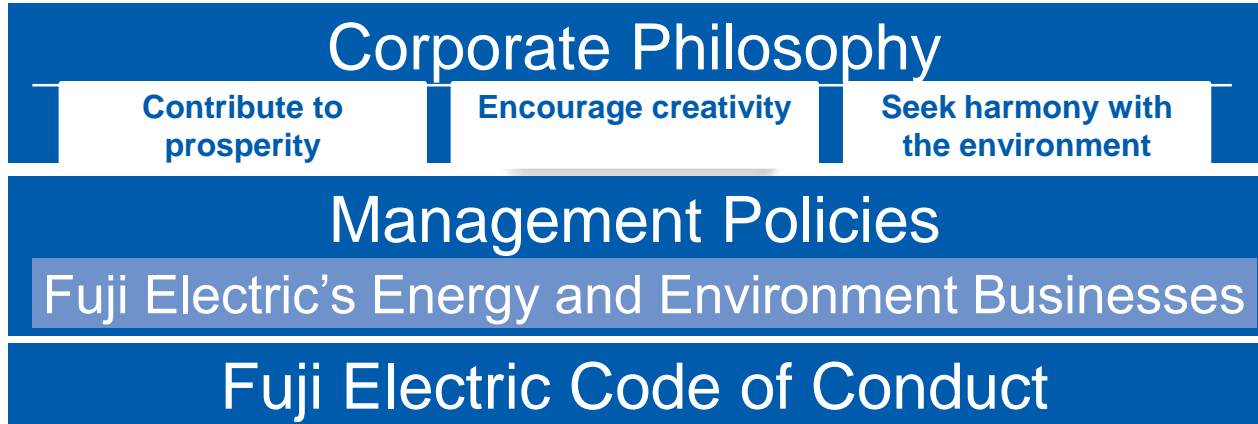
**By putting this corporate philosophy and management policies, Fuji Electric and its employees will aim to resolve social and environmental issues, and contribute to achieve the SDGs through creation of customer value.**

## SUSTAINABLE DEVELOPMENT GOALS

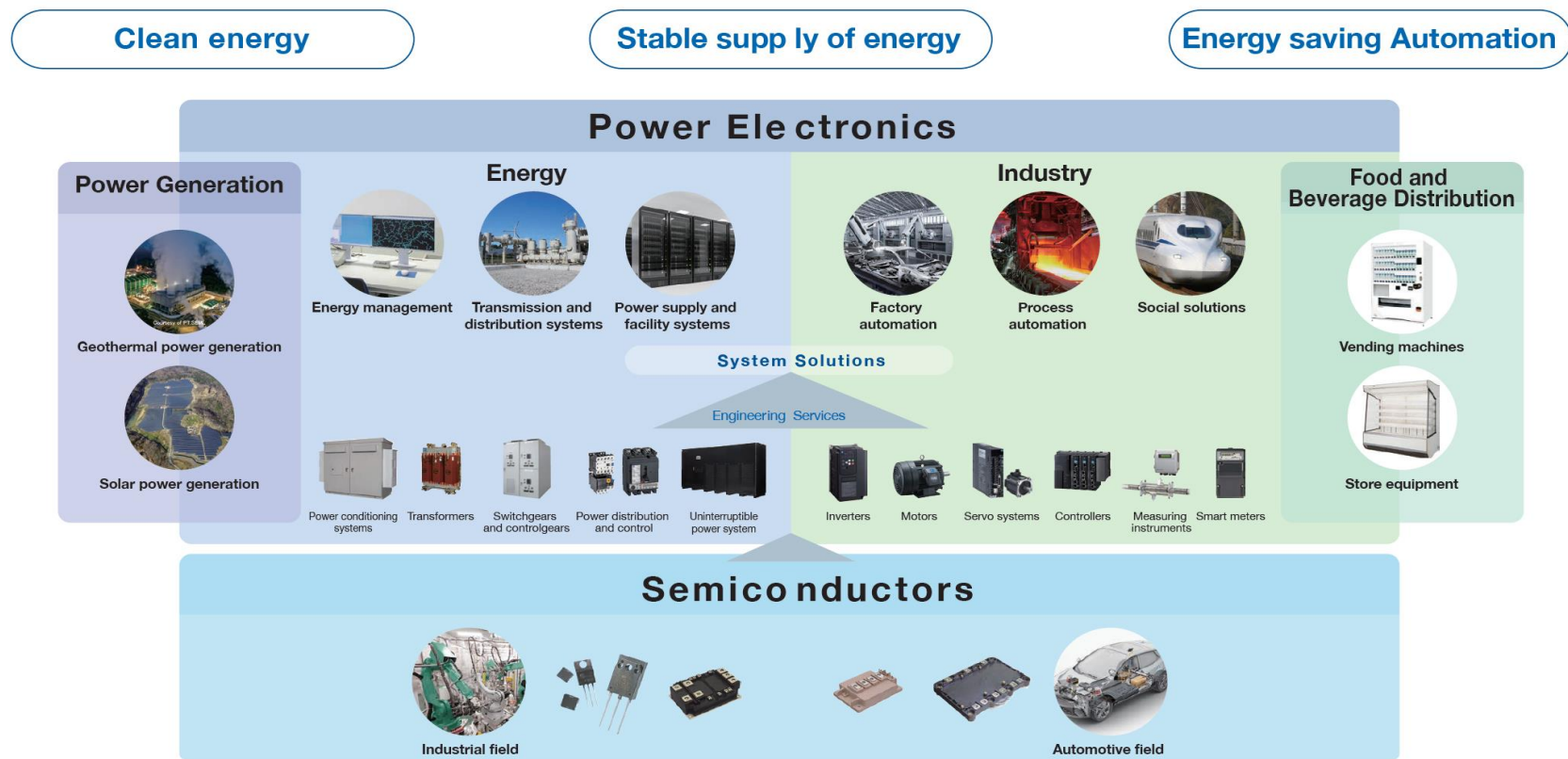


**Resolution of Social and Environmental issues**

**Creation of Customer Value**



## Realizing clean energy, stable energy supply, energy saving, and automation by combining core businesses of Power Electronics and Semiconductors with Power Generation and Food and Beverage Distribution



Priority SDGs to be Addressed through Our Businesses



Spread of renewable energy use  
Improvement of energy efficiency



Reduction of CO<sub>2</sub> emissions from industrial processes  
Reinforcement of social and industrial infrastructure



Building safe and secure urban infrastructure services  
Development of sustainable transport systems



Efficient use of natural resources  
Rigorous management and reduction of emissions of chemical substances and waste



Reducing society's CO<sub>2</sub> emissions through products  
Reducing GHG emissions during production

## Focus on Power Electronics and Semiconductors

### Main initiatives from 2019 to 2021

#### <Power Electronics>

- Created competitive components
- Received consecutive orders for comprehensive electrical equipment systems for data centers
- Continually improved partnership strategies to expand overseas businesses

#### <Semiconductors>

- Enhanced production capacity
- Increased sales of power semiconductors for electrified vehicles and renewable energy

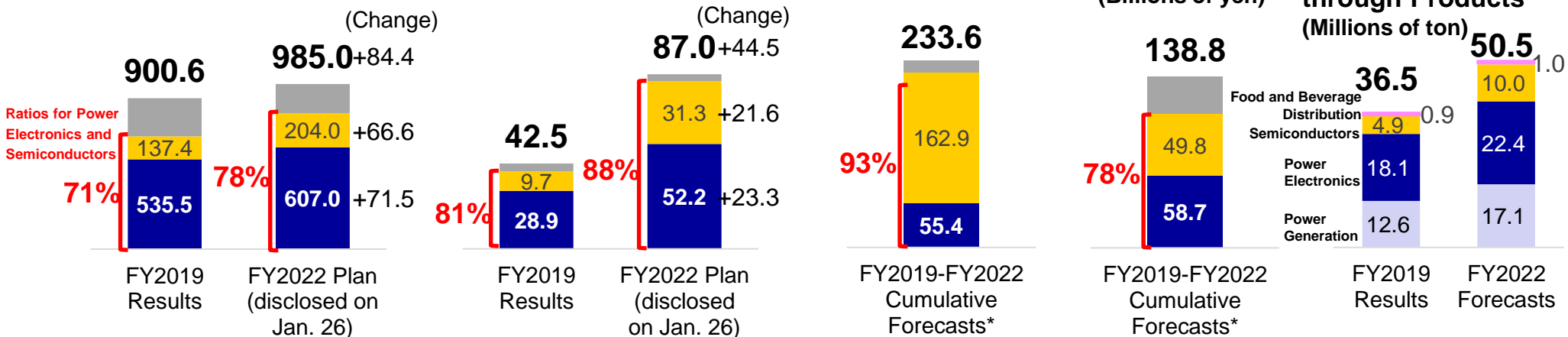
**Net Sales**  
(Billions of yen)

**Operating Income**  
(Billions of yen)

**Capital Investment**  
(Billions of yen)

**Research and Development**  
(Billions of yen)

**Society's CO<sub>2</sub> Emissions Reduced through Products**  
(Millions of ton)



■ Power Electronics ■ Semiconductors ■ Others

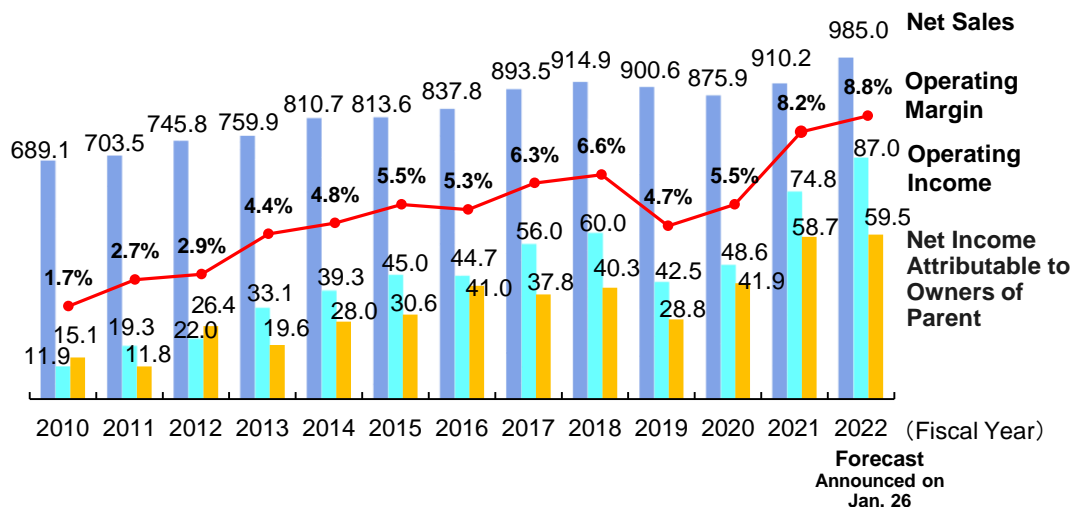
\* Results for FY2019-FY2021) + FY2022 forecast (externally disclosure figures)

Ratios for sales and operating income are calculated based on amounts before elimination and adjustment of inter-segment transactions. Figures for R&D are classified by segment according to theme and therefore differ from figures stated in the consolidated financial report.

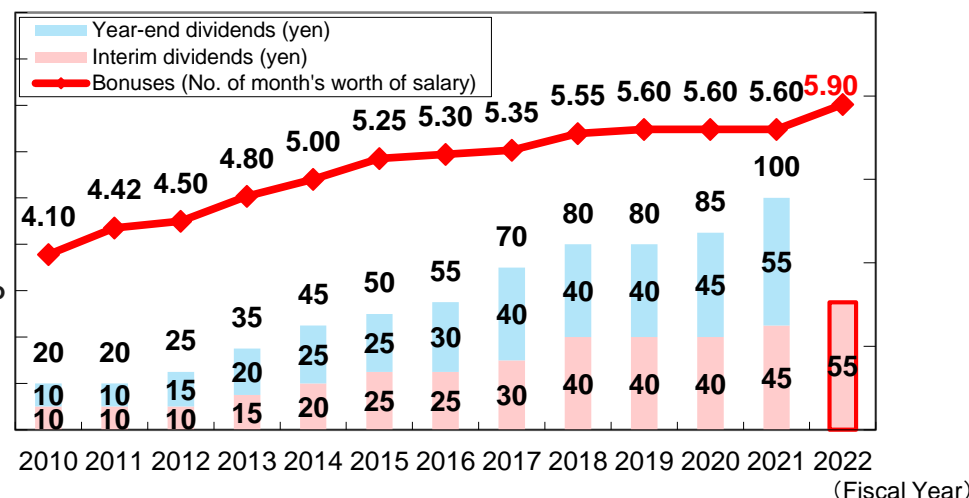
# Progress of Management Reforms

	2010 - 2015	2016 - 2022
	From business restructuring to proactive management	Solidify foundations for sustainable growth
	Strengthen a profitable structure through business structuring	Further renovation of Fuji Electric
	Promote growth strategies Proactive management	Establish foundations for sustainable growth
Promoting growth strategies	<p><b>2010 Clarified business domains as energy and environment businesses</b></p> <p><b>2013- Overseas business expansion (M&amp;As, collaborations)</b> (6 companies in Asia and other regions, 2 in China, 2 in the U.S., and 1 in Europe)</p> <p><b>2013- Strengthened our businesses in power electronics systems and power semiconductors</b></p> <ul style="list-style-type: none"> <li>- Stepped up R&amp;D of power electronics systems w/ power semiconductors (inverters, UPSs, PCs, etc.)</li> <li>- Strengthened power electronics systems business Reorganized social engineering systems, industrial infrastructure, and power electronics businesses</li> <li>- Concentrated R&amp;D expenses and capex on these two businesses</li> </ul>	
Improving profitability	<p><b>2010 Reorganized production bases (magnetic disks and vending machines)</b></p> <p><b>2010- Reinforced manufacturing capabilities (in-house production, local production for local consumption)</b></p> <p><b>2013- Promoted Pro-7 Activities to improve profitability</b></p>	<p><b>2016- Strengthened mother factories in Japan and the Asian core factory in Thailand</b></p> <p><b>2019 Strengthened manufacturing globally</b></p>

**Business Performance Trends (Billion Yen)**

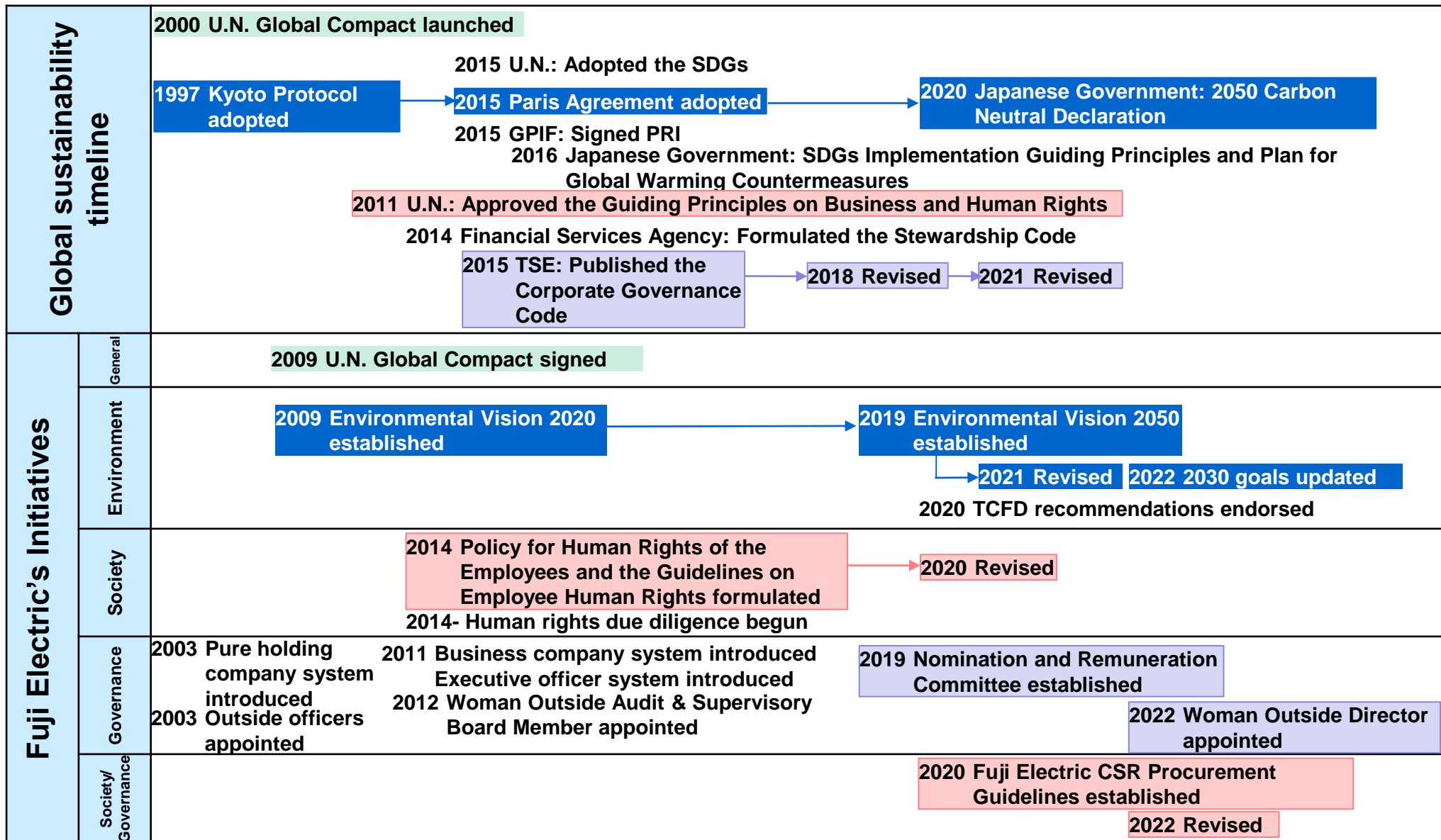


**Dividends and Bonuses Trends**





# Global Sustainability Timeline and Our Initiatives



- Based on the “ongoing reinforcement of our operating foundation,” one of the material issues in our FY2023 Medium-Term Management Plan, material issues for management have been identified.
- The material issues are reported to and deliberated upon at the Board of Directors meetings.



## ■ Important Management Tasks

Fields	Material Issues	
Businesses	Promote energy and environment businesses	
Environment	Promote Environmental Vision 2050	Realize a decarbonized society
		Realize a recycling-oriented society
		Realize a Society that is in Harmony with Nature
Social	Respect for human rights	
	Active participation of diverse human resources	
Governance	Improve effectiveness of corporate governance	
	Promote compliance	
	Enhance risk management	
Social and Governance	Create a supply chain that supports a sustainable society	

## ■ Promotion System



# Environmental Initiatives

<b>Main Initiatives</b>	<p><b>1992 Basic Environmental Protection Policy</b></p> <p><b>2009 Environmental Vision 2020</b></p> <div style="border: 1px dashed black; padding: 5px;"> <ol style="list-style-type: none"> <li>1. Stop Global Warming             <ul style="list-style-type: none"> <li>- Reduce CO<sub>2</sub> emissions during production</li> <li>- Reduce society's CO<sub>2</sub> emissions through our products</li> </ul> </li> <li>2. Create a recycling-oriented society</li> <li>3. Meet our corporate social responsibilities</li> </ol> </div> <p style="text-align: right;"><b>2019 Environmental Vision 2050 (achieve a low-carbon society)</b></p> <div style="border: 1px dashed black; padding: 5px;"> <ol style="list-style-type: none"> <li>1. Realize a low-carbon society             <ul style="list-style-type: none"> <li>- Reduce GHG emissions throughout the supply chain by 80% or greater</li> </ul> </li> <li>2. Realize a recycling-oriented society</li> <li>3. Realize a society in harmony with nature</li> </ol> </div> <p style="text-align: center;"><b>2020 Support for the TCFD</b></p> <p style="text-align: center;"><b>2021 Revised Environmental Vision 2050 (achieve a decarbonized society)</b></p> <div style="border: 1px dashed black; padding: 5px;"> <ol style="list-style-type: none"> <li>1. Realize a low-carbon society             <ul style="list-style-type: none"> <li>- Achieve carbon neutrality throughout the supply chain</li> </ul> </li> <li>2. Realize a recycling-oriented society</li> <li>3. Realize a society in harmony with nature</li> </ol> </div> <p style="text-align: center;"><b>2022 Environmental Vision 2050 Revised FY2030 goals (1.5°C level)</b></p>
<b>External evaluation, etc.</b>	<p style="text-align: center;"><b>2020 Certified as an “A List Company” by CDP Certified for 4<sup>th</sup> consecutive year thereafter</b></p> <p style="text-align: center;"><b>2022 SBT validation obtained</b></p> <div style="display: flex; justify-content: space-around; align-items: center;">  <div style="text-align: center;"> <p>SCIENCE BASED TARGETS</p> <p><small>DRIVING AMBITIOUS CORPORATE CLIMATE ACTION</small></p> </div>  </div>

## Environmental Vision 2050

We aim to contribute to the achievement of a decarbonized society, a recycling-oriented society, and a society that is in harmony with nature by expanding the use of Fuji Electric's innovative clean energy technologies and energy-saving products.

### Achieve a Decarbonized Society

Target carbon neutrality across the supply chain

### Achieve a Recycling-Oriented Society

Promote green supply chains and 3R activities to reduce the environmental impact to zero

### Achieve a Society that is in Harmony with Nature

Aim for zero impact on the ecosystem through corporate activities that contribute to biodiversity

## FY2030 Goals (Revised in March 2022)

To suppress the temperature rise to 1.5°C above pre-industrial levels, we aim to achieve the following goals.

- **Reduce GHG emissions throughout the supply chain by over 46%** [from FY2019]
- **Reduce GHG emissions in production by over 46%** [from FY2019]\*
- **Contribute to reducing society's CO<sub>2</sub> emissions through our products by over 59M tons per year**

\* 54% reduction from FY2013

### Goals (current)

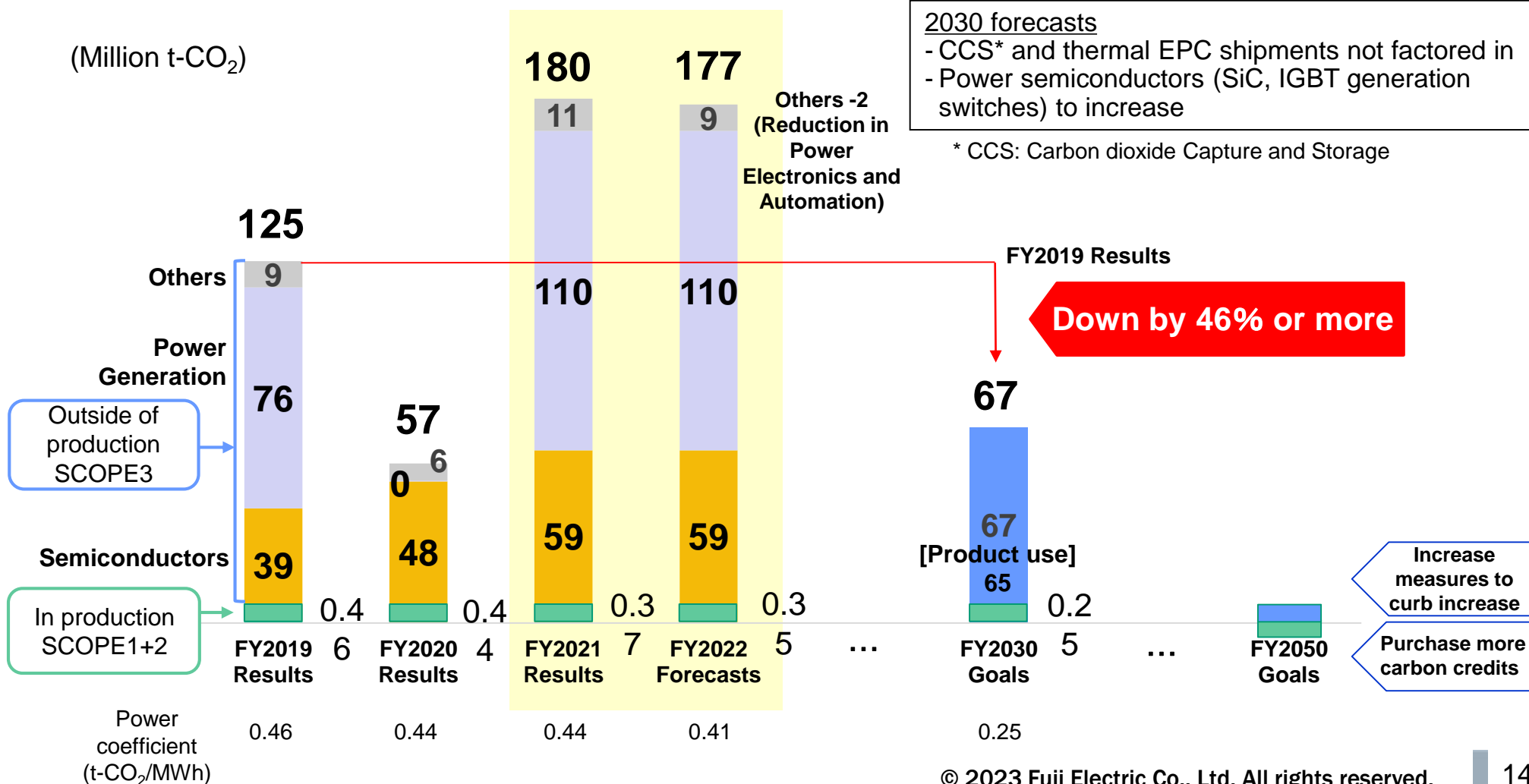
- **Minimize environmental impact during production** (Ratio of waste sent to landfills: below 1%, reduce water consumption per unit of sales)
- **Reduce chemicals that involve environmental deterioration during production**

### Agenda for zero emissions by 2050

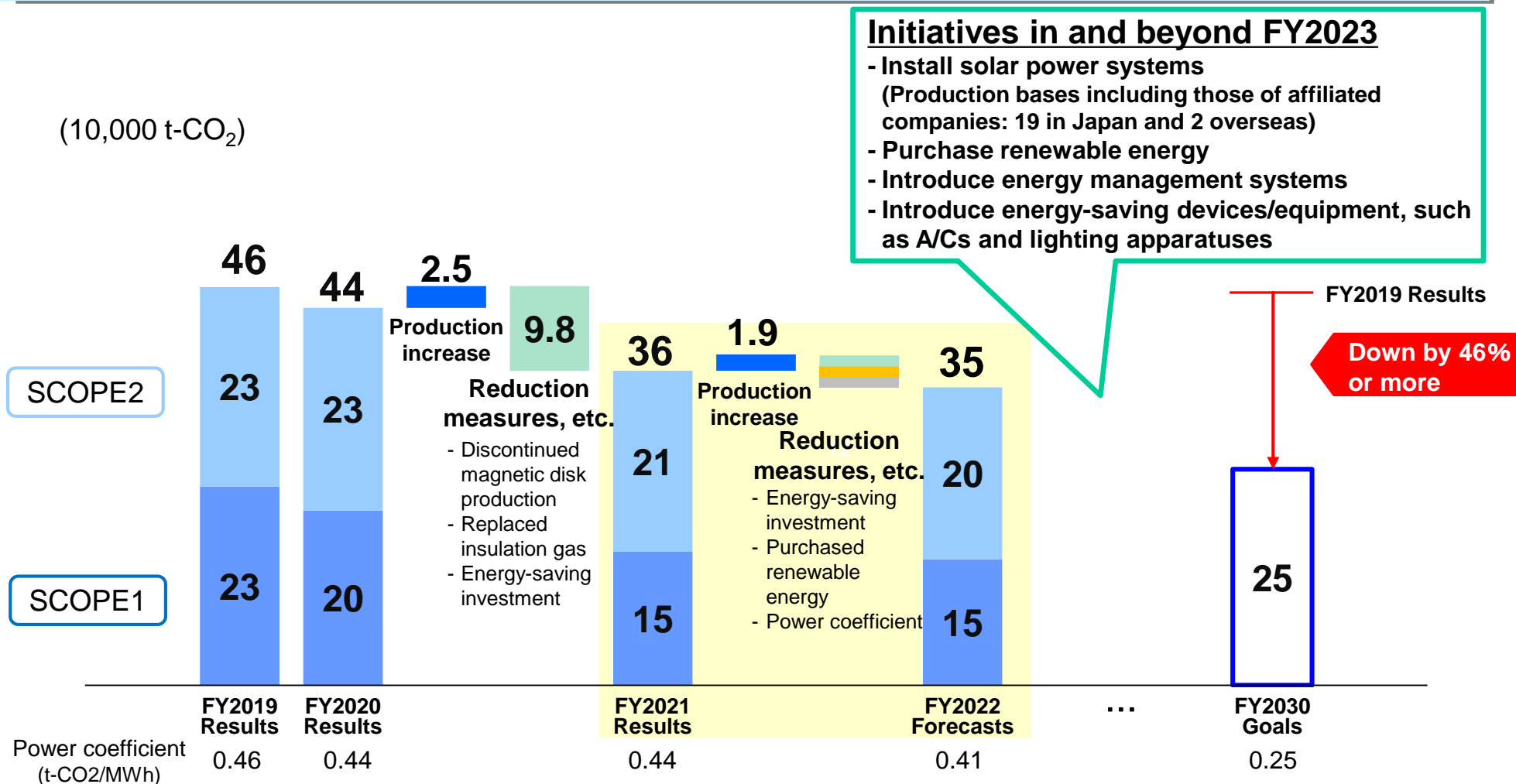
- Zero waste sent to landfills
  - Convert to highly circulatory product models
  - Review materials with heavy environmental load and replace them with alternatives
  - Measures to achieve zero waste sent to landfills and cost estimation
  - Increase the water recycling rate
- Etc.

## Reducing GHG emissions by 46% or more by FY2030 by optimizing the business mix (compared to FY2019)

### Revising FY2030 forecasts in the next Medium-Term Management Plan



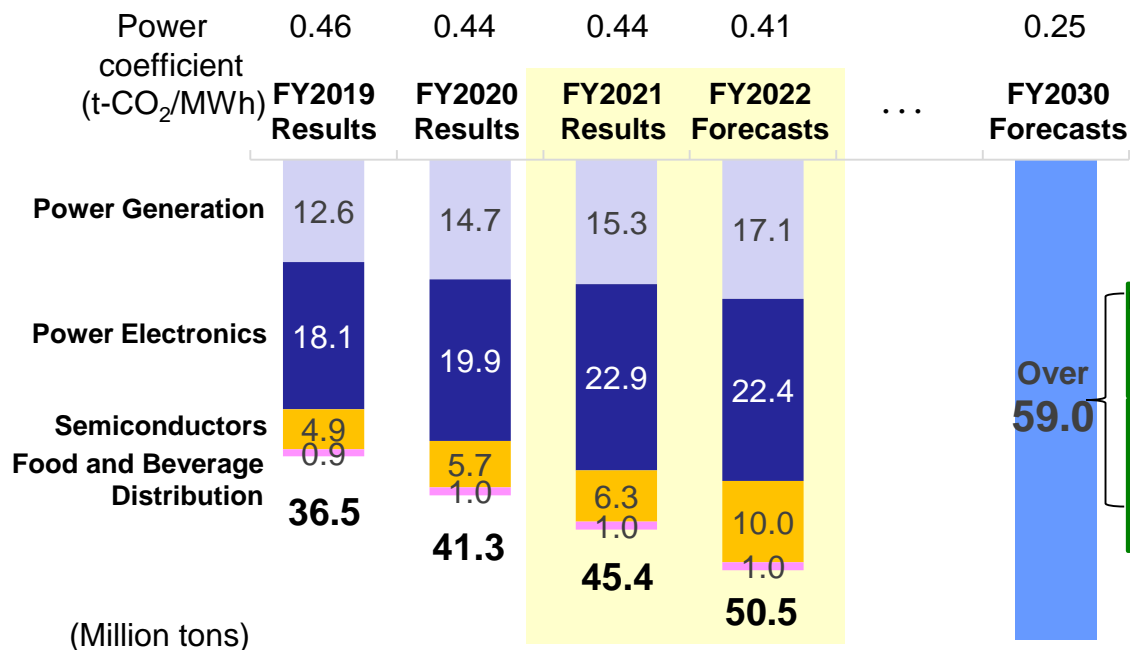
## Reducing GHG emissions during production by 46% or more by F2030 (compared to FY2019)



## Contributing to reducing CO<sub>2</sub> emissions by power generation (clean energy), power electronics, and semiconductors (energy saving)

**[Amount of society's CO<sub>2</sub> emissions to be reduced through our products]**  
 - CO<sub>2</sub> emissions to be curbed through the use of our products =  
 (Emissions from existing products – Emissions from new products) x Number of units in service in the current year

### <Main products that contributed to reduction of CO<sub>2</sub> emissions in FY2022>



**Increase in power generated from renewable energy**  
 Increased number of renewable energy power generating facilities

**Increase in energy-saving effects**  
 Low-loss components x Increase in shipment quantity

- Power Generation**  
Renewable energy (geothermal, hydro, wind)
- Power Electronics**  
Power electronics with next-generation power semiconductors (inverters, UPSs, etc.)
- Power Semiconductors**  
7<sup>th</sup>-generation IGBT power semiconductors
- Food and Beverage Distribution**  
Energy-saving vending machines



## Contributing to GHG reduction throughout the supply chain on both sides of energy supply & demand

Supply side

Demand side

Power Electronics

Reduction of CO2 emissions  
**22.86 million tons**

Semiconductors

Reduction of CO2 emissions  
**6.25 million tons**

Power Generation

Reduction of CO2 emissions  
**15.28 million tons**

Food and Beverage Distribution

Reduction of CO2 emissions  
**1.05 million tons**

Making clean energy mainstream

Stabilizing the energy supply

Spreading energy-efficient equipment and systems

Improving the electrification rate



Geothermal power Hydraulic power

Substation equipment Energy management systems (EMS)

Inverters Motors

Power semiconductors for electrified vehicles



Solar power Wind power

Power conditioning systems Uninterruptible power systems

Semiconductors Vending machines

Electric propulsion systems for vessels

Optimizing and increasing the efficiency of the energy supply-demand balance through AI

## Taking into account the impact that risks of more frequent natural disasters and higher costs of environmental investment/expenses might have on our operations

\*   : Agenda for FY2022



(1.5°C: Increases in capex/expenses due to promotion of decarbonization

4°C: Risk of production bases on hazard maps being flooded)

Main risks and opportunities we are aware of and adaptation measures to be taken

(Disclosed in March 2022)

		Strategies		
		Risks	Opportunities	Adaptation measures
1.5°C	Suppliers	<ul style="list-style-type: none"> <li>Profitability deteriorates due to procurement challenges and higher costs</li> </ul>	<ul style="list-style-type: none"> <li>Standardization / common use of parts to be promoted</li> <li>Use of recycled materials in products to expand</li> </ul>	<ul style="list-style-type: none"> <li>Promoting multi-source strategies</li> <li>Assisting key suppliers in their decarbonization efforts</li> <li>Accelerating R&amp;D of new technologies related to decarbonization, launching them in a timely manner, and reducing their costs</li> <li>Expanding recycling of parts through collaboration with customers and recycling services</li> <li>Further curbing GHG emissions from production equipment</li> <li>Responding to higher demand by ramping up capacity [Semiconductors]</li> <li>Shifting resources to the renewable energy business [Power Generation]</li> </ul>
	Development/design	<ul style="list-style-type: none"> <li>Delays in development of technologies required to decarbonize society</li> </ul>	<ul style="list-style-type: none"> <li>Demand for technologies needed to promote decarbonization to increase</li> </ul>	
	Production	<ul style="list-style-type: none"> <li>Higher costs to replace production equipment for decarbonization (capex, purchase of power generated from renewable energy)</li> </ul>		
	Distribution		<ul style="list-style-type: none"> <li>“Local production for local consumption” to be promoted (lower inventories, distribution costs, and tax payments)</li> </ul>	
	Customers / Market	<ul style="list-style-type: none"> <li>Lost opportunities due to failure to use renewable energy 100% during production</li> <li>Lower demand for thermal power generation</li> </ul>	<ul style="list-style-type: none"> <li>Demand for renewable energy and energy-saving related products to increase</li> <li>Replacement demand for thermal power generation services to increase due to change of types of fuels for thermal power plants and diffusion of CCS and CCUS</li> </ul>	
4°C		<ul style="list-style-type: none"> <li>Delays in procuring parts</li> <li>Increased costs due to measures to mitigate wind/flood damage in response to frequent abnormal weather patterns</li> </ul>	<ul style="list-style-type: none"> <li>Demand to increase as customers make proactive investments in their BCPs</li> </ul>	<ul style="list-style-type: none"> <li>Promoting multi-source strategies for parts (identifying parts whose procurement risk is high if damaged by disasters and dispersing such risks)</li> <li>Strengthening flood-control and windbreak measures at plants in Japan and overseas located in bay areas and on hazard maps</li> </ul>

<p>Evaluation of Fuji Electric</p>	<div style="text-align: center;">  <p>SCIENCE BASED TARGETS</p> <p>DRIVING AMBITIOUS CORPORATE CLIMATE ACTION</p> </div> <p style="color: red; font-size: 24px; font-weight: bold;">Validation obtained (2022)</p>	<div style="text-align: center;">  </div> <p style="color: red; font-size: 24px; font-weight: bold;">Made the A List (Climate Change for the 4<sup>th</sup> consecutive year in 2022)</p>
<p>Overview</p>	<p>Companies set reduction targets aligned with climate-science-based GHG reduction scenarios to have them validated</p> <p><b>【Scope of reduction】</b></p> <ul style="list-style-type: none"> <li>- <b>Scope 1+2</b> (emissions owned/controlled by a company)</li> <li>- <b>Scope 3</b> (emissions from upstream/downstream sources of the supply chain)</li> </ul> <p><b>【Validated companies】</b>(February 1, 2023) <b>Global total: 2,218 (358 from Japan)</b></p>	<ul style="list-style-type: none"> <li>- International non-profit environmental organization (established in 2000)</li> <li>- Encourages companies, etc. to analyze/evaluate/disclose their environmental initiatives and results</li> <li>- Their disclosure is the global standard of environmental reports within the global economic circle</li> </ul> <p>Over 590 institutional investors utilize CDP data</p> <p><b>【Companies on the Climate Change A List】</b> <b>Global total: 283 (74 from Japan)</b></p>
<p>Future initiatives</p>	<ul style="list-style-type: none"> <li>- Targets are reviewed every five years (next review: FY2027)</li> <li>- Reduction results are reported every year in CDP questionnaires</li> </ul>	<ul style="list-style-type: none"> <li>- Promote analysis of performance in low-scoring modules</li> </ul>

# Initiatives for Human Resources

# Evolution of Initiatives for Human Rights and HR

Key issues	Target	
Respect human rights	—	2014 Policy for Human Rights of the Employees and the Guidelines on Employee Human Rights formulated 2020 Guidelines on Employee Human Rights revised <b>2014 Human rights due diligence begun</b> (operating sites and affiliates in Japan and overseas)
Promote the activities of diverse HRs	All	<b>2010 Employee awareness surveys begun (annualized in 2018)</b> 2012 Job responsibility and performance-based treatment for managerial employees 2017 Flexible Location Work System (work-from-home, work in satellite offices) introduced 2017 Rehiring of former employees who resigned for reasons related to child care 2017 Global HR Development Program introduced 2020 Monotsukuri Meister System introduced <b>2022 Smart Work Incentives introduced</b>
	Women	2011 Sister System (mentorship for women employees) commenced 2012 Project to hire women STEAM students commenced
	Aged 60 or over	2000 Selective Retirement Age System (up to age 65) introduced 2020 Senior Task System introduced for managerial employees 2020 Employment Guidelines for Employees aged 65 or over formulated for all employees
	Persons with disabilities	1994 Fuji Electric Frontier (special-purpose subsidiary) established. Hiring and work areas expanded (now 12 bases)

## Data on Women Employees at Fuji Electric

	FY2011	FY2022	FY2023
Ratio of women hired	12%	<b>21%</b>	20%
Ratio of women managers	0.74%	<b>3.1%</b>	3.0%
No. of women employees in supervisory positions	83	328	400

The above numbers are for Fuji Electric and its seven consolidated subsidiaries that adopt the same personnel systems with ours.

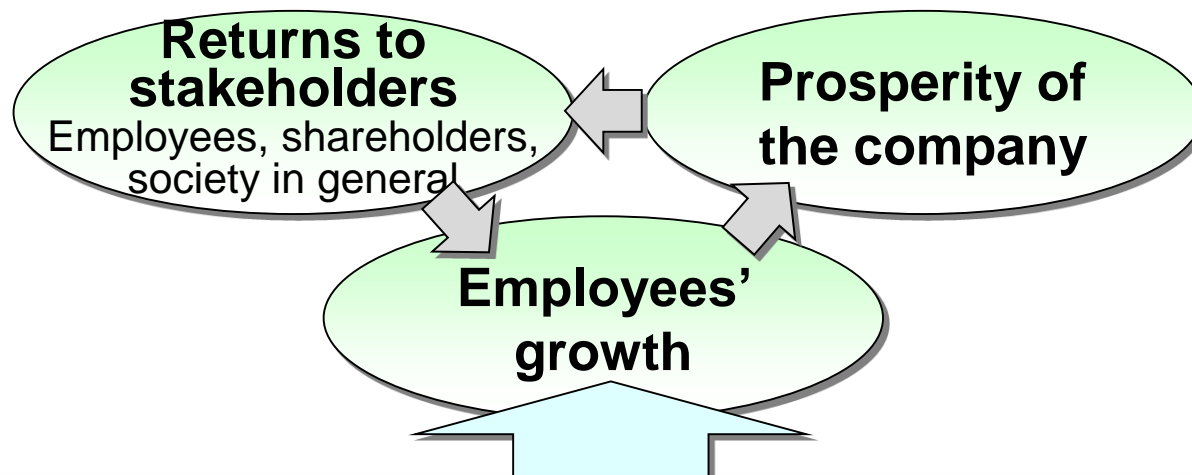
## Employees aged 60 or over

	FY2001	FY2021
% of employees choosing Selective Retirement Age System	7.8%	82.5%

## Employment ratio of persons with disabilities

	FY2011	FY2022 (current as of June 2022)
Ratio at Fuji Electric	1.94%	<b>2.95%</b>
(Ref.) Stationary ratio	1.8%	2.3%

**With management putting employees first, creating a virtuous cycle of employees' growth bringing prosperity to the company, which in turn benefits the employees**



**Management Policies**

**Maximize our strengths as a team respecting employees' diverse ambition.**

**Fuji Electric Code of Conduct**

**Respect and value all people**

Respect human rights

Promote the activities of diverse HR

Take employees' health and safety into consideration

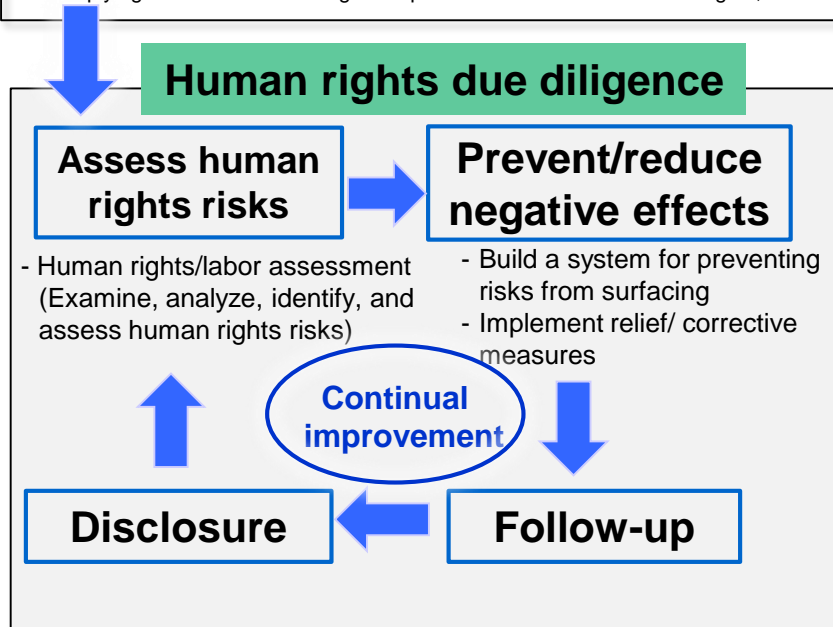
## Enhancing effectiveness of human rights due diligence by conducting human rights assessment in compliance with international standards

### ■ How human due diligence works

#### Policy for Human Rights of the Employees

1. Prohibition of forced labor
2. Prohibition of child labor
3. Consideration of work hours
4. Adequate wages
5. Prohibition of inhumane treatment
6. Prohibition of discrimination
7. Employees' right to organize
8. Safe and healthy working environment

\* Complying with the U.N. Guiding Principles on Business and Human Rights, etc.



### ■ Implementing human rights / labor assessment

#### <Overview>

Frequency	FY2014-: Once every three years → <b>FY2022-: Once every two years</b>
Target	<b>Fuji Electric and its consolidated subsidiaries in Japan (Coverage: 100%)</b>
No. of items surveyed	FY2020: 43 → FY2022: 83 Based on customers' CSR survey results, added questions concerning "prohibition of forced labor," "adequate wages," "safe and healthy working environment," etc.

#### <FY2022 results>

0.3% of requirements not met (improvement over the previous year)

#### <Future initiatives>

- Continue instructions for improvement of unmet requirements
- Consider reviewing survey items for FY2024 assessment

**Implementing HR strategies designed to realize a virtuous cycle of development of employees, prosperity of the company, and return of profit**

## <Our challenges>

### Workforce composition

- Correct distorted workforce composition
- Measures against aging workforce
- Prepare for mass retirement, develop successors

**Expand Power Electronics and Semiconductor businesses**  
**Globalization**



## HR strategies/measures

- **Continuously strengthen and improve quality of recruitment**
  - Recruit more new graduates and mid-career personnel (400+/year)
  - Proactively offer internship opportunities
  - Strengthen recruitment for Power Electronics and Semiconductor businesses
- **Strengthen development of global/managerial HRs**
- **Empower diverse HRs**
  - Promote active participation of women employees
  - Promote active participation of senior employees
  - Broaden scope of duties performed by persons with disabilities
- **Promote workstyle reform and work-life balance**
- **Employee awareness surveys**



## Strengthening the development of global HRs to expand overseas business Early development of managerial HRs by design

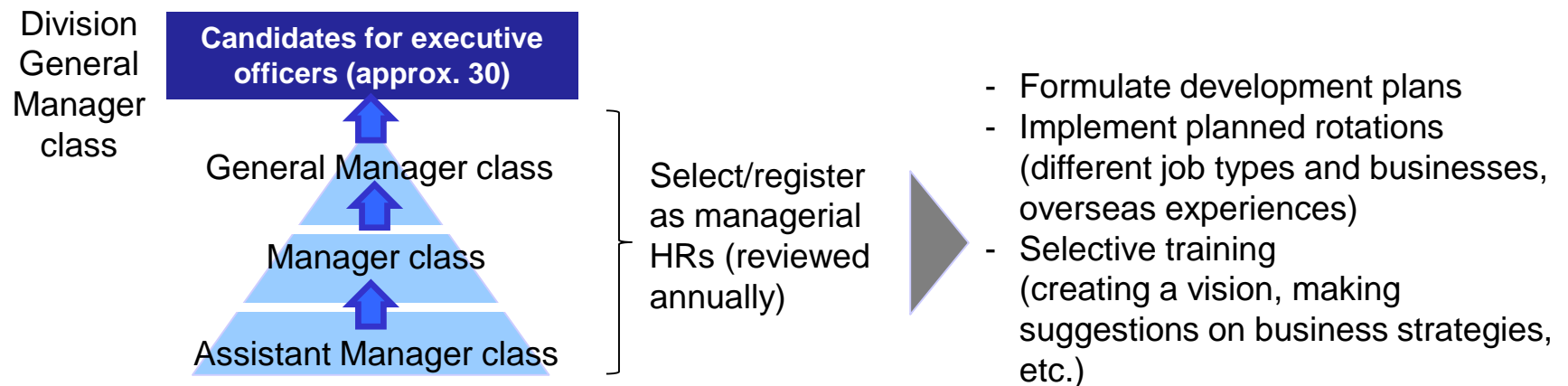
### ■ Develop global HRs

- Training in Japan for candidates of core positions at overseas bases (commenced in 2017)
- Planned overseas assignments to facilitate overseas career building (commenced in 2018, 20-30 persons/year)

 **<Future initiatives> Resume training in Japan for international employees, strengthen development of core HRs**

### ■ Develop managerial HRs

- Structured a managerial HR development scheme (implemented in 2017)



 **<Future initiatives> Maintain quality of managerial HRs (continued implementation of assessment) Strengthen development of global managerial HRs**

## Increasing productivity and realizing work-life balance through workstyle reform

- Reduce average overtime hours, increase the number of paid vacation days acquired annually
- Flexible Location Work System (conditions eased after introduction in 2017)
- Create a workplace environment suited for new workstyles (increasing operational efficiency using IT tools, free-address offices, etc.)
- Strengthen support for employees raising children following the revision of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children and Other Family Members
  - Create after-birth childcare leave for fathers, allow for divided acquisition of childcare leave (October 2022 -)
- Introduce smart work incentives (FY2022)
  - To be granted to high-achievers with average overtime work of less than 10 hours/month

	FY2018	FY2021
Average overtime hours*	24.04	20.80
Average no. of paid vacation days acquired annually*	14.5	17.5
Total no. of employees using satellite offices	457	1,247
Total no. of employees using work-from-home system	1,940	199,091
Total no. of employees taking child care leave	107 (incl. 6 male)	124 (incl. 21 male)

\*The above numbers are for Fuji Electric and its seven consolidated subsidiaries that adopt the same personnel systems as ours.



Free-address office

### <Future initiatives>

- Continuously change mindsets for workstyle reform
- Promote the development of employee-friendly workplace environments
- Spread/establish Smart Work Incentives → Continuously promote change of awareness about time value

## Analyzing trends in survey findings to locate issues/risks and act early


### - Purposes:

- 1) Track levels of management policy understanding and employee satisfaction
  - 2) Review organizations and improve organizational management
- Administered to Fuji Electric and its affiliated companies in Japan and overseas

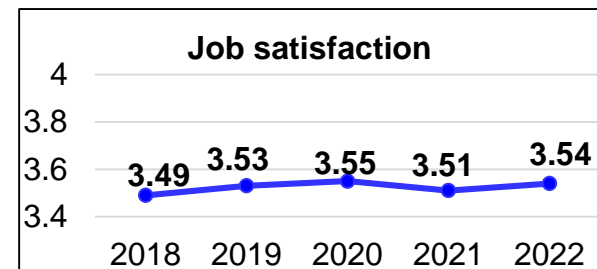
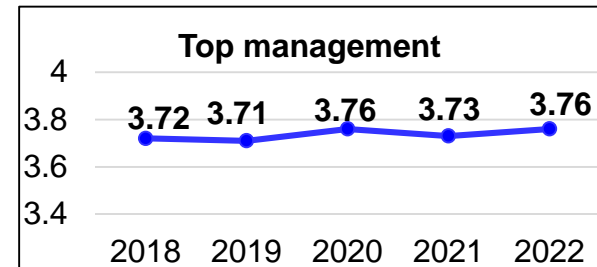
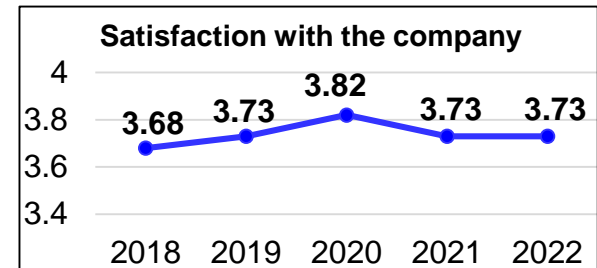
### <Past initiatives>

- Challenges: Stimulating HRs, strengthening workplace management
- Measures: Introduced career/work goals systems, conducted line manager training, introduced Monotsukuri Meister System

### <Future initiatives>

- 
- Continue **line manager training** (Strengthen content for acquisition of job assignment skills)
  - **Reinvigorate boss-subordinate communication** in a bid to strengthen support for younger employees building a long-term career
  - Further promote workstyle reform

(Fiscal Year)



# Governance

# Evolution of Initiatives for Governance

Key issues	Up to 2009	2010 - 2019	2020 and beyond
Improving the effectiveness of corporate governance	2003 Pure holding company system introduced	2011 Business company system introduced <b>Faster decision making by management</b> (Executive officers: 53 →18)	2019: <b>Nomination and Remuneration Committee established</b> 2019: Evaluation of the effectiveness of the Board of Directors by a third-party 2021: Directors' skill matrix disclosed
	2003 Outside officer system introduced	2012: <b>Woman Outside Audit &amp; Supervisory Board Member appointed</b>	2022: <b>Woman Outside Director appointed</b>  2019 - : Cross-shareholdings continuously reduced
Promoting compliance	2004: <b>Business Ethics Helpline System</b> (present Business Ethics Whistle-Blowing System) introduced  2007: <b>Compliance Regulations and Compliance Program</b> formulated	2012: <b>Partner Hotline established</b> (for business partners)	

# Composition of the Board of Directors

- Created positions of Representative Director, Chairman of the Board, Chief Executive Officer (CEO), and Representative Director, Director and President, Chief Operating Officer (COO) in April 2022
- Selected Directors in accordance with Corporate Philosophy and business characteristics
- Appointed persons responsible for growing businesses of Power Electronics and Power Semiconductors and a woman Outside Director in June 2022

Name	Positions	Number of years as Director (as of June 2022)	Independence	Areas expected of Director candidates by the Company						
				Business management	Finance and accounting	Global	Environment and society	R&D, technology, manufacturing, and DX	Corporate governance, legal matters, and risks	Marketing and industry
Michihiro Kitazawa	Representative Director, Chairman of the Board and CEO	14		○	○	○		○	○	○
Shiro Kondo	Representative Director, President and COO	1		○		○		○		○
Michio Abe	Director	12				○	○	○		○
Junichi Arai	Director	6			○	○			○	
Toru Hosen	Director	New appointment						○		○
Hiroshi Tetsutani	Director	New appointment						○		○
Toshihito Tamba	Outside Director	6	○	○	○	○			○	
Naomi Tachikawa	Outside Director	6	○	○					○	
Yoshitsugu Hayashi	Outside Director	5	○			○	○		○	
Yukari Tominaga	Outside Director	New appointment	○	○				○	○	

## Improving Board effectiveness by continual identification/improvement of issues through its evaluation

### ■ Issues found in effectiveness evaluation and key initiatives

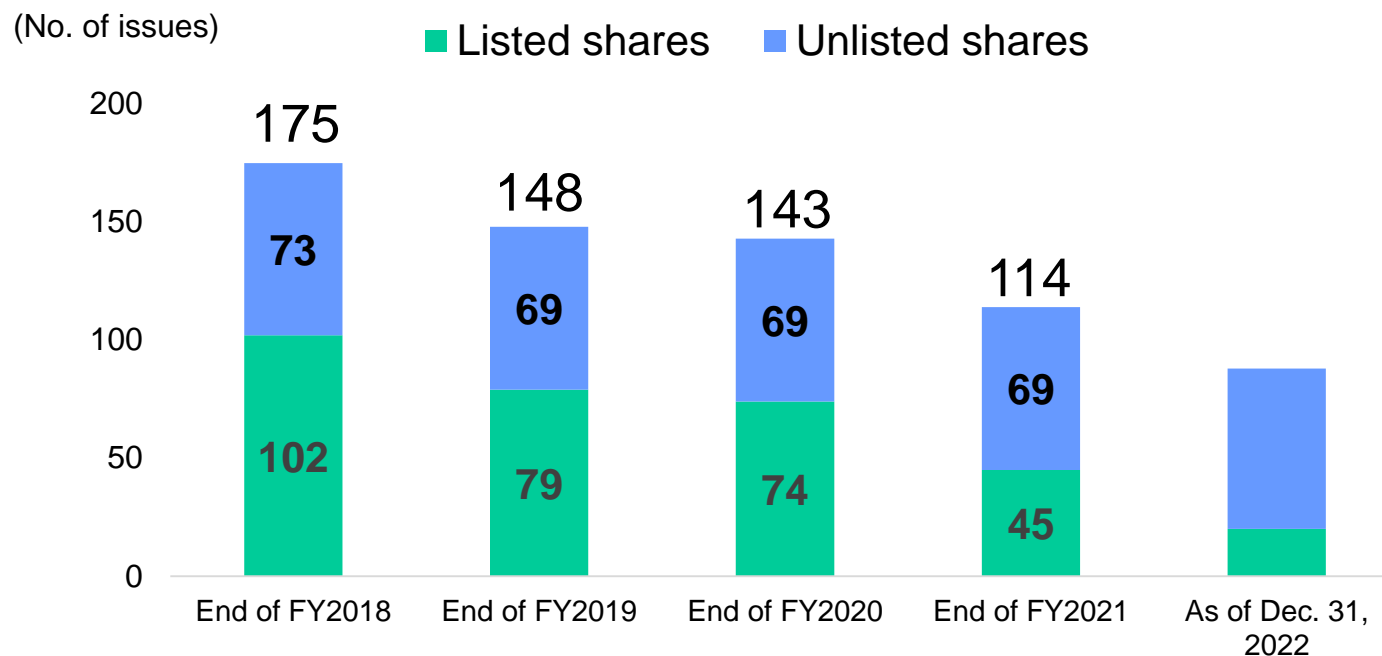
Main issues for FY2021 effectiveness evaluation	Key initiatives in FY2022	Selected comments from outside officers
Further discussions of mid- and long-term important tasks	Discuss at Board meetings business plans/strategies for each segment, key issues at the SDGs Promotion Committee, various HR programs, etc.	<ul style="list-style-type: none"> <li>- Proactively disclose initiatives and results concerning the promotion of the SDGs</li> <li>- Sort out the disclosure policy vis-à-vis climate change risks</li> <li>- Explain relationships between our businesses and social contributions</li> <li>- Formulate HR strategies and set goals (overseas, management, empowerment of women, etc.)</li> <li>- Consider introducing reskilling seminars</li> <li>- Sort out policies on return of profit, equity ratio, and capex</li> </ul>
Enhancement of disclosure and exchange of opinions on our businesses, products, etc.	Organize R&D strategy presentations for outside officers	<ul style="list-style-type: none"> <li>- Continually review R&amp;D roadmaps with business/technology mixes in mind</li> <li>- Develop products by backcasting from CO<sub>2</sub> reduction targets and manage the target values</li> </ul>
Report of the state of dialogues with institutional investors	Report IR activities and opinions, requests, etc. from analysts and institutional investors at Board of Directors meetings	<ul style="list-style-type: none"> <li>- Organize meetings between management team members and institutional investors</li> <li>- Consider organizing IR activities for private investors</li> </ul>

### ■ New initiatives

- Conduct interviews with internal/outside officers based on the findings of survey by a third-party service (February 2023 -)

# Reduction of Cross-Shareholdings

- Holding listed shares for policy reasons in order to maintain/strengthen relationships with their issuers
- Under the basic policy of reducing cross-shareholdings, we will seek to reduce cross-shareholdings even when cross-shareholding is rational to a certain degree while paying due attention to its impact on our management and business.



Amounts reported on the balance sheet (Billions of yen)	104.5	103.7	108.9	102.0
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## Minimizing impacts of risks by managing them in an optimal manner

### Risk categories

External Risks	Business Risks		
<p><b>Risks related to the external environment</b></p> <ul style="list-style-type: none"> <li>• Economic trends</li> <li>• Attacks from outside</li> <li>• Natural disasters and accidents</li> <li>• Climate change</li> </ul> <p>Other</p>	<p><b>Risks related to business activities</b></p>		
	<p style="text-align: center;"><b>Strategic Risks</b></p> <p><b>Risks related to policies and strategies</b></p> <ul style="list-style-type: none"> <li>• Management strategies</li> <li>• Business environment</li> <li>• Corporate governance</li> <li>• Partnering and withdrawal</li> </ul> <p>Other</p>	<p style="text-align: center;"><b>Operational Risks</b></p> <p><b>Risks related to business processes</b></p> <ul style="list-style-type: none"> <li>• <b>Quality</b>, cost, and deadlines for all aspects of business, such as orders, <b>procurement</b>, production, shipment and services</li> </ul> <p>Other</p>	<p style="text-align: center;"><b>Common Risks</b></p> <p><b>Risks related to business activities</b></p> <ul style="list-style-type: none"> <li>• Human rights and labor practices</li> <li>• Compliance</li> <li>• Information systems</li> <li>• Environmental pollution</li> </ul> <p>Other</p>

## Basic policy on quality assurance

Under the quality policy (established in 1970) designed to assure the highest level of quality in the industry for all its products and services, Fuji Electric updates the high-reliability activities policy every year, in a full-scale effort to improve quality at every stage, from product planning to sales and servicing.

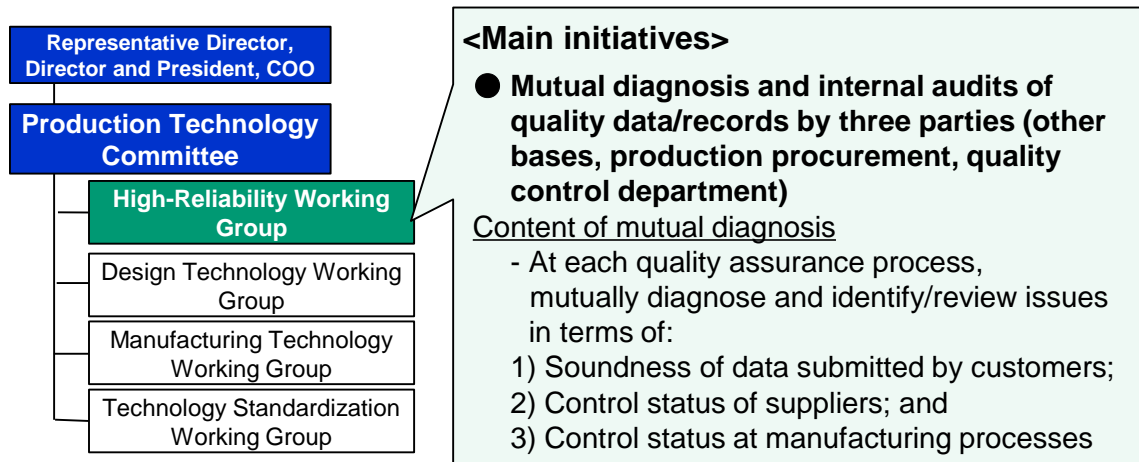
## Enhance quality soundness by high-reliability activities

### ■ Priority issues

- Expanding the scope of statistical quality management by digitalizing testing/inspection
- Carefully identifying risks before taking orders and after delivery of plant systems
- Strengthening supplier management

### ■ Promotion system

- Established **the High-Reliability Working Group** (April 2022)  
(Added initiatives to increase quality soundness)



Quality assurance process	Items for quality control
Product planning	Market surveys, spec verification
Development/Design	Reliability design and evaluation Design review
Procurement	Control of outsourced/purchased products
Manufacturing	Control of critical operation Manufacturing records
Testing/Inspection/Reporting	In-process inspection Outgoing inspection
Transportation/Field operation	On-site operation diagnosis
After-sale service	Control of market quality information

## Reducing CSR risks in the supply chain by periodically monitoring the status of customers' CSR initiatives and collaborating with them to improve issues

### ■ Self-assessment of CSR procurement

- Scope: Customers together accounting for 80% or more of annual purchases
- Frequency: Once a year
- Items surveyed: 9 items in accordance with our CSR Procurement Guidelines
- Methodology: Self-inspection by customers  
Customers with low evaluation may be asked to be interviewed for improvement

Fuji Electric Code of Conduct  
**Respect and value our customers**

- Fuji Electric CSR Procurement Guidelines**
- |                           |  |
|---------------------------|--|
| 1. Human Rights and Labor | 6. Information Security                |
| 2. Health and Safety      | 7. Business Continuity Plan            |
| 3. Environment            | 8. Establishment of Management Systems |
| 4. Fair Trade and Ethics  | 9. Social Contribution                 |
| 5. Quality and Safety     |  |

### <Initiatives so far>

- Expand the number of companies assessed every year (Japan → Overseas → Affiliated companies)
- Increase interview opportunities for improvement by revising conditions for interviews (FY2022)

	FY2019	FY2020	FY2021	FY2022
<b>Total</b>	<b>425</b>	<b>673</b>	<b>748</b>	<b>767</b>
<b>Japan</b>	<b>425</b>	<b>572</b>	<b>646</b>	<b>658</b>
<b>Overseas</b>	<b>0</b>	<b>101</b>	<b>102</b>	<b>109</b>

### <Initiatives for FY2023>

- Introduce customer CSR procurement audits
- Develop in-house auditors
  - Audit customers with low evaluation

## Aiming to stabilize procurement by identifying/assessing/addressing supply chain risks

### ■ Efforts aimed at purchasing from multiple suppliers

- Evaluate the risks associated with approx. 200,000 materials that could be purchased from multiple suppliers and expand multi-sourcing  
Approx. 60% (FY2021) → 70% (FY2022) → 80% (FY2023 goal)

Risk	
Low	<b>A</b> Multi-sourcing complete (ordering complete)
	<b>B</b> Multi-sourcing preparation complete (ordering possible)
	<b>C</b> Material evaluation complete
	<b>D</b> Candidate selection complete / not yet evaluated
High	<b>E</b> Specified customer, no alternative, discontinued, alternative unknown

Procured material risk rating definitions

- ➡ <Initiatives for FY2023>
- Increase the number of countries from which materials can be purchased
  - Request suppliers of non-replaceable materials to produce at multiple bases and build up inventory

### ■ Responding to natural disaster risks

- Japan: Expand the scope of customers to be registered to our disaster prevention information system  
FY2021: Primary, secondary (approx. 9,000 bases)  
FY2022: Expand the scope of secondary business partners (approx. 9,900 bases)
- Overseas: Overseas IPOs\* gather disaster-related information on customers  
\* International Procurement Office



Conceptual image of the disaster prevention information system (when an earthquake occurs)

- ➡ <Initiatives for FY2023>
- Lower impact on production activities by having substitute suppliers register to the system

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