

Business Strategy Meeting

FY2023 Management Challenges

May 30, 2023

Shiro Kondo

President and Chief Operating Officer

Fuji Electric Co., Ltd.

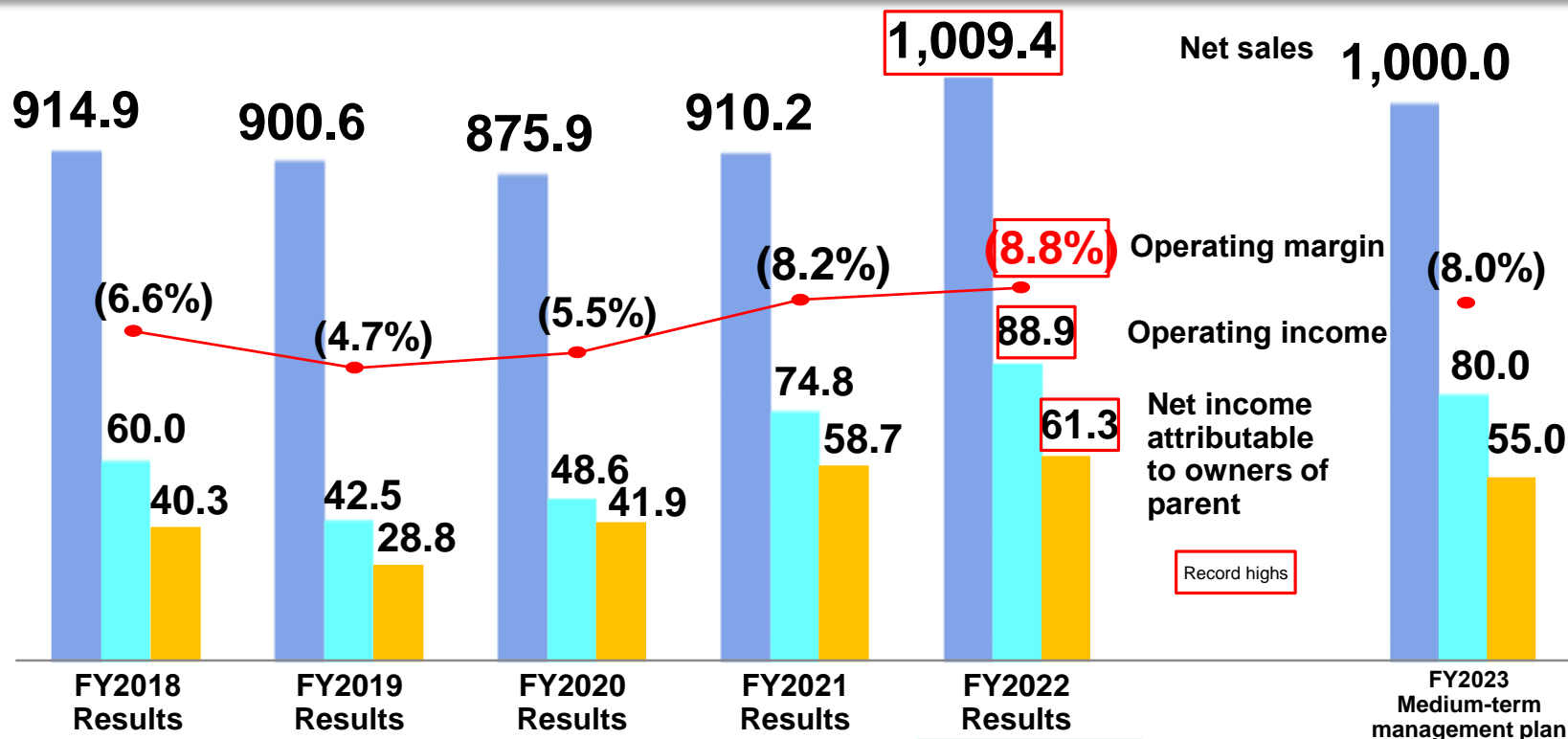
- 1. Progress of Current Medium-Term Management Plan** **Slide 3**
- 2. Management Challenges in FY2023** **Slide 11**

1. Progress of Current Medium-Term Management Plan

Performance and Major Indicators

Targets of FY2023 medium-term management plan achieved a year ahead of schedule
Record highs for net sales, operating income, operating margin, and net income

(Billion yen)



Equity ratio

37%

37%

40%

42%

44%

50%

ROE

12%

8%

11%

13%

12%

11%

ROA

4%

3%

4%

5%

5%

5%

Net debt-equity ratio

0.4 times

0.4 times

0.3 times

0.2 times

0.2 times

0.1 times

Measures

Accomplishments (FY2022)

Promotion of growth strategies

- Expansion of power electronics business (comprehensive electrical equipment business, ED&C components)
- Investment for augmenting semiconductor production capacity (front-end processes for 8-inch wafers, SiC devices)
- Growth of sales of new products

- Sales from comprehensive electrical equipment business **approx. double** FY2018's level
- Semiconductor production capacity (8-inch wafers) **more than 4 times higher** than on March 31, 2019
- New product sales **up 40%** from FY2018's level

Expansion of overseas operations

- One M&A transaction (in India)
- Launch of global products

- Overseas sales **up 30%** from FY2018's level
- Sales of power electronics products to India **up 500%** from FY2018's level

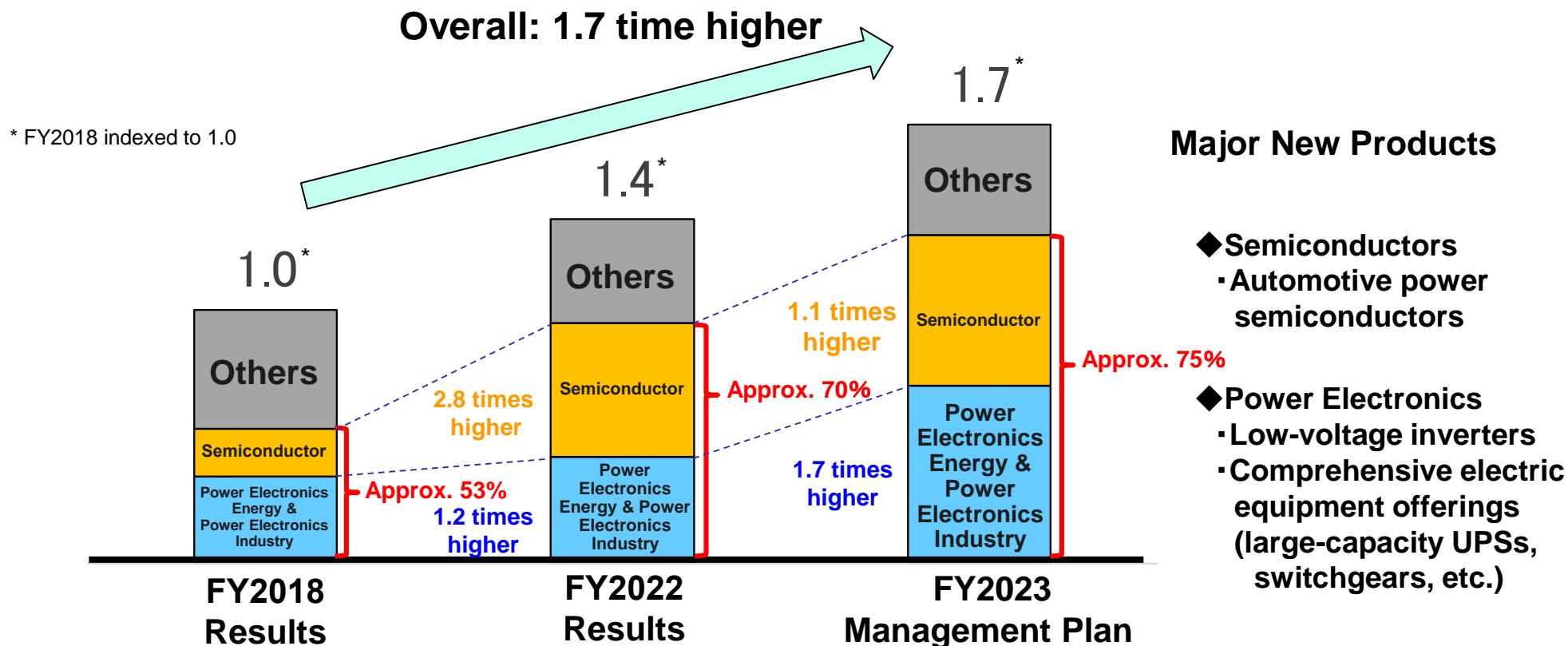
Enhancement of earnings power

- Structural reforms (ED&C components, vending machines)
- Reinforcement of procurement risk management measures (multiple purchasing transactions, local production and consumption, in-house production)
- Increases to product selling prices to reflect rises in material and energy costs

- Consolidated operating margin of **8.8%**

Sales Contributions from New Products

New product launches contributing to higher sales of power electronics and semiconductors

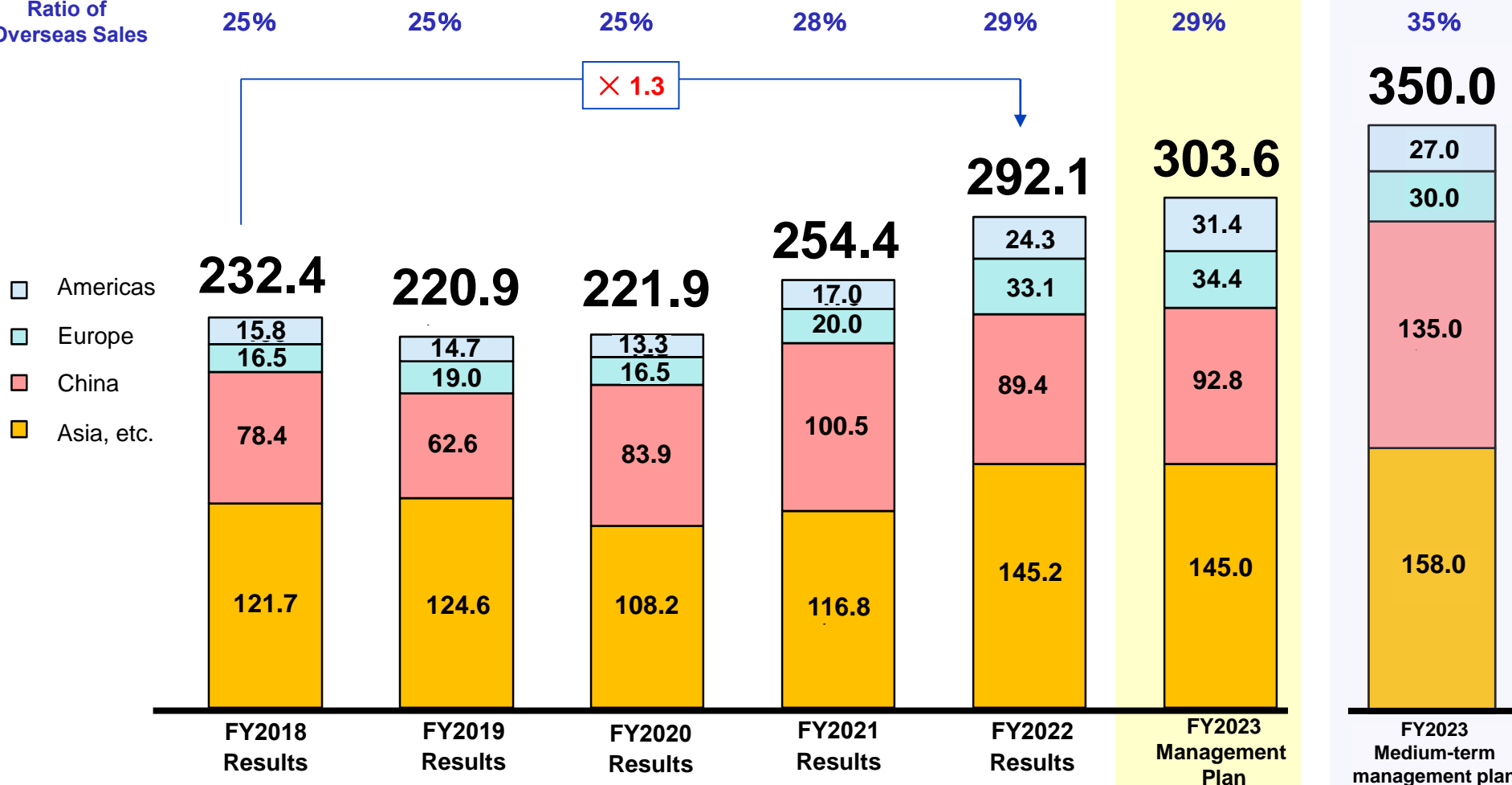


“New products” defined as those products that have been on the market for five or fewer years

Need to grow overseas sales

(Billion yen)

Ratio of Overseas Sales



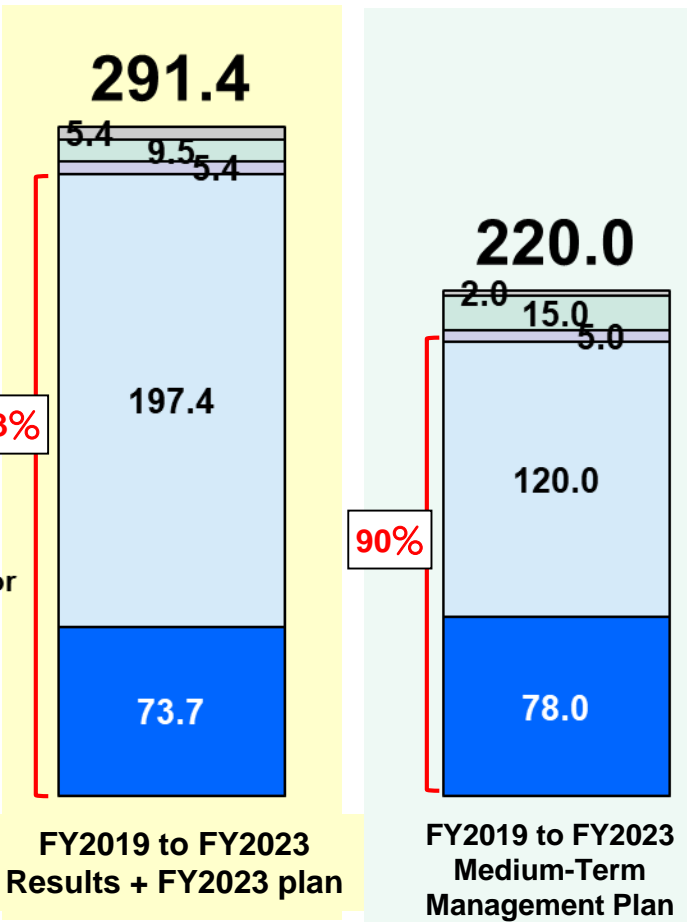
Ongoing concentration of investments on growth areas

Capital Investment

(Billion yen)

Ratio. of Power Electronics and Semiconductor

- Others
- Food and Beverage Distribution
- Power Generation
- Semiconductor
- Power Electronics

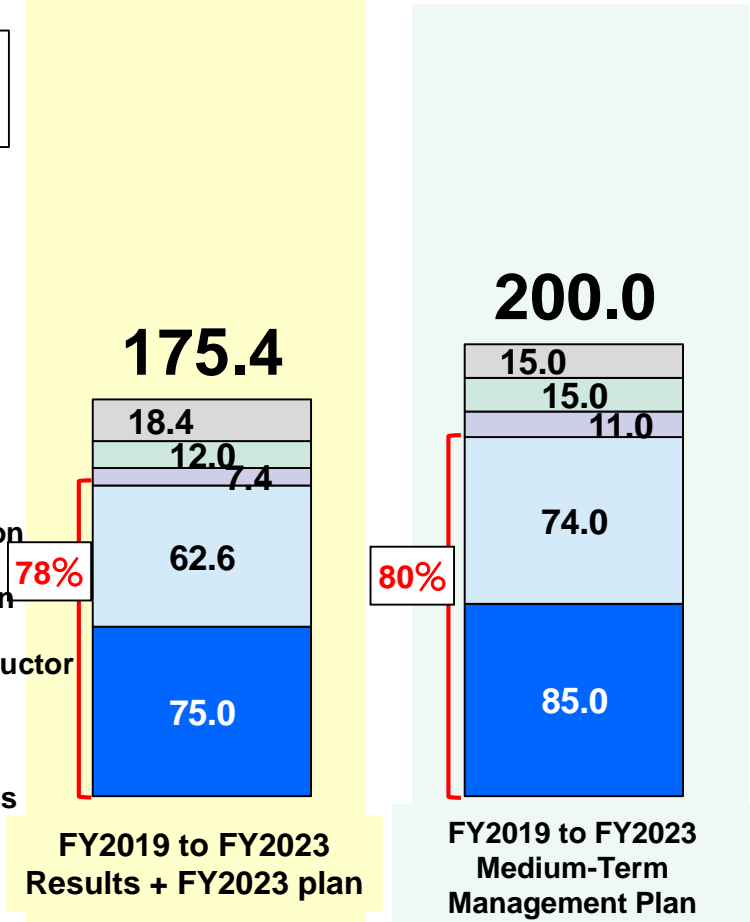


Research and Development

(Billion yen)

Ratio. of Power Electronics and Semiconductor

- Others
- Food and Beverage Distribution
- Power Generation
- Semiconductor
- Power Electronics



Note: The R&D expenditure figures above represent expenditures that have been allocated to segments based on theme and may therefore differ from figures contained in consolidated financial reports.

Ongoing Reinforcement of Management Foundation with ESG Emphasis

Measures

Successes (FY2022)

Environment

- Realization of a decarbonized society
- Realization of a recycling-oriented society

• Environmental Vision 2050
Revision of FY2030 greenhouse gas emissions target to be compatible with 1.5 °C global warming scenarios

	Results	FY2030 target
Average annual reduction in greenhouse gas emissions from production	10% (FY2019–FY2022)	4.2% (–FY2030)
Contributions to CO ₂ emissions reduction in society through products	49,790,000 tons in FY2022	More than 59 million tons

• Inclusion on CDP Climate Change A List for four consecutive years; receipt of certification from Science Based Targets

Social (Human resources)

- Empowerment of diverse employees
- Promotion of workstyle reforms and work–life balance
- Ongoing administration of employee awareness surveys

- Number of female employees in supervisory positions: 316 (up 40% from FY2018)
- Rate of childcare leave acquisition by male employees: 21% (up 18% from FY2018)
- Company satisfaction score on employee awareness surveys: 3.73/5 (up 0.5 from FY2018)

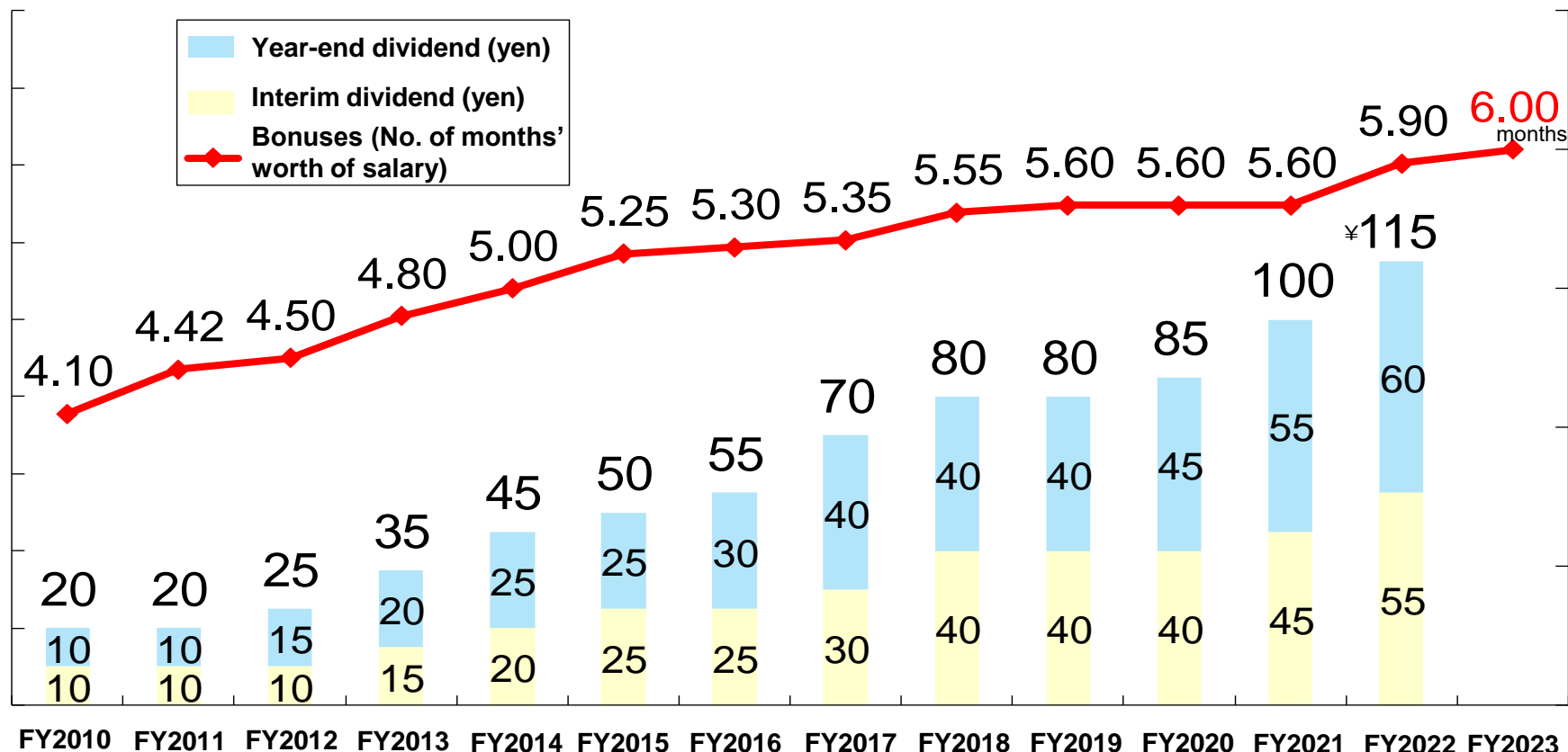
Governance

- Improvement of effectiveness of corporate governance
- Promotion of compliance
- Enhancement of risk management

- Ongoing evaluation of Board of Directors effectiveness and reflection of results in proceedings
- Appointment of female outside directors (Jun. 2022)
- Reduction of cross-shareholdings: 17 holdings of listed shares on Mar. 31, 2023 (down 85 from Mar. 31, 2019)

Dividends and Bonuses

Returning of profits to shareholders with basic policy of paying stable and continuous dividends
Full acceptance of pay demands for first time based on returns policy prioritizing employees



Dividend payout ratio	18.9	24.2	13.6	25.5	23.0	23.3	19.2	26.5	28.4	39.7	29.0	24.3	26.8	(%)
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Note: Dividend figures reflect the stock consolidation conducted on October 1, 2018.

2. Management Challenges in FY2023

- **Completion of measures to prepare for next medium-term management plan during FY2023**
- **Formulation of new growth strategies for Fuji Electric**

Emphasis on profit (operating income, net income)

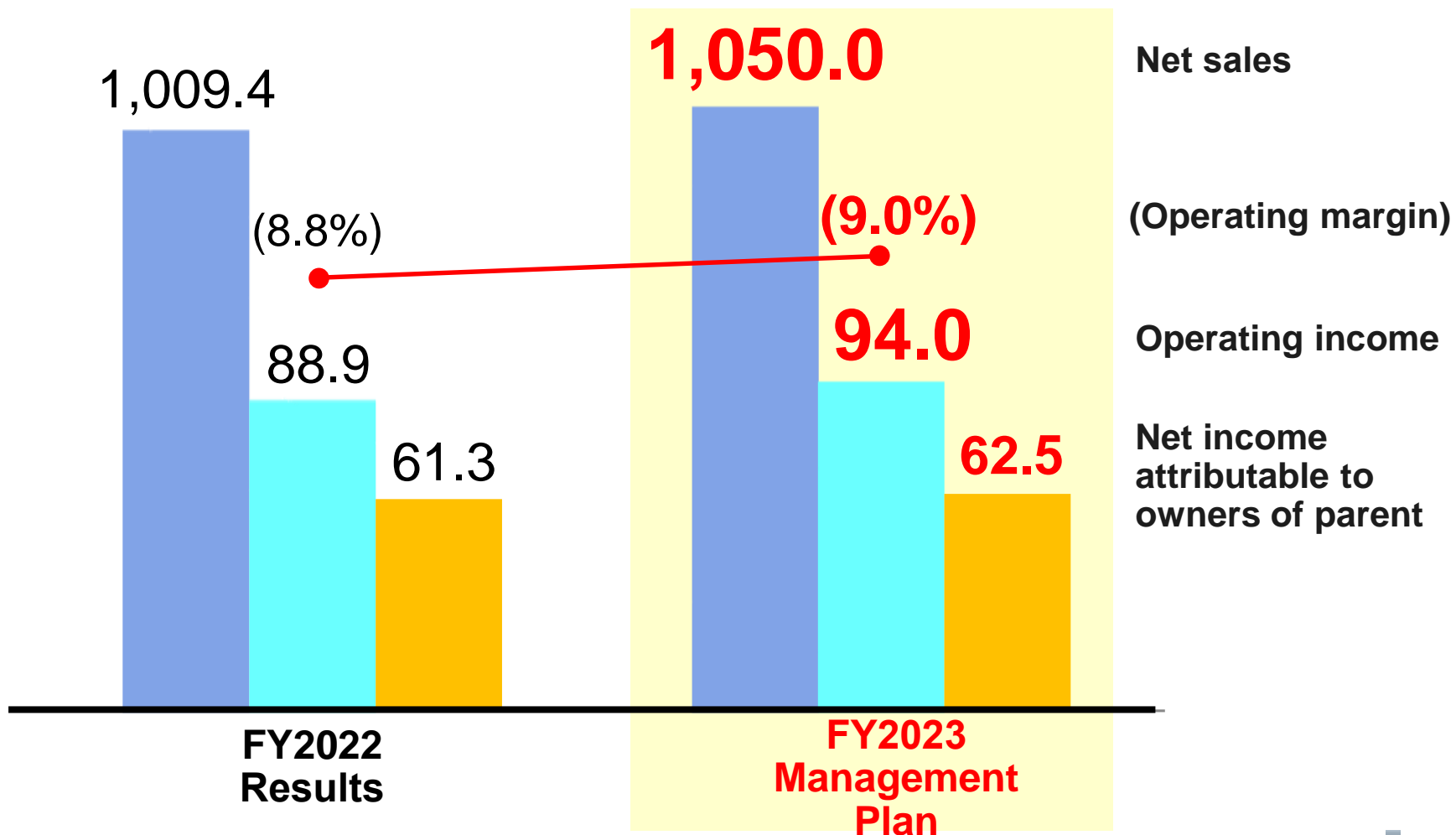
Vision of 2030 × Outlook for after FY2023



Next medium-term management plan: Three-year plan covering period from FY2024–FY2026

Target of operating margin of 9% or more

(Billion yen)



Pursuit of higher earnings capacity

(Billion yen)	FY2022 Results			FY2023 Management Plan			YoY Change		
	Net sales	Operating income	Operating margin	Net sales	Operating income	Operating margin	Net sales	Operating income	Operating margin
Power Electronics Energy	264.1	26.9	10.2%	275.0	27.0	9.8%	-2.2* 10.9	-0.6* 0.1	(0.4%)
Power Electronics Industry	353.4	24.9	7.0%	378.0	29.5	7.8%	-4.3* 24.6	-1.4* 4.6	0.8%
Semiconductor	206.2	32.2	15.6%	221.0	32.8	14.8%	-5.5* 14.8	-3.5* 0.6	(0.8%)
Power Generation	87.3	3.6	4.1%	83.0	4.2	5.1%	(4.3)	0.6	1.0%
Food and Beverage Distribution	95.3	4.4	4.6%	96.0	5.0	5.2%	0.7	0.6	0.6%
Others	59.8	3.7	6.3%	60.0	3.4	5.7%	0.2	(0.3)	(0.6%)
Elimination and Corporate	(56.7)	(6.7)	-	(63.0)	(7.9)	-	(6.3)	(1.2)	-
Total	1,009.4	88.9	8.8%	1,050.0	94.0	9.0%	-12.7* 40.6	-5.4* 5.1	0.1%

* Impacts of foreign exchange influences

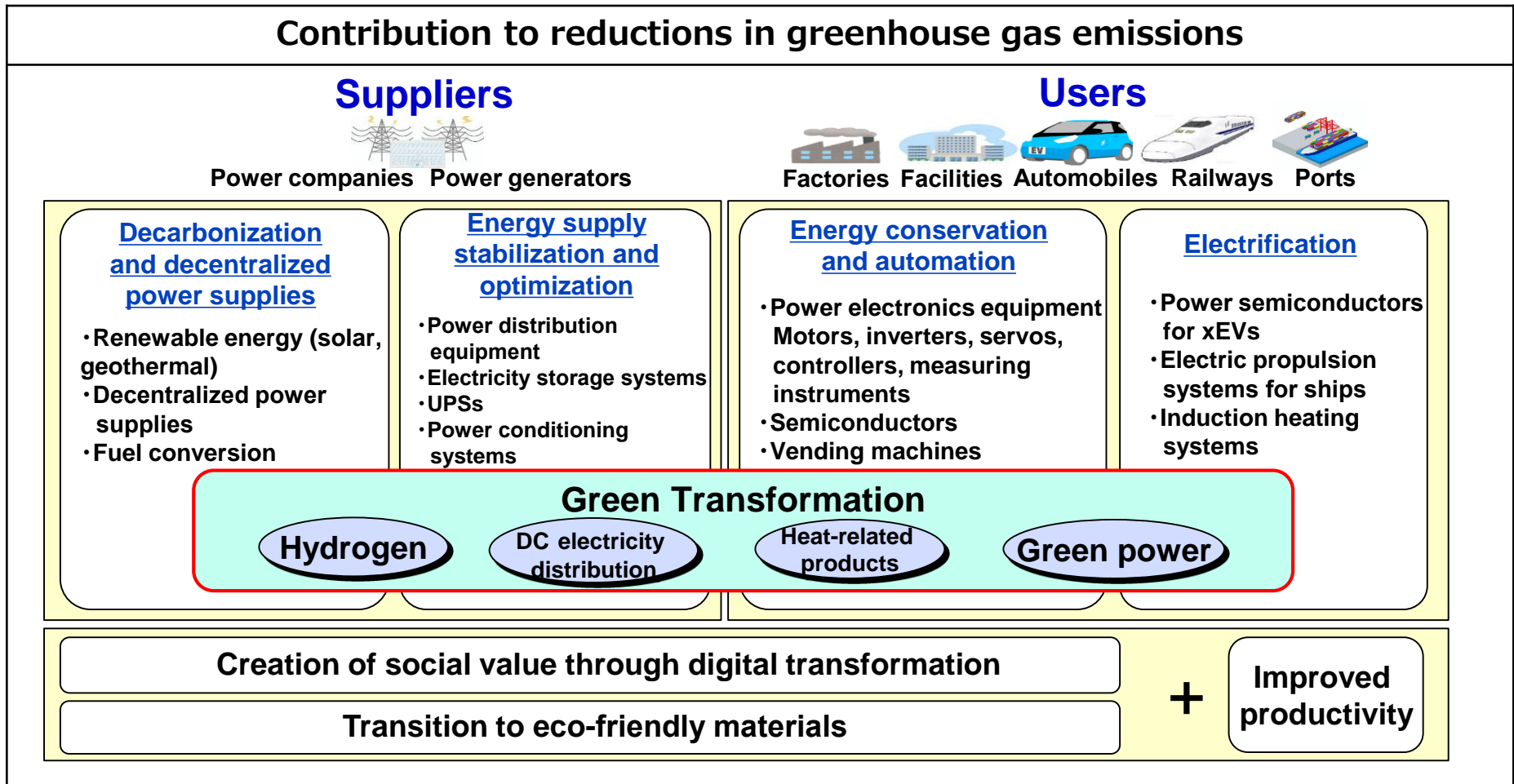
Formulation of new growth strategies for Fuji Electric

Emphasis on profit (operating income, net income)

Vision of 2030 × Outlook for after FY2023

- **Contribution to creation of a responsible and sustainable society through innovation in energy and environment technology**
- **Development of competitive components**
 - Systems utilizing components**
 - Creation of new value with digital technologies**

Creation of social value in energy and environment field centered on power electronics and power semiconductors



Growth Strategy Framework

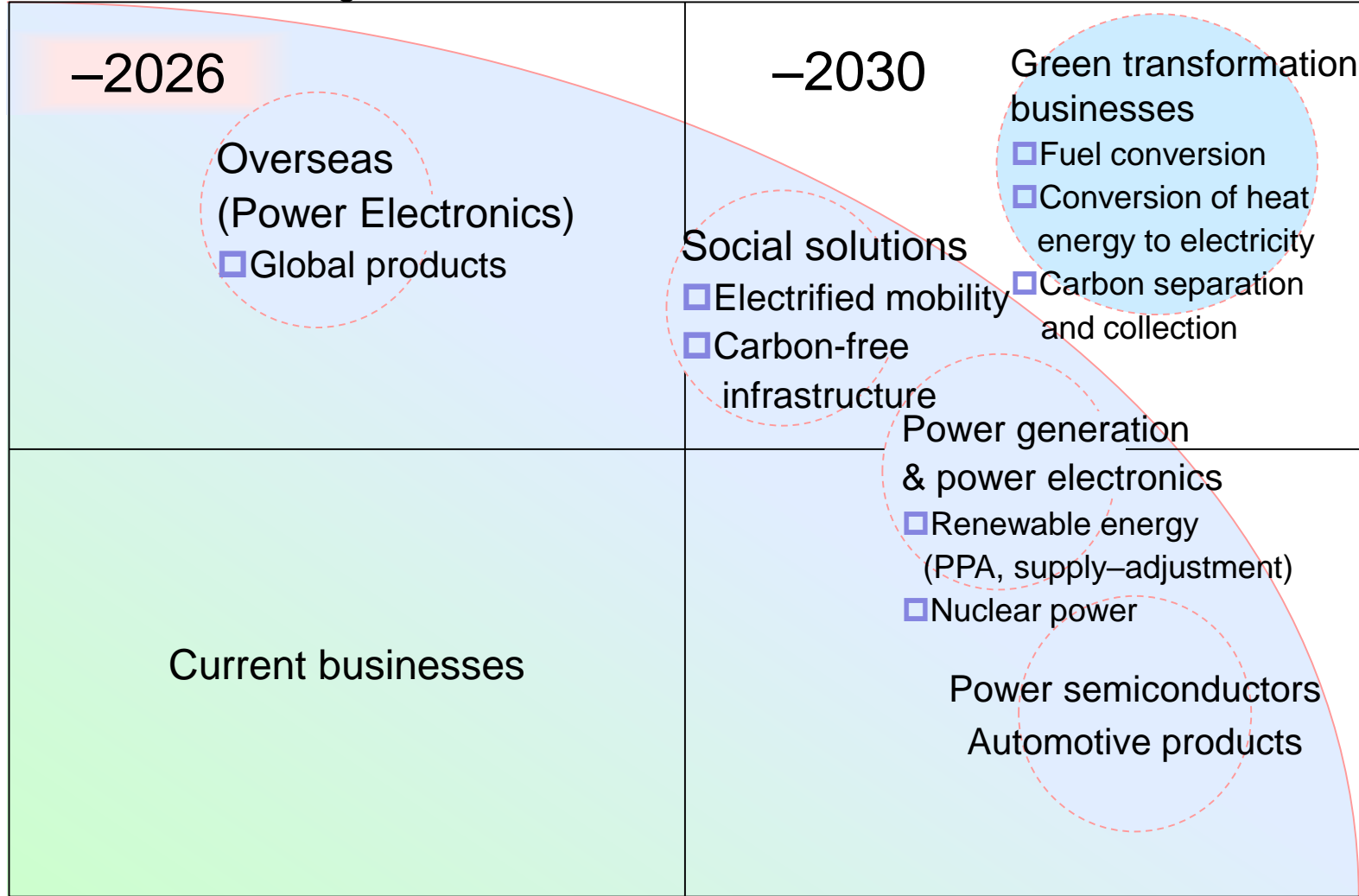
Areas to see slight growth in sales

Growth areas

Axis by Fuji Electric

New / Growth fields

Existing fields



Existing markets

Axis by markets

New / Growth markets

Adaptability to Change

Receptiveness
toward
information
and change



Open discussion not
bound by hierarchy



Organized
teams



Two Drivers of Innovation

Imagination & Creativity

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