

President's Message



Contributing to the Development of the SDGs and the Realization of a Decarbonized Society through Our Energy and Environment Businesses

Michihiro Kitazawa
President and Chairman of the Board of Directors

Through our energy and environment businesses, we aim to benefit society and become a company of sustainable growth.

First of all, I would like to express my deepest respect and gratitude to all those who are making sincere efforts to combat the COVID-19 pandemic, which is having a major impact on society, the economy, and people's daily lives.

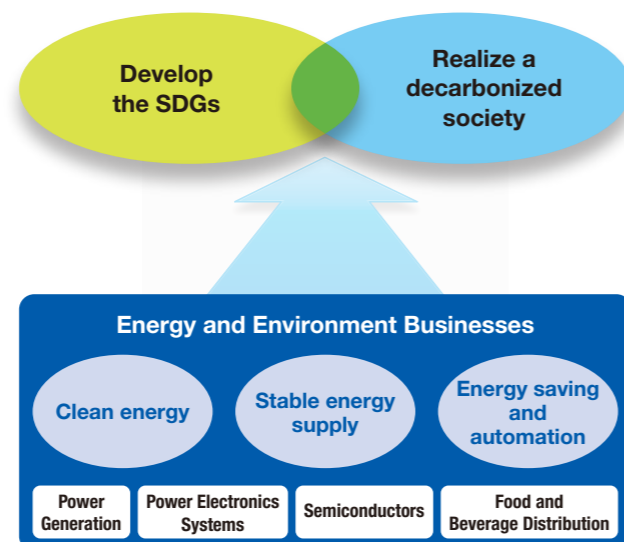
Since its establishment in 1923, Fuji Electric has contributed to the advancement of society and industry through its cutting-edge energy and environment technologies. As responsible corporate citizens in a global society, we value our relationships of trust with local communities, customers, suppliers, and many other business partners, under our corporate mission: "contribute to prosperity," "encourage creativity," and "seek harmony with the environment." In recent years, the international community has been pursuing the SDGs, which target integrated economic, social, and environmental development—an objective that accurately reflects our corporate philosophy.

Moreover, we can help realize a decarbonized society, a center of rapidly growing world attention, through our core energy and environment businesses. Our greatest strength is our ability to provide comprehensive responses, from stable energy supply to energy saving and automation solutions. We do this by offering power electronics equipment with world-leading power semiconductors, systems that combine such equipment, and engineering services, in addition to a variety of clean energy-related products. By leveraging this strength, we will help realize the world's goal of a decarbonized society by 2050.

Today, advancing the SDGs and realizing a decarbonized

society have become increasingly significant common global issues. To continue growing sustainably, therefore, Fuji Electric believes it is important to clarify and promote its ESG priorities. We will continue strengthening our operating foundation through clarification and achievement of targets, appropriate information disclosure, and dialogue with stakeholders.

Our Vision



Toward achieving FY2023 Medium-Term Management Plan

In June 2019, we announced our Medium-Term Management Plan—Reiwa Prosperity 2023—which ends at the close of fiscal 2023. Under the plan, we will strengthen our operating foundation for the Fuji Electric's further development in fiscal 2024 and thereafter and aim for prosperity together with society.

Fiscal 2020: Increased income despite lower revenue, reflecting our strengths as a team

Immediately after the start of the plan, the business environment surrounding the Company changed dramatically. Following U.S.-China trade issues in fiscal 2019 and the impact of COVID-19 in fiscal 2020, these environmental changes provided an opportunity to examine our management structure. Although net sales have been sluggish for the past two years, we achieved a year-on-year increase in operating income in fiscal 2020. This was the result of our efforts to improve profitability through our companywide Pro-7 activities, as well as the ability of each plant to continue operations even during the pandemic by implementing rigorous infection control measures. It was truly a testament to the Company's comprehensive strengths.

Net income attributable to owners of parent reached a record-high level in fiscal 2020, but we faced two issues related to extraordinary items. The first was the posting of a ¥25.7 billion loss due to defects in certain power semiconductors for use in specific fields. To prevent a recurrence, we have been confirming usage conditions, reviewing standards and procedures adopted in the procurement and product design processes, and actively implementing improvement measures. We sincerely apologize to our customers, shareholders, and other investors for any concern this may have caused, and we will continue striving to improve customer satisfaction, keeping in mind that providing safe, reliable, and superior products and services is the starting point of any manufacturer. The second was a reduction of our cross-shareholdings. Due to the sale of some investment securities, we reported an extraordinary gain of ¥40.9 billion. We will continue to further reduce cross-shareholdings and use the proceeds from the sale of such holdings to make investments to achieve business growth and improve capital efficiency.

In fiscal 2020, we declared annual dividends of ¥85 per share (¥40 interim dividend and ¥45 year-end dividend), up ¥5 year on year, for a payout ratio of 29%. From a medium-to long-term perspective, we will continue retaining internal reserves for research and development, capital investment, and human resource development, while at the same time emphasizing payment of stable and continuous dividends to our shareholders.

(Billions of yen)	FY2018 Results	FY2019 Results	FY2020 Results	FY2021 Management Plan (Target)	FY2023 Medium-Term Management Plan (Target)
Net Sales	914.9	900.6	875.9	900.0	1,000.0
Operating Income	60.0	42.5	48.6	60.0	80.0
Operating Margin	6.6%	4.7%	5.5%	6.7%	8.0%
Net Income Attributable to Owners of Parent	40.3	28.8	41.9	42.0	55.0

Fiscal 2021: Year of challenge

Fiscal 2021 will be an important year of challenge as we strive to achieve the final-year targets of our Medium-Term Management Plan: Consolidated net sales of ¥1 trillion and an operating margin of 8% or higher. For the year, we are targeting net sales of ¥900 billion and operating income of ¥60 billion, and we must reach these targets to achieve the plan's objectives.

Realizing a decarbonized society, a major goal shared by the world, will provide great opportunities for us. With the accelerating shift to electrified vehicles and the expanding uptake of renewable energy, these opportunities are already growing. With this in mind, we will focus management resources on the power electronics systems business and power semiconductors business, earmarked as growth drivers, in order to expand our operations.

In power electronics systems, we will promote a strategy of partnerships and expand our overseas business by leveraging the sales channels and human resources we have acquired through M&As and alliances. In Asia, we will reinforce our engineering and plant system proposal capabilities, centering on our Thai factory, while in India we will strengthen our competitiveness by establishing local development and production systems. In addition, we will target increased orders for comprehensive electrical equipment, which combines substation equipment, uninterruptible power systems, and other equipment for data centers—where capital investment is strong in Japan and overseas—as well as semiconductor-related applications. Amid an ongoing review of our power supply mix, we will work to increase orders for renewable energy by strengthening collaboration between our power generation and power electronics systems businesses. In power semiconductors, we will address customer demand by accelerating capital investments to increase production capacity in response to strong demand growth associated with electrified vehicles and other factors. In the food and beverage distribution business, which posted a major loss in fiscal 2019, we returned to profitability in fiscal 2020 thanks to dramatic reforms of our sales and facilities. Meanwhile, Fuji Electric has a 70% share of the Japanese vending machine market. Going forward, we will propose environmentally friendly, highly convenient products that reflect people's changing lifestyles and work to discover how vending machines, which have taken root in Japanese society, can keep benefiting societies.

Helping realize a decarbonized society

The challenge of decarbonization has begun in many countries around the world. In 2019, we formulated and announced our Environmental Vision 2050, which focuses on reducing greenhouse gas emissions by 80% or more, with the aim of realizing a decarbonized society. In June 2021, in light of recent global trends, we revised our policy to target carbon neutrality in our entire supply chain by 2050.

Anticipating a large increase in environment-related investments around the world, we will optimize our diverse range of renewable energy-related products, as well as our power stabilization technologies and energy usage. We will also strengthen and accelerate development of energy-saving and environmentally friendly products. In these ways, we will contribute to the reduction of CO₂ emissions in society. At our own factories, meanwhile, we will consider and implement various measures, such as introducing renewable energy equipment, expanding procurement of green electricity, and developing production technologies to reduce greenhouse gas emissions.

We are also forging ahead with analyzing and examining risks and opportunities related to the Task Force on Climate-related Financial Disclosures (TCFD). From a medium- to long-term perspective, in addition to examining the financial impact of business opportunities and risk countermeasures on our factories and supply chains, we will deploy them in a wide range of management and business activities.

Employee-first management

My motto in management is “Employees first.” The growth of our employees will lead to the sustainable growth and prosperity of our company. This will create a virtuous cycle in which profits earned through our business activities are returned to employees, shareholders, and society.

With “respect and value all people” clearly stated in our Corporate Code of Conduct, we are striving to create working environments that respect human rights and encourage the active participation of diverse human resources. As social issues and customer needs become increasingly diverse, we are working to provide environments where diverse employees can work in teams. We encourage our experienced senior employees to pass on their skills and techniques to younger employees, and we have established a system that allows them to continue working vigorously after the age of 65 by making the most of their energy, stamina, and intellect. Committed to promoting the advancement of women, meanwhile, we are working to hire more female employees and increase the number of female managers. Over the medium and long term, we will develop human resources by creating environments where individual employees can fully demonstrate their abilities.

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.



*1 3R: Reduce, Reuse, Recycle

*2 Values for reducing society's CO₂ emissions through our products will be disclosed in 2022.

Leveraging measures to prevent the spread of COVID-19, we have stepped up work-style reforms already being undertaken—including work in satellite offices and flexible working-hour arrangements—while helping employees achieve a good work-life balance. On the other hand, the importance of face-to-face communication has become apparent in the way we work to combat infectious diseases. As part of our companywide Pro-7 activities aimed at enhancing work quality and improving work efficiency, we have established a project to promote work-style reforms. This entails promoting work-style reforms from medium- to long-term perspectives by specifying issues that are common to the entire company and those that are specific to each business.

Every year, we conduct an employee awareness survey to find out how employees perceive and evaluate the Company's policies. We believe it is important for executives and managers to keep abreast of changes over time. Based on the issues raised in the previous survey, in fiscal 2020 we continued to implement training for mid-level line managers to further strengthen workplace management, and we also reinforced our compliance system. We will continue striving to create environments where employees can work with motivation.

Improving the effectiveness of governance

From the management standpoint, we believe that improving the effectiveness of governance is key to increasing corporate value over the long term. For this reason, we are working to improve the transparency of management and its supervisory functions.

In terms of structure, for fiscal 2021 the Company has nine directors (up one from the previous year) and five Audit & Supervisory Board Members. The newly added Standing Director is also head of the Corporate R&D Headquarters. By appointing him, we aim to further stimulate discussion on medium- to long-term challenges in management strategy, business strategy, and technology development. In line with our policy of emphasizing diversity, we have been appointing female Audit & Supervisory Board Members since 2012. At present, we have one female Audit & Supervisory Board Member. As for appointing female directors, we recognize this as an issue and will continue progressing toward it.

Compliance is the cornerstone of stakeholder trust and expectations. The Fuji Electric Compliance Promotion Committee receives reports on compliance action plans, progress, and achievements from its members who are responsible for regulating laws and shares them with the Board of Directors. As we focus on expanding our overseas business, we recognize that meticulous compliance at overseas subsidiaries is an important priority. For this reason, we will promote effective, down-to-earth initiatives, including the dissemination of various rules, daily monitoring and auditing, and ongoing education.

To minimize the impact of management and business risks, we will strengthen our ability to address large-scale disasters, infectious disease outbreaks, information security issues, and other crisis management challenges in an agile and integrated manner, with the aim ensuring proper risk management and business continuity.

To be enthusiastic, ambitious and sensitive

In the 10 years since the Global Financial Crisis, we have gone back to our manufacturing roots and made in-depth efforts to strengthen our manufacturing capabilities and improve our factories mainly through in-house production and automation. In today's world of rapid advances in green and digital technologies, we need to create new businesses and develop new products for the next 10 to 20 years, in addition to reinforcing our manufacturing capabilities. We have already started discussing this with our team. In all cases, however, the main contributors are our employees, so it is important to know how they feel and what kind of future they envision.

Our corporate slogan—To be enthusiastic, ambitious and sensitive—expresses the thoughts shared by our employees. “Enthusiasm” means the eagerness to contribute to society by creating new technologies and products. “Ambition” means the determination to set high goals and continuously pursue them. “Sensitivity” means practicing three types of kindness: (1) Kindness to appreciate for customers, (2) Kindness to appreciate for colleagues with mutual respect and thought on making the Company better together, and (3) Kindness to appreciate for families. This sensitivity, part of Fuji Electric's DNA that has been handed down from generation to generation, represents an unwavering value.



Fuji Electric will celebrate its 100th anniversary in 2023. Thanks to the trust and support of our customers, business partners, employees, and various other stakeholders that our predecessors have cultivated, we have become the Fuji Electric of today. We will continue placing importance on individual diversity and teamwork to further expand our energy and environment businesses, contributing to the creation of a responsible and sustainable society.

We look forward to the continued understanding and support of all stakeholders, including shareholders and other investors.