

Overview of Fiscal 2020 and Fiscal 2021

In fiscal 2020, Fuji Electric posted a year-on-year decline in consolidated net sales due to the impact of COVID-19 and other factors, but an increase in consolidated operating income thanks to reductions in basic and fixed costs. In fiscal 2021, we are targeting year-on-year growth in both sales and income amid expectations of a gradual global economic recovery and the accelerating trend toward greenification and digitalization.

Fiscal 2020 Performance

For the year, consolidated net sales amounted to ¥875.9 billion, down by ¥24.7 billion year on year. The decline was mainly due to the rebound from large-scale orders recorded in the previous fiscal year in the Power Generation segment and a significant decrease in demand in the Food and Beverage Distribution segment, which offset the increased demand in the Power Electronics Systems Industry and Semiconductors segments.

Sales outside Japan rose ¥1.0 billion, to ¥221.9 billion. This was largely due to higher sales in China thanks to recovery in demand, especially for semiconductors, automation products, and ED&C components, although sales in Asia and elsewhere declined due to the rebound from large-scale orders recorded in the previous fiscal year in the Power Electronics Systems Energy and Power Generation segments.

Despite the decline in net sales, operating income increased ¥6.1 billion, to ¥48.6 billion, thanks to companywide efforts to reduce basic and fixed costs. Net income attributable to owners of parent rose ¥13.1 billion, to a record high of ¥41.9 billion. This resulted from a ¥40.9 billion in extraordinary income following the sale of certain investment securities to secure funds for growth investments, which outweighed ¥25.7 billion in expenses for addressing defects in some power semiconductor products recorded under extraordinary loss.

Due to the improvement in profit, ROE increased 3 percentage points, to 11% year on year. In accordance with our basic policy of paying stable and continuous dividends, we declared annual dividends from retained earnings of ¥85 per share, up ¥5 year on year, for a dividend payout ratio of 29%.

Fiscal 2021 Management Plan

In fiscal 2021, Fuji Electric will target net sales of ¥900 billion, up ¥24.1 billion year on year. We expect to benefit from increased demand in the Power Electronics Systems Energy, Semiconductors, and Power Generation segments, as well as sales expansion through the increased market share and the introduction of new products in the Food and Beverage Distribution segment. This is despite an expected decline in sales of the Power Electronics Systems Industry segment year on year as a result of the absence of large-scale projects for IT solutions business recorded in the previous year.

Sale outside Japan is projected to increase ¥22.6 billion, to ¥244.5 billion, mainly due to higher sales of the Power Electronics Systems Energy, Semiconductors, and Power Generation segments in Asia, where demand is expected to grow further for renewable energy, energy saving, automation, and electrified vehicles.

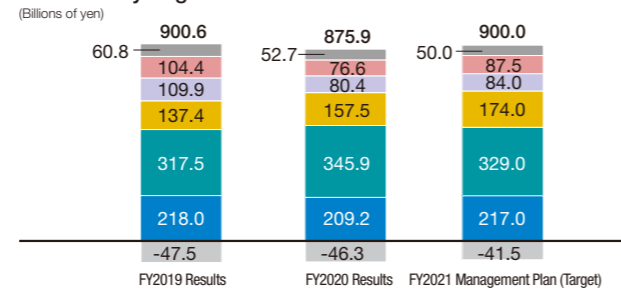
We will target operating income of ¥60.0 billion, up ¥11.4 billion, as the benefit of production growth in the Semiconductors segment, as well as business restructuring implemented in fiscal 2020, including the reorganization of

(Billions of yen)	FY2019 Results	FY2020 Results	FY2021 Management Plan (Target)
Net Sales	900.6	875.9	900.0
Operating Income	42.5	48.6	60.0
Operating Margin	4.7%	5.5%	6.7%
Net Income Attributable to Owners of Parent	28.8	41.9	42.0

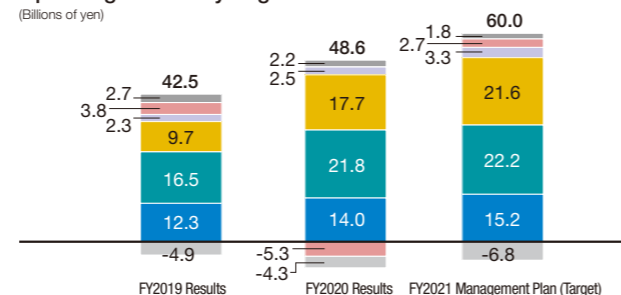
Financial Indicators

Net Debt-Equity Ratio	0.4 times	0.3 times	0.4 times
Equity Ratio	37%	40%	42%
ROA (Return on Assets)	3%	4%	4%
ROE (Return on Equity)	8%	11%	10%
Dividend Payout Ratio	40%	29%	—

Net Sales by Segment

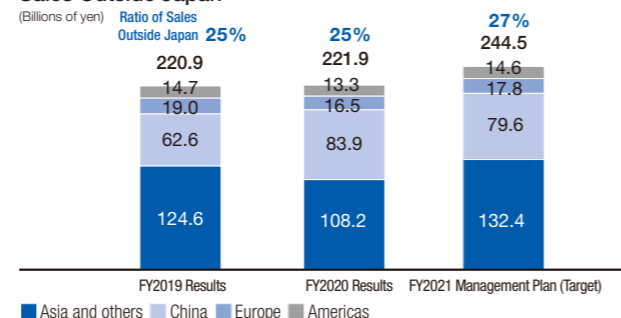


Operating Income by Segment



Legend for Operating Income by Segment:
 ■ Power Electronics Systems Energy ■ Power Electronics Systems Industry
 ■ Semiconductors ■ Power Generation ■ Food and Beverage Distribution
 ■ Others ■ Elimination and Corporation

Sales Outside Japan



the product development system and optimization of the workforce, in the Food and Beverage Distribution segment, which was significantly affected by COVID-19. We also forecast a ¥100 million increase in net income attributable to owners of parent, to ¥42.0 billion, a record-high figure.

Main Initiatives

Power electronics systems business expansion

In addition to creating competitive components and strengthening our system business, we are working to expand our overseas business by promoting local production for local consumption, mainly in Southeast Asia, India, and China, while stepping up local design and engineering.

Comprehensive electrical equipment business expansion

We are working to attract orders for comprehensive electrical equipment in Japan and overseas, targeting the growing markets for data centers and semiconductor-related applications. In particular, we are working to increase our market share by offering competitive high-capacity uninterruptible power systems (UPSs) for data centers. To expand global sales, we will increase the number of engineers capable of making comprehensive proposals and emphasize standardization and in-house production at factories to further improve productivity.

Overseas business expansion centered on Southeast Asia and India

In Southeast Asia, we built a new switchgear and controlgear system factory and engineering center at Fuji Electric Manufacturing (Thailand) Co., Ltd. (FMT) to strengthen local engineering and manufacturing capabilities. In addition to

providing new global transformer and switchgear products and high-capacity UPSs for power infrastructure, material plants, and data centers, we will work to increase orders for system projects spearheaded by the FMT Engineering Center. In Vietnam, we will strengthen our plant business structure through the integrated operation of Fuji Electric Vietnam Co., Ltd. and Fuji CAC Joint Stock Company which was established through M&A.

In India, we are working to expand sales by utilizing the manufacturing, sales, and service bases of Fuji Electric Consul Neowatt Private Limited (FCN), which was established through an M&A. In fiscal 2021, Fuji Electric India Private Ltd. and FCN will be merged to further reinforce our business structure in India, advancing to develop and manufacture new medium- and large-capacity UPS models for data centers and power conditioning systems for the solar power generation market.

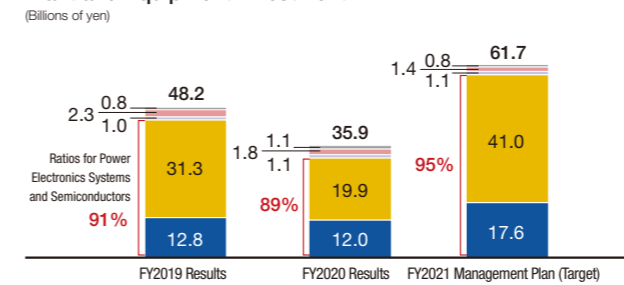
Power semiconductors business expansion

We are expanding orders and sales of IGBTs, which contribute to energy saving, downsizing, and weight reduction of equipment in which they are installed, in rapidly growing markets for electrified vehicles, renewable energy, factory automation, and air conditioners. We are also making ongoing investments to increase production capacity.

Plant and Equipment Investments & R&D Expenditures

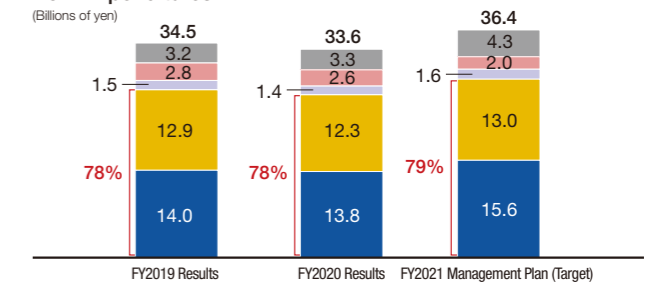
Our businesses in power electronic systems and semiconductors together account for approximately 90% of total plant and equipment investments and 80% of R&D expenditures.

Plant and Equipment Investment



Legend for Plant and Equipment Investment:
 ■ Power Electronics Systems ■ Semiconductors ■ Power Generation
 ■ Food and Beverage Distribution ■ Others

R&D Expenditures



* Figures for R&D expenditures are classified by segment according to theme and therefore differ from figures stated in the consolidated financial report.

Main Plant and Equipment Investments and R&D Expenditures

		Plant and Equipment Investment	Research and Development
Power Electronics Systems	FY2020	FMT: Construction of switchgear and controlgear system factory and engineering center Chiba Factory: Construction of engineering center	Global products (transformers, switchgears, large-capacity UPSs) Products for the mobility field (electrical equipment for railcars, vessel systems)
	FY2021	Tokyo Factory: Construction of plant system building India: Expansion of factory and production models	
Semiconductors	FY2020	Yamanashi Factory: Increasing production capacity for 8-inch wafers Increasing production capacity for in-vehicle pressure sensors and IGBT modules for renewable energy	IGBTs for electrified vehicles SiC modules
	FY2021	Matsumoto and Tsugaru Factories: Increasing production capacity for 8-inch wafers Increasing production capacity for IGBT modules for electric vehicles and renewable energy applications	8th-generation IGBT modules for industry