

Message from the Chairman of the Board and CEO



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

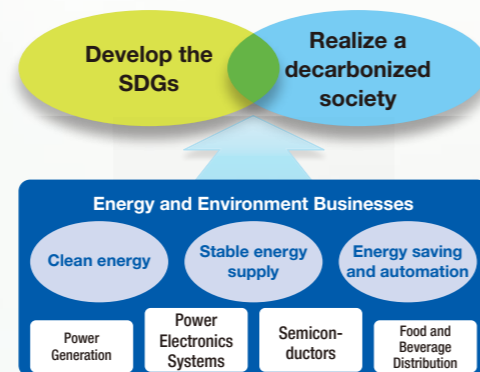
Michihiro Kitazawa
Chairman of the Board and CEO

Maximize employees' strengths as a team and strive for sustainable growth

Since its establishment in 1923, Fuji Electric has contributed to solving social and environmental issues and creating customer value through its cutting-edge energy and environment technologies. The conceptual underpinning of this is our Corporate Philosophy. As responsible corporate citizens in a global society, we seek to deepen our relationships of trust by valuing local communities, customers, and partners under our corporate mission: “contribute to prosperity,” “encourage creativity,” and “seek harmony with the environment.” This is exactly in line with the concept of the Sustainable Development Goals (SDGs), which aim for integrated economic, social, and environmental improvement.

At present, one of the important themes to be tackled on a global scale is the solution of problems for realizing a decarbonized society, and this is expanding business opportunities in our core energy and environment businesses. Our greatest strength is our ability to provide comprehensive solutions to the needs of our customers from the energy supply side to the demand side, from stable energy supply to energy saving and automation solutions and more. We do this by offering power electronics equipment with world-leading power semiconductors, systems that combine such equipment, and bundled engineering services, in addition to

clean energy-related products. We are contributing to the development of the SDGs and the realization of a decarbonized society through our businesses, centered on the power electronics and power semiconductor businesses. In addition, we believe that when it comes to the ESG issues that form the foundation of our operations, it is important to set goals from a high-level management perspective, to share them with employees, and then work as a team to put them into practice. Under the concept of “employees first,” the growth of our employees leads to the prosperity of our company, which creates a virtuous cycle in which profits earned through our business activities are returned to employees, shareholders, and society. This is how we aim to achieve sustainable growth.



Achieved fiscal 2023 operating margin target two years ahead of schedule Aiming for further earnings growth in power electronics and power semiconductors

In April 2022, with the aim of strengthening management and business execution functions, Fuji Electric launched a new structure with a Chairman and CEO (Chief Executive Officer) and a President and COO (Chief Operating Officer). As Chairman and CEO, I will continue to have responsibility and authority over the Board of Directors and the Executive Committee, which are responsible for important management decision-making functions, and will continue to solidify our foundation as a sustainable growth company based on our Corporate Philosophy and Management Policies.

Our five-year Medium-Term Management Plan—Reiwa Prosperity 2023—which ends at the close of fiscal 2023, targets net sales of ¥1 trillion and an operating margin of 8% or more. Under the plan, we will strengthen our operating foundation for Fuji Electric’s further development in fiscal 2024 and thereafter and aim for prosperity together with society.

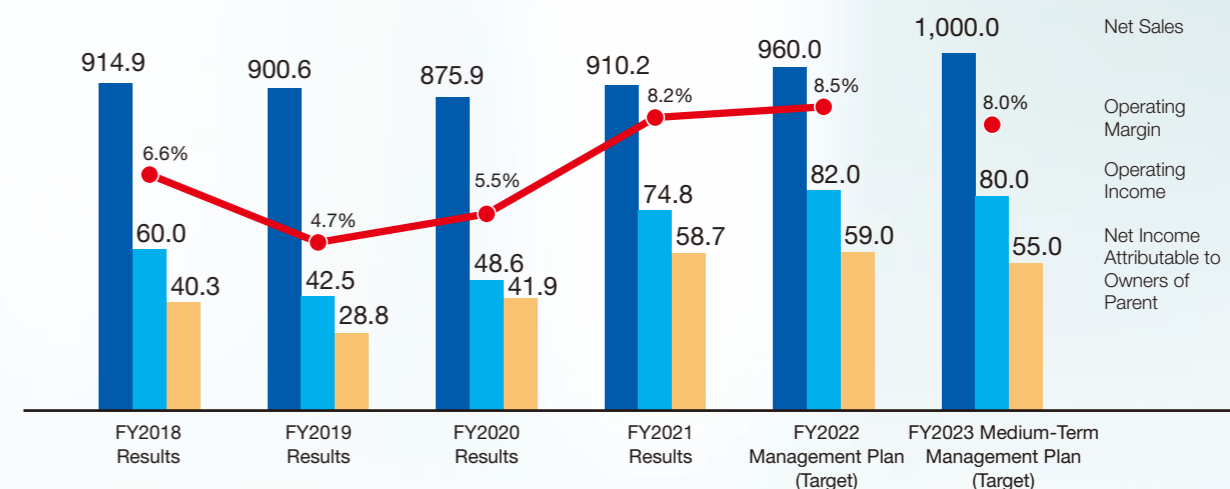
From the first year of the start of the plan, the business environment surrounding the Company changed dramatically. In addition to the U.S.-China trade friction in fiscal 2019 and the COVID-19 pandemic in fiscal 2020, in fiscal 2021, changes in the international political situation added to the impact of soaring material prices, material shortages, and other factors that spread throughout the supply chain.

Although net sales did not grow as planned due to this unexpectedly challenging business environment, our fiscal 2021 results surpassed the previous fiscal year in both sales

and income, with operating income, operating margin, and net income all at record highs. With an operating margin of 8.2%, we achieved the target of the Medium-Term Management Plan two years ahead of schedule. This is the result of our efforts over the past decade or so to improve the structure of our factories, which are the source of our profits, and to augment our manufacturing and procurement capabilities through supply chain reforms centered on in-house production and automation, based on the concept of local production for local consumption.

Fiscal 2022 is an important year as the final year of preparation for the achievement of the Medium-Term Management Plan. Having set must-reach targets of net sales of ¥960 billion, operating income of ¥82 billion, and an operating margin of 8.5%, we aim to further expand earnings in power electronics and power semiconductors. The biggest challenge is to expand sales in the power electronics business, which accounts for about 60% of total sales. Globally, investments toward a decarbonized society, such as clean energy, energy saving, and electrification, are expanding, and we must step up efforts to capture this new demand and reap the benefits. In power semiconductors, another pillar of our business, we intend to respond to strong customer demand, steadily increase production capacity, and solidify our credibility and trust. As for power generation and food and beverage distribution, they are strong businesses with a high market share and play an important role in supporting social infrastructure, and we will continue to operate them with a focus on profitability.

Consolidated Business Performance Trends (Billions of yen)



Continue to invest in growth, maximize profits, and improve capital efficiency

Fuji Electric has been working to improve its financial position since it fell into an operating deficit in fiscal 2008 due to the effects of the global financial crisis. We have clarified our business domain and reduced our interest-bearing debt by generating free cash flow through measures such as focusing resources on power electronics and power semiconductors, augmenting our manufacturing capabilities to enhance profitability, and systematically selling our cross-shareholdings. As a result, in fiscal 2021, not only our operating margin, but also our net debt-equity ratio and equity ratio reached record highs. In terms of capital efficiency, ROA and ROE exceeded the Medium-Term Management Plan's targets of 5% ROA and 11% ROE in fiscal 2023.

Starting in fiscal 2021, we introduced per-business ROIC as a performance indicator. In the semiconductor business, where growth is expected but investments are large, we

are taking measures to minimize investment and maximize profits, such as utilizing the clean rooms vacated by our exit from magnetic disks for semiconductor manufacturing. We are also working to improve the cash conversion cycle (CCC) by strengthening collection of accounts receivable-trade and reducing inventories. Going forward, we will continue to invest in growth in focus areas, maximize profits, and improve capital efficiency while taking financial balance into account.

Regarding dividends to shareholders, we have continued to increase dividends since fiscal 2011, and in fiscal 2021, we declared annual dividends of ¥100 per share (¥45 interim dividend and ¥55 year-end dividend), up ¥15 year on year. From a medium- to long-term perspective, in anticipation of the business growth cycle, we will aim for a dividend payout ratio of 30% as targeted in the Medium-Term Management Plan, emphasizing stable and sustainable dividends while retaining internal reserves for research and development, capital investment, and human resource development.

Ongoing reinforcement of operating foundations with ESG as the core

To become a sustainable growth company, we are strengthening initiatives related to the environment, human resources, and governance, which form our operating foundations.

In terms of the environment, in order to achieve the world's aim of carbon neutrality, we have established our Environmental Vision 2050, which defines the direction of our environmental activities, and set interim goals for fiscal 2030. The three goals are to reduce CO₂ emissions in society through our products, to reduce greenhouse gas emissions during production, and to reduce greenhouse gas emissions throughout our supply chain by promoting the effective use of resources. To further reduce CO₂ emissions in our core energy and environment businesses, we are strengthening the development of new products. In our production activities, we will pursue production processes with low environmental impact and make environmental investments such as installing solar power generation systems and introducing renewable energy at production bases in Japan and overseas.

We declared our support for the Task Force on Climate-related Financial Disclosures (TCFD) in 2020, and are committed to proactive and quality information disclosure. We are utilizing TCFD's review scheme to translate climate change risks, opportunities, and adaptation measures into action plans so that we can minimize the risk impact while enhancing our long-term growth and reason for existence.

In terms of human resources, we are actively investing in human resources and creating an environment that enables us to "maximize our strengths as a team, respecting employees' diverse ambition," as stated in our Management Policies. Based on a foundation of respecting human rights, ensuring occupational health and safety, and protecting employee health, we have been and will continue to focus on the promotion of diversity with a particular emphasis on the advancement of women, the success of experienced senior employees, the cultivation of manufacturing talent, and the cultivation of future management candidates who will lead Fuji Electric in the future.

In terms of diversity, in June 2022 a female outside director with a deep knowledge of business areas relevant to the power electronics business joined our Board of Directors. We believe that diversity is more important than ever in today's rapidly changing, uncertain, and opaque business environment. To become a sustainable growth company, we will further invigorate our discussions on important medium- to long-term issues at our Board of Directors meetings.

Take good care of Fuji Electric's "enthusiastic, ambitious and sensitive" DNA

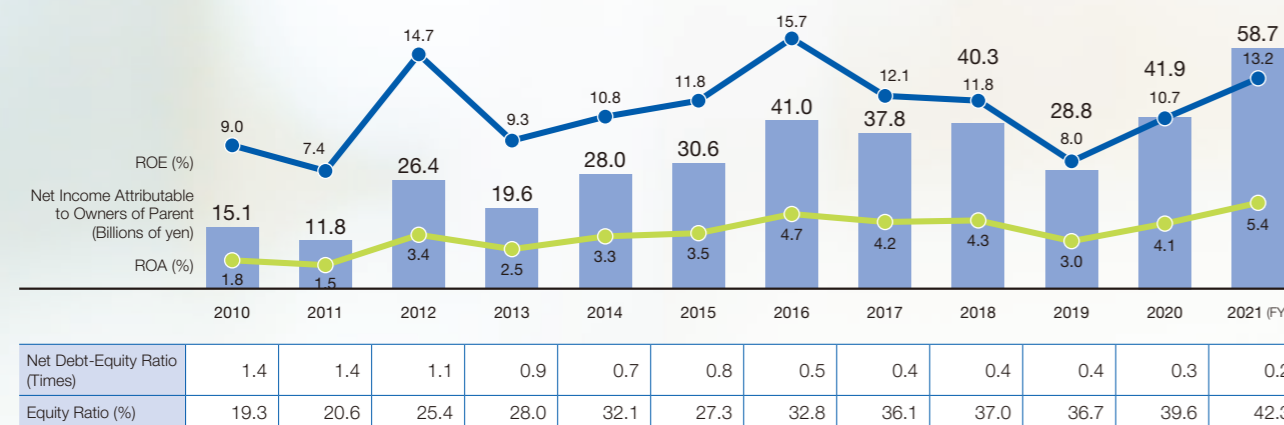
I have always felt that an individual's strength is limited and so teamwork is important. In particular, we have been focusing on the companywide Pro-7 activities that mobilize the power of individuals into teams. Under Pro-7, which was launched in 2012 to improve profitability, employees aim to pursue Prosperity (company prosperity, returns to shareholders, and happiness of and their families), identify their own tasks, review their work practices from scratch, and work as a team to improve their work efficiency and quality. Today, awareness of the company's profitability and productivity improvements has taken root in each employee and has become an integral part of their daily work. Workstyle reforms are also incorporated into these activities, and feedback from the operational frontlines is leading to the development of a better working environment. I believe these companywide Pro-7 activities have led to the growth of our employees and the strengthening of teamwork, thereby laying an operating foundations for Fuji Electric.

I place great importance on sharing the meaning of our corporate slogan—To be enthusiastic, ambitious and sensitive—with our employees. "Enthusiastic" refers to the passion to develop new technologies, new products, and to serve the world. "Ambitious" means that we must aim high. If you accept "good enough," you'll never do better. No matter how hard it may be, we share goals that aim high. Finally, "sensitive" refers to kindness. A feeling of kindness for our customers, the colleagues we work with, and our families. My hope is that each and every employee will take good care of this Fuji Electric DNA and pass it on to the next generation.

Fuji Electric will celebrate its 100th anniversary in 2023. To continue to be a sustainable growth company into the future, we will maximize the strengths of our employees, who have diverse personalities, as a team in order to develop our energy and environment businesses and contribute to solving social and environmental issues and creating value for our customers.

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

Changes in Key Financial Indicators



Changes in Annual Dividend and Dividend Payout Ratio

