



We Must Become More Resilient to Change and Take on the Challenge of Creating New Social Value through Energy and Environmental Technologies

Shiro Kondo
President and COO

Q What are your aspirations upon assuming the position of President and COO?

As the person responsible for execution, I believe I have two missions. The first is to achieve our Medium-Term Management Plan (net sales of ¥1 trillion and an operating margin of 8% or higher), which ends at the close of fiscal 2023. The second is to draw up a new growth strategy for 2030 and show the path to becoming a sustainable growth company.

Since joining the company, I have been involved in the development of various products as an engineer in fields such as information, communications and networking. In recent years, as the head of technology development, I have been striving to achieve the timely alignment of the vertical product development in the business divisions with the horizontal development of fundamental and advanced technologies company-wide. As the world moves toward a sustainable society, including decarbonization and environmental conservation, I feel that environmental and socially conscious products, systems, and solutions are needed more than ever. Focusing on power electronics and power semiconductor technologies, I hope to contribute to solving social issues by using our comprehensive vertical and horizontal strengths to combine all of our businesses and technologies in new ways.

Q What are the challenges in achieving the FY2023 Medium-Term Management Plan?

I think it comes down to the ability to execute. Although fiscal 2022 will be the last year to prepare for the achievement of the Medium-Term Management Plan, we have already outlined a major strategy for fiscal 2023. Over these two years, our employees will work as a team to respond to changes in the business environment while working through the strategies we have drawn up. Our success depends on this.

Let me address sales growth specifically. In fiscal 2021, we had net sales of only ¥910.2 billion, against orders received of over ¥1 trillion. Above all, I believe that expanding sales in Power Electronics is our most important task. We reviewed the sales structure of Power Electronics in September of last year, and started to develop new customers and introduce new products. Orders are steadily accumulating, and we are aiming to increase sales. In addition, in our overseas business, we plan to expand sales to Southeast Asia, India, and China, with a focus on global products developed to meet local specifications.

In semiconductors, another key business, we expect to achieve the sales target in the Medium-Term Management Plan one year ahead of schedule. However, an important

task will be meeting demand from electrified vehicles. In fiscal 2021, we invested in the Tsugaru Factory, and in fiscal 2022, we invested in the Malaysian Factory to increase production capacity. We will steadily implement measures to meet the strong demand of our customers and expand sales. Furthermore, improved performance of power semiconductors will be a key factor in the expansion of electric vehicles (EVs). In addition to IGBTs, which are one of our strengths, we are deploying a production system for SiC power semiconductors, which contribute to extending the cruising range of EVs and other applications, with the aim of mass production in fiscal 2024.

In terms of profitability, we set an operating margin target of 8.5% for fiscal 2022, but we are committed to achieving 8% "or higher" and aim for further improvement. Given the difficulties in procuring parts and soaring logistics costs we experienced last year, it is more necessary than ever to take a bird's eye view of the entire supply chain and take appropriate measures. Over the past 10 years, we have been working to augment our manufacturing and procurement capabilities under the basic policy of local production for local consumption. Going forward, we will work to further improve productivity through the use of digital technology.

Q What is Fuji Electric's direction for fiscal 2024 and beyond?

We will continue to focus on our energy and environment businesses in fiscal 2024 and beyond. One of our strengths is our comprehensive capabilities. I hope that by leveraging the foundation of our businesses, technologies, and broad customer base, we can further improve the field-based, real-world technologies we have cultivated over the years. Meanwhile, I would like to combine these existing technologies with digital technologies such as AI and IoT technologies to create even more value for our customers. At the same time, it is important to improve the quality of service. I want to continue to nurture our relationship of trust with our customers so that we achieve sustainability together.

For the next Medium-Term Management Plan, we will consider both forecasting from the perspective of the current situation and backcasting from the perspective of where Fuji Electric wants to be in 2030. In the midst of major market changes, we will have a thorough discussion on Fuji Electric's position in decarbonization and determine our strengths and direction.

We have various products and systems on both the supply side and the demand side of energy, but the future of energy distribution will be a system where the supply side and the demand side are mixed. Therefore, energy

management that optimizes the supply and demand balance will become more important and more complicated than ever before. At the same time, there will be a major trend toward decarbonization of energy and electrification on the demand side. The equipment and systems that enable decarbonized power sources, the ability to regulate electricity supply and demand, the electrification of heat, energy saving, and so on are typically associated with our Power Electronics and Power Generation businesses. However, the application of these equipment and systems is not limited to factories, but also extends to airports, ports, stores, and many other forms of social infrastructure. I believe we must build a system over the next two years that will allow Fuji Electric to provide a one-stop shop for our customers and partners.

Furthermore, in response to the shift in values among our customers and society, I think we will need some kind of environmental contribution indicator in addition to the traditional management indicators.

Q What do you think you will need to focus on in order to achieve your two missions?

With so many unexpected events occurring throughout the world, and a shift toward new values, I feel that we must become more resilient to change. I think the following three steps are important when it comes to adapting to change. The first is for each employee to increase their information sensitivity to perceive signs of change. The second is to openly and frankly discuss how to respond to the change. I believe that people tend to have a status quo bias when faced with new changes, and I think it is important to remove this as much as possible from the discussion. And third, once the direction is set, the team must work together to achieve the goal. I believe that if each of us makes an effort to perceive change and face it as a team in this way, we will naturally become more resilient. Our stated management policy is "maximize our strengths as a team, respecting employees' diverse ambition." I believe that this has spread to all employees, and the foundation for this has been established, but the pandemic has changed the state of our communication. Personally, I want to take every opportunity, including tours of factories and area operations and next-generation management training, to create and communicate opportunities for dialogue and to stimulate dialogue at every level, from individuals to teams. My hope is that, by becoming more resilient to change through a climate that respects diverse personalities and teamwork, we will achieve our Medium-Term Management Plan and further growth in fiscal 2024 and beyond.