

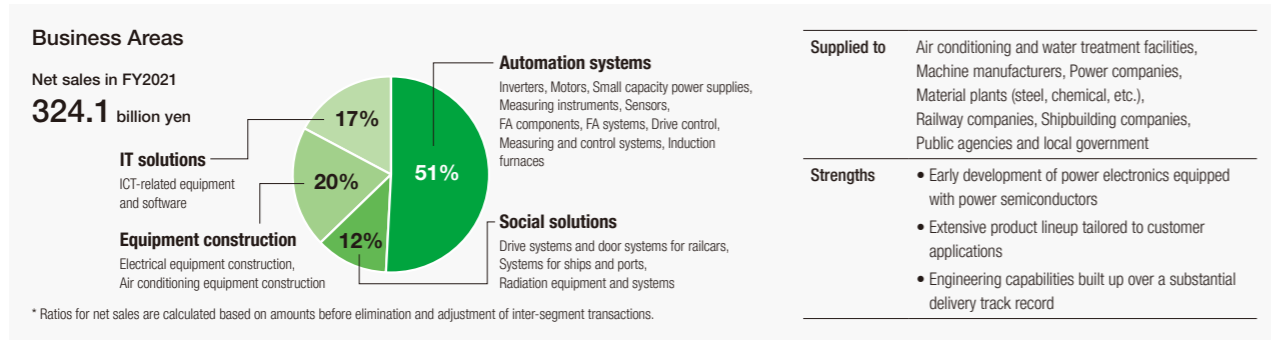
Power Electronics Industry



We will work to expand our overseas businesses by building a system of local design, local production, and local consumption, and by launching new global products.

Hiroshi Tetsutani

Managing Executive Officer
Corporate General Manager, Power Electronics Industry Business Group



Market Trends and Business Opportunities

Globally, further capital investment in decarbonization-related environmental measures, automation, DX, and related areas is expected in the future.

In the automation systems business, although demand for components remains uncertain due to the impact of the COVID-19 lockdowns in China and the impact of the global difficulty in procuring materials, including semiconductors, market conditions in Southeast Asia and India are predicted to continue their moderate recovery from the COVID-19 pandemic. In plant systems, we anticipate equipment replacement demand to improve productivity in the steel and

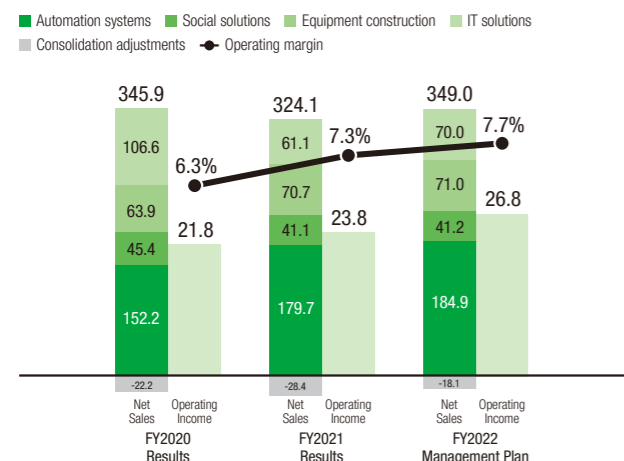
chemical sectors, as well as strategic investments related to high performance, electrification, and carbon neutrality.

In the social solutions business, investments associated with equipment replacement demand continued in the rail sector, while in the ship sector, the market for environmentally friendly products is beginning to grow as countries move toward electrification and decarbonization of ports.

In the IT solutions business, rising demand is expected due to digitalization and teleworking in government, municipalities, and offices, and in the future, we also anticipate new demand in the industrial DX market.

Fiscal 2021 Results and Fiscal 2022 Plan

Business Performance Trends (Billions of yen)



In fiscal 2021, despite a decrease in net sales due to the impact of the preceding fiscal year's large-scale IT solutions projects, demand for automation systems grew, mainly for low-voltage inverters and FA components, and the operating margin rose to 7.3%.

In fiscal 2022, despite the anticipated impact of lockdowns in China and material procurement difficulties, we expect capital investment to remain strong among manufacturers of machine tools, semiconductor manufacturing equipment, steel, chemicals, and other materials. Furthermore, due mainly to increased demand in automation systems and IT solutions driven by growing DX needs, we forecast net sales of ¥349.0 billion, up ¥24.9 billion year on year, and operating income of ¥26.8 billion, up ¥3.0 billion, with an operating margin of 7.7%.

* Results for FY2021 reflect the business restructuring in FY2022.

Priority Measures

Creating the platform for component products

To strengthen cost competitiveness and build a system that can steadily generate earnings, we are strengthening our system of "local design, local production, and local consumption" for components at the global level. We are working to strengthen profitability by expanding production models in India and Europe in fiscal 2022, launching knockdown production of low-voltage inverters in the Americas in fiscal 2023, and establishing a global six-pole production system (Japan, China, Southeast Asia, India, Europe, and the Americas).

Furthermore, we are promoting the creation of the platforms for the main components of our products to standardize them, thereby expanding the range of products to which they can be applied. Through that efforts, we can significantly reduce the number of parts, reduce procurement and production costs, and reduce material inventories, contributing to improved profitability. In addition, the use of common parts facilitates replacement with alternative parts, which helps to mitigate difficulties in the procurement of parts and materials.

Offer new products in the Chinese, Southeast Asian, and Indian markets to expand overseas businesses

Whereas in the past we have been working to establish production and engineering systems outside Japan and strengthen our partnerships, we now intend to expand our business by providing competitive global products overseas.

In China, where we continue to develop new customers such as machine manufacturers and material plants as the main focus area, mainly with components, there is increasing demand for induction furnaces, which are more environmentally friendly. We will work to expand sales by promoting our high-efficiency global induction furnaces, which use our power electronics, analysis, and control technologies and backed by our track record as the No.1 market leader in Japan.

For Southeast Asia and India, we have been developing a global control system as an easy-to-use engineering support tool for steel, chemical, and other material plants, and plan to bring it to market in fiscal 2022.

Expanding business in the railway and ship sectors through differentiated products

In the railway business, electric door systems are highly regarded in the public transportation field for their ease of maintenance, safety, and reliability. We will expand our business globally with highly reliable electric door systems by using their platform.

In the ship and port business, specific studies have begun on the development of carbon neutral ports, led by Japan's Ministry of Land, Infrastructure, Transport and Tourism, with the goal of decarbonization of ports. Leveraging our track record, comprehensive proposal capabilities, and product lineup, we will expand our business by offering electrification of ships and systems that supply power to ships from the land.

Products for Focus Regions outside Japan

