

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



Upon celebrating our 100th anniversary

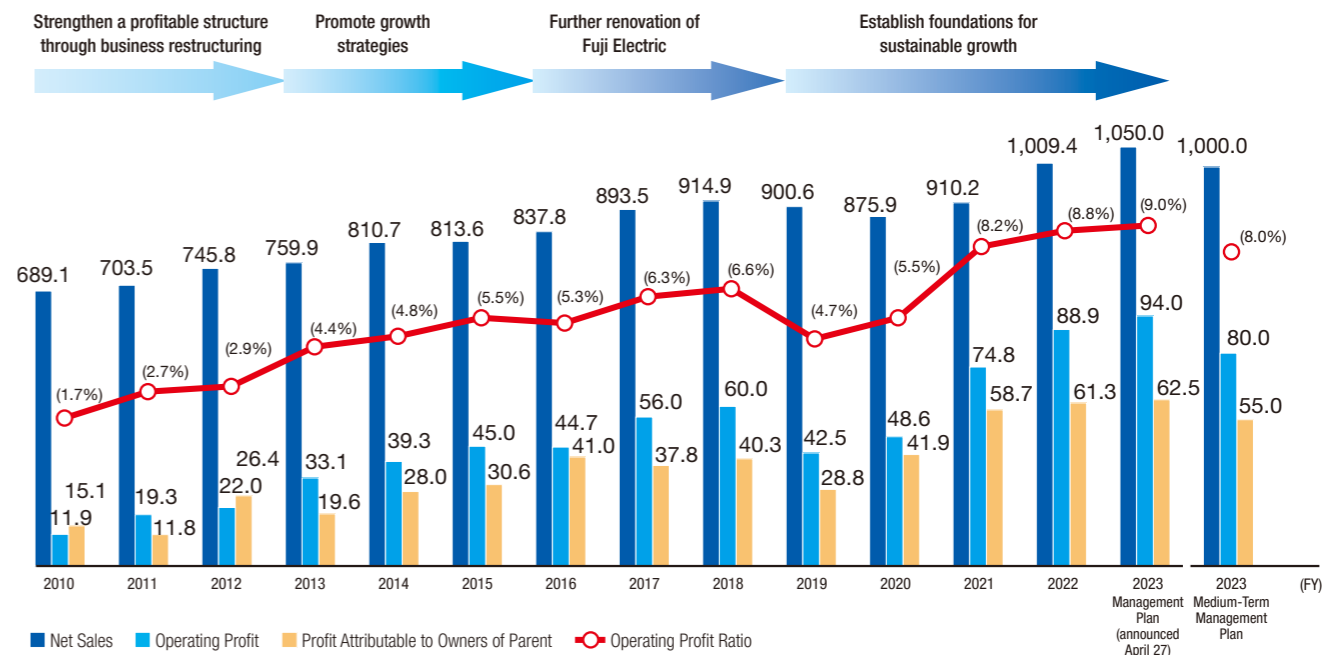
2023 will be a memorable year for Fuji Electric as we celebrate our 100th anniversary. The Company was established in 1923 through a merger between Furukawa Electric Co., Ltd. and Siemens AG. Despite encountering numerous challenges since the time of our founding, it is my belief that we have reached this milestone of 100 years thanks to the support of our customers, shareholders, business partners, and the local community, as well as the tireless work of our predecessors. I am deeply appreciative of the support of all parties involved.

Over these 100 years since our establishment, we have continued to hone our energy and environment technologies, contributing to the resolution of social and environmental issues and the creation of customer value. Underpinning all 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 with a mission to contribute to prosperity, encourage creativity, and seek harmony with the environment. This aligns perfectly with the concept of the Sustainable Development Goals (SDGs), which aim to bring about integrated economic, social, and environmental improvements, as sought by the international community.

Currently, the realization of a decarbonized society is one of the challenges that must be addressed on a global scale. Our strength lies in our ability to provide comprehensive solutions from the energy supply side to the demand side. We offer clean energy-related products, world-leading power semiconductors, and power electronics equipment and systems equipped with the power semiconductors, together with engineering services. We can also provide system solutions to meet customer demands for stable energy supply, energy savings, and automation.

Through our pursuit of innovation in electric and thermal energy technology, we create products that maximize energy efficiency with a primary focus on our power electronics and power semiconductor businesses. In doing so, we can contribute to the development of the SDGs and help bring about a decarbonized society, thereby ensuring our growth for the next 100 years.

Consolidated Earnings (Billions of yen)



Medium-Term Management Plan targets achieved ahead of schedule

Our five-year Medium-Term Management Plan—Reiwa Prosperity 2023—which ends in fiscal 2023 started in fiscal 2019 with the aims of achieving prosperity together with society through our energy and environment businesses, net sales of ¥1 trillion, and an operating profit ratio of at least 8%.

The business environment surrounding the Company has changed significantly since the first year of the plan. US-China trade friction materialized in fiscal 2019, the COVID-19 pandemic broke out in fiscal 2020, and Russia invaded Ukraine in fiscal 2021. Due to these factors, the future outlook for the global supply chain has also remained clouded, including the impacts of soaring material prices and

difficulties in sourcing components.

Despite this challenging environment, in fiscal 2021 we achieved the plan's operating profit ratio target of 8% or higher, and then in fiscal 2022 we achieved net sales of ¥1 trillion and posted record-high operating profit and profit. We also raised shareholder dividends and paid a record-high annual dividend of ¥115 per share, up ¥15 year on year. It was really pleasing to record net sales in excess of ¥1 trillion for the first time in the Company's history—an achievement I believe would not have been possible without the hard work of every single employee.

Establishment of solid operating foundations through successive management reforms

Here, I would like to briefly look back at how we managed to achieve our Medium-Term Management Plan targets one year ahead of schedule.

In the wake of the 2008 global financial crisis, we embarked on several management reforms and worked to reinforce our operating foundations. We abolished the holding company system and restructured our organizations and management framework into a single Fuji Electric. We also reduced the number of executive officers by two thirds to 18 in an effort to facilitate prompt decision-making and clarify executive responsibilities. Our core competence is in power electronics technology, or in other words, "our core technology to control electricity." To fully capitalize on this strength, and in light of market growth potential, we

decided to position our energy and environment businesses at the very center of our business portfolio. In order to build a business structure that can generate profits even in the absence of sales growth, we doubled down on bolstering our manufacturing capabilities with the aim of improving the structure of our factories—the source of our profits. We continuously strived to reduce costs by remodeling our production technology, promoting in-house production and automation, establishing a global production system, reducing inventory assets through supply chain reforms, and establishing systems for global procurement and centralized purchasing. Having reinforced the Company's footing, from 2013 we started implementing growth strategies and switched to a more aggressive management approach.

We adopted a local production for local consumption policy and acquired human resources, sales channels, and engineering capabilities through M&As and tie-ups with a view to expanding our overseas operations. Furthermore, we continued to execute growth investments even in challenging business environments in order to strengthen the power electronics and power semiconductor businesses, our main focus areas. We stepped up R&D to maximize synergies between these two businesses and invested aggressively in semiconductors to meet customer demand. Building on the

operating foundations that we have continued to strengthen over the past decade or so, the many R&D and plant and equipment investment measures we have undertaken thus far have coincided well with the demands of the times. For example, our power semiconductors are contributing to the rapid growth in electrified vehicles driven by increasing decarbonization demand, while our comprehensive electrical equipment is being used in data centers against the backdrop of digitalization. We have steadily tapped these demands, which have led to increased orders and sales.

Teamwork is the cornerstone of management

I have long focused on the importance of teamwork. While individual abilities are important, there are limits to what one person can achieve. My belief is that teamwork is crucial for the Company to implement changes to its corporate management and to achieve sustainable growth. The companywide Pro-7 activities that we launched in 2012 are symbolic of this belief. We set a goal of lifting the operating profit ratio from around 2% to 7% and kicked off the program by calling on employees to conduct a zero-based review of all kinds of costs to improve profitability. The initial activities aimed at improving operational efficiency evolved

into measures for enhancing the quality of work, increasing productivity, and workstyle reforms. These efforts are now an integral part of our usual operations. Instead of being confined by traditional ways of working and thinking, teams come together to think about what must be done and work together to achieve their objectives. This is now one of our strengths, helping us strengthen our operating foundations. The accumulation of these individual efforts owes to the fact that our employees have come together as a team and I think achieving the Medium-Term Management Plan targets ahead of schedule has given our employees enormous confidence.

Prioritizing profits to further improve corporate value

With the aim of generating further growth in profit, at the start of fiscal 2023 we set ourselves the must-reach targets of ¥1,050 billion in net sales, ¥94.0 billion in operating profit, a 9.0% operating profit ratio, and ¥62.5 billion in profit. At the same time, we will soon be formulating the next Medium-Term Management Plan that will begin from fiscal 2024. We will continue to emphasize profits in our management approach and use ROIC to monitor the progress of each business. On top of that, we will accelerate growth investments to boost profitability and make every effort to improve our cash generation capacity and capital efficiency, thereby enhancing our corporate value. First, we will aim for a market capitalization of ¥1 trillion.

As we turn our attention to formulating the next

Medium-Term Management Plan, we are in the process of envisioning where Fuji Electric wants to be in 2030 and discussing what must be done over the next three years. Capital investments in decarbonization in various industries and social infrastructure fields will gain further momentum up ahead, presenting us with even more business opportunities. To steadily capture this market and customer demand, it is imperative that we further enhance synergies between our businesses. To that end, we will endeavor to integrate the operations of our power electronics and power generation businesses. We will also respond to the electrification of mobility without being bound by conventional ways and utilize mainly our power semiconductor resources to drive further growth.

Addressing high-priority issues (materiality) to ensure sustainable growth

As the world grapples with climate change, the depletion of natural resources, biodiversity, and other environmental issues, as well as heightened geopolitical risks, we intend to enhance our resilience, clarify items of materiality to ensure sustainable growth, and reinforce our operating foundations through appropriate information disclosure and dialogue with stakeholders.

On the topic of the environment, we have set ourselves the Fiscal 2030 Target as a milestone towards achieving carbon neutrality by 2050 and the Group as a whole is committed to limiting the global temperature increase to less than 1.5°C

above pre-industrial levels.

Not only are we contributing to reductions in greenhouse gas emissions through our mainstay energy and environment businesses, but we are also ramping up investments in the environment at our own production bases and taking steps to curb emissions across the entire supply chain. Moreover, the idea of transitioning from a linear economy characterized by mass production, mass consumption, and mass waste to a more circular economy has become increasingly important in recent times. We have started to discuss the issues we need to address and will continue to examine the Fiscal 2030 Target.

For companies to achieve growth in the increasingly unpredictable world, it has become even more important to strengthen resilience by constantly making preparations to minimize the impacts of risks pertaining to human rights, compliance, natural disasters, cyberattacks, and geopolitical risks. We have taken steps to centralize risk management functions and minimize the impacts of risks by having the executive officers in each business division—who are responsible for daily monitoring, information gathering, the

development of response measures when risks arise, and the sharing and communication of problems—collaborate with specialized departments set up to address each specific issue. We are particularly focusing on strengthening management across the entire Group, including our overseas subsidiaries, and bolstering supply chain measures from a BCP perspective in readiness for natural disasters triggered by climate change.

Management that adopts “employee-first” approach

My management motto is “employees first.” I believe that employee growth leads to prosperity for the Company and that creating a positive cycle of returning the profits generated through business activities to employees, shareholders, and society will enable us to grow sustainably. To achieve this, it is important that we actively invest in human capital and create an environment in which our diverse workforce can work as a team to unleash their collective potential. The development of an environment that is supportive of employees raising children is also crucial, which is why we are currently making improvements to our systems and operations. In the 2023 spring labor negotiations with the labor union, we fully accepted the union’s wage and bonus demands for the first time ever. If our employees have worked hard to achieve results, then I believe it is important to respond accordingly. In addition, we are committed to promoting diversity with a particular focus on the advancement of women, leveraging the extensive experience and skillsets of senior employees, and nurturing talent so that we can maintain and improve our manufacturing capabilities in Japan and overseas. From a medium- to long-term perspective, we are establishing

systems that balance employees’ happiness and job satisfaction with Company growth, and we will keep creating the best possible workplace environment by listening to the opinions of employees on the ground to make sure these systems are functioning in the way they were designed to.



Passing on Fuji Electric’s DNA, “To be enthusiastic, ambitious and sensitive,” to the next generation

I always carry the spirit of our corporate slogan, “To be enthusiastic, ambitious and sensitive,” and constantly communicate it to our employees. “Enthusiastic” means being passionate about developing new technologies and products, delivering them to customers to bring them joy, and doing everything we can for the benefit of society. “Ambitious” means setting lofty goals and not placing any limits on one’s own potential. It means setting yourself ambitious goals and sharing them with the team, no matter how challenging and difficult they may be. And “Sensitive” means being grateful for our customers, the colleagues we work with, and our families. It is my hope that each and every employee will continue to inherit and keep in mind Fuji Electric’s DNA in the future.

So that we remain a company capable of growing sustainably even in these turbulent times, our teams of diverse employees will leverage their collective strengths to further develop our energy and environment businesses and contribute to the solving of social and environmental issues and the creation of customer value. I look forward to the continued support and understanding of shareholders, investors, and all other stakeholders.

Michihiro Kitazawa
Chairman of the Board and CEO