

Progress of the FY2023 Medium-Term Management Plan

Following the global financial crisis in 2008, Fuji Electric began restructuring its business towards enhancing profitability so that it can generate profit even without increasing sales, and worked to recover and strengthen its manufacturing capabilities and undertook various management reforms.

In particular, in our manufacturing innovations, we strengthened the development of human resources by consolidating our production technology divisions, reduced inventories by carrying out the supply chain reform, as well as promoted in-house manufacturing, automation and standardization, and cost reductions through global procurement and centralized purchasing. Then, with the aim of further expanding business and improving profitability, the Company established production systems based on local production for local consumption and enhanced cost-competitiveness, as steps to expand overseas businesses and also from the perspective of BCP.

Under the FY2023 Medium-Term Management Plan, which started in fiscal 2019, we aimed to establish foundations for sustainable growth with net sales of ¥1 trillion and an operating profit ratio of 8% or more, and pursued three key initiatives: promote growth strategies, further improve profitability, and ongoing reinforcement of operating foundation. The Company was able to achieve the management targets one year ahead of schedule.

Further information about progress of management reforms is available at our website.
<https://www.fujielectric.com/ir/library/reports/progress.html>

FY2023 Medium-Term Management Plan: Key Issues

Establish Foundations for Sustainable Growth

Promote growth strategies	Further improve profitability
<ul style="list-style-type: none"> Concentrate resources on our power electronics and power semiconductor businesses Expand overseas business 	<ul style="list-style-type: none"> Augment global manufacturing capabilities

Ongoing reinforcement of operating foundations

- Ongoing reinforcement of our operating foundations with a focus on the environment, human resources, and governance
- Evolution of companywide Pro-7 activities

Fiscal 2023 Management Targets

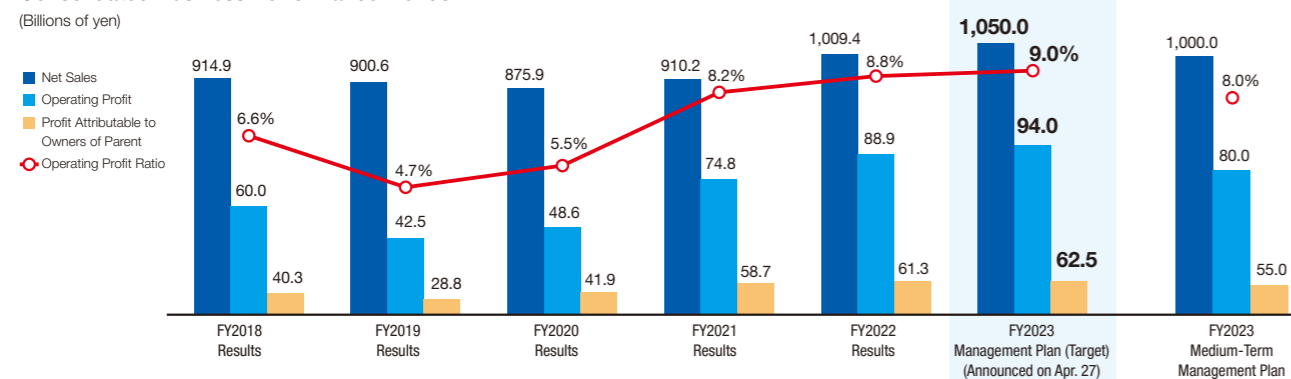
Net Sales	¥1 trillion
Operating Profit Ratio	8% or more
Profit Attributable to Owners of Parent	¥55 billion

Financial Indicators

Net Debt-Equity Ratio	0.1 times
Equity Ratio	50%
ROA (Return on Assets)	5%
ROE (Return on Equity)	11%
Dividend Payout Ratio	30%

* Net debt-equity ratio = net interest-bearing debt ÷ equity
 * Assumed exchange rates for fiscal 2023:
 ¥105 to the U.S. dollar, ¥123 to the Euro, ¥16 to the RMB

Consolidated Business Performance Trends



Financial Indicators

Net Debt-Equity Ratio	0.4 times	0.4 times	0.3 times	0.2 times	0.2 times	0.1 times	0.1 times
Equity Ratio	37%	37%	40%	42%	44%	47%	50%
ROA (Return on Assets)	4%	3%	4%	5%	5%	5%	5%
ROE (Return on Equity)	12%	8%	11%	13%	12%	12%	11%
Dividend Payout Ratio	28%	40%	29%	24%	27%	—	30%

Overview of Results for Fiscal 2019 to 2022

As for the business environment surrounding the Company, in fiscal 2019, we faced market contraction overseas, especially in China, due to trade friction between the United States and China. In fiscal 2020, we continued to minimize investment as economic activities in Japan and abroad were restricted due to the effects of the COVID-19 pandemic. In fiscal 2021, changes in the international political situation further triggered the soaring material prices and material shortages, and the global market conditions and supply chains remained unstable. Meanwhile, the trend for carbon neutrality and digitalization continued, and demand for electrified vehicles, renewable energy, energy saving, and digital infrastructure expanded, which led to the expansion of business opportunities around our focus areas of power electronics and power semiconductor businesses.

In response, the Company worked to strengthen the profit structure for our ED&C components and vending machine businesses, for which demand decreased significantly, and source materials from multiple suppliers and multiple regions to reduce procurement risks, and continued aggressive growth investment mainly in the power electronics and power semiconductor businesses, and development of new global products.

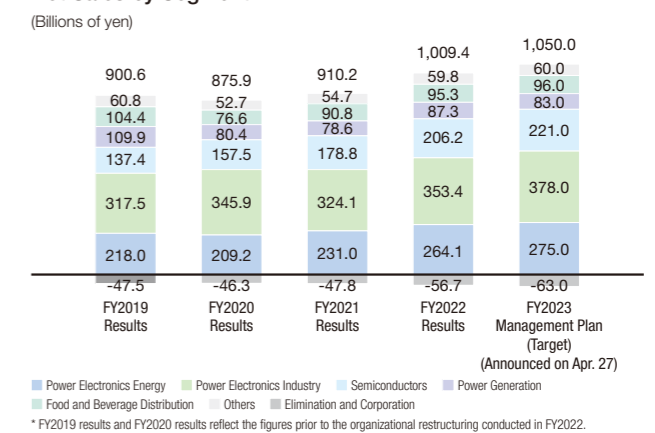
For the expansion of overseas businesses, in India in fiscal 2021, we integrated the management of a major local power supply manufacturer that we acquired and consolidated in fiscal 2019 with Fuji Electric India Private Ltd. By utilizing the two local factories and our sales and after-sales service bases located throughout India, we are working to expand sales by developing new models and producing uninterruptible power supply systems (UPS) for data centers, power conditioning systems for solar power generation, inverters, and measuring instruments. In Thailand, we constructed a switchgear and controlgear system factory and an engineering center at Fuji Electric Manufacturing (Thailand) Co., Ltd. and consolidated the production functions for electrical switchboards and molded transformers that had been distributed in multiple locations across Southeast Asia. We are strengthening the production and engineering functions in Thailand to expand sales as one of our core overseas bases.

In fiscal 2022, the trend for carbon neutrality and digitalization continued, and capital investments in the manufacturing sector and data centers remained strong. Meanwhile, the market conditions remained uncertain due to ongoing impacts of difficulty in procuring materials and soaring material prices since fiscal 2021, as well as a rise in power expenses and sudden fluctuation of exchange rates, and our Power Electronics Industry segment has been impacted by production restrictions due to difficulty in procuring materials. In such an environment, the Company continued with its efforts to strengthen measures against material procurement risks through multiple sourcing, long-term contracts, and procurement of alternative materials. We also worked on promoting cost reductions, expanding the sales of new products, and raising product sales prices. As a result, all segments achieved increase in sales and profit compared with

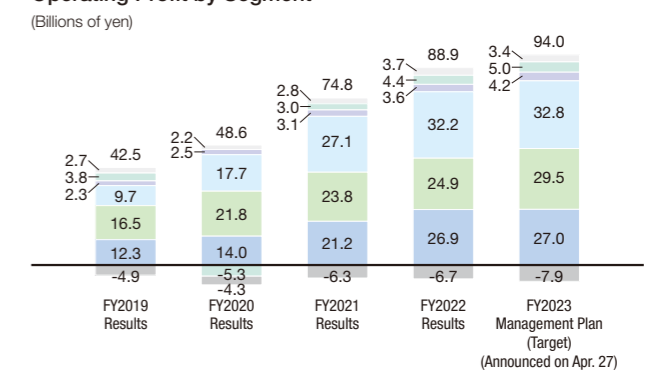
the previous fiscal year, renewing the record-high results for net sales, operating profit, operating profit ratio, and profit, and achieved the FY2023 Medium-Term Management Plan one year ahead of schedule.

The Power Electronics Energy Business, which improved performance mainly around its comprehensive electrical equipment business, and the Semiconductors Business, which improved performance mainly with its power semiconductors for electrified vehicles, achieved net sales and operating profit ratio that exceeded the initial assumptions at the time we formulated the FY2023 Medium-Term Management Plan. Meanwhile, the Power Electronics Industry, Power Generation, and Food and Beverage Distribution businesses have not yet achieved the plan, and need to further improve profitability.

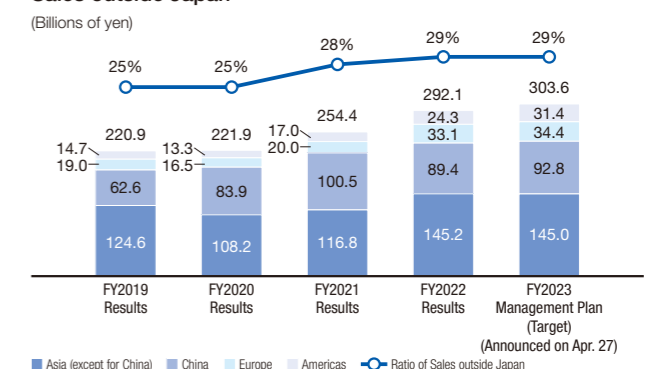
Net Sales by Segment



Operating Profit by Segment



Sales outside Japan



Fiscal 2023 Management Plan


We will aim to achieve record-high results for net sales, operating profit, operating profit ratio, and profit for the second year in a row, with an operating profit ratio of 9% or more.

Our target is to increase net sales to ¥1,050 billion, a year-on-year increase of ¥40.6 billion, mainly by expanding the Power Electronics Energy, Power Electronics Industry, and Semiconductors businesses.

In Asia, despite an increase in sales from the plant systems projects of the power electronics business, sales are expected to decline mainly due to a decrease in large-scale power generation plant projects. Meanwhile, we will aim to increase our overseas sales to ¥303.6 billion, a year-on-year increase of ¥11.5 billion, boosting sales mainly in power semiconductors for electrified vehicles in China and Europe, as well as in the power electronics energy and the power generation businesses for the renewable energy and energy saving sectors in the Americas.

We are aiming to increase our operating profit to ¥94 billion, a ¥5.1 billion year-on-year increase, to be driven by increasing sales and production volumes in the Power Electronics Industry business, as well as improving the profitability, raising product sales prices, and promoting cost reduction measures in the Power Generation and the Food and Beverage Distribution businesses. The target for profit attributable to owners of parent is ¥62.5 billion, an increase of ¥1.2 billion year on year.

Forecasts were revised on July 27, 2023 based on the consolidated financial results for 1Q.

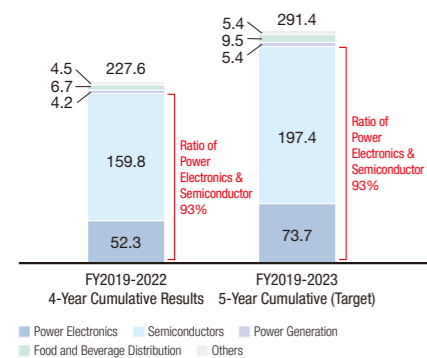
 For details, please refer to the Summary of Consolidated Financial Results for 1Q FY2023. https://www.fujielectric.com/ir/box/doc/pdf/gh2023_07/230727_all.pdf

Plant and Equipment Investment and R&D Expenditures

We are making continuous plant and equipment investment and R&D investment, mainly for our power electronics and semiconductors businesses.

Plant and Equipment Investment

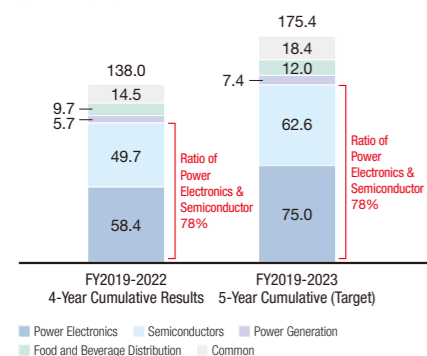
(Billions of yen)



	Major Details (FY2019-2023)
Power Electronics	<ul style="list-style-type: none"> Construction of switchgear and controlgear system factory and engineering center (Thailand) Expansion of factory and production models (India) Construction of an engineering center (Chiba Factory) Construction of the Plant Systems Center (Tokyo Factory) Installation of testing equipment for development (Tokyo Factory) Installation of production equipment for new ED&C components Installation of production equipment for inverters using PF design*1 (Suzuka Factory, Thailand Factory)
Semiconductors	<ul style="list-style-type: none"> Expansion of front-end process (8-inch silicon (Si), silicon carbide (SiC)) production capacity (Yamanashi, Matsumoto, Tsugaru, Malaysia Factories)

R&D Expenditures*2

(Billions of yen)



	Major Details (FY2019-2023)
Power Electronics	<ul style="list-style-type: none"> Global product development (transformers, switchgears, large-capacity UPSs, products for plants) Products for the mobility field (electrical equipment for railcars, ship & port systems) Carbon neutral and environmentally friendly products (storage battery systems, energy management systems) Promotion of product development using PF design*1 Digital transformation products
Semiconductors	<ul style="list-style-type: none"> Development of 8th-generation IGBTs and 3rd-generation SiC technologies IGBTs and SiC modules for electrified vehicles Large-capacity industrial IGBT modules

*1 PF design: Standardized design of major components for the purpose of cutting development periods and reducing procurement and production costs

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

Augmenting Our Manufacturing Capabilities

Augmenting global manufacturing capabilities

In the FY2023 Medium-Term Management Plan, we have identified “augmentation of global manufacturing capabilities” as one of the priority initiatives, and work to further improve profitability. Based on a local production for local consumption approach, we are stepping up the development of local leaders at overseas production sites and advancing autonomous operations, and strengthening our global operation system through coordination between production bases.

Advancing digital reforms of our manufacturing

To further improve productivity and cost-competitiveness, we are working to utilize digital and AI technologies to connect everything in the production activities, including the supply chain, with the information data in order to achieve a connected smart factory that will enable autonomous synchronization of production with stability and optimal quality, cost, and delivery.

In specific, as part of the supply chain management (SCM) reform, we are pursuing automation of the assembly, inspection, and testing processes, and visualization of factory management indicators and on-site information by utilizing the dashboard, as well as making attempts at real-time collection and analysis of on-site information, and feedback control

that allows advance prediction and detection of anomalies and failures. In addition, we are working on the digitization of product design and process design information, and product life cycle management (PLM) reform aiming for standardization. We will build a manufacturing platform to connect these SCM and PLM axes and link the platform with manufacturing control and management information to achieve total optimization, thereby evolving into a connected smart factory.

Strengthening our supply chain management

In order to minimize geopolitical risks and impacts of supply chain disorder, we are strengthening profitability on a global level by sourcing materials from multiple suppliers and multiple regions.

The Company implements the self-assessment of CSR procurement every year in accordance with the Fuji Electric CSR Procurement Guidelines in order for its business partners to deepen their understanding of our corporate social responsibility (CSR) approach and initiatives we would like to have them comply with and implement while also gaining an understanding of the status of such efforts.

→ For details, please refer to “Sustainable Procurement” on P57-58.

Progress of Manufacturing Innovations

