

# Environment



**Through our initiative toward Environmental Vision 2050, we will promote contribution to carbon neutrality and aim to achieve zero emissions.**

**Takashi Obinata**

Executive Officer  
Corporate General Manager, Production & Procurement Group

In recent years, nature and human society have been greatly affected by frequent torrential rainfall caused by climate change, as well as record heat and cold waves. Addressing this issue will not only require decarbonization, but also accelerating the transition to a circular economy and the realization of nature positivity (nature revitalization). Therefore, the role of companies in solving environmental issues is becoming increasingly important.

Based on the “Fuji Electric Basic Environmental Protection Policy,” the Company has positioned global environmental protection as an important issue for management and in 2019, we formulated our “Environmental Vision 2050,” the framework for the Company to become carbon neutral and achieve zero environmental impact from a long-term perspective. In March 2022, our fiscal 2030 greenhouse gas (GHG) emissions reduction target was revised to “reduce GHG gas emissions by over 46% from the fiscal 2019 level,” consistent with “limiting the temperature rise to 1.5°C above pre-industrial levels.” This goal has acquired SBT<sup>\*1</sup> certification in December 2022.

In fiscal 2022, we incorporated measures to achieve the Fiscal 2030 Target for reduction of GHG emissions during production into an action plan, calculated the amount of necessary investments and expenses, and began materializing the plan. In response to TCFD recommendations, we also conducted an analysis of opportunities and risks and disclosed details of our risk-related considerations.

Future issues include materializing a plan to achieve a recycling-oriented society and a society in harmony with nature. As such, with the aim of achieving zero emissions by 2050, we will consider a new Fiscal 2030 Target from the perspective of generating zero environmental impact throughout the entire supply chain.

For the fourth consecutive year, the CDP<sup>\*2</sup> certified Fuji Electric as an “A List Company,” a company of the highest rank, with excellent climate change initiatives and information disclosure. We will continue to contribute to the realization of a sustainable society, taking advantage of the technologies we have cultivated in the energy and environment fields.

<sup>\*1</sup> SBT: Science-based GHG emissions reduction target to achieve the 1.5°C target  
<sup>\*2</sup> CDP: An international environmental NGO that researches, evaluates, and discloses environmental initiatives

## Fuji Electric Basic Environmental Protection Policy

1. Offering products and technologies that contribute to the global environmental protection
2. Reduction of environmental burden throughout product life cycles
3. Reduction of environmental burden in business activities
4. Compliance with laws, regulations and standards
5. Establishment of environment management systems and continuous improvements of the systems
6. Improvement of employees' environmental awareness and social contribution
7. Promotion of communication

## Environmental Vision 2050

We aim to achieve a “Decarbonized Society,” “Recycling-Oriented Society,” and “Society in Harmony with Nature” by expanding use of Fuji Electric’s innovative clean energy technology and energy-saving products.

Achieve a Decarbonized Society	Target carbon neutrality across the supply chain
Achieve a Recycling-Oriented Society	Promote green supply chains and 3R activities to reduce environmental impact to zero
Achieve a Society in Harmony with Nature	Aim for zero influence on the ecosystem by corporate activities contributing to biodiversity

## Fiscal 2030 Target

We aim to achieve the following goals in order to limit the temperature rise to 1.5°C above pre-industrial levels.	
Greenhouse gas emissions throughout the supply chain (Scope 1+2+3):	Reduction of over 46% (compared to FY2019)
Greenhouse gas emissions during production (Scope 1+2):	Reduction of over 46% (compared to FY2019)*
Contributions to CO <sub>2</sub> emissions reduction in society through our products:	Over 59 million tons/year

\* Reduction rate from FY2013: 54%



## The World Aimed for in Environmental Vision 2050

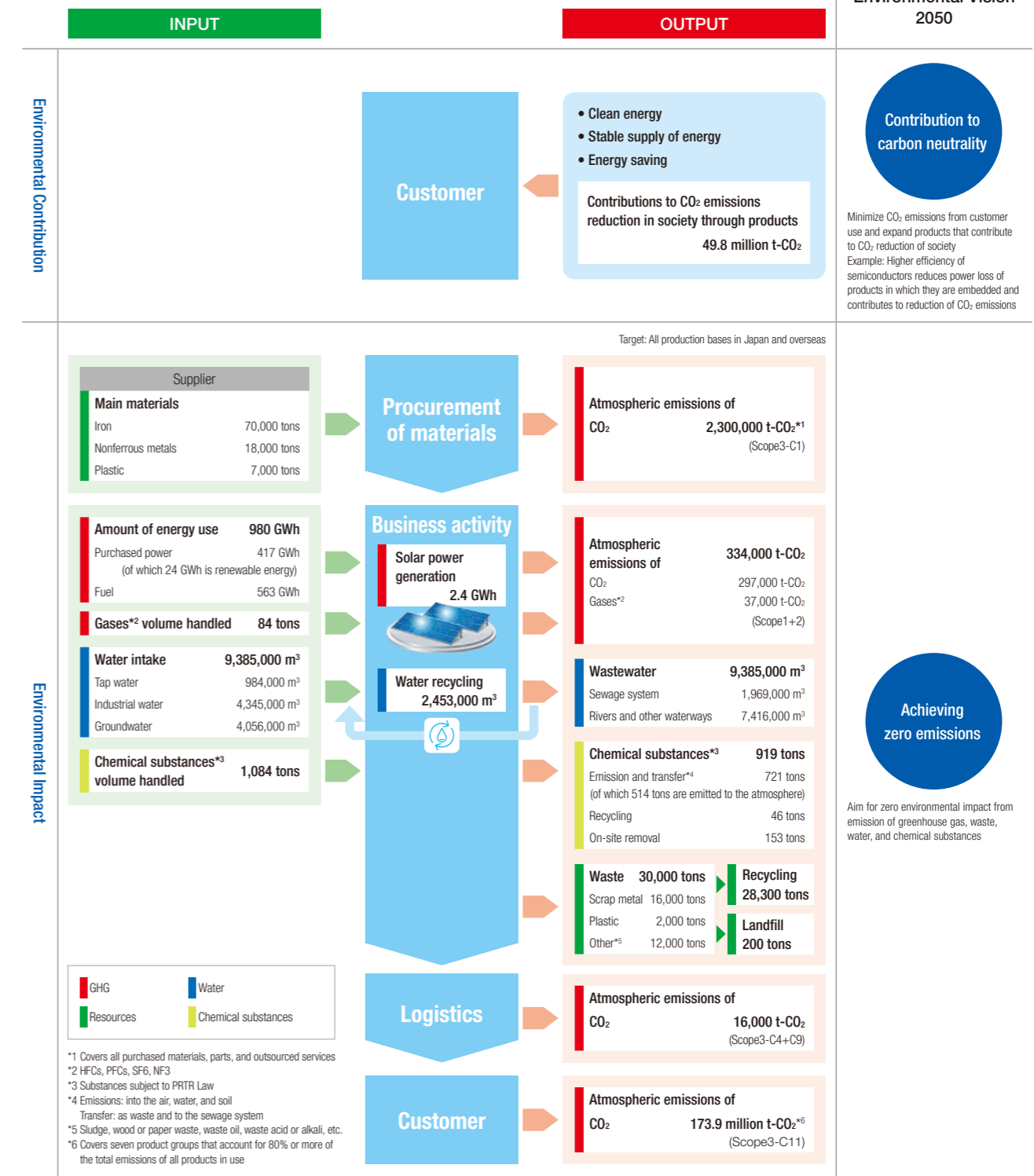
In addition to the environmental contribution made by our business, Fuji Electric quantifies its environmental impact based on the amount of energy and resources used at all of our production bases in Japan and overseas. Through

our initiatives in Environmental Vision 2050, we aim to maximize our environmental contribution and minimize our environmental impact through our supply chain.

### Toward 2050

- We aim to contribute to carbon neutrality by increasing the supply of equipment that produces clean energy and by innovating energy saving technologies.
- We aim to achieve zero emissions by working to reduce environmental impact throughout the supply chain.

## Overall Picture of Environmental Contribution and Impact of the Business (Fiscal 2022)



## Initiatives to Achieve a Decarbonized Society

### Fiscal 2022 Results and Progress

Environmental Vision Fiscal 2030 indicators	FY2021	FY2022		FY2023	FY2030
	Result	Target	Result	Target	Target
Supply chain GHG emissions (Scope 1+2+3) (million tons)	180	181	177 <Achieved>	72 or less	67 or less
GHG emissions during production (Scope 1+2) (thousand tons)	364	400 or less	334 <Achieved>	380 or less	250 or less
Contributions to CO <sub>2</sub> emissions reduction in society through products (million tons)	45.4	45.0 or more	49.8 <Achieved>	50.0 or more	59.0 or more

### Initiatives toward 2030

#### ● Supply chain GHG emissions (Scope 1+2+3) reduction

Fuji Electric calculates GHG emissions generated in its supply chain in accordance with the GHG Protocol, an international standard. GHG emissions for the entire supply chain (Scope 1+2+3) in fiscal 2022 were 177 million tons. CO<sub>2</sub> (Scope 3 Category 11) emitted during the use of the product accounts for 98% of the total, and approximately 60% of this is coal-fired EPC (a business form in which engineering, procurement, and construction are undertaken in an integrated manner) projects for the power generation business. The Company does not expect to ship any coal-fired EPC projects without CO<sub>2</sub> capture equipment after fiscal 2023. Therefore, the target for fiscal 2023 is a 60% reduction to 72 million tons.

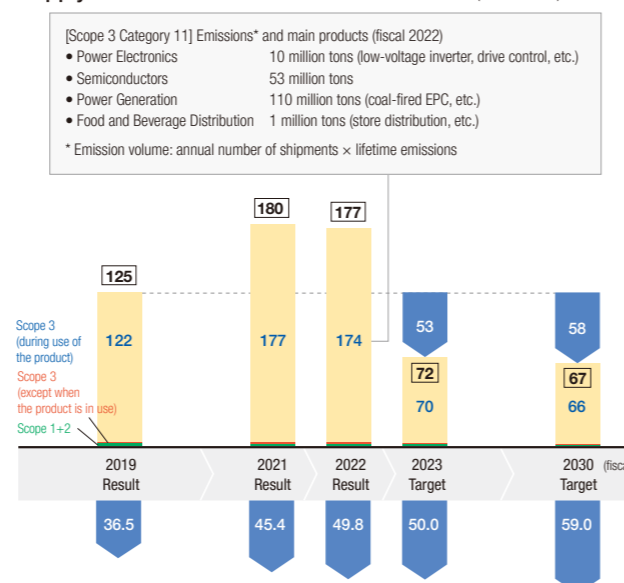
Many of our products contribute to the reduction of CO<sub>2</sub> emissions of society by saving energy through activation. We are working to reduce not only our own CO<sub>2</sub> emissions (Scope 1+2+3), but also those of society by contributing to the reduction of CO<sub>2</sub> emissions through the supply of our products.

#### ● GHG emissions reduction during production (Scope 1+2)

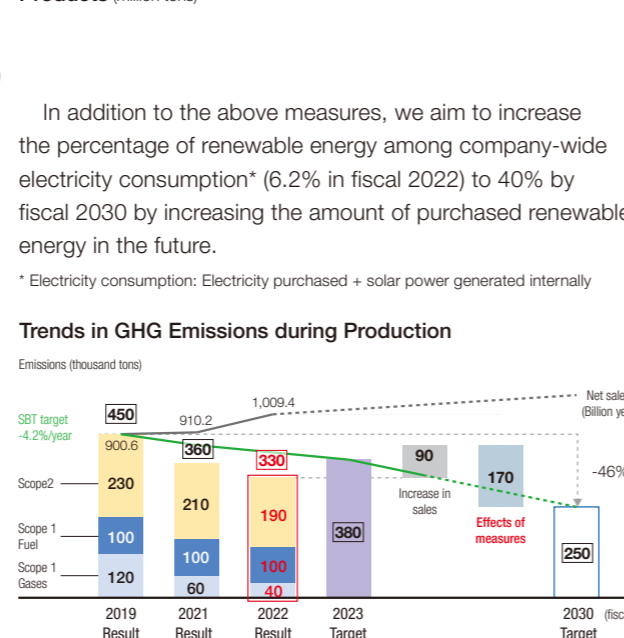
We plan to increase production in our semiconductor and power electronics businesses by 2030. Based on the assumption of such production increase, we are working to achieve our goal of reducing GHG emissions during production (over 46% reduction compared to fiscal 2019). Major measures are as follows.

Measures	Overview
Expand installation of solar power generation equipment at the Company's production bases	Plan underway at a total of 15 bases in Japan and overseas, with the aim of extracting results in fiscal 2024
Promote upgrade to high-efficiency equipment	Replace production facilities, air conditioning, and lighting equipment with latest models
Purchase renewable energy	Increase purchase of renewable energy

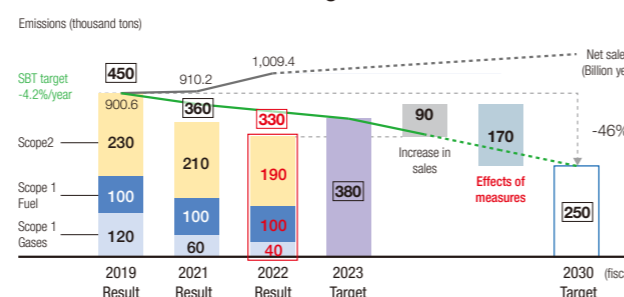
### Supply Chain GHG Emissions and Reductions (million tons)



### Contributions to CO<sub>2</sub> Emissions Reduction in Society through Products (million tons)



### Trends in GHG Emissions during Production



### ● Contributions to CO<sub>2</sub> emissions reductions in society through our products

Fuji Electric aims to contribute to the achievement of carbon neutrality together with our customers through our energy and environmental businesses. The indicator is the contributions to CO<sub>2</sub> emissions reduction in society through our products, which we began calculating in fiscal 2009. The difference in power consumption between cases where existing products continue to operate and cases where products with superior environmental performance are implemented to replace them is converted into CO<sub>2</sub> equivalent figures. For products shipped in and after fiscal 2009 during their operation period, the amount of CO<sub>2</sub> reduction of the product operated for one year is calculated as the amount of contribution. We intend to increase our contribution amount by increasing the sales weight of new products that maximize the reduction of power loss in addition to increasing sales of equipment that generates clean energy.

### Main Contributing Products and Contribution Amounts (Fiscal 2022)

Segment	Main Contributing Products and Contribution Amounts
Power Electronics 26.4	Low-voltage inverters (25.8), Rotating machines (0.3) FA components (0.1), Power supply and facility systems (0.1)
Semiconductors 5.8	Industrial modules and discrete (5.8)
Power Generation 16.5	Thermal (biomass, etc.) and geothermal power generation (13.1) Hydro power generation (1.8), Solar power generation, etc. (1.6)
Food and Beverage Distribution 1.1	Vending machines (0.4) Store facilities and equipment (0.7)

### <Start reviewing the scope of reduction contribution>

In fiscal 2023, we have started reviewing the scope of products subject to the reduction contribution amount. We plan to raise the composition ratio of target products by clarifying the concept of the amount of contribution and reviewing the target product groups, as well as revising the Fiscal 2030 Target if necessary.

### Main Non-target Businesses (as of fiscal 2022)

- Power Electronics: Energy management, Substation system, Switchboards, Equipment installation, IT solutions, etc.
- All segments: On-site repairs and other service-related matters, etc.

### Sales Composition Ratio of Contributing Products (Fiscal 2022)

	Power Electronics	Semiconductors	Power Generation	Food and Beverage Distribution	Total
Net sales of contributing products	50.5	122.8	21.7	43.2	238.2
Total net sales	617.5	206.2	87.3	95.3	1,009.4
Composition ratio	8%	60%	25%	45%	24%

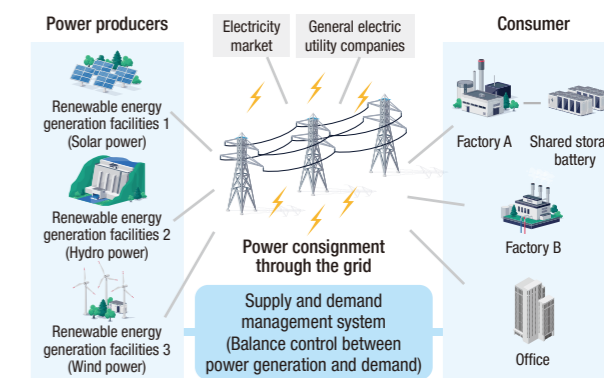
## TOPICS

### Off-site renewable energy supply model

Customers are increasingly requesting for stable procurement of renewable energy over the long term. Fuji Electric offers a variety of products that are indispensable for the stable supply of energy. By leveraging this advantage to install renewable energy generation equipment at customers' facilities and connect power producers with our customers, we offer on-site PPAs\* that allow customers to procure stable renewable energy over the long term.

However, the space available for installation on the customer's site is limited. As such, off-site PPAs are expected to grow significantly in the future. An off-site PPA is a structure in which renewable energy generation facilities are installed on remote sites and the electricity generated at such sites is sent to customers via the power transmission and distribution network. Fuji Electric will contribute to the stable supply of renewable energy in the future by providing the products required for the off-site renewable energy supply model,

such as renewable energy generation facilities, substation equipment, storage battery systems, and supply and demand management systems, in cooperation with off-site PPA operators to meet customer needs.



\* PPA: Power Purchase Agreement

## Initiatives to Achieve a Recycling-Oriented Society and a Society in Harmony with Nature

### Fiscal 2022 Results and Progress

Reduction of waste, water, and chemical substance emissions during production

FY2030 Target	FY2021	FY2022			FY2023
	Result	Target	Result	Key measures and activities	Target
Ratio of waste sent to landfills*1 1.0 (%)	2.3	1.2 or less	0.5 <Achieved>	• Establishment of a disposal method for inorganic sludge from semiconductors at Fuji Electric (Malaysia) Sdn. Bhd.	1.0 or less
Water consumption per unit of sales 1.8 or less*2 (1,000 m <sup>3</sup> /100 million yen)	1.1	1.8 or less	0.9 <Achieved>	• Discontinuation of production of magnetic disks at Fuji Electric (Malaysia) Sdn. Bhd.	1.8 or less
Volatile organic compound emissions 1,694 or less*2 (t)	617	1,694 or less	625 <Achieved>	• Operation of solvent recovery equipment at Shenzhen plant	1,694 or less

\*1 Ratio of waste sent to landfills: Waste sent to landfills ÷ Total waste \*2 Target value is the value of the base fiscal year (to be reviewed in fiscal 2023).

### Initiatives toward 2030

In recent years, there has been a growing demand for a circular economy in which resources are used in a cyclical manner. Therefore, Fuji Electric intends to reinforce its initiative to achieve zero emissions by 2050. Traditionally, the focus has been on reducing the amount of waste generated during production and sent to landfill and reducing the amount of water consumption. In addition to our existing activities, we will take initiatives to shift to a highly recyclable product model, including a review of design, with the aim of creating products that do not generate environmental impact throughout their entire lifecycle. Specifically, we will establish new goals in fiscal 2023 from a medium- to long-term perspective, and incorporate measures into the plan. Ultimately, we aim to minimize the burden on nature by reducing the amount of waste generated during the life cycle and sent to landfill as well as the discharge of wastewater and chemical substances generated during production to near zero, thereby achieving a recycling-oriented society and a society in harmony with nature.

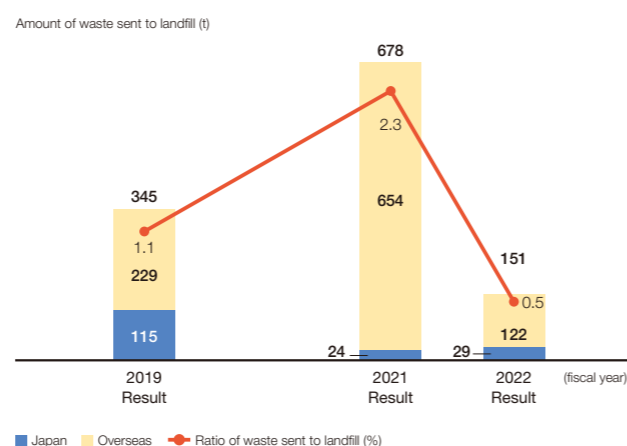
#### <Issues to be addressed to reduce waste sent to landfill>

To reduce the amount of waste sent to landfill to less than 1.0% on a stable basis, overseas bases are an issue. In fiscal 2023, we will clarify issues regarding overseas bases where the ratio of waste sent to landfill remains high and initiate countermeasures.

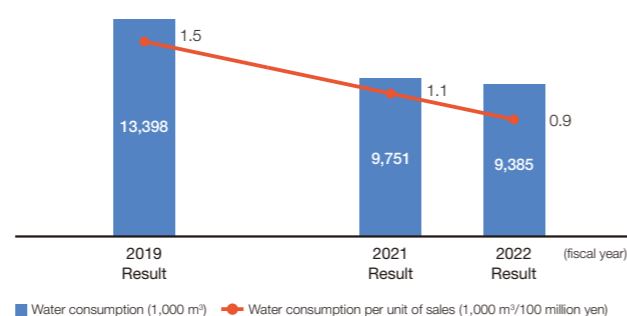
#### <Compliance with the New Plastics Law>

In Japan, the new plastics law (Act on Promotion of Resource Circulation for Plastics) came into effect in April 2022. The purpose of this law is to promote resource recycling in the sales channels of plastics, from product design to waste disposal. Therefore, we recognize the importance of expanding waste plastic management and reduction activities not only during production but throughout the entire supply chain. As such, we have begun to study the true state of emissions outside of production and identify countermeasures to deal with such emissions.

### Amount of Waste Sent to Landfill within Japan and Overseas



### Water Consumption and Water Consumption per Unit of Sales during Production



## Approach to Disclose Information in Accordance with TCFD Recommendations

Since declaring support for the Task Force on Climate-related Financial Disclosures (TCFD) recommendations in June 2020, we have reflecting the results of our analysis of risks and opportunities arising from climate change in our business strategies and have updated our disclosures in line with TCFD recommendations. In March 2022, the Company disclosed significant risks and opportunities as well as adaptation measures. Of these risks, we recognize that the risks with

especially great impact on our business are (1) suspension of production activities due to flooding and other damage caused by frequent extreme weather events under the “4°C” scenario and (2) increased environmental investments and expenses to reduce GHG emissions in production activities under the “1.5°C” scenario. Therefore, we identified the specific impact of these two risks and examined and calculated the countermeasures and financial effects.

### Significant Risks and Opportunities Identified by Fuji Electric and Adaptive Measures to Be Taken

	Risks	Opportunities	Adaptation Measures
4°C	<ul style="list-style-type: none"> <li>Delays in procurement of parts</li> <li>Cost increases due to wind and flood damage countermeasures in response to frequent extreme weather events</li> <li>Delays in outdoor construction and service work</li> <li>Delays in product delivery due to the disruption of logistics network and influence to production</li> </ul>	<ul style="list-style-type: none"> <li>Increased demand resulting from active investment in business continuity plan (BCP) measures by customers</li> </ul>	<ul style="list-style-type: none"> <li>Promote multi-sourcing of parts (identify parts with high procurement risk due to the disasters, and diversify risks)</li> <li>Reinforce wind and flood protection measures for factory buildings in Japan and overseas located mainly in bay areas and areas covered by hazard maps</li> </ul>
1.5°C	Suppliers	<ul style="list-style-type: none"> <li>Promotion of parts standardization and unification</li> <li>Expanded use of recycled materials in products</li> </ul>	<ul style="list-style-type: none"> <li>Promote multi-sourcing</li> <li>Support for decarbonization of key suppliers</li> </ul>
	Development and Design	<ul style="list-style-type: none"> <li>Delays in technology development to meet decarbonization requirements</li> </ul>	<ul style="list-style-type: none"> <li>Increased demand for technologies needed to promote decarbonization</li> </ul>
	Manufacturing	<ul style="list-style-type: none"> <li>Cost increases associated with decarbonization of production facilities (plant and equipment investment and other costs, purchase of renewable electricity)</li> </ul>	<ul style="list-style-type: none"> <li>Accelerate R&amp;D of new technologies related to decarbonization, release them to the market in a timely manner, and reduce their costs</li> <li>Expand parts recycling through collaboration with customers and recycling companies</li> <li>Strengthen reduction of greenhouse gas emission at production facilities</li> </ul>
	Logistics	<ul style="list-style-type: none"> <li>Promotion of “local production for local consumption” (inventory reduction, logistics cost reduction, tax saving)</li> </ul>	<ul style="list-style-type: none"> <li>Respond to increased demand by increasing production capacity [Semiconductors]</li> <li>Shift resources to renewable energy business [Power generation]</li> </ul>
Customers and Markets	<ul style="list-style-type: none"> <li>Loss of business opportunities due to lack of support for 100% usage of renewable energy during production</li> <li>Decrease in demand for thermal power generation</li> </ul>	<ul style="list-style-type: none"> <li>Increased demand for renewable energy and energy-saving products</li> <li>Increased demand for renewal of thermal power generation services due to changes in fuel types for thermal power generation and the spread of CCS and CCUS</li> </ul>	

### Significant Risks Identified by Fuji Electric, Adaptive Measures and Financial Impact

	Risk Identification	Adaptive Measures and Financial Impact
Frequent extreme weather events (4°C)	<p>Flooding risk at production bases Target: All 44 production bases in Japan and overseas Result: 6 bases (3 domestic and 3 overseas) are at risk</p> <ul style="list-style-type: none"> <li>Risk assessment was conducted by Tokio Marine dR Co., Ltd. and was scrutinized internally</li> <li>For bases with a flood hazard of 0.5 m or more confirmed by official hazard information and bases without any hazard information, we have assessed them as “at risk of flooding” when flooding risk is considered high due to topographical conditions and other factors.</li> </ul> <p>&lt;Reference Materials&gt;</p> <ul style="list-style-type: none"> <li>Japan: Web-Based Flood Simulation Search System at an Arbitrary Point (Ministry of Land, Infrastructure, Transport and Tourism), Hazard maps (each municipality)</li> <li>Overseas: Aqueduct Water Risk Atlas (WRI)</li> </ul>	<ul style="list-style-type: none"> <li>At production bases at risk of flooding, we will formulate flooding countermeasures to minimize damage and review BCPs</li> <li>Even at bases that are considered low-risk, we will promote flood countermeasures as necessary</li> <li>We will take initiatives to stabilize the supply of parts in the event of a natural disaster by establishing a supply system from multiple bases while identifying flooding risks in the supply chain</li> </ul>
Increased environmental investments and expenses (1.5°C)	<p>Estimate environmental investments and expenses required to achieve the Fiscal 2030 Target (GHG reduction in production activities: over 46% reduction from fiscal 2019 levels)</p> <ul style="list-style-type: none"> <li>Install solar power generation equipment within the Company’s factory</li> <li>Upgrade facilities (production facilities, air conditioning, lighting, etc.)</li> <li>Purchase electricity and credits derived from renewable energy sources</li> </ul>	<p>Total environmental investments and expenses associated with reducing GHG emissions during production</p> <ul style="list-style-type: none"> <li>Fiscal 2022: Approximately 2.5 billion yen</li> <li>Fiscal 2023-2030 (cumulative total): Approximately 13 billion yen (including the risk of higher purchase unit prices for renewable energy and credits)</li> </ul> <p>* This financial impact should be reviewed in the event of a revision of the business plan or sudden changes in the environment.</p>

Please refer to our website for detailed disclosure requirements of the TCFD recommendations on Governance, Strategy, Risk Management, and Metrics and Targets.  
[https://www.fujielectric.com/company/csr/global\\_environment/management\\_02\\_03.html](https://www.fujielectric.com/company/csr/global_environment/management_02_03.html)

# Human Resources



**We will promote further revitalization and training of human resources to achieve a virtuous cycle of employee happiness and sustainable growth of the Company.**

**Takeshi Kadoshima**  
 Managing Executive Officer  
 General Manager, Human Resources and General Affairs Office

One of Fuji Electric's management policies is to "maximize our strengths as a team, respecting employees' diverse ambition," and the Fuji Electric Code of Conduct states that we will respect and value all people. We consider respect for human rights, health and safety, and the protection of our employees' health to be the foundation of our business activities and actively invest in people to encourage activities, training, and suitable assignment of human resources, which become the core of our efforts to achieve the sustainable growth of our business.

In terms of promoting human resource measures, we consider it important to achieve a virtuous cycle of employee

happiness and sustainable growth of the Company. We will also continue striving to reinforce our operating foundations, such as by pursuing initiatives aimed at respecting human rights, which is essential in building a sustainable corporate structure, encouraging the active participation of diverse human resources, enhancing initiatives aimed at revitalizing senior employees and securing personnel in line with the Company's workforce composition, aiming to significantly improve our business efficiency, promoting workstyle reforms that facilitate work-life balance, and promoting other initiatives to address various issues in a timely manner.

## Respect for Human Rights

Based on the United Nations Guiding Principles on Business and Human Rights, we are working to establish a sustainable corporate structure that is never involved in or complicit in human rights violations. Based on our Policy for Human Rights of the Employees, we implement human rights and labor assessments as a part of our human rights due diligence\* targeting our operating sites and consolidated subsidiaries both in Japan and overseas.

Fiscal 2022 was the first year in which we implemented human rights and labor assessments once in two years—instead of once in three years as was our conventional approach—and we have also revised the details by switching to a self-assessment that complies with the latest international standards. We provide guidance for improvement to consolidated subsidiaries that have been identified to require remediation. We also strived to flesh out our human rights awareness-raising training related to the responsibility of companies to respect human rights. More specifically, we implement training that deepens the understanding of our team leaders and managers of our approach internationally

agreed upon human rights as well as the relationship between corporate activities and human rights. In addition, based on our belief that running a pleasant workplace where human rights are respected is a key source of corporate competitiveness, we provide all of our employees in Japan with ongoing training aimed at preventing harassment.

\* Human rights due diligence  
 Efforts to recognize, prevent, and deal with the risk of human rights violation risks in advance

### Status of Human Rights and Labor Assessments

Year of Implementation	Fiscal 2022 (conducted every other year)
Implementation Target	Each operating site and Japanese and overseas consolidated subsidiaries <ul style="list-style-type: none"> <li>Operating sites: 21 sites</li> <li>Subsidiaries: 21 Japanese, 42 overseas</li> </ul>
Results	Provided guidance to one Japanese and 10 overseas sites to improve on items that had not been achieved Main points of improvement: <ul style="list-style-type: none"> <li>Planning and implementation of education on human rights</li> <li>Perform periodic health checkups</li> <li>Consideration for working hours, etc.</li> </ul>

## Promoting Active Participation of Diverse Human Resources

### Promoting the active participation of female employees

We promote diversity in order to develop the company through the creation of new value with diverse human resources. Among our diversity initiatives, we place particular emphasis on stepping up measures to promote the active participation

of women. We have established fiscal 2023 targets of a ratio of females hired of 20% and ratio of female employees in supervisory positions of 3%, and we are implementing various measures to promote female employees' success to achieve these targets.

We have set up a project aimed at hiring women, especially

those with science and engineering backgrounds. Our project members actively established points of contact with female students in an effort to increase the number of women we hire. As a result, we reached our target ratio of females hired (20%) as new employees for the sixth year in a row since 2018.

### Ratio of Female Employees, Ratio of Females Hired, Ratio of Female Managers, and Number of Female Employees in Supervisory Positions (Japan)

	2020 (end of fiscal year)	2021 (end of fiscal year)	2022 (end of fiscal year)	2023 (end of fiscal year) (Target)
Ratio of female employees	13.2%	13.3%	13.6%	—
Ratio of females hired*1	22%	20%	21%	20%
Ratio of female managers*2	2.5%	2.8%	3.2%	3.0%
No. of female employees in supervisory positions*3	266	295	316	400

Data collected from the Company and its six subsidiaries in Japan that adopt the same personnel system  
 \*1 Graduates from universities or technical colleges \*2 Managerial positions or above  
 \*3 Team leaders or above

### Ratio of Female Employees, Ratio of Female Managers (Overseas, as of end of fiscal 2022)

	Overseas consolidated	(Reference) Consolidated Japanese and overseas
Ratio of female hired	41.1%	27.7%
Ratio of female managers	26.5%	9.4%

In addition, to increase the number of female employees in supervisory positions, we actively promote two major initiatives: implementing intensive training and reinstatement support for ambitious female employees and establishing a workplace environment that is pleasant for female employees to work in such as providing support for balancing home and work.

### Main Initiatives

Training for female managers	Provide training for female managers to acquire the skills required to participate in management
Cultivation of priority career targets	Education and training for female employees to advance their careers. Support to challenge upper-level positions through lectures to improve basic skills and practical exercises for problem solving
Sister system	Cross-departmental mentorship with senior female employees as advisors
Project to recruit women with science and engineering backgrounds	Initiatives to recruit female employees with science and engineering backgrounds through seminars that provide first-hand accounts of female employees with science and engineering backgrounds who are successful in the workplace.

TOPICS
Implementation of training for female managers

The Company is also working to reinforce skill development for female employees after their promotion to managerial positions. We conduct training for female managers with the aim of equipping them with the necessary knowledge to participate in management to enable them to further advance to the next level.

In fiscal 2022, various programs aimed at enhancing managerial perspectives and expanding horizons were implemented, including leadership development through self-analysis and training to gain insight into the future to set

specific scenarios and goals. The training was attended by 30 participants, who commented that it was a good opportunity for them to reflect on their own careers, to discover the significance of their own existence as well as the mission in their future social lives, and to acquire ideas that will be useful in their actual work. It was an occasion for them to experience change of mind as managers.

We will continue to improve the environment for female employees so they can acquire the skills required to participate in management.

### Promoting the active participation of senior employees

To respond to the workforce composition, which is aging due to the declining birthrate and aging population, it is becoming increasingly important to promote the active participation of senior employees.

Considering the long life span of our products and the time it takes to acquire skills, which are characteristic of our business, senior employees have a wide field of activity and are a valuable asset to the Company.

We are achieving both peace of mind for employees as well as business continuity through the development of a system that enables employees to work actively even after the age of 60.

Ever since we introduced our Selective Retirement Extension System for general employees in fiscal 2000, we have strived to improve the user friendliness of the system while establishing it, and our employees use the system to select their retirement age from the range between 60 and 65 years old in accordance with their life plan. We also introduced our Senior Task System for managers in fiscal 2020, which enables senior employees aged 60 and over to receive the same treatment as younger employees depending on the details of their work and their performance. This system is intended to boost the motivation of our senior employees.

In addition, to enable employees of age 65 or over to continue to contribute by demonstrating their advanced skills and knowledge until they are up to 75 years old, we established the Employment Guidelines for Employees over 65, which are used to promote the active participation of senior employees.

### Selection Rate of the Selective Retirement Extension System

	FY2020	FY2021	FY2022
General employees: Selective retirement extension system	84.6%	82.5%	82.1%
Managers: Senior task system	86.6%	96.8%	91.6%

### Promoting the active participation of differently abled people

The Company established Fuji Electric Frontier in 1994 as

## Human Resources

a special-purpose subsidiary under the Act on Employment Promotion etc. of Persons with Disabilities. By increasing the hiring of differently abled people and expanding their scope of duties, this company is gradually expanding its bases and currently has 14 bases at every one of our major operating sites, through which efforts are underway to promote the active participation of differently abled people.

The major duties covered by the company include internal document delivery work and cleaning work as well as manufacturing support and light-duty work at each operating site, and the company is actively working on expanding the scope of duties to focus more on manufacturing support and light-duty work.

As of June of 2023, 442 differently abled people were registered, and the employment ratio of such people was 3.02%, well above the statutory employment rate (2.3%). We will continue striving to hire about 20 differently abled people per year as we secure and expand duties available to them and work on achieving stable employment.

### Workstyle reforms

As part of our Company-wide Pro-7 Activities, we promote initiatives based on two perspectives: workstyle reforms aimed at improving work efficiency and quality as well as the achievement of work-life balance.

Regarding workstyle reforms, we started promoting company-wide initiatives in fiscal 2017, including reducing long working hours, encouraging the use of vacation time, and striving to achieve a well-balanced workstyle, mainly by implementing steady awareness-raising and visualizing the actual working hours by utilizing IT. From the viewpoint

of employee needs and productivity improvement, we have also been gradually expanding the users of our diverse work systems for promoting flexibility of working hours and locations, and we are increasing the user friendliness of these systems. In addition, rules have been established to provide allowance to employees who have achieved workstyles with a high time value, with the aim of changing employees' awareness toward improving productivity.

To help facilitate work-life balance, we have also set up various systems that support life at work and at home, including vacation systems for childcare and family care, reduced working hour systems, and vacation time when a spouse is transferred within Japan and overseas.

From fiscal 2022 onward, we will promote a free address system at the workplace, mainly in the head office area, and are also working to reform the workplace environment, including minimizing paper documents and enhancing meeting booths utilizing active space.

We are implementing initiatives for workstyle reforms, both in terms of the workstyle system and the workplace environment.

	FY2018	FY2022
Average overtime hours per month	24.4 hours	20.8 hours
Average number of paid vacation days acquired annually	14.5 days	18.5 days
Work from home/satellite office (total number of users)	2,397	147,251
Childcare leave system (total number of users)	107 (including 6 male) (percentage of male utilizing childcare leave 3.1%)	131 (including 43 male) (percentage of male utilizing childcare leave 21.1%)

## Initiatives to Cultivate Human Resources

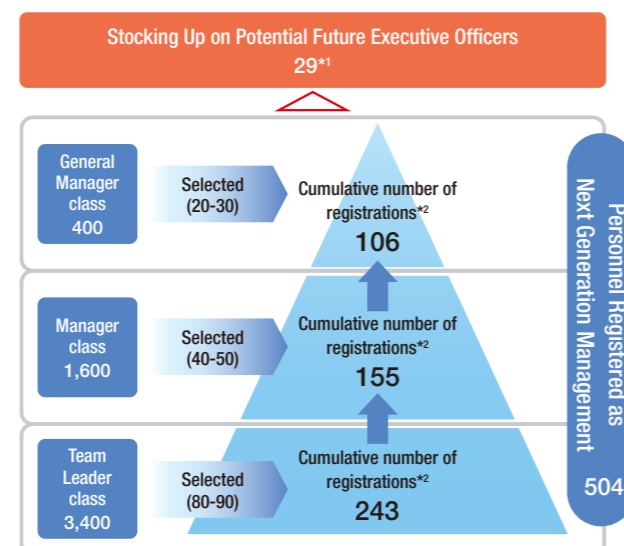
In the Fuji Electric Code of Conduct, we have expressed our commitment to reinforce human resource cultivation to achieve the development of each individual employee as well as the collective strength of the team. We are enhancing the cultivation of human resources who can demonstrate strong leadership and a high level of expertise by bolstering employee skill development and strengthening our investment in education.

### Fostering next-generation management

We are also taking active measures to foster future management candidates who will lead our sustainable growth.

Our human resource development covers three main areas. The first is carefully selecting young trainees, the second is effective OJT (on-the-job training) based on a training plan, and the third is participation in selective training. In fiscal 2021, to complement our future management candidate training system, we launched our Line Successor Planning System in an effort to achieve systematic line manager training. By combining these two systems, we are striving to connect posts that require succession training to individual training, thereby achieving more effective management-candidate training. We also strive to work out the details by sharing

and discussing the following and other details with executive officers on an annual basis: trainee selection details, the implementation status of training rotations, and who has undergone selective training.



\*1 Number of registered next-generation management human resources

\*2 Cumulative number of registrations is cumulative from fiscal 2017 to fiscal 2022

## Cultivating human resources adaptable to change: Cultivating digital human resources

As the world undergoes significant changes due to the rapid spread of AI, IoT, and other advanced digital transformation technologies, we are actively working to cultivate digital human resources to solve challenges and create new value through the use of digital technologies. We provide training to enhance DX literacy not only for engineers responsible for service development, but also for factory and production divisions, as well as sales and service divisions that face customers. In addition, in order to adapt to rapid changes

## Employee Communication

### Employee awareness surveys

In order to understand employee awareness in a timely manner, the Company conducts an annual employee awareness survey consisting of a total of 95 questions for Japanese and overseas consolidated subsidiaries to make fixed-point observations on overall employee awareness, including satisfaction toward the Company, the workplace, and their jobs. The results of the survey are reported at the Executive Committee, and the results of the analysis for each organization are provided to general managers and representatives of subsidiaries for use in improving their respective issues.

The results of the annual employee awareness surveys to date have been directly utilized for various human resources measures, including the implementation of training to strengthen management skills of middle managers, the enhancement of the target management system and expansion of education and training to support employee career development, and a review of the employee treatment

in society and achieve sustainable growth, it is essential to improve the productivity of internal operations through the use of digital technology, and we widely promote education from the perspective of reskilling. Since fiscal 2021, a total of more than 7,000 people have received training under the Company's initiative to cultivate digital human resources. We will continue to cultivate human resources that adapt to changes in society and business needs, and aim for sustainable growth through an improved workplace for employees and improved productivity.

system to evaluate the improvement and streamlining efforts of skilled employees.

In addition, the results of the annual employee awareness surveys are used as an indicator of our human capital initiatives. The goal is not to boost the indicator, but to maintain at least 3.5 pt with the aim of identifying issues and risks early in the trend analysis and taking appropriate countermeasures.

### Average Responses to Representative Questions Indicating Overall Satisfaction toward the Company


Target	Fiscal 2021 results	Fiscal 2022 results
Maintain a level of 3.5 pt or higher, a level that can be evaluated as sound	3.8 pt	3.8 pt

\* The scope of the survey covers domestic and overseas consolidated subsidiaries excluding the Company and Fuji Furukawa Engineering & Construction Co. Ltd.  
\* Average of responses to the representative question "I am satisfied with working for Fuji Electric" indicating overall satisfaction toward the Company (5 point scale from 1 to 5 pt, with higher scores indicating a more positive stance)

# Sustainable Procurement

## Basic Policies

The Fuji Electric Code of Conduct states that Fuji Electric, along with its business partners, “will promote procurement activities aimed at creating a supply chain that supports a sustainable society.” We endeavor to ensure fair and equitable transactions that comply with laws and regulations in Japan and overseas, and we engage in procurement activities that are compatible with the sustainability of the


 Fuji Electric Procurement Policy  
<https://www.fujielectric.com/company/procurement.html>

environment, society, and governance.

In addition, by freely engaging in transactions with all our business partners that are based on fair and equitable competition, we strive to build better partnerships, deepen mutual understanding, and maintain and improve cooperative relationships.

## Sustainable Procurement Activities with Business Partners

Every year, the Company implements the self-assessment of CSR procurement in accordance with the Fuji Electric CSR Procurement Guidelines for its business partners in Japan and overseas 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.

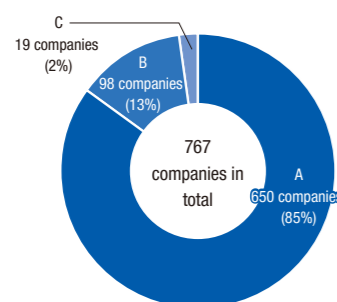
 Fuji Electric CSR Procurement Guidelines  
[https://www.fujielectric.com/company/box/doc/procurement/pdf/guideline\\_csr\\_e.pdf](https://www.fujielectric.com/company/box/doc/procurement/pdf/guideline_csr_e.pdf)

Subjects in the Fuji Electric CSR Procurement Guidelines		
1. Human Rights and Labor	4. Fair Trade and Ethics	7. Business Continuity Plan
2. Health and Safety	5. Quality and Safety	8. Establishment of Management Systems
3. Environment	6. Information Security	9. Social Contribution

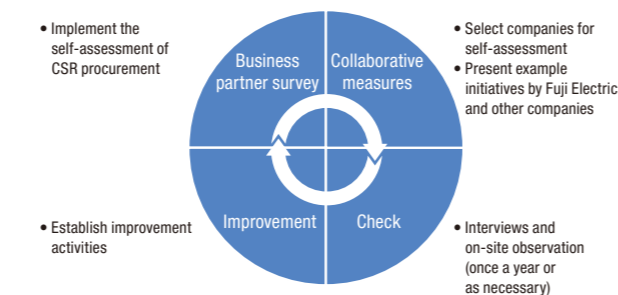
In fiscal 2022, of about 6,000 primary business partners in total, we implemented our assessment for 767 major business partners, which accounted for the top 80% of our purchasing results during the three-year period from fiscal 2019 to fiscal 2021. The survey found that seven business partners were rated D, which means they needed to work on improving their CSR efforts. We made sure that these partners were interviewed so they would have a deeper understanding of CSR initiatives and make CSR efforts as an organizational issue.

In fiscal 2023, we will continue to implement assessments and initiatives to expand educational opportunities for our business partners, and promote the penetration and strengthening of CSR in our supply chain. We will also proceed with initiatives to conduct CSR audits of our business partners with the aim of enhancing and maintaining the effectiveness of CSR procurement.

### Fiscal 2022 Assessment Results by Rating (After Conducting Interviews)



### PDCA for the Self-Assessment of CSR Procurement



### Number of Companies that Conducted the Self-Assessment

	Fiscal 2020	Fiscal 2021	Fiscal 2022
Business partners	673	748	767
Japan	572	646	658
Overseas	101	102	109

### Ratings

Rating	Description
A	The business partner considers CSR as an organizational challenge and takes specific actions.
B	The business partner considers CSR as an organizational challenge and is planning specific actions.
C	The business partner considers CSR as an organizational challenge.
D	The business partner should consider CSR as an organizational challenge and should work on improvements.

## CSR Audit Personnel Cultivation Initiatives

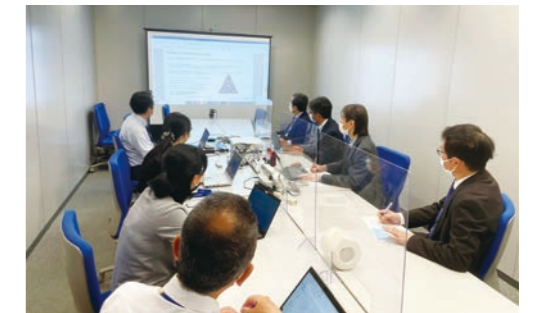
In order to support our business partners in improving their CSR initiatives, we believe it is important for our own employees involved in procurement to understand the CSR issues in the supply chain, and therefore provide employee training on CSR procurement.

In fiscal 2022, we conducted CSR audit personnel cultivation training for the purpose of visiting business partners to conduct audits and on-site verification of their CSR initiatives. The training was attended by seven participants from procurement divisions and other departments, and included practical training such as lectures on RBA\* audit standards and auditing methods, which are the basis of the Fuji Electric CSR Procurement Guidelines, as well as examples of common nonconformities.

In fiscal 2023, a working group led by those who have completed the training will work to develop auditing tools and conduct on-site CSR audits of business partners. The working

group members will also cultivate CSR audit personnel within the procurement divisions by utilizing the know-how obtained through the implementation of CSR audits.

\* RBA: Responsible Business Alliance. A non-profit organization comprised of companies committed to CSR in the global supply chain



CSR audit personnel cultivation training

## Contributing to Business Continuity through Stable Procurement

By identifying, assessing, and addressing supply chain risks, we aim to build stable material procurement and production systems over the medium and long terms.

### Responding to natural disaster risks

The Company has introduced a disaster prevention information system that makes it possible to identify domestic business partners located in regions for which emergency warnings have been issued due to earthquakes or weather conditions. In fiscal 2022, we expanded the registration of secondary business partners, resulting in approximately 9,900 bases of primary and secondary business partners registered to our disaster prevention information system. In addition, with regard to overseas business partners, we have established a system to collect information on disasters through overseas IPOs\*. As a result, we were able to quickly confirm the situation when natural disasters (mainly earthquakes) occurred, thereby swiftly identifying any risks on the Company's production activities. We will continue to strive to more effectively visualize supply chain risks and expand the number of registered business partners.

\* IPO: International Procurement Office



Conceptual image of the disaster prevention information system (when an earthquake occurs)

### Efforts aimed at purchasing from multiple suppliers

In order to avoid risks associated with single-sourcing, the Company has individually evaluated the risks associated with approximately 200,000 materials that we continuously procure and is striving to achieve multi-sourcing\*1 for materials that have risk ratings of D and E. As a result, approximately 70% of its procured material items have been sourced from multiple vendors thus far. We will continue to examine items for which multi-sourcing has not yet been achieved, and further reinforce measures such as concluding long-term contracts and stocking up on non-substitutable items. In recent years, procurement risks due to country risks (including lockdown, natural disasters, and conflicts) have been increasing, and in addition to conventional multi-sourcing, we will also avoid procurement risk by increasing the number of countries from which materials can be purchased\*2 in the future.

\*1 Multi-sourcing refers to a system in which materials are procured from multiple business partners.

\*2 To establish a system that allows procurement from multiple manufacturing countries (domestic + overseas, multiple overseas, and the like).

### Procured Material Risk Rating Definitions

Risk	Definition
Low	A Multi-sourcing complete (ordering complete)
	B Multi-sourcing preparation complete (ordering possible)
	C Material evaluation complete
	D Candidate selection complete / not yet evaluated
High	E Specified customer, no alternative, discontinued, alternative unknown

# Corporate Governance

## Basic Policies

In strengthening our corporate governance, our basic policies are to protect shareholder rights and ensure their equal treatment, cooperate appropriately with non-shareholder stakeholders, ensure proper information disclosure and transparency, execute the duties of the Board of Directors, and engage in dialogue with shareholders.

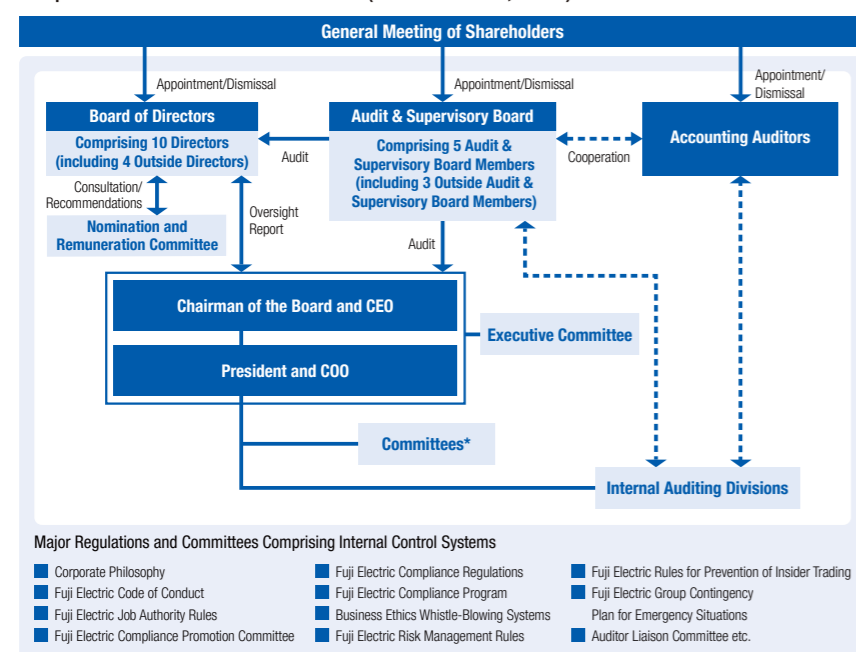
## Corporate Governance Framework

Fuji Electric's corporate governance framework consists of the Board of Directors, which performs the functions of management supervision and making important decisions, and the Audit & Supervisory Board Members and the Audit & Supervisory Board, which are in charge of the management audit function, and the framework guarantees objectivity and neutrality.

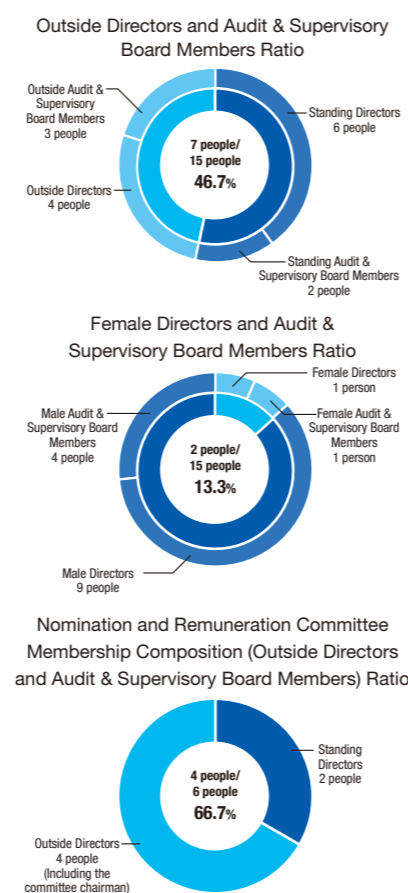
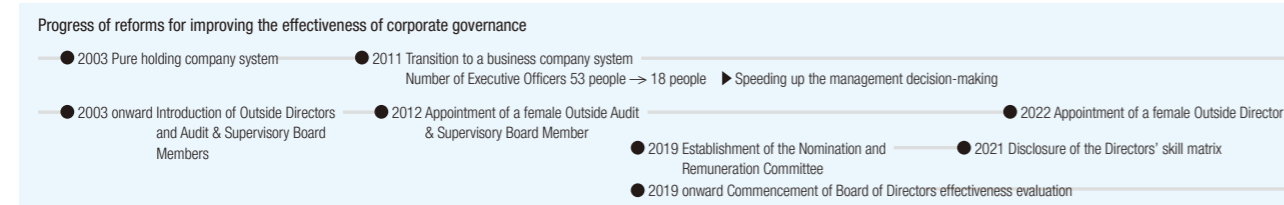
The Company actively appoints Outside Directors and Audit & Supervisory Board Members that satisfy the requirements for independence, endeavors to strengthen management supervisory and auditing functions, and has established the Nomination and Remuneration Committee comprising a majority of Outside Directors as an advisory body to the Board of Directors.

In addition, in order to clarify the roles of management and execution, we have introduced an executive officer system to clarify the responsibilities of each business and streamline the execution of duties. In order to continue strengthening our operating platform as a company with sustainable growth, in fiscal 2022 we appointed a Chairman of the Board and CEO and President and COO. We are endeavoring to build an effective corporate governance framework by establishing the Executive Committee, which discusses and reports on important matters related to management as an advisory body to the Chairman of the Board and CEO and President and COO, as well as other committees tasked with planning and promoting key business strategy issues and key external issues, such as legal compliance.

### Corporate Governance Framework (As of June 27, 2023)



- \* Committees**
- [Key issues for Fuji Electric from an SDGs perspective]**
    - SDGs Promotion Committee
  - [Legal compliance and other key external issues]**
    - Fuji Electric Compliance Promotion Committee
    - Health & Safety Promotion Committee
  - [Key business strategy issues]**
    - Skills Development Committee
    - Production Technology Committee
    - Technology Development Committee
    - International Standardization Committee



## Nomination and Remuneration Committee

Fuji Electric has established the Nomination and Remuneration Committee as the advisory body for the Board of Directors in order to enhance the Company's corporate governance by reinforcing the fairness, transparency, and objectivity of procedures concerning the nomination of and remuneration for Directors and Audit & Supervisory Board Members.

The committee comprises at least three Directors as members, the majority of which are elected from among the Company's Outside Directors. The chairman is elected from among the Outside Directors that sit on the committee as members.

The Nomination and Remuneration Committee met three times in fiscal 2022 to discuss and confirm the current systems, criteria, and approaches regarding advisory matters, as well as to deliberate on and report to the Board of Directors the content to be reported to the Board of Directors by the Nomination and Remuneration Committee concerning content such as the appointment and remuneration of Directors and Audit & Supervisory Board Members.

### Matters for Consultation

- Policy on the composition of the Board of Directors
- Policies and criteria regarding the appointment or dismissal of Directors, the President and Chairman of the Board of Directors, and Audit & Supervisory Board Members
- Appointment or dismissal of Directors, the President and Chairman of the Board of Directors, and Audit & Supervisory Board Members
- Matters regarding the formulation and implementation of a succession plan for the President and Chairman of the Board of Directors
- Policies and criteria regarding the remuneration of Directors and Audit & Supervisory Board Members
- Details of remuneration for Directors and Audit & Supervisory Board Members

### Nomination and Remuneration Committee (Fiscal 2023)

- The Committee Chairman
- Outside Director Toshihito Tamba
- Committee Members
- Outside Directors Yukari Tominaga, Yukihiko Tachifuji, Tomonari Yashiro
- Standing Directors Michihiro Kitazawa, Shiro Kondo

## Appointment of Directors and Audit & Supervisory Board Members

Candidates for Directors and Audit & Supervisory Board Members are decided by taking into account such factors as the overall balance of qualifications and experience on the Board of Directors, and other viewpoints such as diversity.

<b>Standing Directors</b>	Persons with the qualifications, experience, and other attributes required to execute the Company's management policies are appointed.
<b>Outside Directors</b>	Persons equipped with the insight and experience required to make multilateral business decisions who also have an understanding of Fuji Electric's management are appointed, including corporate managers and experts in academic fields deeply related to our business.
<b>Standing Audit &amp; Supervisory Board Members</b>	Persons familiar with the Company's operations in general who also possess expert knowledge and experience are appointed.
<b>Outside Audit &amp; Supervisory Board Members</b>	Persons equipped with the expert knowledge and experience required to undertake audits who also have an understanding of Fuji Electric's management are appointed, including corporate managers, persons with experience as a standing auditor of a listed company, and legal experts.

\* Each Director's term of office is one year so that we maintain the management framework capable of making clear the responsibilities of management in each fiscal year and of responding quickly to changes in the business environment.

## Independence Criteria for Outside Directors and Audit & Supervisory Board Members

Fuji Electric judges the applicable candidate to be fully independent from the Company when he/she does not fall under any of the conditions listed below, in addition to the criteria for independence stipulated by domestic financial exchanges, including the Tokyo Stock Exchange.

- Major shareholder**  
A major shareholder of the Company (who owns 10% or more of the voting rights) or its executor of business.
- Major business partner**  
A business partner (consultants such as lawyers, certified public accountants, and tax accountants, as well as consulting firms such as law firms, audit firms, and tax firms) or a person executing its business whose transactions with the Company exceed 2% of the annual consolidated net sales of the Company or the other entity in the past three fiscal years.
- Major lender, etc.**  
A financial institution, other major creditor, or a person executing the business of these institutions that is indispensable for the Company's funding and on which the Company depends to the extent that it is irreplaceable.
- Accounting Auditor**  
A certified public accountant who belongs to an auditing firm that serves as the Accounting Auditor of the Company or an employee of or any other person belonging to such auditing firm.
- Donee**  
A person executing the business of an organization which receives a donation exceeding 10 million yen per year that is greater than 2% of its annual income from the Company for the past three fiscal years.






### List of Officers (As of June 27, 2023)

#### Directors

Regarding the insight and experience required for the Board of Directors of Fuji Electric, in light of the Management Policies of Fuji Electric, including “contribute to the creation of a sustainable society through our energy and environment businesses,” and our business characteristics, we have defined the seven fields of “business management,” “finance and accounting,” “global business,” “environment and society,” “R&D, technology, manufacturing, and DX,” “corporate governance, legal matters, and risks” and “marketing and industry.”

Directors	Areas Expected to Director by the Company						
	Business Management	Finance and Accounting	Global Business	Environment and Society	R&D, Technology, Manufacturing, and DX	Corporate Governance, Legal Matters, and Risks	Marketing and Industry
 <p><b>Michihiro Kitazawa</b> Representative Director Chairman of the Board and CEO (Chief Executive Officer) Nomination and Remuneration Committee member</p>	●	●	●		●	●	●
 <p><b>Shiro Kondo</b> Representative Director President and COO (Chief Operating Officer) President In charge of Corporate R&amp;D Nomination and Remuneration Committee member</p>	●		●		●		●
 <p><b>Toshihito Tamba</b> Outside Director Nomination and Remuneration Committee chairman Executive Adviser, Tokyo Century Corporation</p>	●	●	●			●	
 <p><b>Yukari Tominaga</b> Outside Director Nomination and Remuneration Committee member External Director, MORINAGA MILK INDUSTRY CO., LTD. Outside Director, Yashima &amp; Co., Ltd. Outside Director, SB Technology Corp.</p>	●				●	●	
 <p><b>Yukihiko Tachifuji</b> Outside Director Nomination and Remuneration Committee member Advisor, Mitsubishi Paper Mills Limited</p>	●		●	●	●	●	
 <p><b>Tomonari Yashiro</b> Outside Director Nomination and Remuneration Committee member Professor, Kochi University of Technology Specially-appointed Professor, Tokyo City University</p>			●	●		●	
 <p><b>Michio Abe</b> Director Senior Managing Executive Officer In charge of Production &amp; Procurement and Power Generation Business</p>			●	●	●		●
 <p><b>Junichi Arai</b> Director Senior Managing Executive Officer Corporate General Manager, Corporate Management Planning Headquarters General Manager, Export Administration Office In charge of compliance management</p>		●	●			●	
 <p><b>Toru Hosen</b> Director Senior Managing Executive Officer Corporate General Manager, Semiconductors Business Group</p>					●		●
 <p><b>Hiroshi Tetsutani</b> Director Managing Executive Officer Corporate General Manager, Power Electronics Industry Business Group</p>					●		●

#### Audit & Supervisory Board Members

 <p><b>Yoshio Okuno</b> Standing Audit &amp; Supervisory Board Member Chairman of the Audit &amp; Supervisory Board</p>	 <p><b>Junichi Matsumoto</b> Standing Audit &amp; Supervisory Board Member</p>
 <p><b>Tetsuo Hiramatsu</b> Outside Audit &amp; Supervisory Board Member Senior Advisor, Chuo-Nittochi Co., Ltd.</p>	 <p><b>Hirohiko Takaoka</b> Outside Audit &amp; Supervisory Board Member</p>
 <p><b>Yuko Katsuta</b> Outside Audit &amp; Supervisory Board Member Partner, ITN Partners</p>	

#### Executive Officers

Position	Name	Division
President Executive Officer	Shiro Kondo	Chief Operating Officer; In charge of Corporate R&D
Senior Managing Executive Officer	Michio Abe	In charge of Production & Procurement and Power Generation Business
Senior Managing Executive Officer	Masatsugu Tomotaka	In charge of Power Electronics Sales, Power Electronics Energy Business, Power Electronics Industry Business, and Fuji Electric FA Components & Systems Co., Ltd.
Senior Managing Executive Officer	Junichi Arai	Corporate General Manager, Corporate Management Planning Headquarters; General Manager, Export Administration Office; In charge of compliance management
Senior Managing Executive Officer	Toru Hosen	Corporate General Manager, Semiconductors Business Group
Managing Executive Officer	Takeshi Kadoshima	General Manager, Human Resources and General Affairs Office; In charge of crisis management
Managing Executive Officer	Masashi Kawano	Corporate General Manager, Power Electronics Energy Business Group
Managing Executive Officer	Hiroshi Tetsutani	Corporate General Manager, Power Electronics Industry Business Group
Managing Executive Officer	Yoshitada Miyoshi	General Manager, President's Office; In charge of SDGs Promotion, and Public Relations and IR
Executive Officer	Kenji Goto	Deputy Corporate General Manager, Power Electronics Energy Business Group
Executive Officer	Masahiro Morimoto	President and Representative Director, Fuji Electric FA Components & Systems Co., Ltd.
Executive Officer	Tadao Horie	Corporate General Manager, Power Generation Business Group
Executive Officer	Masato Miyake	General Manager, Legal Office, Corporate Management Planning Headquarters
Executive Officer	Keiichi Asano	Corporate General Manager, Food & Beverage Distribution Business Group
Executive Officer	Takashi Obinata	Corporate General Manager, Production & Procurement Group
Executive Officer	Hiroshi Ishii	Corporate General Manager, Power Electronics Sales Group



## Activities of Outside Directors and Audit & Supervisory Board Members in Fiscal 2022

To strengthen our management supervisory and auditing functions, and to ensure the validity and appropriateness of our important decisions, the Directors and Audit & Supervisory Board Members play the proper roles as stated below.

Outside Directors		
Name	Status of Attendance at Board of Directors Meetings (Meetings Attended/Meetings Held) Status of Attendance at Nomination and Remuneration Committee (Meetings Attended/Meetings Held)	Main Activities
Toshihito Tamba	13/13 3/3	[Board of Directors] Mr. Tamba offered opinions as necessary on all areas of Fuji Electric's management, including on the following matters, based on his professional standpoint and considerable insight as a manager of listed companies. • Formulation of a business plan taking into account changes in the market environment • Appropriate ways to carry out IR activities [Nomination and Remuneration Committee] As the committee chairman, Mr. Tamba led the supervisory function in appointment of candidates for Directors and Audit & Supervisory Board Members of the Company and the process of determining remunerations for Directors and Audit & Supervisory Board Members from an objective and neutral standpoint.
Naoomi Tachikawa	13/13 3/3	[Board of Directors] Mr. Tachikawa offered opinions as necessary on all areas of Fuji Electric's management, including on the following matters, based on his professional standpoint and considerable insight as a manager of listed companies. • Managing the progress of management plans • Managing the progress of large-scale orders [Nomination and Remuneration Committee] Mr. Tachikawa carried out the supervisory function in appointment of candidates for Directors and Audit & Supervisory Board Members and the process of determining remunerations for Directors and Audit & Supervisory Board Members from an objective and neutral standpoint.
Yoshitsugu Hayashi	13/13 3/3	[Board of Directors] Mr. Hayashi offered opinions as necessary on all areas of Fuji Electric's management, including on the following matters, based on his professional standpoint and considerable insight about the environment, transportation, and urban sustainable development fields that are closely related to the Company's management policies. • Initiatives to achieve decarbonization • How to expand the overseas businesses [Nomination and Remuneration Committee] Mr. Hayashi carried out the supervisory function in appointment of candidates for Directors and Audit & Supervisory Board Members and the process of determining remunerations for Directors and Audit & Supervisory Board Members from an objective and neutral standpoint.
Yukari Tominaga	9/10 —/—	[Board of Directors] Ms. Tominaga offered opinions as necessary on all areas of Fuji Electric's management, including on the following matters, based on her abundant experience and considerable insight pertaining to corporate management. • How to promote the active participation of diverse human resources • Initiatives for expansion of the IT solutions business

\* Ms. Yukari Tominaga was newly appointed a Director as of the conclusion of the 146th Ordinary General Meeting of Shareholders held on June 28, 2022; therefore, the above Board of Directors attendance status covers the meetings of the Board of Directors held on or after her appointment.

## Outside Audit & Supervisory Board Members

Name	Status of Attendance at Board of Directors Meetings (Meetings Attended/Meetings Held) Status of Attendance at Audit & Supervisory Board Meetings (Meetings Attended/Meetings Held)	Main Activities
Tetsuo Hiramatsu	13/13 8/8	[Board of Directors] Mr. Hiramatsu confirmed and offered opinions as necessary concerning agenda items and the status of Fuji Electric's business activities based on his extensive experience and considerable insight as a manager at financial institutions. [Audit & Supervisory Board] Mr. Hiramatsu confirmed and offered opinions on the legal compliance of the overall business activities of Fuji Electric.
Hirohiko Takaoka	13/13 8/8	[Board of Directors] Mr. Takaoka confirmed and offered opinions as necessary concerning agenda items and the status of Fuji Electric's business activities based on his extensive experience and considerable insight as an experienced Full-time Audit & Supervisory Board Member and any other type of executive of listed companies. [Audit & Supervisory Board] Mr. Takaoka confirmed and offered opinions on the legal compliance of the overall business activities of Fuji Electric.
Yuko Katsuta	13/13 8/8	[Board of Directors] Ms. Katsuta confirmed and offered opinions as necessary concerning agenda items and the status of Fuji Electric's business activities based on her expert knowledge as an attorney. [Audit & Supervisory Board] Ms. Katsuta confirmed and offered opinions on the legal compliance of the overall business activities of Fuji Electric.

## Remuneration for Directors and Audit & Supervisory Board Members

### Process of determining remuneration

The Nomination and Remuneration Committee discusses policies and criteria concerning remuneration as well as the details of remuneration. The Nomination and Remuneration Committee discusses the validity of the policies, criteria, and levels of remuneration in light of changes in the operating environment, objective external data, and other matters and then reports to the Directors, and then the Board of Directors resolves on the policy for the final decisions respecting the details of the committee's report.

The actual decision on remuneration amounts for individual Directors is left to the discretion of Representative Director Michihiro Kitazawa, but within the limit resolved at the

General Meeting of Shareholders and with reference to the details of the committee's report.

### Policy regarding decisions on remuneration

We have established a remuneration system and remuneration levels that are deemed appropriate for their respective duties and in accordance with shareholder mandates, giving due consideration to the aims of securing and maintaining competent personnel and providing incentives for the improvement of business performance.

We routinely verify that the system and levels are appropriate or whether they need reviewing in light of changes in the operating environment or objective external data.

### Classification-Based Remuneration System

Classification	Remuneration System
Standing Directors	The amount of performance-linked remuneration for Standing Directors is based on the payment level that pushes up the proportion of performance-linked remuneration when there is a rise in the consolidated ratio of operating profit to net sales, which is set as a critical target in a medium-term management plan. The previous year's consolidated performance (e.g., net sales, operating profit, profit, and dividends) is taken into account to make the final decision. The consolidated operating profit ratio for fiscal 2022 was 8.8%, and performance-linked remuneration accounted for about 56% of the remuneration. <b>Base Remuneration</b> Base remuneration is a predetermined amount that is paid monthly at a certain time according to their position. A portion of the base remuneration is contributed to the director shareholding association to share the economic interests of shareholders and as an incentive to make management aware of share value. <b>Performance-Linked Remuneration</b> Performance-linked remuneration is paid annually at a certain time only in instances in which dividends are paid to all shareholders from retained earnings. The total amount of performance-linked remuneration shall be within 1.0% of consolidated profit for the fiscal year prior to the date of payment in order to make the link with consolidated results for each fiscal year more clearly.
Standing Audit & Supervisory Board Members Outside Directors and Audit & Supervisory Board Members	A predetermined amount is paid monthly at a certain time according to their position as base remuneration. Stocks in the Company may be acquired at their own discretion.

### Remuneration by Classification (Fiscal 2022)

Classification	Total Remuneration (Millions of Yen)	Remuneration by Type (Millions of Yen)		Number of Recipients
		Base Remuneration	Performance-Linked Remuneration	
Standing Directors	753	311	441	8
Standing Audit & Supervisory Board Members	59	59	—	2
Outside Directors and Audit & Supervisory Board Members	70	70	—	7

### Amount of Contributions to Director Shareholding Association and Shares of the Company Acquired (Fiscal 2022)

Classification	Amount of Contributions to the Director Shareholding Association (Millions of Yen)	Shares of the Company Acquired (Hundreds of Shares)
Directors	27	51
Audit & Supervisory Board Members	6	10

## Training Policy for Directors and Audit & Supervisory Board Members

Before taking office, Standing Directors and Audit & Supervisory Board Members undergo compliance training, which also encompasses legal and taxation matters. They are also provided opportunities after taking office to acquire necessary knowledge on an ongoing basis.

Before taking office, Outside Directors and Audit & Supervisory Board Members are briefed on the state of the Company and the roles they are expected to perform. After taking office, they have the chance to deepen their understanding of the Company through presentations on the strategies for business, R&D, and other operations, inspections of business bases, and other ways.



Outside Directors and Audit & Supervisory Board Members receiving an explanation of the R&D strategy

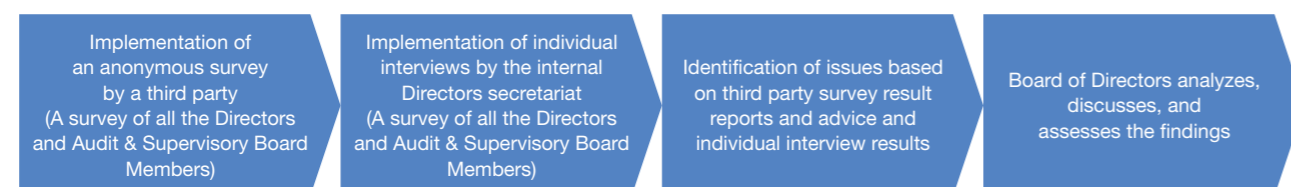
## Evaluation of Effectiveness of the Board of Directors

We conduct the evaluation of the effectiveness of the Board of Directors with the use of a third-party survey once a year in order to verify whether the Board of Directors is properly fulfilling its expected roles and functions and to facilitate further improvements thereof. Furthermore, in order to deeply examine the survey results, individual interviews of the Directors and Audit & Supervisory Board Members were

implemented by the internal Board of Directors secretariat in fiscal 2022. Through all of these processes, we earned mostly positive assessments, thereby assuring the overall effectiveness of the Board of Directors.

The results of the surveys and interviews are discussed and reported in the Board of Directors, and issues that require improvement are shared with everyone.

### Method of Evaluation of Effectiveness of the Board of Directors



#### ■ Main question categories

- (1) Board of Directors make-up, administration, discussions, and monitoring functions
- (2) Support structure and training for Directors and Audit & Supervisory Board Members
- (3) Dialogue with shareholders
- (4) Initiatives implemented by Directors and Audit & Supervisory Board Members themselves

The main initiatives in fiscal 2022 and the policies for initiatives in fiscal 2023 with respect to the major issues identified in fiscal 2021 are as follows.

### Main Initiatives with Respect to the Major Issues Identified in the Effectiveness Evaluation of the Board of Directors

Major Issues Identified in the Fiscal 2021 Effectiveness Evaluation	Major Initiatives in FY2022	Major Opinions of the Outside Directors and Audit & Supervisory Board Members
Discussion of important medium- and long-term issues	Each segment's business plans and strategies, major issues of the SDGs Promotion Committee, personnel measures and other issues discussed in the Board of Directors	<ul style="list-style-type: none"> <li>Enhancement of disclosure of initiatives and results pertaining to SDGs promotion</li> <li>Organization of the approach to external disclosure with respect to climate change risk</li> <li>Explanation of the relationship between Fuji Electric's business and social contribution</li> <li>Formulation of a human resources strategy and the setting of goals (overseas, management, female active participation, and others)</li> <li>Organization of the approach with respect to consideration of the introduction of reskilling, profit returns, the equity ratio and capital investment</li> </ul>
Enhancement of information provision and exchange of opinions on our business and products	Implemented R&D strategy presentations for Outside Directors and Audit & Supervisory Board Members	<ul style="list-style-type: none"> <li>Continuous revision of the R&amp;D roadmap based on our business and technology mix</li> <li>Management of product development and target values back cast from the CO<sub>2</sub> reduction target</li> </ul>
Report on dialogue with institutional investors	Reported in the Board of Directors on the status of IR activities as well as opinions, requests and other feedback from analysts and institutional investors	<ul style="list-style-type: none"> <li>Implementation of meetings between top management and institutional investors</li> <li>Consideration of IR activities for individual investors</li> </ul>

Major Issues Identified in the Fiscal 2022 Effectiveness Evaluation	Policies for Major Initiatives in FY2023
Reporting and discussion of important medium- and long-term issues	We will continue to work on enhancing opportunities for reporting and discussing medium- and long-term issues that contribute to the enhancement of corporate value, such as the establishment of human resources strategy, financial strategy, and non-financial indicators.
Enhancement of the reporting required for supervising important decisions and business execution	We will continue to work on enhancing opportunities for reporting and discussing the status of business execution of each division, for example, the plan for and progress of semiconductor investment, the overview of major subsidiaries.

## Internal Control System

With the aim of complying with laws and regulations, managing the risk of loss, and securing the efficiency of the execution of duties, the Fuji Electric Board of Directors has determined basic policies concerning the establishment of an internal control system as stipulated in the Companies Act of Japan, and the Company discloses those policies. Fuji Electric discloses information on the implementation of its internal control system, thereby taking steps to respond promptly and accurately to the demands placed upon the Company by society.

### [Main systems based on the internal control system]

#### Compliance system (For the details refer to P69 "Compliance")

Based on systems for ensuring that Directors and employees

perform their duties in a manner that is compliant with laws and the articles of incorporation, Fuji Electric has established and promotes a compliance system in order to secure the transparency and soundness of business execution.

#### Risk management system

(For the details refer to P71 "Risk Management")

Based on regulations and other systems pertaining to managing the risk of loss, Fuji Electric has developed an appropriate risk management system in order to manage business risks in a coordinated, systematic manner. In regard to specific cross-sectional risks, the Company determines departments to put in charge of each risk, thereby establishing a risk management system.

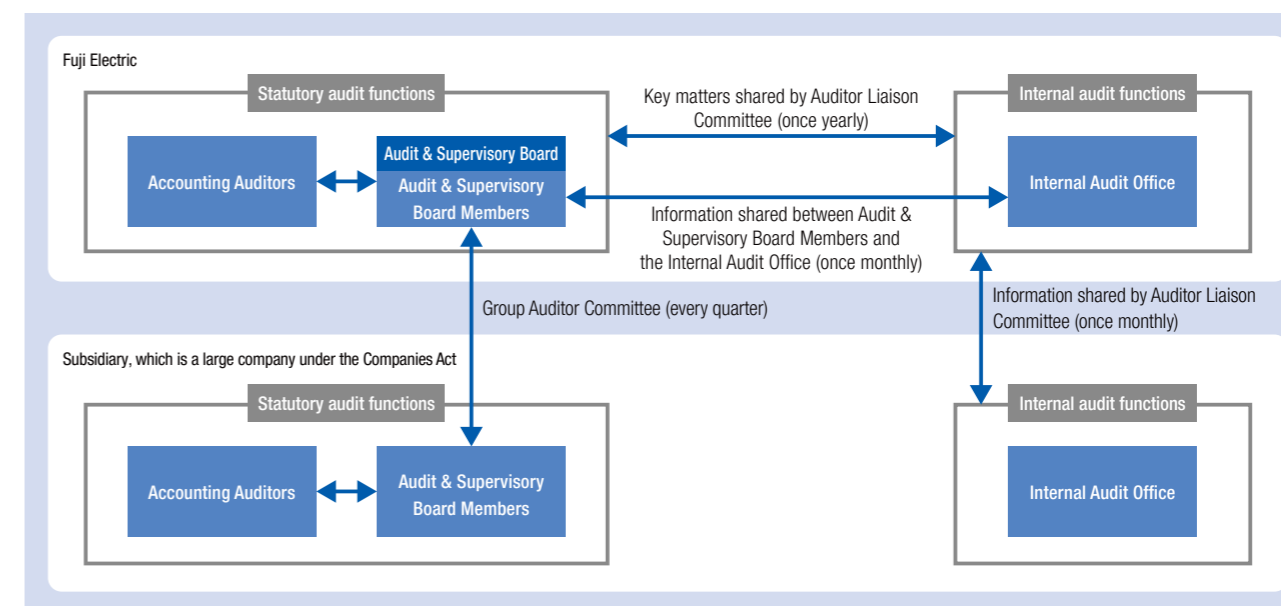
## Audit & Supervisory Board Members and Internal Audits

### Strengthening collaboration between audit functions

Fuji Electric ensures the effectiveness of its audit functions by reinforcing collaboration between statutory audit functions (Audit & Supervisory Board Members, Accounting Auditors)

and internal audit functions (Internal Audit Office). We will continue to strengthen this collaboration going forward, with a particular focus on project management for large-scale projects, compliance audits, and audits at overseas subsidiaries.

#### Main Initiatives for Strengthening Collaboration



### Audits by the Audit & Supervisory Board Members

Audit & Supervisory Board Members conduct audits in accordance with the audit policies and duties assigned and in compliance with the standards for audits established by the Audit & Supervisory Board. They report the details and results of their audits to the Audit & Supervisory Board.

In fiscal 2022, the Audit & Supervisory Board convened eight times in total. Every meeting was attended by all of the Company's Audit & Supervisory Board Members. During the meetings, the Audit & Supervisory Board mainly reviewed audit policies and plans, the appropriateness of auditing methods and results of the Accounting Auditors, and undertook an assessment of the Accounting Auditors.

It also reported on and reviewed important matters that the Standing Audit & Supervisory Board Members communicated to the Outside Audit & Supervisory Board Members.

#### Main tasks

- Attending and offering opinions at meetings of the Board of Directors, the Executive Committee, the Compliance Promotion Committee, and other important committees
- Reviewing documents pertaining to important resolutions
- Receiving explanations on the status of operational execution from Directors and internal auditing divisions
- Investigating the status of operations and assets at Fuji Electric itself, its consolidated subsidiaries in Japan and overseas, and companies undertaking M&As (done remotely as necessary)

**Internal audits**

As a general rule, every second year the internal auditing divisions as bodies directly under the President perform the following audits on Fuji Electric's business divisions and subsidiaries so as to comprehensively cover the entire organization in accordance with the Internal Auditing Rules.

Regarding issues pointed out, we confirm the state of progress every quarter and implement follow-up audits as required.

In fiscal 2022, utilizing remote auditing, we conducted audits at 44 bases, or about 40% of the audit sites. No risks or inadequacies with the potential to seriously affect management were discovered.

Type of Audit	Main Tasks
Organizational management	Evaluating the appropriateness of management and administration (development of regulations, approval procedures, performance management, etc.)
Risk management	Evaluating the effectiveness of risk management systems and risk response
Compliance	Checking for compliance with laws and regulations based on the Fuji Electric Compliance Program and confirming legal compliance
Business execution	Evaluating the appropriateness, efficiency, and effectiveness of business execution (booking of sales and purchases, investments, cash flow, etc.)
Accounting	Evaluating the appropriateness of cost accounting and the soundness of assets and liabilities

**Policy on Cross-Shareholding**

Fuji Electric holds listed shares as a matter of policy in order to maintain and strengthen relations with its investee companies. Our basic policy is to reduce cross-shareholdings. Even in cases where we recognize a certain rationality in holding these cross-shareholdings, we will reduce them while paying attention to the impact on management and business.

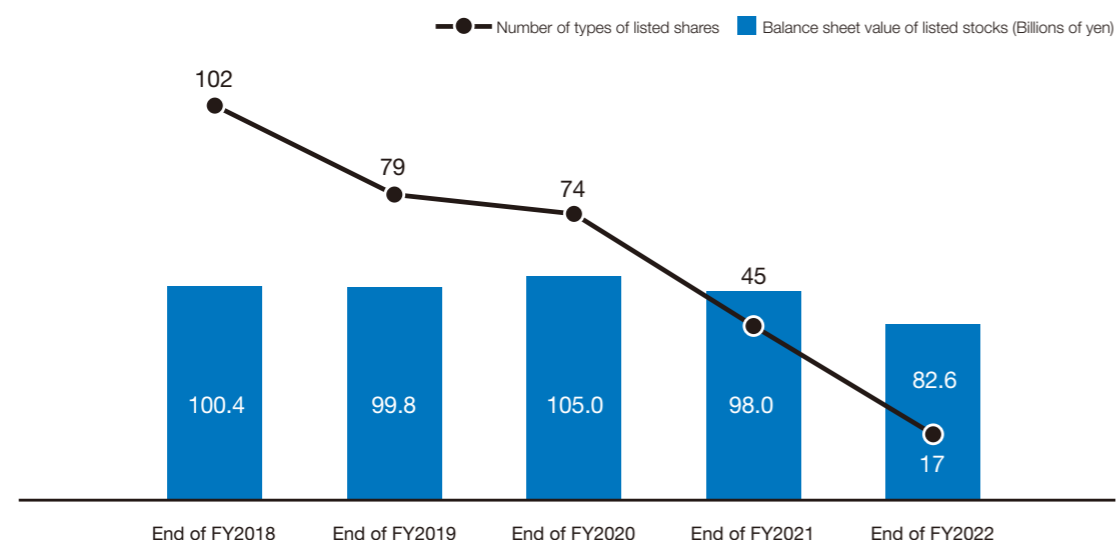
Based on the above policy, we have reduced the number of different listed stocks we held from 102 as of the end of fiscal 2018 to 17 as of the end of fiscal 2022.

The Board of Directors periodically evaluates the rationality of shareholding in light of whether it is necessary to maintain

and strengthen relations with the investee companies and of the comparison of capital cost and return. The details of the review are disclosed.

The voting rights that come with cross-shareholding are exercised after considering all relevant factors, including whether the proposed action will help the issuing company to establish an appropriate corporate governance framework and to increase its medium- to long-term corporate value, and what impact the action will have on Fuji Electric. We also have dialogue regarding the details of the proposal, among others, with the issuing company as necessary.

Number of Cross-Shareholdings and Balance Sheet Value



**Dialogue with Shareholders and Investors**

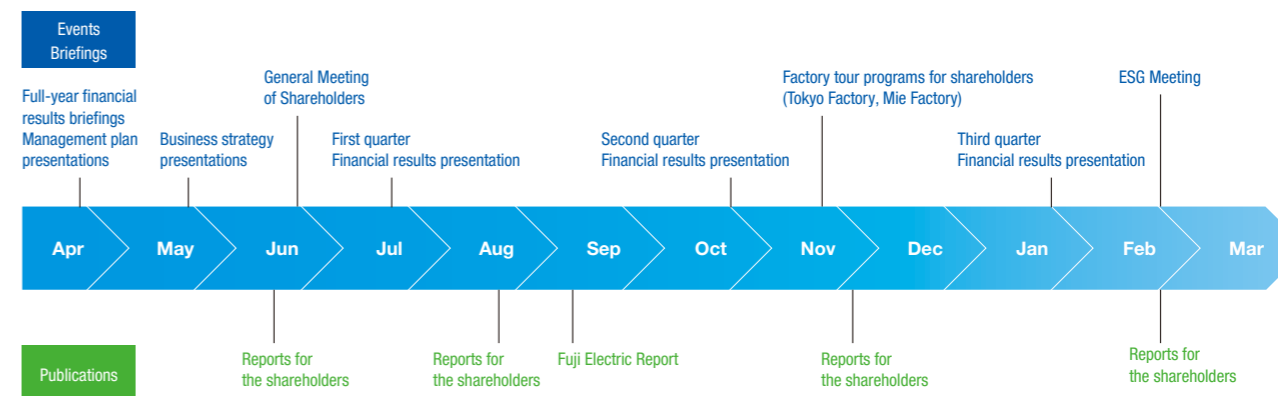
**Basic policies**

We disclose information in accordance with various laws and regulations. Even if we are not required to do so by law, we also strive to disclose corporate information thought to have a significant impact on investment decisions in a timely, fair, and equitable manner, so that we might earn the trust of our shareholders and investors and ensure they have a proper understanding of the Company.

**Major initiatives in fiscal 2022**

We handled more media coverage on conference calls or online, provided more elaborate information than ever to disclose at the IR briefings, and published more detailed IR information on our website in order to ensure that our shareholders and investors have a clearer understanding of our business environment, business strategy, and ESG initiatives.

**Overview of the Main Initiatives in Fiscal 2022**



**Opinions of analysts and institutional investors**

We actively engage in dialogue with analysts and institutional investors, and the information shared at briefings and the principal feedback and requests we receive during private

meetings are shared with the executive officers and Board of Directors, so that we discuss them as management issues. The main opinions and requests received from analysts and institutional investors in fiscal 2022 are as follows.

**Opinions on management and business**

- Clarify the goals, strategies and measures of the next Medium-Term Management Plan
- Clarify long-term growth strategy and direction
- Promote measures to improve low-profit businesses
- Clarify and promote issues, strategies, and measures in overseas businesses expansion
- Promote human resources strategies and human capital investment linked to management strategies
- Ensure human resources cultivation for the appointment of internal female directors and the diversity of the Board of Directors
- Further reduce cross-shareholdings

**Opinions on topics for information disclosure**

- Take specific measures for further expansion strategies for the power electronics business and profitability improvement for the automation business
- Specific medium- and long-term business strategies for semiconductors
- State of progress of the expansion of the renewable energy and after-sales business of the power generation plants
- The direction and sales expansion strategies of the overseas food and beverage distribution business
- Take initiatives for the achievement of the Environmental Vision 2050 Target and present business strategies and plans consistent with the Environmental Vision Fiscal 2030 Target
- Enhancement of information disclosure concerning executive remuneration

**Awards Related to IR**

**The 2022 IR Award**

Fuji Electric has won the 2022 Best IR Award of the Japan Investor Relations Association as a company that deeply understands the purpose of and actively tackles IR and has achieved outstanding results, such as a high level of support from market players.



**Awards for our IR site**

In recognition of the ease of use and abundance of the information on the Fuji Electric IR site, among other factors, the site has won the gold prize in the Gomez IR Site Overall Rankings from Morningstar Japan KK (for the third consecutive year) and the Internet IR Commendation Award 2022 from Daiwa Investor Relations Co., Ltd. (for the fourth consecutive year).



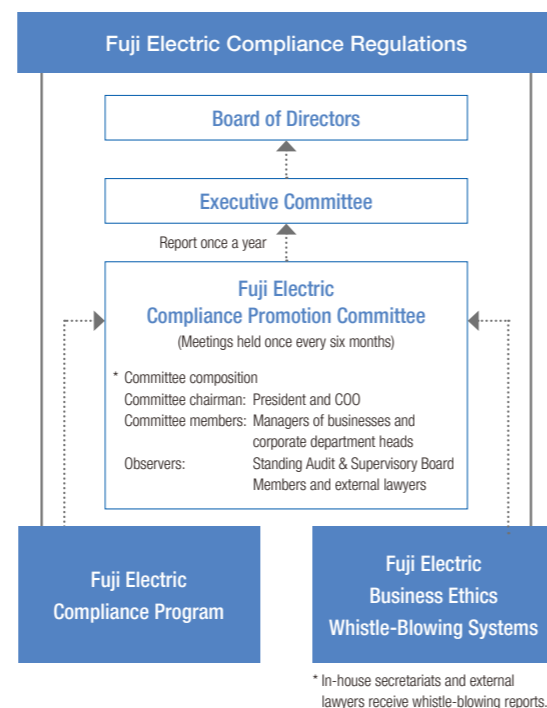
# Compliance

## Basic Policies

The Fuji Electric Code of Conduct states that Fuji Electric must “make global compliance a top priority.” In addition, we have defined the Fuji Electric Compliance Regulations, a guideline for compliance, under the supervision of the Board of Directors. We also globally promote compliance through the Fuji Electric Compliance Program and the Fuji Electric Business Ethics Whistle-Blowing Systems.

## Promotion System

The Fuji Electric Compliance Promotion Committee is headed by our President and COO as its Chairman, and it consists of control chiefs (managers of businesses and corporate department heads) responsible for regulating laws and acts, with Standing Audit & Supervisory Board Members and outside experts (attorneys) as observers. The Committee meets twice per year to deliberate on the implementation status of the Fuji Electric Compliance Program and the Fuji Electric Business Ethics Whistle-Blowing Systems as well as the plan for implementing the Fuji Electric Compliance Program and then reports to the Board of Directors once per year. In the event of a compliance infraction, there is a system in place to take any necessary measures such as fact-finding investigations, corrective actions, recurrence prevention measures, internal punishments, and internal and external disclosure.



## Fuji Electric Business Ethics Whistle-Blowing Systems

To promote self-purification actions by preventing infractions of laws and regulations and ensuring early detection, we have introduced and are operating the Fuji Electric Business Ethics Whistle-Blowing Systems. Under these systems, internal and external parties can report real or suspected violations of laws, regulations, or internal rules in business execution—including matters related to bribery and corruption—to the President and COO of Fuji Electric via whistle-blowing contact points (in-house contact points and external lawyers). (Anonymous reporting is also possible.)

In fiscal 2022, there were 46 reports from Japan and abroad (17 cases of harassment, 16 cases related to labor, 3 cases related to accounting, and 10 other cases), and 10 of these were infractions (2 cases of harassment, 3 cases related to labor, 1 case related to accounting, and 4 other cases).

Regarding our response to the reports, we work meticulously to protect whistle-blowers by keeping their personal information confidential and prohibiting disadvantageous treatment and retaliatory or discriminatory acts on the grounds of whistle-blowing. In addition, we take all necessary steps to resolve issues raised by

whistle-blowers, including fact-finding investigations, corrective actions, recurrence prevention measures, and disciplinary actions. We also provide the details of our response to the whistle-blowers themselves as feedback. (We also strive to indirectly provide feedback through the above measures in the case of anonymous whistle-blowing.)

In addition, due to the enforcement of the revised Whistleblower Protection Act on June 1, 2022, we significantly strengthened our protection of whistle-blowers by expanding the coverage of the protection to encompass all Fuji Electric executives and employees, including retirees.

**Business Ethics Helpline**

The Business Ethics Helpline handles reports from our executives and employees in Japan and overseas (including retirees and dispatch employees). It is thoroughly promoted among employees through publications in the Company magazine and the intranet.

**Partner Hotline**

The Partner Hotline handles reports from external stakeholders, including business partners. It is thoroughly promoted among them through posts on the website and briefing sessions for business partners.

Partner Hotline  
<https://www.fujielectric.com/company/procurement/partnerhotline.html>

## Status of Promotion

### Fuji Electric Compliance Program

Fuji Electric has established the Fuji Electric Compliance Program to cover four aspects related to compliance with Japanese and overseas laws by both the Company and its Group companies in Japan and overseas. Through reviews and revisions made by the Fuji Electric Compliance Promotion Committee, we conduct activities while also actively acquiring external certifications and disclosing information externally in order to verify the effectiveness of our activities from an external perspective.

**Fuji Electric Compliance Program**

A total of 54 categories of Japanese and foreign target laws (Examples below)

- Anti-corruption and competition laws
- Labor and human rights
- Product safety and the environment
- Taxation and accounting
- Information security
- Export management

- Establishment, revision, abolition, and dissemination of internal rules
- Daily monitoring of the status of compliance with laws and internal rules
- Auditing by third parties
- Compliance education

### Compliance education

We promote wide-ranging and systematic compliance education through level-specific and job-specific group training, online training, e-learning programs and web-delivered training, as well as by displaying posters internally and distributing pamphlets.

### Fiscal 2022 Compliance Education Results (examples)

Training category	Participants	Details
Level-specific	Newly appointed executives (Japan)	14 Building a legal compliance system
	Newly appointed managers	108 Compliance with major laws
	New employees	258 Overview of our Fuji Electric Compliance Program and Business Ethics Whistle-Blowing Systems
	Overseas base executives	142 Building a legal compliance system
Job-specific	Sales and administrative division employees	2,488 Compliance with major laws
	Overseas sales company employees	616 Bribery prevention and competition laws

## Results of Promotion

As a result of implementation of the Fuji Electric Compliance Program and the Business Ethics Whistle-Blowing Systems, in fiscal 2022 there were no compliance infractions with the potential to seriously impact the management of Fuji Electric.

### Bribery prevention

With the article “Make global compliance a top priority” stated in the Fuji Electric our Corporate Code of Conduct, we have declared our commitment to bribery and corruption prevention, and we have disclosed the Fuji Electric Anti-Bribery Policy as part of the Fuji Electric Code of Conduct. Under this policy, we endeavor to prevent bribery throughout the supply chain, such as by ensuring that no Fuji Electric employee (including dispatch employees) ever engages in bribery or any act that could arouse the suspicion of bribery and by requesting that all of our stakeholders—including suppliers and other business partners—strive to prevent bribery.

We have also established the Fuji Electric Anti-Bribery Guidelines as a set of rules for Fuji Electric employees (including dispatch employees) to help them prevent bribery during their daily business, and we endeavor to prevent bribery through the execution of the Fuji Electric Compliance Program. Any employee who is involved in bribery will be

Fuji Electric Anti-Bribery Policy  
<https://www.fujielectric.com/company/box/doc/Anti-Bribery%20Policy.pdf>

subject to strict disciplinary actions based on our work rules.

In fiscal 2022, there were no incidents of employees being subject to disciplinary actions due to the violation of our anti-bribery rules, and no fines, surcharges, or settlements related to bribery were incurred.

### Prevention of competition law infractions

In an effort to prevent the violation of competition laws, we have established and appropriately revise daily business rules, including our Antimonopoly Act Compliance Manual and Foreign Competition Law Compliance Manual. We also perform daily monitoring by confirming quotations and estimates via a comprehensive bidding information management system and extensive record-keeping. In addition, our internal auditing divisions perform audits in accordance with auditing guidelines, and we conduct extensive level-specific and job-specific training. Any employee who is involved in the violation of competition laws will be subject to strict disciplinary actions based on our work rules.

In fiscal 2022, there were no incidents of executives or employees being subject to disciplinary actions due to the violation of the competition laws, and no fines, surcharges, or settlements related to competition laws were incurred.

# Risk Management

## Basic Policies

Based on the Fuji Electric Risk Management Rules, the Company manages risks in a coordinated, systematic manner. We practice appropriate management and counter various risks that could affect Fuji Electric's management in

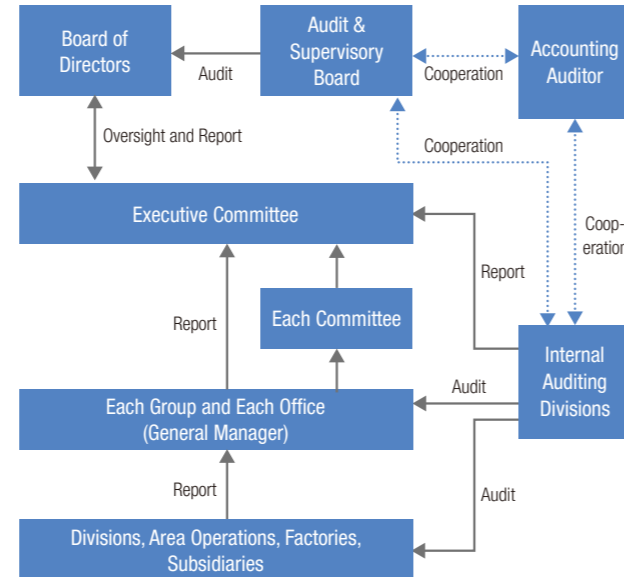
order to prevent risks from materializing (crisis situations), thereby minimizing the impact on management in the event that risks do materialize.

## Risk Management System

The Company's business divisions and affiliated companies are responsible for managing risks related to their business activities as a part of their business duty, developing appropriate risk management systems, and implementing risk countermeasures.

Significant risks, such as those related to business plans and large-scale investments, are reported at the Executive Committee as appropriate to facilitate the sharing of information. We also have manuals in place to ensure that risks are steadily managed. We provide training in handling each type of risk and inform the whole Company about our efforts to manage risks through company magazines and other appropriate means.

The internal auditing divisions conduct regular audits to check whether each business division and affiliated company identifies and evaluates risks based on the Fuji Electric Risk Management Rules, defines countermeasure policies, and properly builds and operates management systems.



as soon as possible. Hence, we have guidelines in place on preparations for possible emergencies, an emergency contact network, and setting up an emergency task force.

## Emergency response

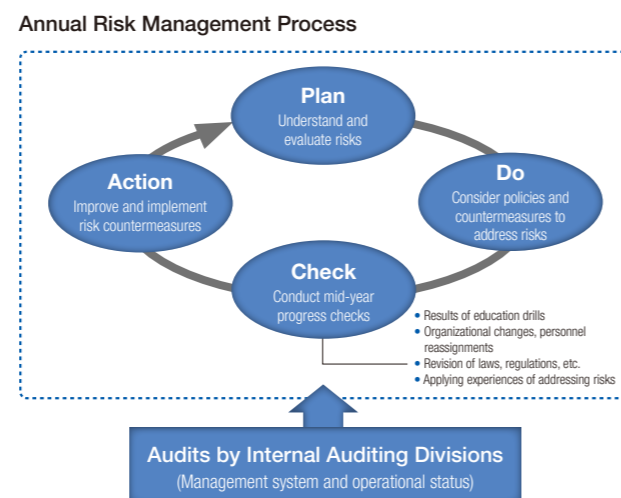
If an emergency arises due to a large-scale disaster or any other serious cause, we need to act to prevent the situation from becoming any worse and resolve the situation

## Risk Management Process

When annual budgets are formulated, the Company's business divisions and affiliated companies gain an understanding of and evaluate risks related to their business activities.

Policies and countermeasures in response to risks (aversion, mitigation, relocation, retention, and so forth) are considered based on their impact on management and frequency of occurrence, and each division appoints a person in charge of policy and countermeasure execution.

We also conduct mid-year progress checks at the end of the second quarter of each fiscal year to carry out fiscal year evaluations of risk countermeasures and the countermeasures for the next year.



## Major Risks

The current major risks that could impact Fuji Electric's results or financial situation are shown below.

Risk Items	Risk Details
Management Strategy Business Strategy Business Environment	<ul style="list-style-type: none"> <li>We concentrate our management resources on business that is expected to grow and pursue capital investment and R&amp;D investment accordingly. Regarding semiconductor capital investment in particular, we make investment decisions based on our volume and price negotiations with customers, and regarding R&amp;D investment, we emphasize factors that include consistency with our business strategy, and we promote fundamental and advanced technology R&amp;D to support our future based on our roadmap. Be that as it may, the semiconductor field has a short product cycle, fluctuations in the product supply-demand balance, and fierce competition, and there is still a risk of not being able to recover investments.</li> <li>We consider the protection of the global environment to be an important management issue, and we continuously communicate our efforts to achieve a more sustainable society through our business, including declaring our support for the TCFD and establishing our Environmental Vision 2050. However, if our coal-fired thermal power business becomes the subject of increased criticism due to the strengthening of environmental regulations or initiative evaluations by ESG evaluation bodies, there is still a risk of this impacting Fuji Electric's reputation.</li> </ul>
Corporate Governance	<ul style="list-style-type: none"> <li>By constantly striving to improve our management transparency and auditing functions, we work on strengthening our corporate governance, but there are still risks, such as our management falling into disorder as a result of our corporate governance failing to function when internal control and other inadequacies occur due to unforeseen situations.</li> </ul>
Business Reorganizations, Alliances, and Withdrawals	<ul style="list-style-type: none"> <li>We strive to strengthen our competitiveness by collaborating with third parties, thereby building good relationships with them as we share our corporate philosophy, etc. and endeavor to achieve close communication, but there is still a risk of us not being able to achieve sufficient results due to differences in systems and cultures.</li> </ul>
Orders, Marketing, and Sales Promotion	<ul style="list-style-type: none"> <li>We work on avoiding opportunity loss as we strive to keep costs down and reduce our total expenses in order to minimize the impact of Japanese and overseas market trends on our results, but there is still a risk of the market environment worsening, the product supply-demand balance suddenly fluctuating, competition becoming fiercer, and the price level falling significantly as a result of the above.</li> <li>For large plant projects, we strive to improve the accuracy of our quotations when we receive orders and strengthen our project management after orders are received in order to ensure the appropriate level of profit, but there is still a risk of our profitability worsening as a result of unforeseen specification changes after orders are received, process delays, natural disasters, etc.</li> </ul>
Development and Design Engineering	<ul style="list-style-type: none"> <li>We focus on R&amp;D aimed at creating competitive components and systems as well as R&amp;D that provides higher value solutions to customers by combining underlying technologies, but there is still a risk of us failing to market our products at the right time due to us losing our superiority to other companies as a result of rapid technological progress or failing to achieve development as planned.</li> </ul>
Procurement	<ul style="list-style-type: none"> <li>We deploy various means, including product swaps, to deal with the risk of the prices of raw materials soaring, but there is still a risk of the prices of raw materials, etc. significantly rising due to yen depreciation, demand increases, and similar factors.</li> </ul>
Production & Manufacturing Shipping & Distribution Installation & Delivery Services	<ul style="list-style-type: none"> <li>We constantly strive to understand the latest volume trends while building production management systems that are optimal for responding to volume fluctuations, but there is still a risk of excessive or deficient inventory if there are delays in responding to changes in volume trends due to unforeseen situations.</li> <li>We strive to promote community-based manufacturing, global procurement, but there is still a risk of delivery delays and similar problems due to the distribution network being disrupted by limitations on the movement of goods and people.</li> </ul>

Risk Items	Risk Details
Quality Assurance	<ul style="list-style-type: none"> <li>We have developed a quality control system, we strive to ensure a high level of quality, and we have the necessary insurance, but there is still a risk of quality problems due to unforeseen situations impacting our results.</li> </ul>
Human Resources and Labor	<ul style="list-style-type: none"> <li>We actively educate and train our employees and are expanding our mid-career hiring to ensure that we have outstanding personnel, but there is still a risk of us not being able to secure or train the necessary personnel.</li> </ul>
Finance and Accounting	<ul style="list-style-type: none"> <li>We constantly verify the optimal mix of corporate bonds, commercial paper, and short-term and long-term borrowings, thereby striving to ensure that flexible, stable funding is possible, but there is still a risk of our interest rate burden with respect to interest-bearing debt increasing due to interest rates rising more than expected.</li> <li>We strive to enhance our collection of trade receivables by trying to strengthen our credit management, but there is still a risk of not being able to recover debt due to the cash flows of our business partners worsening as a result of economic stagnation and similar factors.</li> </ul>
Legal Affairs and Ethics	<ul style="list-style-type: none"> <li>We strive to ensure compliance with laws through our Fuji Electric Compliance Promotion Committee and have developed compliance systems that include our compliance program and internal whistleblowing systems, but there is still a risk of society's trust in us or our results being impacted if violations of laws and regulations occur.</li> <li>We are building systems to quickly handle necessary processes in preparation for lawsuits and other legal disputes (including fact-finding investigations, corrective actions, recurrence prevention measures, internal disciplinary actions, and disclosure), but there is still a risk of us being ordered to pay an unforeseen, large amount of compensation.</li> <li>We strive to effectively protect intellectual property rights and develop products and technologies that respect the rights of other companies, but there is still a risk of disputes that could impact our results.</li> </ul>
Political and Socioeconomic Trends	<ul style="list-style-type: none"> <li>We implement currency exchange contracts according to certain standards, but there is still a risk of exchange rates to the yen fluctuating.</li> <li>To prepare for unexpected risks, we are trying to decentralize our production and sales bases, but there is still a risk of our results being impacted by changes in overseas laws and regulations, political factors, social disorder, and similar issues.</li> </ul>
Trends of Shareholders and Other Investors	<ul style="list-style-type: none"> <li>We strive to deepen everyone's understanding of the Company's management by emphasizing active disclosure and communication with our shareholders and institutional investors while also disclosing honest, accurate information, but there is still a risk of votes against executive-appointment agenda items, etc. due to differences between the intentions of investors and shareholders on the one hand and the Company's management on the other.</li> </ul>
Natural Disasters and Accidents	<ul style="list-style-type: none"> <li>We strive to "strengthen our business continuity capabilities," by setting up a specialized crisis management division involved in spearheading fire safety and disaster-preparedness activities and formulating the business continuity plans (BCPs), but there is still a risk of damage to production facilities, operations being suspended, product shipping delays, or similar problems due to large-scale disasters and accidents.</li> </ul>
External Attacks	<ul style="list-style-type: none"> <li>To respond to cyber-security threats, we implement attack monitoring and control, enhance our defense and detection systems, and continuously strengthen our ability to respond through cyber drills and similar measures, but there is still a risk of us losing the trust of society in cases where our systems fail to function due to attacks from outside (cyberterrorism, etc.) and lead to problems such as information leakage.</li> </ul>

C L O S E U P !

Efforts to improve quality


● Promoting quality assurance activities

Under its Production Technology Committee—which is headed by the Corporate General Manager of the Production & Procurement Group and consists of Corporate General Managers of Business Groups—we strive to improve our production technologies and quality throughout the Company.

The High Reliability Working Group, a subordinate organization of the Production Technology Committee, aims to achieve a stable, uniform level of quality by formulating a High Reliability Activities Policy every year and then applying it to business divisions and factories to promote activities. Every year, the working group identifies all the serious complaints received and continually conducts recurrence prevention diagnosis to reassess the effectiveness of recurrence prevention measures. The working group also promptly reports any serious quality problem that has arisen to the President and COO, the Production Technology Committee members, and other stakeholders in accordance with the rules and regulations to share which risks are involved and quickly promote countermeasures.

At our factories, we are also working on further improving the accuracy, reliability, and speed of our quality control by utilizing the IoT to promote the visualization of production, quality information, and traceability, expanding the range of equipment for which we can digitize or automate tests and inspections, and phasing in statistical quality control.

Furthermore, as activities to increase the quality soundness, in addition to the internal auditing we normally conduct, we are implementing initiatives that have employees of different bases mutually diagnose the health of our quality control system. In addition to diagnoses of whether the quality data satisfies external required specifications and whether there are any problems with the quality data creation process, since fiscal 2022 they have been mutually diagnosing the systems for the selection, evaluation, and auditing of our business partners. The realizations obtained through these activities are shared throughout the company to connect to instructional activities, such as efforts to promote a mindset leading to increased quality soundness, and they are reflected in the quality management system and manuals in an effort to further reduce risk.

 Product quality assurance  
[https://www.fujielectric.com/company/csr/with\\_customer/quality.html](https://www.fujielectric.com/company/csr/with_customer/quality.html)

Responding to natural disasters and accidents (BCP efforts)

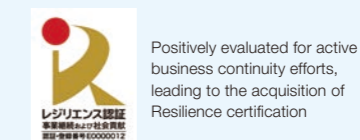
In order to resume and continue the important businesses within the required time even when unforeseen situations such as large-scale natural disasters and accidents occur, we have formulated business continuity plans (BCPs), and are making efforts companywide for continuous improvement, based on the Fuji Electric Business Continuity Management (BCM) Rules.

We have formulated BCPs at the head office, factories, and

area operations, which serve as contact points with customers, and we have also formulated Company-wide BCPs for our procurement sections and for our IT sections. Furthermore, we implement education and training based on the formulated BCPs and we are working to strengthen our business continuity capabilities by regularly evaluating the effectiveness of the BCPs and their management system in order to make improvements.

In fiscal 2022, we built a mechanism enabling us to share the BCPs of each base throughout the company, in order to ascertain the BCPs companywide in a timely manner and strengthen the management system. Based on the identified issues, we are working to further strengthen education and training.

Fuji Electric has also been positively evaluated for its active business continuity efforts, and we have therefore acquired Resilience certification.



Efforts to maintain and strengthen information security

To properly manage as confidential information all asset value such as management, commercial and technical information and personal information held by Fuji Electric, the Company has redeveloped and rolled out policies and regulations related to information security based on the National Institute of Standards and Technology (NIST) Cybersecurity Framework.

Furthermore, we have also established management systems at Fuji Electric as well as Group companies in Japan and overseas, and we provide regular training to all of our employees, manage access to operating sites and offices, implement Internet device and computer security measures, and conduct annual inspections regarding the status of efforts taken by each workplace.

In addition, to respond to increasingly diversified and sophisticated cyber-security threats, we endeavor to strengthen our computer security incident response team and security operation center (CSIRT/SOC), our monitoring of signs and information related to new cyber attacks, and our information-system defense and attack monitoring functions.

At our bases as well, we strive to improve our information security countermeasures based on the requirements of our business partners, related industry organization guidelines, market trends, and other factors, and in businesses for which public certification of information security management is required, three departments and two subsidiaries of Fuji Electric Co., Ltd. have acquired information security management system (ISMS) certification. Furthermore, concerning personal information protection, Fuji Electric Co., Ltd. and four of its subsidiaries have been granted the Privacy Mark.