

Contributing to the creation
of a sustainable society

Fuji Electric Report
2023

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Regarding the Fuji Electric Report

Fuji Electric Report is an integrated report that is prepared for the purpose of facilitating understanding of the Company's whole corporate activities among its stakeholders, mainly shareholders and investors, and published after its content has been reported to the Company's Board of Directors.

Fuji Electric places great importance on initiatives aimed at improving sustainability to enhance long-term corporate value and clear communication of its material issues of ESG (the environment, society, governance).

Note that when preparing this report we referred to the IFRS Foundation's International Integrated Reporting Framework and the Ministry of Economy, Trade and Industry's Guidance for Collaborative Value Creation.

About the Front Cover

The front cover of this report reflects Fuji Electric's attitude toward growth and enhancing corporate value over the long term in addition to contributing to harmony with nature, the development of SDGs and the creation of a sustainable society, leveraging technology and business synergies in its energy and environment businesses.



Disclaimer Regarding Forward-Looking Statements

Statements made in this report regarding estimates or projections are forward-looking statements based on the Company's judgments and assumptions in light of currently available information. Actual results may differ materially from those projected as a result of uncertainties inherent in such judgments and assumptions as well as changes in business operations or other internal or external conditions. Accordingly, the Company gives no guarantee regarding the reliability of any information contained in these forward-looking statements. Investors are encouraged to also reference documents submitted by the Company in accordance with the Financial Instruments and Exchange Act of Japan and other disclosure materials.

Corporate Philosophy and Management Policies

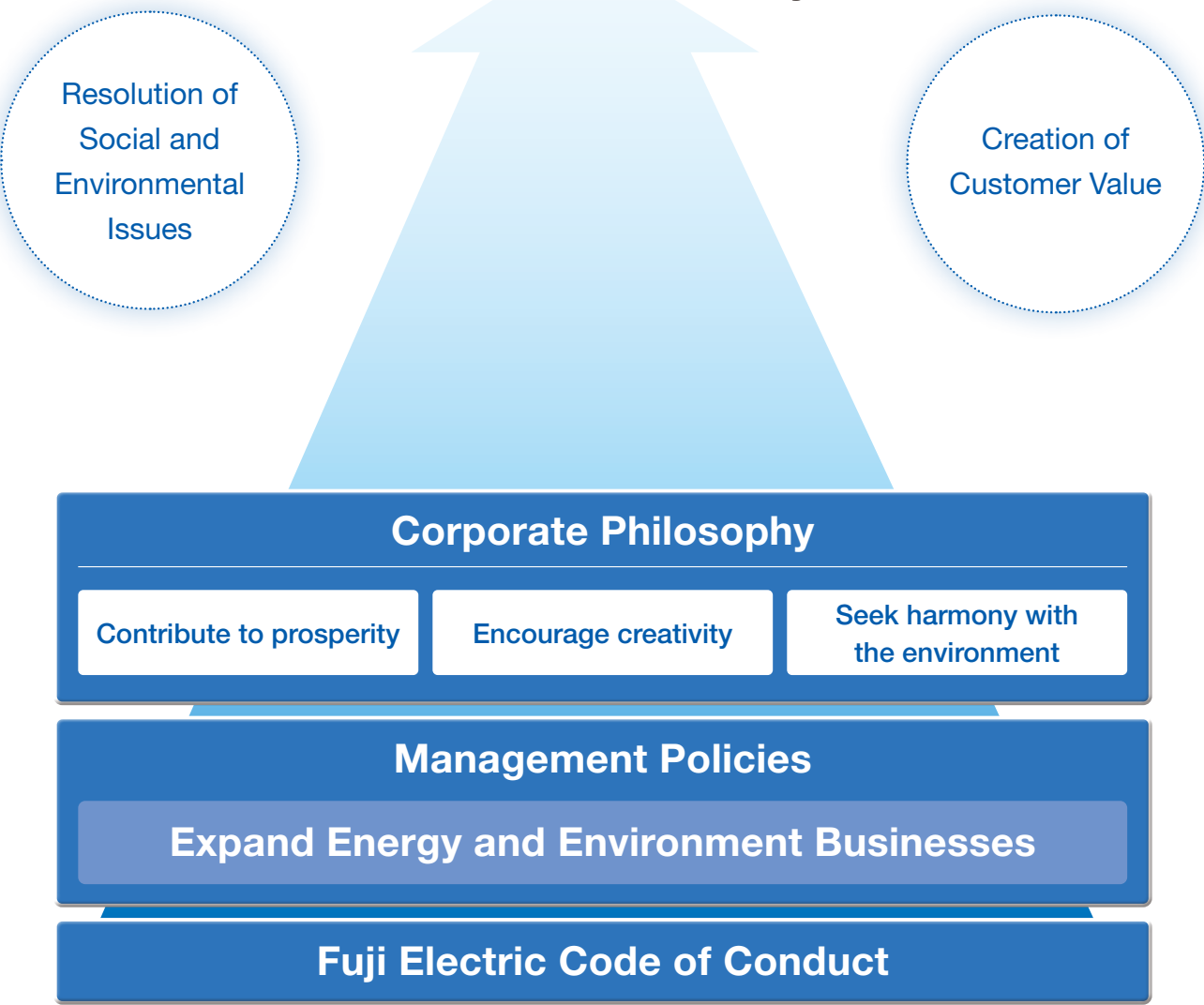
Fuji Electric’s corporate philosophy hinges on a mission to contribute to prosperity, encourage creativity, and seek harmony with the environment, while the Company’s management policies are centered on the notion of contributing to society through its energy and environment businesses.

By putting this corporate philosophy and management policies into practice based on its Corporate Code of Conduct, which sets forth guidelines for the conduct of employees, Fuji Electric and its employees, together with customers and business partners, will aim to resolve social and environmental issues, create customer value, develop the SDGs, and contribute to the creation of a responsible and sustainable society.

Through our energy and environment businesses, we aim to benefit society and become a company of sustainable growth.



Contribute to the creation of a Responsible and Sustainable Society



Corporate Philosophy

We, Fuji Electric, pledge as responsible corporate citizens in a global society to strengthen our trust with communities, customers and partners.

Contribute to prosperity

Encourage creativity

Seek harmony with the environment

Slogan To be enthusiastic, ambitious and sensitive.


Management Policies

1. Through our innovation in energy and environment technology, we contribute to the creation of a responsible and sustainable society.
2. Achieve further growth through our global business expansion.
3. Maximize our strengths as a team, respecting employees’ diverse ambition.

Fuji Electric Code of Conduct

In order to practice our corporate philosophy to fulfill social responsibility and act with high ethical standards while understanding and complying with relevant laws, regulations, international rules, and the spirit of such regulations and rules, both domestically and abroad, Fuji Electric and its employees have defined this code as a foundation for decision-making and behavior.

- | | |
|---|--|
| 1. Respect and value all people | 6. Respect and value interaction with society |
| 2. Respect and value our customers | 7. Make global compliance a top priority |
| 3. Respect and value our business partners | 7-1. Thorough compliance |
| 4. Respect and value our shareholders and investors | 7-2. Thorough risk management |
| 5. Respect and value the global environment | 8. Top management will thoroughly practice this standard |

 Further information about Fuji Electric Code of Conduct is available at our website.
<https://www.fujielectric.com/company/conduct.html>

Brand Statement

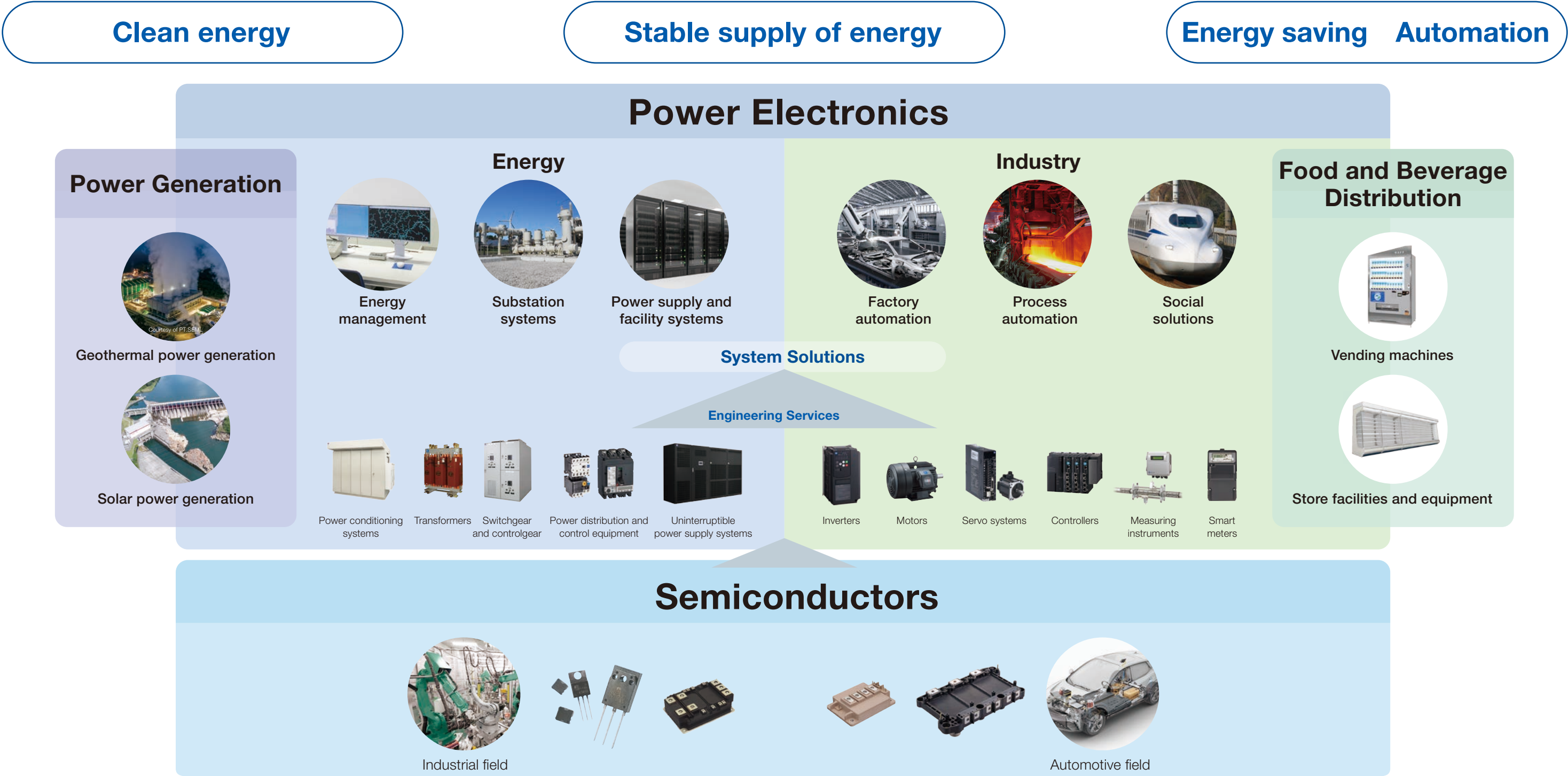
Innovating Energy Technology

Brand Promise

Through our pursuit of innovation in electric and thermal energy technology, we develop products that maximize energy efficiency and lead to a responsible and sustainable society.

Energy and Environment Businesses

We will ceaselessly pursue synergies between power semiconductors and power electronics, our core technologies, and contribute to the creation of a responsible and sustainable society in industrial and social infrastructure fields through the four businesses of Power Electronics, Semiconductors, Power Generation, and Food and Beverage Distribution.



Priority SDGs to Be Addressed through Our Businesses



Spread of renewable energy use
Improvement of energy efficiency



Reduction of CO₂ emissions from industrial processes
Reinforcement of social and industrial infrastructure



Building safe and secure urban infrastructure services
Development of sustainable transport systems



Efficient use of natural resources
Rigorous management and reduction of emissions of chemical substances and waste

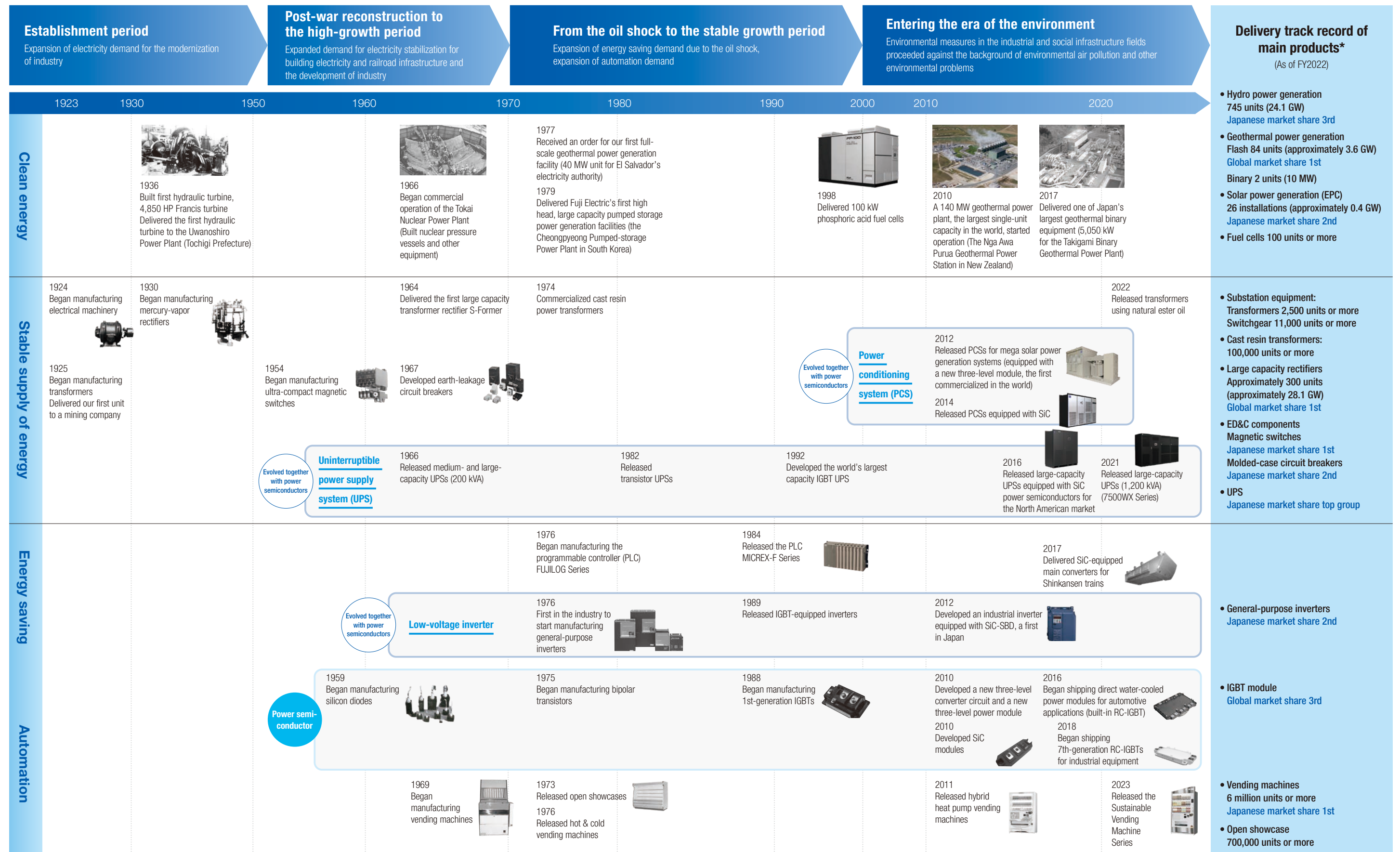


Reducing society's CO₂ emissions through products
Reducing GHG emissions during production

History of the Energy and Environment Businesses

Since its establishment in 1923, Fuji Electric has pursued innovation in energy and environment technologies for 100 years, contributing to clean energy, the stable supply of energy, energy saving, and automation.

We value the technologies, products and relationships of trust with a wide range of customers we have cultivated in the fields of industrial and social infrastructure to date, and going forward we will continue to respond to the energy and environmental issues faced by our customers.



* The market shares are the FY2022 results estimated by Fuji Electric. The market share of geothermal power generation is the result for orders received from 2000 onwards and the market share of solar power generation is the result for shipments of industrial PCS 500 kW class or higher from the application of FIT in 2012 onwards.

Message from the Chairman of the Board and CEO

Contributing to the Development of the SDGs and the Realization of a Decarbonized Society through Our Energy and Environment Businesses



Upon celebrating our 100th anniversary

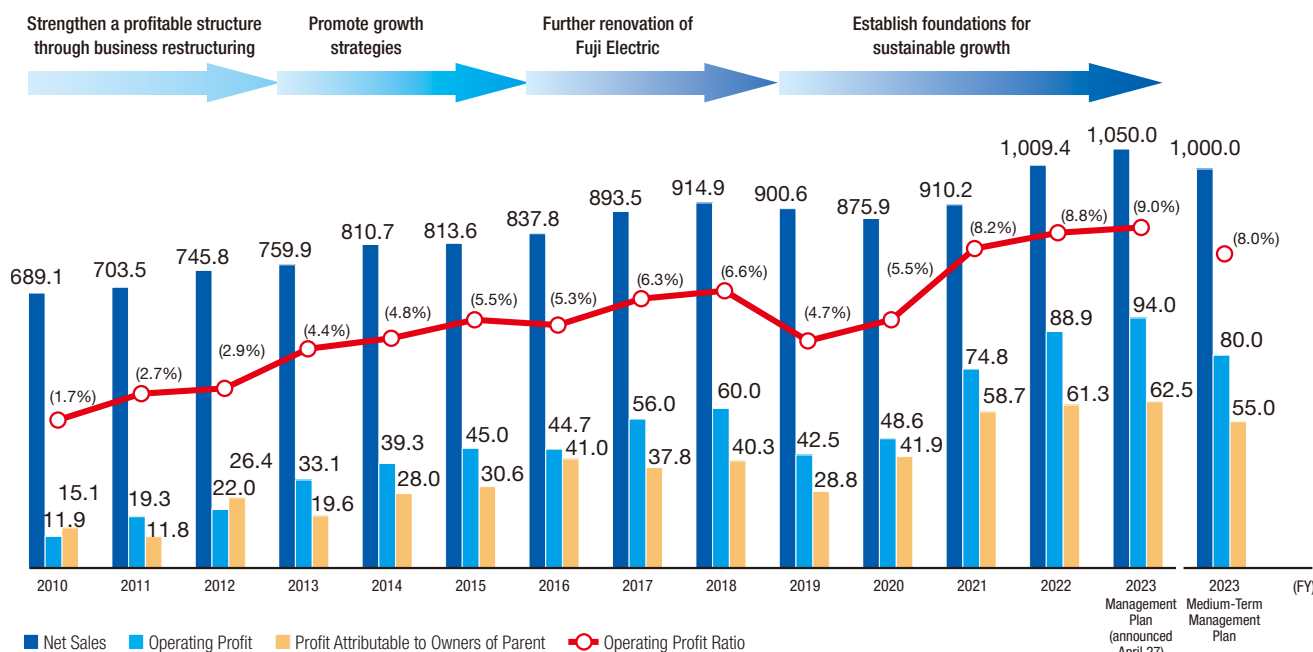
2023 will be a memorable year for Fuji Electric as we celebrate our 100th anniversary. The Company was established in 1923 through a merger between Furukawa Electric Co., Ltd. and Siemens AG. Despite encountering numerous challenges since the time of our founding, it is my belief that we have reached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

Over these 100 years since our establishment, we have continued to hone our energy and environment technologies, contributing to the resolution of social and environmental issues and the creation of customer value. Underpinning all of this is our Corporate Philosophy. As responsible corporate citizens in a global society, we seek to deepen our relationships of trust by valuing local communities, customers, and partners with a mission to contribute to prosperity, encourage creativity, and seek harmony with the environment. This aligns perfectly with the concept of the Sustainable Development Goals (SDGs), which aim to bring about integrated economic, social, and environmental improvements, as sought by the international community.

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

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

Consolidated Earnings (Billions of yen)



Medium-Term Management Plan targets achieved ahead of schedule

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

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

difficulties in sourcing components.

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

Establishment of solid operating foundations through successive management reforms

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

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

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

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

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

Teamwork is the cornerstone of management

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

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

Prioritizing profits to further improve corporate value

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

As we turn our attention to formulating the next

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

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

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

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

above pre-industrial levels.

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

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

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

Management that adopts “employee-first” approach

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

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



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

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

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

Michihiro Kitazawa
Chairman of the Board and CEO

Interview with the President and COO



Providing Customers the Best Possible Solutions in the Energy and Environment Fields to Achieve a Decarbonized Society

Q1 One year has passed since your appointment as President and COO. What have you achieved so far?

Net sales target of ¥1 trillion in FY2023 Medium-Term Management Plan achieved ahead of schedule

After assuming the role of President and COO in April 2022, I said what I would need to do as the person responsible for business execution was to achieve the targets (net sales of ¥1 trillion and operating profit ratio of at least 8%) of the Medium-Term Management Plan that ends in fiscal 2023 and formulate and execute the next growth strategies over the course of two years. Of these tasks, I consider the attainment of the Medium-Term Management Plan target of ¥1 trillion in net sales in fiscal 2022, one year ahead of schedule, to be one of my achievements in the past one year.

As the environment in which we do business is constantly changing, in order to fully implement the strategies outlined in the Medium-Term Management Plan, I have continued to impart to employees the importance of enhancing their adaptability to both near-term and longer-term changes when I visit our factories and area operations in Japan, and also our overseas sites. With numerous unforeseen events occurring worldwide and the shift towards new values over the medium-to-long term, I have encouraged each and every employee to be more receptive to information and changes, and share

their observations and thoughts. I have also urged everyone to come together as a team to follow through with the decisions they make.

We have seen various changes in the past year and I feel that our near-term responses were more or less effective. For example, we captured demand firmly by earnestly addressing customer needs, such as greater demand for power semiconductors for the electrification of vehicles, growth in data centers driven by digitalization, and the short lead-times on ED&C components for machine tools. In addition, in response to the harsh environment brought about by mainly soaring material prices and difficulties in procuring components, we have not only strengthened ongoing efforts to promote multi-sourcing of components, but we have also

made design changes to alternative materials across multiple divisions. Furthermore, we took steps to raise the selling prices of our products to align with their high added value. Moreover, due to the nature of our business, sales and profits tend to be heavily weighted towards the fourth quarter, especially in March. Nonetheless, we have been more diligent than ever in anticipating future risks and responding as soon as possible to any deviations from our plans.

Owing to the efforts of every employee in adapting flexibly to the ever-changing environment and working together as a team without giving up, we could achieve our long-held goal of ¥1 trillion in net sales. We also managed to post record-high net sales, operating profit, operating profit ratio, and profit.

Q2 Having achieved the targets of FY2023 Medium-Term Management Plan ahead of schedule, what will be the management challenges for fiscal 2023?

Setting the stage in fiscal 2023 for the next Medium-Term Management Plan

Our two missions basically remain the same, but since we have achieved the current Medium-Term Management Plan targets ahead of schedule, in fiscal 2023 we will turn our attention to emphasizing profit in our management approach. We have therefore set ourselves the must-reach targets of an operating profit ratio of 9% or higher and profit of ¥62.5 billion. Over the past decade or so we have employed various means to thoroughly improve operating profit by reviewing all kinds of operational processes, such as strengthening our manufacturing capabilities and other management reforms and launching the companywide Pro-7 activities. In other words, targeting even higher profit from this point is not so easy and we are fully aware that the challenges that lay ahead are quite daunting. Also, from this fiscal year we intend to start emphasizing profit alongside operating profit and we will be stricter about inventory controls and project management, including pre-order screening for system projects, in an effort to prevent unnecessary costs. There are four key points as we transition to the next Medium-Term Management Plan.

The first is enhancing the earnings power of the Power Electronics Industry segment. We will look to further enhance our approach to local design, local production and local consumption in order to strengthen our business structure for low-voltage inverters and other components. We will also endeavor to improve productivity through parts standardization.

The second key point is further improving profitability in the Power Generation and Food and Beverage Distribution segments. In the Power Generation segment, we will continue to work on transforming our portfolio with an

emphasis on profitability, primarily by focusing on the renewable energy business, which is experiencing growth in demand on the back of decarbonization, and strengthening after-sales businesses to improve the reliability and capacity utilization rate of facilities. In the Food and Beverage Distribution segment, we will continue to propose high value-added products, such as vending machines and eco-friendly showcases for convenience stores, both of which offer energy saving and operational improvements. We will also reorganize manufacturing systems to match business scale and strengthen our business structure.

The third point is expanding our overseas operations. Our businesses overseas are still in the development stage, so our initial goal is to achieve overseas net sales of more than ¥300 billion. Last fiscal year, we made some flexible changes to the priority of global product development in the power electronics business, which resulted in the timely market launch of some products, but it also gave rise to other challenges, such as a delayed market entry and slow sales growth of other products. Given that the business environment is changing at a dizzying pace, I believe it will be crucial that this fiscal year we keep an eye on future developments and improve the accuracy of our product development prioritization so that we can bring our global products to market as planned. On top of this, we will look to further reap the benefits of the M&As and partnerships we have hitherto forged in Asia and India. One example of such benefits is how Fuji SMBE in Singapore continues to tap fervent demand from data centers in the Asian market. We are gradually building a collaborative framework under which the local subsidiary takes the lead to gain an understanding

of what the customer requires and proposes system solutions, while Japan provides technical support as needed. At other locations in Asia too, we will need to switch to this kind of structure where the local entity takes the lead and Japan provides backup.

The fourth key point is boosting sales of new products. Internally, we previously aimed to increase new product sales in fiscal 2023 by 50% compared to fiscal 2018, but after reaching +40% in fiscal 2022, we now plan to raise the fiscal 2023 target to +70%. Up until now, the growing uptake of electric vehicles has driven stronger sales of new semiconductor products year after year. In fiscal 2023 our

plan is to boost sales in the power electronics business predominantly with low-voltage inverters that can be produced at lower cost with the use of the same production platform for multiple models, as well as uninterruptible power supply systems (UPS) for data centers that offer industry-leading capacity. We will aim to expand sales by having all development, design, manufacturing, and sales divisions collaborate on a concerted effort to accelerate the cycle of creating new products that meet customer needs.

By steadily implementing these initiatives, we hope to achieve the FY2023 Medium-Term Management Plan and set the stage for the next one.

Q3 What initiatives will you be implementing to achieve further growth from fiscal 2024 onwards?

Giving shape to the next Medium-Term Management Plan

We are currently discussing the next three-year Medium-Term Management Plan that will kick off in fiscal 2024. For the new plan, we will establish a 2030 vision (goal) for Fuji Electric and lay out our growth strategies with a backcasting approach from where Fuji Electric wants to be in 2030, which will also

align with a forecasting approach that starts from where we are now. In terms of our future direction, we will maintain the same policy of contributing to the creation of a responsible and sustainable society in the energy and environment fields, which we should say is nothing but the reason for our existence.

Targeting further growth by maximizing synergies between divisions

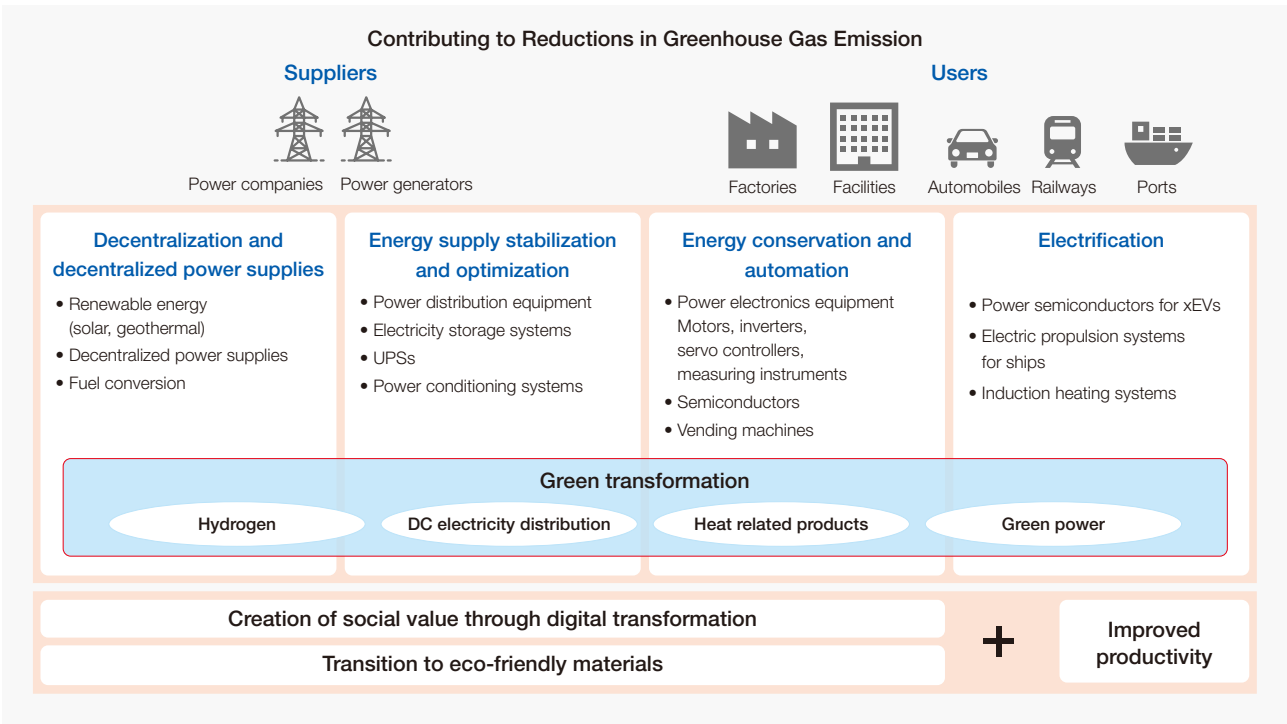
Digital transformation (DX) and green transformation (GX) initiatives are gathering momentum as solutions to challenges in society, along with the objective of realizing a decarbonized society by 2050. As more emphasis is placed on sustainability initiatives toward 2030, it is critical that we accurately understand the changing values of our customers and society and that we make sure no business opportunity is overlooked during this transitional period.

Our strength lies in having a mix of businesses and technologies to seamlessly address customer challenges, from the energy supply side (suppliers) to the demand side (users). While there are a myriad of growth opportunities through which we can capitalize on this advantage, we are intent on positioning our power electronics and power semiconductor businesses at the core of efforts to create social value in line with market changes in the energy and environment fields. The key to providing customers with the most optimal system and solution is to respond to their needs in a flexible manner across divisional boundaries.

In this context, in order to quickly capture the needs of customers, in April last year we established a special cross-divisional department within the Power Electronics Energy Business Group to coordinate discussions and negotiations about carbon neutrality projects throughout the Company. We have received more than 200 inquiries

regarding renewable energy in the power generation business and regarding grid storage battery systems and distributed grids in the power electronics business, and as such, our initiatives to address the immediate challenges of customers are beginning to get on the right track.

Meanwhile, the New Products Development Office that was set up within the Corporate R&D Headquarters in fiscal 2021 serves as the hub for projects with relatively long lead times, such as hydrogen fuel conversion, electrification on the consumer side, including thermal energy, and the regulation and optimization of electricity supply and demand. And our sales, business, and R&D divisions collaborate with each other to analyze market and customer trends and drive new product development. The challenge for us now is how best to align our medium- and long-term development themes with the Company's 2030 growth strategies and how to shape our business portfolio. I believe all of this will also get on the right track as the potential projects pass through the product planning review stage. Of course, it will be really important to keep growing our current businesses, and as market values shift, we will need to forecast how the positioning of our products will change and what new technologies and products will be needed. To capture that demand, we will roll out on-target measures and execute investments.



I want every employee to be able to grasp, and adapt to, changes in society and the market in the lead up to 2030 by leveraging two drivers of innovation, alongside the traditional approach of “adaptability to change.” The first driver is “Imagination” to envision what the year 2030 might look like, and the other is “Creativity” to think about how such a future could be created. I would like to see each employee paint a picture of the future and, in order to realize it, identify Fuji Electric's competitive advantages by engaging in discussions with not only other employees in the Company, but also with customers from various industries. These ideas will be fed into an action plan, and we will aim to create the future together as a team.

In addition to considering these business strategy perspectives, a strategy that connects all of the corporate divisions laterally is also very important if we are to further strengthen our operating foundations. In particular, I believe human resources to be extremely important. With the aim of setting in motion a virtuous cycle of employee happiness and the Company's sustainable growth, we are working with relevant divisions to explore mechanisms that contribute to job satisfaction of each employee and fully maximize the value of our human resources—the source of our competitive advantages. In terms of production

and procurement as well, approach to local design, local production, and local consumption has become more important and strengthening cooperation across divisions and regions will be indispensable to this. At the same time, we will promote DX in an effort to further boost productivity. Also, it is critical that we align our business strategy and goal setting with our environmental vision and further reinforce our risk responsiveness to bolster our resilience to cope with unexpected changes. I should also add that in order to align our strategies and tie them together, it is important that we set targets for management indicators that will contribute to improvement in corporate value from both financial and non-financial perspectives, in addition to establishing KPIs that can be shared with employees.

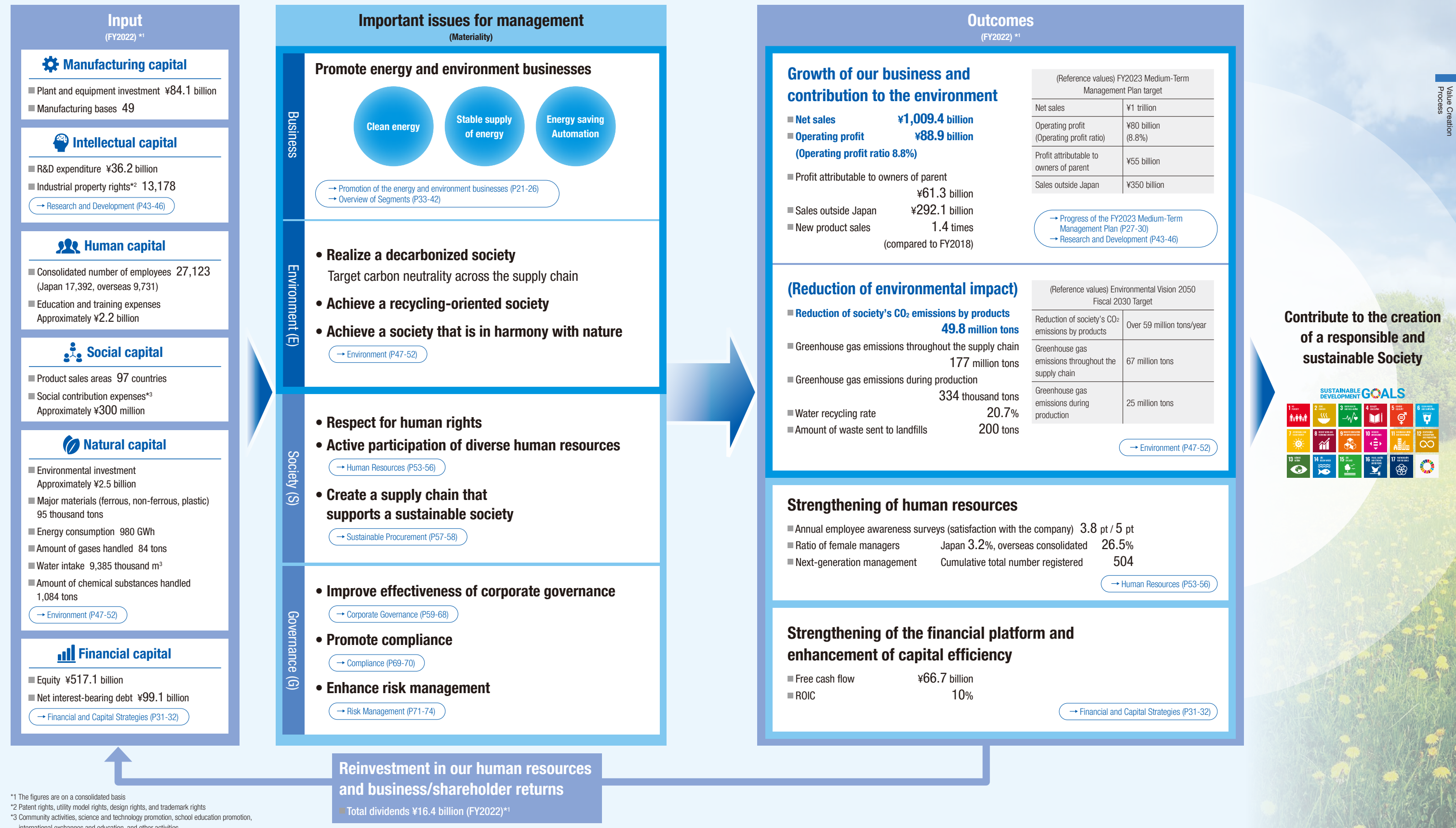
The year 2023 marks the culmination of Fuji Electric's century-long history. It is also the year in which we will earnestly contemplate the Company's future. We will thoroughly discuss our 2030 vision (where Fuji Electric wants to be in 2030) and our next three-year Medium-Term Management Plan and aspire to be a company that continues to achieve growth and is trusted by our customers, shareholders, business partners, community members, and all other stakeholders.

Shiro Kondo
President and COO

Value Creation Process

Fuji Electric is aiming for both the growth of our business and environmental contributions by taking full advantage of our financial and non-financial capital and promoting our energy and environment businesses and ESG initiatives that support these businesses. We aim to enhance sustained corporate value and contribute to the creation of a responsible

and sustainable society through the virtuous cycle of returning the profits we earn through our business activities to our employees, our shareholders, and society.



Important issues for Management (Materiality)

Materiality for Sustained Growth

Fuji Electric has stipulated important management issues (materiality) that must be tackled with priority in order for the company to continue to achieve sustained growth.

Approach to materiality

The company identified the materiality based on “ongoing reinforcement of operating foundations,” a key issue in the FY2023 Medium-Term Management Plan. In addition to the promotion of the energy and environment businesses set forth in the Management Policies, the main initiatives are organized based on the Fuji Electric Code of Conduct (refer to P4).

Promotion system

The materiality is deliberated on by committees comprised of executive officers and others from business, sales, and corporate divisions and by the divisions subject to the issues, and as necessary they are reported and deliberated on in the Executive Committee and Board of Directors.



Major Committees Related to Materiality

Field	Materiality	Relevant Major Committees
Business	Promote energy and environment businesses	Production Technology Committee Technology Development Committee International Standardization Committee
Environment (E)	Realize a decarbonized society Realize a recycling-oriented society Realize a society in harmony with nature	SDGs Promotion Committee
Society (S)	Respect for human rights Active participation of diverse human resources Create a supply chain that supports a sustainable society	SDGs Promotion Committee Health & Safety Promotion Committee Skills Development Committee
Governance (G)	Improve effectiveness of corporate governance Promote compliance Enhance risk management	Fuji Electric Compliance Promotion Committee

SDGs to Be Addressed through Companywide Activities

By assessing the link between the value created by our energy and environment businesses (clean energy, stable energy supply, energy saving, and automation) and contributions to the accomplishment of the SDGs, Fuji Electric selected five priority goals. Furthermore, four additional goals were designated as priorities in relation to the reinforcement of our operating foundation to be pursued through overall corporate activities, making for a total of nine goals.



Materiality and Key Issues

Field	Materiality	Key Issues	Targets	Fiscal 2022 Results	Relevant SDGs	Reference Page(s)
Businesses	Promote energy and environment businesses	Expand power electronics and semiconductor businesses	Fiscal 2023 Management Plan • Net sales: ¥1,050.0 billion (power electronics: ¥653 billion, semiconductors: ¥221 billion) • Operating profit: ¥94 billion (power electronics: ¥56.5 billion, semiconductors: ¥32.8 billion) • Operating profit ratio: 9.0%	• Net sales: ¥ 1,009.4 billion (power electronics: ¥617.5 billion, semiconductors: ¥206.2 billion) • Operating profit: ¥88.9 billion (power electronics: ¥51.8 billion, semiconductors: ¥32.2 billion) • Operating profit ratio: 8.8%	 	Power electronics P33-36 Semiconductors P37-38
		Reduce greenhouse gas emissions throughout the supply chain	Fiscal 2030 targets Greenhouse gas emissions throughout the supply chain: reduce by more than 46% (compared to fiscal 2019)	Greenhouse gas emissions throughout the supply chain: increased by 42% (compared to fiscal 2019)		
		Reduce greenhouse gas emissions during production	Fiscal 2030 targets Greenhouse gas emissions during production: reduced by more than 46% (compared to fiscal 2019)	Greenhouse gas emissions during production: reduced by 26% (compared to fiscal 2019)	 	Environment P47-52
		Reduce society's CO ₂ emissions by providing energy-saving products	Fiscal 2030 targets Reduction of society's CO ₂ emissions by products: more than 59.0 million tons / year	Reduction of society's CO ₂ emissions by products: 49.8 million tons/year		
E	Realize a decarbonized society	Promote the 3Rs (Reduce, Reuse, Recycle) throughout the supply chain	• Ratio of waste sent to landfills: Fiscal 2022 1.2% or less • Water consumption per unit of sales: Fiscal 2022 1,800 m ³ tons/¥100 million or less	• Ratio of waste sent to landfills: 0.5% • Water consumption per unit of sales: 900 m ³ /¥100 million		
		Realize a recycling-oriented society				
		Realize a society in harmony with nature	Contribution to biodiversity and zero impact on the ecosystem through corporate activities	• Volatile organic compound (VOC) emissions: Fiscal 2022 1,694 tons or less		
S	Active participation of diverse human resources	Respect for human rights	• Implement human rights due diligence	—		
		Continued implementation of employee awareness surveys	Satisfaction with the company: Maintain 3.5 pt or more out of 5.0 pt	• Satisfaction with the company: 3.8 pt	 	Human Resources P53-56
		Promote active participation of female employees	• Percentage of women hired: 20% in fiscal 2023 • Number of female employees in supervisory positions: 400 in fiscal 2023	• Percentage of women hired: 21% • Number of female employees in supervisory positions: 316		
		Promote active participation of senior employees	—	• General employees: Rate of selection of the Selective Retirement Extension System: 82.1% • Managers: Rate of selection of the Senior Task System: 91.6%		
		Broaden scope of duties performed by differently abled employees	Percentage of differently abled individuals hired: Statutory employment rate (2.3%) or more	• Percentage of differently abled individuals hired: 2.95%		
G	Create a supply chain that supports a sustainable society	Advance workstyle reforms, promote work-life balance	—	• Strengthened our support for work-life balance between work and raising children - Number of male employees taking childcare leave: 43		
		Practice fair and equitable procurement	—	• Continued to implement self-assessments of CSR procurement and expanded their targets - Implemented for: 767 companies		Sustainable Procurement P57-58
		Practice sustainable procurement together with business partners	—	• Expanded the number of materials procured by purchasing them from multiple suppliers - Percentage of materials procured by purchasing them from multiple suppliers: approximately 70%		
G	Improve effectiveness of corporate governance	Improve transparency and supervisory functions of management	—	• Continued third-party evaluation of the effectiveness of the Board of Directors and incorporated this evaluation into operations • Reduced cross-shareholding - Number of types of listed shares held: 17 at the end of fiscal 2022 (a decrease of 28 compared to the end of the previous fiscal year)		Corporate Governance P59-68
		Ensure effective implementation of the Fuji Electric Compliance Program	—	• Implemented compliance education - Level-specific training: 522 trainees - Job-specific training: 3,104 trainees • Thoroughly implemented the Business Ethics Whistle-Blowing Systems - Number of reports: 46	 	Compliance P69-70
		Improve product quality	—	Strengthened the promotion of high-reliability activities		
		Strengthen business continuity management	—	• Revise the business continuity plan of each base • Expand the scope of introduction of disaster prevention information systems for our customers		
	Enhance risk management	Strengthen information security	—	• Strengthened countermeasures against cyber attacks		Risk Management P71-74

Details about ESG material issues are available on our website: <https://www.fujielectric.com/company/csr/material-issues.html>

Promotion of the Energy and Environment Businesses — Realization of Carbon Neutrality —

The realization of carbon neutrality by 2050 has become a common issue worldwide. Along with the widespread adoption of clean energy such as solar and wind power, we are required to address the question of how to stably supply these forms of energy, for which the amount of electricity generated fluctuates depending on the weather, and also to adopt energy saving in the utilization of energy and electrification from fossil fuels.

Fuji Electric has a wide range of products from the supply side to the demand side of energy, and we are contributing to “making clean energy mainstream,” “stabilizing the energy supply,” “spreading energy-efficient equipment and systems” and “improving the electrification rate” to realize carbon neutrality.

Value Provided by Fuji Electric

Making clean energy mainstream



Geothermal power



Hydro power



Solar power



Wind power

We have a broad lineup of clean energy, including geothermal, hydro, solar, and wind power. In recent years, hydrogen has gained attention as new energy; therefore, we are advancing the development of products and systems that contribute to building the hydrogen supply chain.

Reduction of CO₂ emissions*1 (FY2022 Results)

Geothermal power Approximately 5.5 million t-CO ₂	Hydro power Approximately 1.8 million t-CO ₂
Solar power Approximately 1.5 million t-CO ₂	

Stabilizing the energy supply



Environmentally friendly substation equipment



Energy management systems (EMS)



Uninterruptible power supply systems (UPS)



Power conditioning systems (PCS)

We contribute to the stable supply and optimization of electricity and the greater resilience of industrial infrastructure through package proposals that include product and system supply and maintenance; for example, the provision of uninterruptible power supply systems (UPSs) to data centers, and the provision of environmentally friendly substation equipment to power companies. In recent years, we have expanded the scope of our efforts, including district-integrated energy operation and stable supply of electricity in Hokkaido and the remote islands.

Reduction of CO₂ emissions*1 (FY2022 Results)

UPS Approximately 80 thousand t-CO ₂
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Environmental impact reduction



Environmentally friendly C-GIS (Air insulated switchgear)

Spreading energy-efficient equipment and systems



Inverters



Motors



Sustainable vending machines



Semiconductors

We are aiming to promote energy saving in factories, office buildings, facilities, and other structures through the visualization of energy saving issues using the measuring and control technologies we have cultivated over many years, the power electronics equipment using highly efficient power semiconductors manufactured in-house, drive control systems, and also energy saving proposals based on the effective utilization of thermal energy.

Reduction of CO₂ emissions*1 (FY2022 Results)

Low-voltage inverters Approximately 26 million t-CO ₂	Motors Approximately 290 thousand t-CO ₂
Vending machines Approximately 380 thousand t-CO ₂	Semiconductors Approximately 5.8 million t-CO ₂

Improving the electrification rate



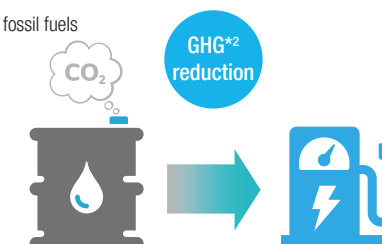
Power semiconductors for electrified vehicles



Electric propulsion systems for vessels

We are utilizing our technological ability, with which we have pursued the miniaturization and higher efficiency of power electronics devices, to contribute to improving the electrification rate with power semiconductors for electrified vehicles (xEVs), electrical propulsion systems for vessels, onshore power supply systems, and other solutions.

Electrification from fossil fuels



Initiatives for New Markets

Case1
Power supply for hydrogen production



For details, refer to P23

Case2
Storage battery system for the power system



For details, refer to P24

Case3
Community energy management system



For details, refer to P25

Case4
Onshore power supply system, electric propulsion ship



For details, refer to P26

*1 Reduction of CO₂ emissions (fiscal 2022 result) is calculated with the CO₂ reduction amount in the case that the products during the operating period shipped in or after fiscal 2009 have operated for one year as the contribution amount.
*2 Greenhouse Gases

Initiatives for New Markets Case1

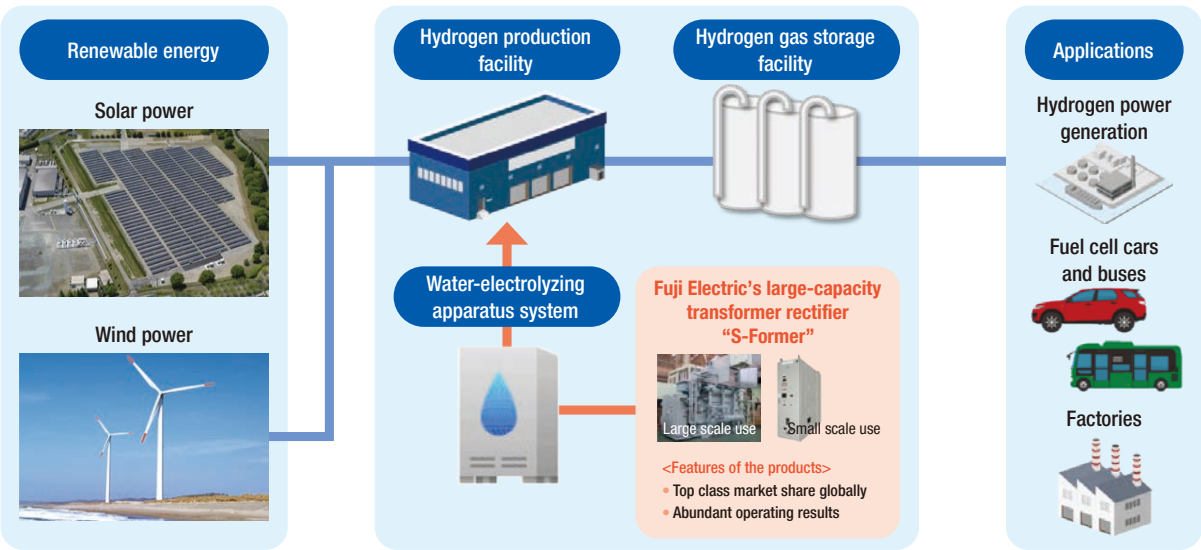
Making clean energy mainstream

Power Supply for Hydrogen Production

Case Study: NEDO Development of Technologies for Realizing a Hydrogen Society

Utilizing Our Results in the Industrial Field to Offer Power Supply for Expanding “Green Hydrogen” Production

Production flow for green hydrogen



Social issues

Hydrogen is gaining more attention as an environmentally friendly clean energy, and the market is growing rapidly, especially overseas. Hydrogen production facilities utilizing renewable energy

produce hydrogen (green hydrogen) by electrolyzing water using a water-electrolyzing apparatus system. This process requires a stable large capacity direct current power supply.

Provided value

Since the 1950s, Fuji Electric has been delivering the large-capacity transformer rectifier S-Former in order to supply power for the refinement process of non-ferrous metals, such as aluminum, copper, and zinc, and chemicals such as caustic soda. Our market share is top class globally, and we are utilizing our unique, outstanding technologies to realize a high level of safety and trustworthiness.

Currently we are also utilizing these technologies in hydrogen production. In 2017, as a part of Development of Technologies for Realizing a Hydrogen Society by the New Energy and Industrial Technology Development Organization (NEDO), Asahi Kasei Engineering Corporation received an order for 10 MW class large-scale electrolysis equipment, then amongst the largest in the world, from Toshiba Energy Systems & Solutions Corporation. Fuji Electric then received the contract for the design and production of the power supply system for the electrolysis equipment and delivered S-Former as the power supply system for the hydrogen production process. We are currently advancing the development

of new products with greater capacities, starting with the 40 MW class and aiming to launch the 100 MW class in the future, for further market expansion, especially in the overseas market.



The S-Former Series delivered for the NEDO Development of Technologies for Realizing a Hydrogen Society (For 10 MW class large-scale water-electrolyzing apparatus system)

Co-creation partner companies and organizations Asahi Kasei Corporation, Asahi Kasei Engineering Corporation

Initiatives for New Markets Case2

Stabilizing the energy supply

Storage Battery System for the Power System

Case Study: Hokkaido Minami-Hayakita Substation (Hokkaido Electric Power Network, Inc.)

Contribution to Expanded Introduction of Renewable Energy Power Generation as Adjustment Capability for the Power System



Minami-Hayakita Substation (Left: exterior view of the building Right: Fuji Electric power conditioning system inside the building)



Social issues

Power generation using renewable energy, such as solar and wind power, is spreading in a number of regions now. In order to stably supply electricity, it is necessary to keep the balance of demand (amount of electricity consumption) and supply (amount of electric power generation) in the power system constant, and to stabilize the frequency, which is the quality of the electricity. The

amount of power generation using solar and wind power fluctuates greatly depending on factors such as the weather and wind speed; therefore, maintaining a constant frequency is an issue, and storage batteries, among other solutions, are seen as being effective as “adjustment capability” for demand and supply.

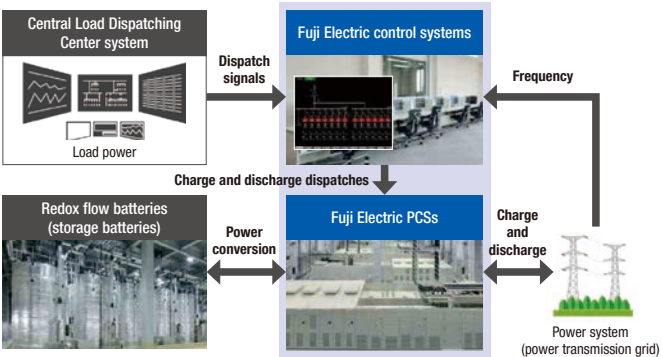
Provided value

Fuji Electric is providing storage battery systems for the power system, which contributes to society as the “adjustment capability” of the power system. Fuji Electric started developing the storage battery system with the application of system stabilization from the 1990s, and since 2015 we have participated in the Large-Scale Storage Battery System Demonstration Project jointly implemented by Hokkaido Electric Power Network, Inc. and Sumitomo Electric Industries, Ltd., building up results quickly. We delivered power conditioning systems (PCSs) and controllers (control panel) comprising the storage battery system using redox flow batteries and with a power storage capacity amongst the largest in the world (60 MWh), and currently it is active as the adjustment capability in Hokkaido's power system.

From April 2024, the supply-demand adjustment market, which trades “adjustment capability” using storage batteries will begin full-scale operation also in Japan. Fuji Electric is intend to provide storage battery systems to business operators, such as trading companies, power companies, oil companies, and

renewable energy companies, to encourage them to enter into the market, contributing to the further adoption of renewable energy power generation.

Configuration of the storage battery system



Co-creation partner companies and organizations Hokkaido Electric Power Network, Inc., Sumitomo Electric Industries, Ltd.

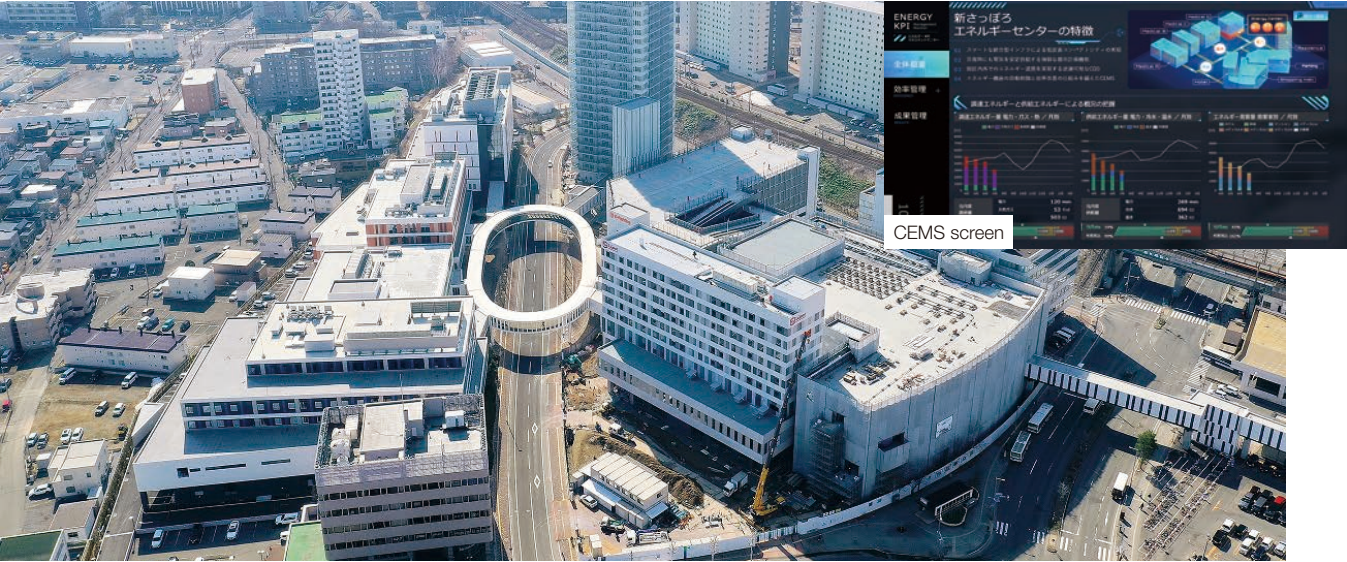
Initiatives for New Markets Case3

Stabilizing the energy supply

Spreading energy-efficient equipment and systems

Community Energy Management System
Case Study: The Area in the Vicinity of Shin-Sapporo Station

Supporting the Efficient Energy Operation of the District and Leading to Decarbonization and Energy Saving



The area in the vicinity of Shin-Sapporo Station

Social issues

Primarily in redevelopment zones, the adoption of energy saving is being advanced through the establishment of energy centers and centralized management of the energy supply of a district. For example, in cold regions, large amounts of energy are consumed in order to operate the lighting, air conditioning, hot water supply,

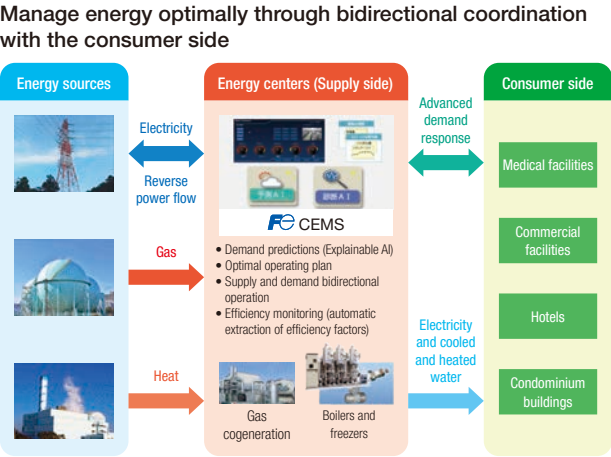
melting of snow, and other functions in each facility. For low carbon and environmentally friendly urban development, the issue is how to efficiently utilize the energy used in the district such as electricity and exhaust heat.

Provided value

One method of solving this issue is a community energy management system (CEMS), a system for efficiently managing the energy of the whole city. Fuji Electric has participated in a variety of demonstration projects, beginning with the 2011 Kitakyushu Smart Community Creation Project, and it has thus accumulated know-how regarding the optimal operation of energy in a community.

The Shin-Sapporo Energy Center produces the electricity, heated water, and cooled water used in the area in the vicinity of Shin-Sapporo Station using power generators (gas cogeneration) and heat source devices, and Fuji Electric has delivered a CEMS utilizing AI to this location. This system predicts the energy demand of each of the facilities inside the district, such as medical facilities, commercial facilities, hotels, and condominium buildings with high precision, and makes automatic adjustments of both the supply side and demand side of energy based on those predictions, contributing to CO₂ reduction of approximately 35% in the district overall (equivalent to the CO₂ emissions of approximately 1,000 households*).

* The Survey on the Actual Conditions of Carbon Dioxide Emissions from Residential Sector conducted by the Ministry of the Environment in FY2019



Co-creation partner companies and organizations Hokkaido Gas Co., Ltd., Taisei Corporation

Initiatives for New Markets Case4

Improving the electrification rate

Onshore Power Supply System, Electric Propulsion Ship
Case Study: Ministry of Land, Infrastructure, Transport and Tourism, Port and Harbour Decarbonization Promotion Plan

Advancing the Electrification of Ports and Ships to Contribute to the Realization of Carbon Neutral Ports



Ports



Onshore power supply system (exterior view)
Japan's first zero emissions ship, e-Oshima (built by Oshima Shipbuilding Co., Ltd.)

Social issues

Interest in the decarbonization of ports for the realization of carbon neutrality by 2050 is growing in countries around the world. Oil refineries, power generation plants, iron and steel, and chemical industries, among others, account for approximately 60% of CO₂ emissions in Japan, but most of these are located in coastal areas and use ports for exports, imports, and transportation. In order to

move from conventional fossil fuels to electrification, and achieve further decarbonization, the government of Japan has built a consortium comprised of companies and organizations related to ports and ships and is advancing studies toward the realization of “carbon neutral ports.”

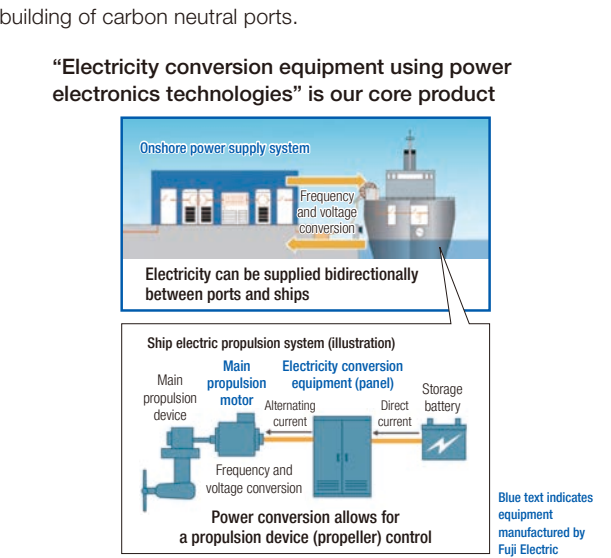
Provided value

Fuji Electric is participating in various councils on carbon neutral ports and is promoting studies aimed at the standardization of its own products and systems.

To date Fuji Electric has been tackling initiatives for carbon neutral ports and ships, and the electric propulsion system made by Fuji Electric has been employed in e-Oshima, Japan's first fully battery-powered ship. Furthermore, Fuji Electric is the only manufacturer in Japan to employ a direct current electricity distribution system, and therefore has achieved downsizing and space saving in electricity conversion equipment.

In addition, the onshore power supply system of Fuji Electric is responsible for supplying electricity to ships docked in a port. When a ship docks in a port, the power generator (diesel engine) inside the ship is stopped, and the electricity necessary for the ship is transmitted from onshore, which can contribute to CO₂ emissions reduction. Regarding this system, we will launch new products on the market during fiscal 2023, achieving the industry's top class large capacity and small size.

We will contribute to significant decarbonization through the



Co-creation partner companies and organizations Local governments related to ports, shipping and shipbuilding companies

Progress of the FY2023 Medium-Term Management Plan

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

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

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

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

FY2023 Medium-Term Management Plan: Key Issues

Establish Foundations for Sustainable Growth

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

Ongoing reinforcement of operating foundations

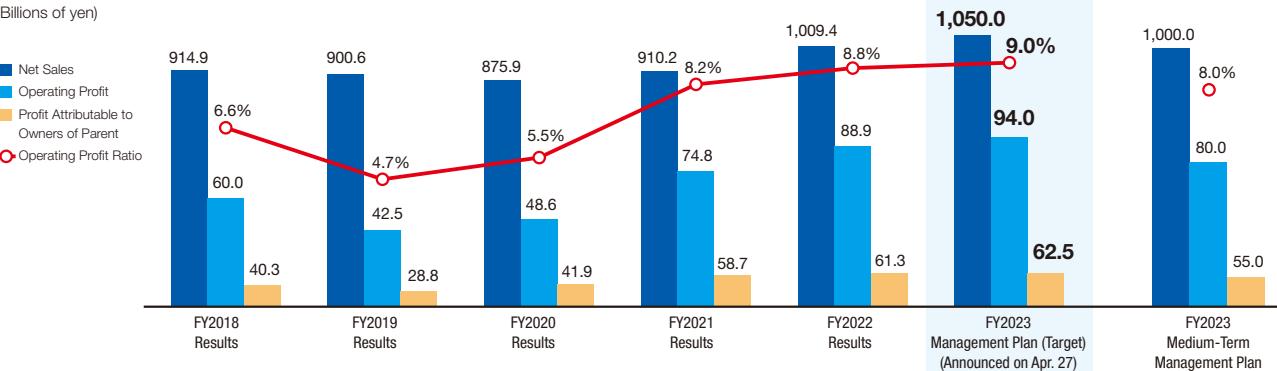
- Ongoing reinforcement of our operating foundations with a focus on the environment, human resources, and governance
- Evolution of companywide Pro-7 activities

Fiscal 2023 Management Targets	
Net Sales	¥1 trillion
Operating Profit Ratio	8% or more
Profit Attributable to Owners of Parent	¥55 billion

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

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

Consolidated Business Performance Trends



Financial Indicators		FY2018 Results	FY2019 Results	FY2020 Results	FY2021 Results	FY2022 Results	FY2023 Management Plan (Target)	FY2023 Medium-Term Management Plan (Target)
Net Debt-Equity Ratio		0.4 times	0.4 times	0.3 times	0.2 times	0.2 times	0.1 times	0.1 times
Equity Ratio		37%	37%	40%	42%	44%	47%	50%
ROA (Return on Assets)		4%	3%	4%	5%	5%	5%	5%
ROE (Return on Equity)		12%	8%	11%	13%	12%	12%	11%
Dividend Payout Ratio		28%	40%	29%	24%	27%	—	30%

Overview of Results for Fiscal 2019 to 2022

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

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

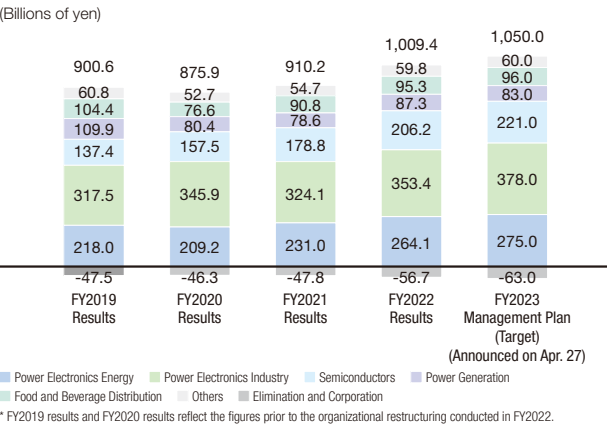
For the expansion of overseas businesses, in India in fiscal 2021, we integrated the management of a major local power supply manufacturer that we acquired and consolidated in fiscal 2019 with Fuji Electric India Private Ltd. By utilizing the two local factories and our sales and after-sales service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

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

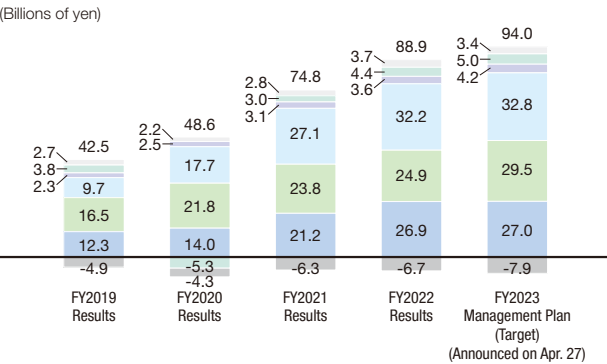
the previous fiscal year, renewing the record-high results for net sales, operating profit, operating profit ratio, and profit, and achieved the FY2023 Medium-Term Management Plan one year ahead of schedule.

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

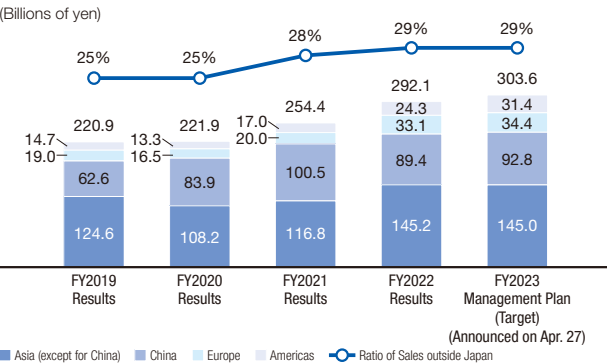
Net Sales by Segment



Operating Profit by Segment



Sales outside Japan



Fiscal 2023 Management Plan


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

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

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

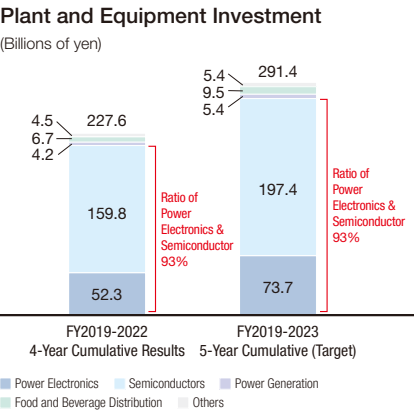
We are aiming to increase our operating profit to ¥94 billion, a ¥5.1 billion year-on-year increase, to be driven by increasing sales and production volumes in the Power Electronics Industry business, as well as improving the profitability, raising product sales prices, and promoting cost reduction measures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

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

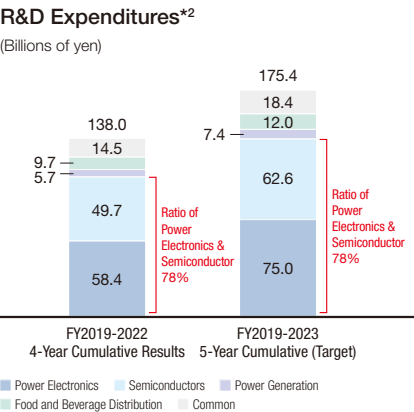
 For details, please refer to the Summary of Consolidated Financial Results for 1Q FY2023. https://www.fujielectric.com/ir/box/doc/pdf/gh2023_07/230727_all.pdf

Plant and Equipment Investment and R&D Expenditures

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



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



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

*1 PF design: Standardized design of major components for the purpose of cutting development periods and reducing procurement and production costs
*2 Figures for R&D expenditures are classified by segment according to theme and therefore differ from figures stated in the consolidated financial report.

Augmenting Our Manufacturing Capabilities

Augmenting global manufacturing capabilities

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

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

Advancing digital reforms of our manufacturing

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

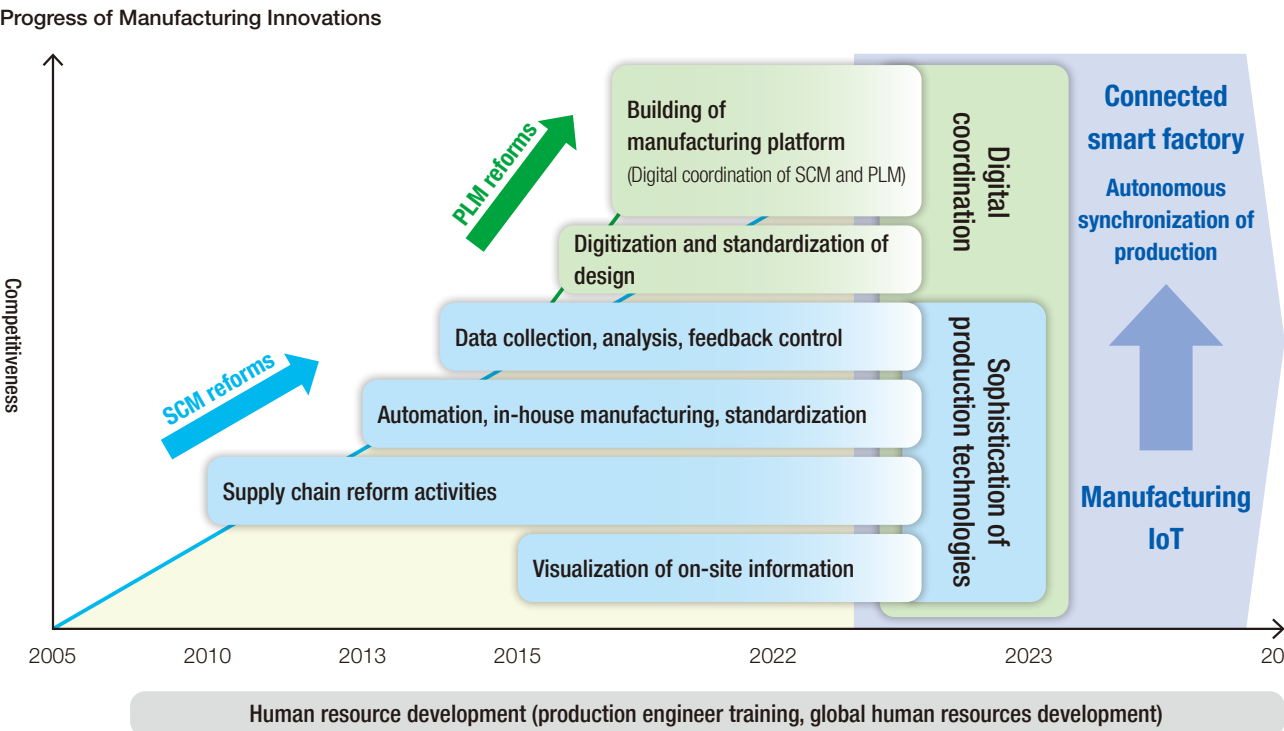
In specific, as part of the supply chain management (SCM) reform, we are pursuing automation of the assembly, inspection, and testing processes, and visualization of factory management indicators and on-site information by utilizing the dashboard, as well as making attempts at real-time collection and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

Strengthening our supply chain management

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

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

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



Financial and Capital Strategies



We will aim to further improve capital efficiency by investing in growth and strengthening the profit structure towards sustainable enhancement of corporate value

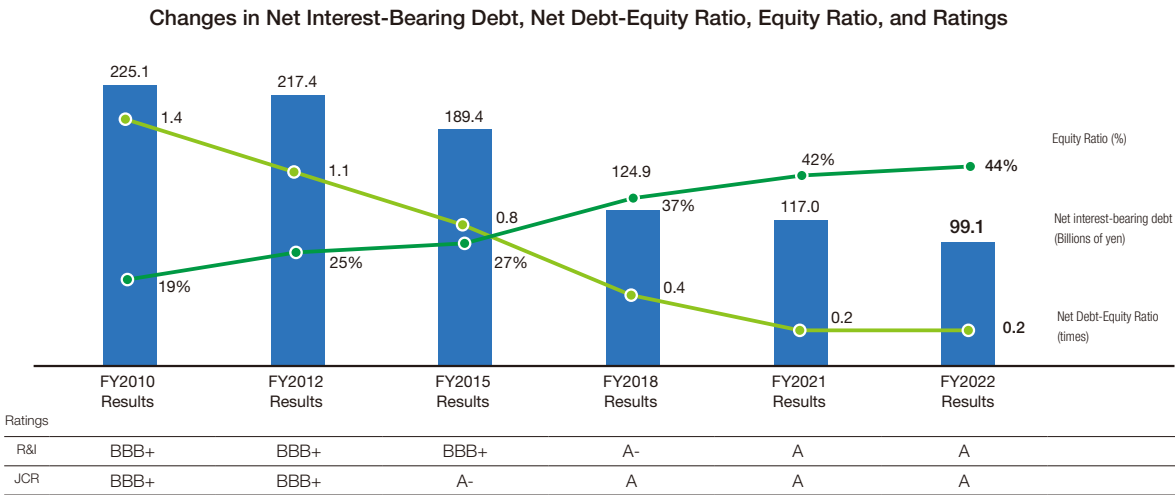
Junichi Arai
Senior Managing Executive Officer
Corporate General Manager, Corporate Management Planning Headquarters

Creating a Financial Platform to Support our Growth Strategies

Fuji Electric has been working to enhance profitability and improve its financial constitution towards achieving sustainable growth since it fell into an operating deficit due to the effects of the global financial crisis. In fiscal 2010, we have clarified our business domains as energy and environment, and promoted a growth strategy of focusing our resources on power electronics and power semiconductors. We recognized that the source of our profits is in manufacturing, and worked to augment our manufacturing capabilities on a global level and promote local production for local consumption. The Company also continued the companywide Pro-7 activities,

which was launched in fiscal 2012, and improved profitability substantially. In addition, we have been working to improve the cash conversion cycle (CCC) in all businesses since fiscal 2021 in order to generate operating cash flows to support the execution of growth investments.

As a result, our financial constitution improved significantly, and in fiscal 2022, we achieved a record high operating profit ratio of 8.8% with the net debt-equity ratio and equity ratio also reaching record highs. Fuji Electric has been issued an R&I rating of A since fiscal 2021.

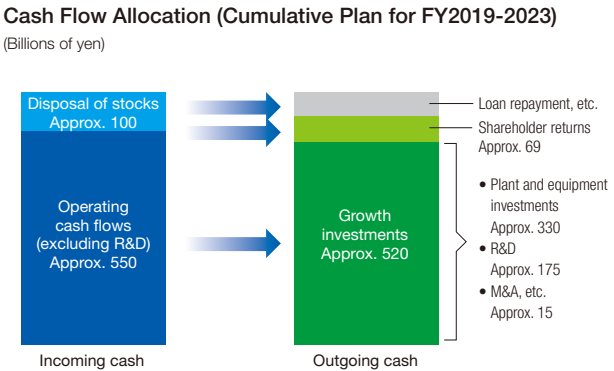


Allocation of Cash Flows with Priority on Balance Around Growth Investment to Maximize Profits

Steadily invest in growth towards sustainable improvement of corporate value

While our financial constitution improved substantially, we plan to invest in growth in order to further enhance corporate value, mainly in the focus areas of power electronics and power semiconductor businesses, a cumulative total of approximately ¥520 billion during fiscal 2019 to fiscal 2023.

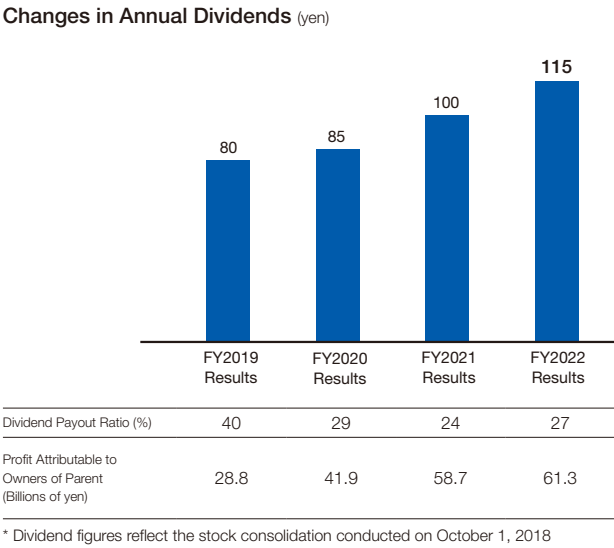
Capital for growth investment will be secured by utilizing funds acquired by improved profitability and by disposing of our cross-shareholdings, which we are pursuing as measures to improve governance. We will continue to invest in growth in the focus areas while taking financial balance into account.



Stable and continuous dividends for shareholder returns

We determine the amount of dividends of surplus in light of the medium- to long-term business cycle, and aim to pay stable and continuous dividends by giving comprehensive consideration of the consolidated business results of the relevant fiscal year, research and development and plant and equipment investment plans for future growth, and business conditions. We will maximize profits by prioritizing growth investments that will lead to sustainable enhancement of profitability, and will focus on stable and continuous dividends for shareholder returns and aim for a dividend payout ratio of 30% as targeted in the FY2023 Medium-Term Management Plan.

Based on this policy, the annual dividends for fiscal 2022 were declared at ¥115 per share, up ¥15 from fiscal 2021. We have continued to increase dividends since fiscal 2010, steadily increasing the amount of dividends.



For Further Improvement of Capital Efficiency

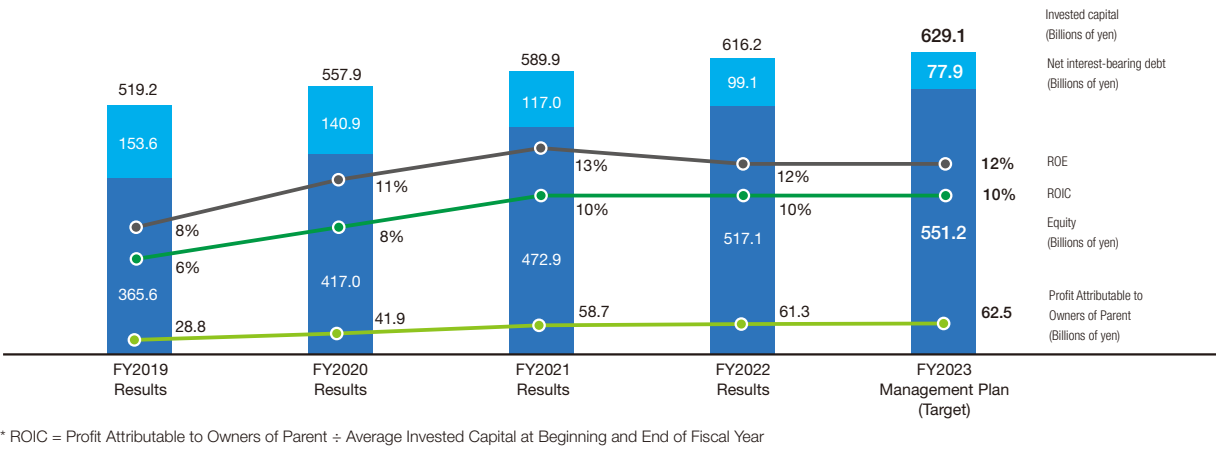
Starting in fiscal 2021, we introduced per-business ROIC internally as a performance indicator to promote initiatives to improve investment decisions in view of future profitability and capital efficiency. By managing per-business ROIC, we are strengthening our control over our balance sheets and cash flows, making sure, for example, whether the profit and invested capital are well-balanced for each business.

In the power semiconductors business, where growth is expected, we are taking measures to minimize investment and maximize profits. For example, in Malaysia, we converted the manufacturing facility for magnetic disks into production lines for 8-in silicon Si power semiconductor. In the Food and Beverage Distribution Business, we are working to improve

profitability by restructuring measures such as integrating production bases and relocating personnel, thereby improving ROIC.

Also, to improve the cash conversion cycle (CCC), we are strengthening collection of accounts receivable-trade, and reducing inventories by, for example, utilizing the factory dashboard to visualize inventory assets. At the same time, we will work to increase profit by reducing non-operating expenses and extraordinary losses, strengthen our cash-generating capabilities, and continue to accelerate growth investments that will lead to improving profitability. We will aim to improve capital efficiency while raising the equity ratio.

Changes in Invested Capital (Equity + Net Interest-Bearing Debt), Profit Attributable to Owners of Parent, ROIC, and ROE



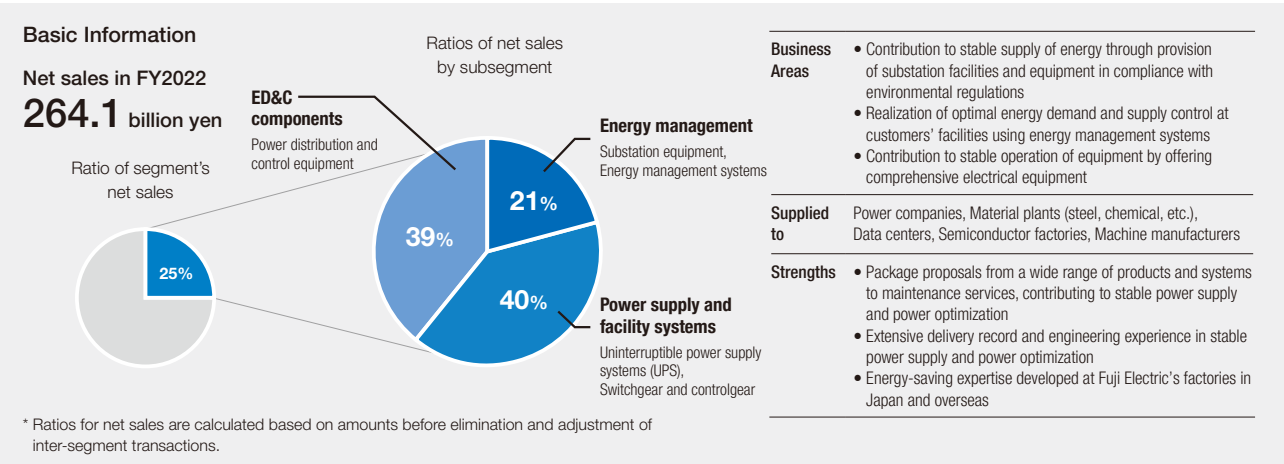
Overview of Segments

Power Electronics Energy



We will work to expand our business by promoting the development of competitive products, enhancing engineering services, and strengthening carbon neutrality-related proposals.

Masashi Kawano
Managing Executive Officer
Corporate General Manager, Power Electronics Energy Business Group

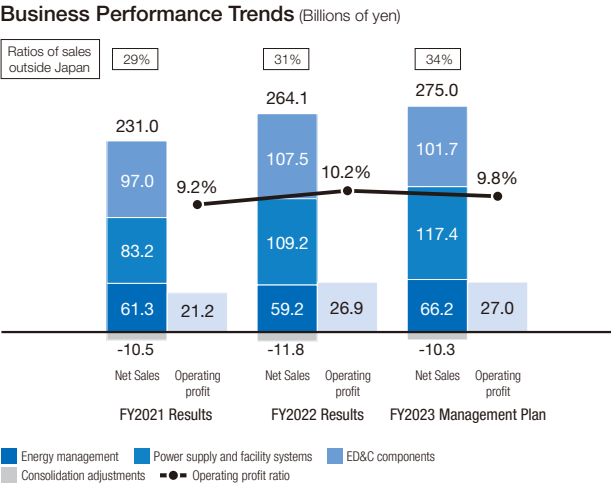


Market Trends and Business Opportunities

In an aim to achieve a decarbonized society, demands related to stable supply and optimization of energy are expanding rapidly on a global scale.

Subsegments	Market Trends and Business Opportunities
Energy management	Due to continuing increase in demand to replace aging equipment in the substation business, and also backed by the government's next-generation energy policy subsidy programs, there is an expanding demand for carbon neutrality-related equipment, including power conditioning systems for solar and wind power generation and storage systems.
Power supply and facility systems	We see continued expansion in capital investments by data center (IDC) operators driven by digitalization and the use of 5G. In addition, with expanding investments in new installations and expansions of factories in the cutting-edge semiconductor field, demand for comprehensive electrical equipment business is increasing on an ongoing basis.
ED&C components	While we anticipate decrease in production and demand of machine manufacturers and sluggish demand due to slowdown of the Chinese market, we expect the market to continue making a mild recovery driven by recovering investment in electrified vehicles (EVs) and demand for 5G.

Fiscal 2022 Results and Fiscal 2023 Plan



In fiscal 2022, operating profit ratio rose to 10.2% thanks to expanded demand for power supply and facility systems from projects for data centers and semiconductor manufacturers in both Japan and overseas, increased demand for ED&C components from machine manufacturers mainly in Japan, and benefits of business restructuring including fixed cost reductions to date.

In fiscal 2023, despite the anticipated decrease in demand for ED&C components, we forecast net sales of ¥275.0 billion, up ¥10.9 billion year on year, and operating profit of ¥27.0 billion remaining at the same level as the previous fiscal year, with an operating profit ratio of 9.8%, driven by continued expansion of the comprehensive electrical equipment business.

Priority Measures

Expanding and enhancing carbon neutrality-related businesses

In the carbon neutrality business, for which we expect to see market growth over the medium to long term, we are seeing increase in inquiries for the introduction of grid storage batteries to maintain energy supply and demand balance, and introduction of renewable energy by consumers for self-consumption. We will strengthen our activities to win orders in the new markets by combining the know-hows gained through our own carbon neutrality initiatives with our core products such as energy management systems and power stabilization systems.

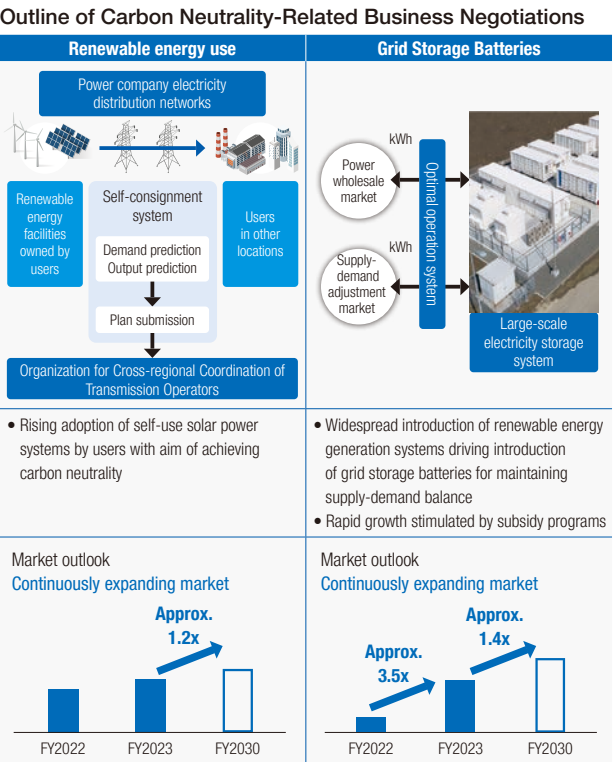
Launch of new global products in the substation business

In the substation business, we plan to increase sales mainly in overseas markets through new development and market launch of differentiated products.

For data centers and chemical plants where disaster prevention and environmental regulations are required, we will launch new products such as natural ester filled global transformers, and gas insulated switchgear (GIS) that is downsized substation equipment designed to minimize the generation of greenhouse gases.

Expanding comprehensive electrical equipment business for data centers

Our comprehensive electrical equipment business is receiving high praise for contribution in shortening the customer's construction period and reducing equipment management personnel. Based on our track record in Japan, we are developing one-stop consultation venues and cultivating local



service personnel overseas, and strengthening our service system to respond to the increased sales volume for data centers and semiconductor factories, thereby expanding our business mainly in South Korea and Southeast Asia.

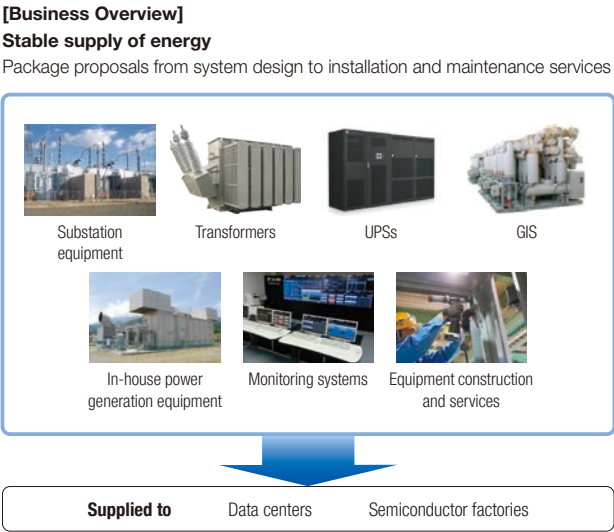
The data center market is in need for greater capacity. Our 7500WX Series large-capacity UPS combines one of the industry's smallest footprints and highest power conversion efficiency rating, allowing highly efficient energy saving within the limited server installation space. In fiscal 2023, we will release a new, increased capacity line of 2400 kVA to meet the needs for larger capacity.

Launching of new ED&C components products

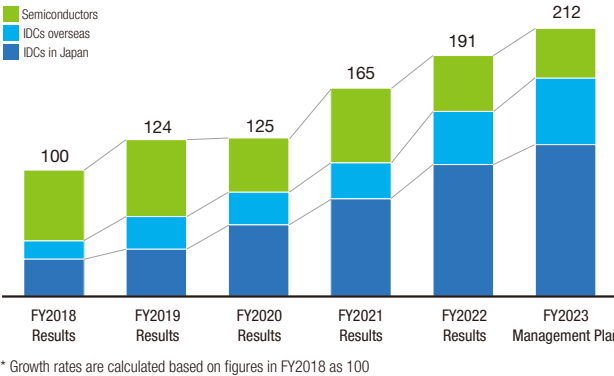
As for our magnetic switches, our core product, we will offer new products that will address such market needs as increased compactness, reliability, and increased ease of wiring, as well as contribute to carbon neutrality through efforts including energy saving and the use of renewable materials.

Furthermore, we will strengthen our activities focused on encouraging customers to use Fuji Electric's specifications for semiconductor manufacturing equipment, machine tools, and data centers.

Comprehensive Electrical Equipment Business



Trends in Sales for IDC & Semiconductor factories

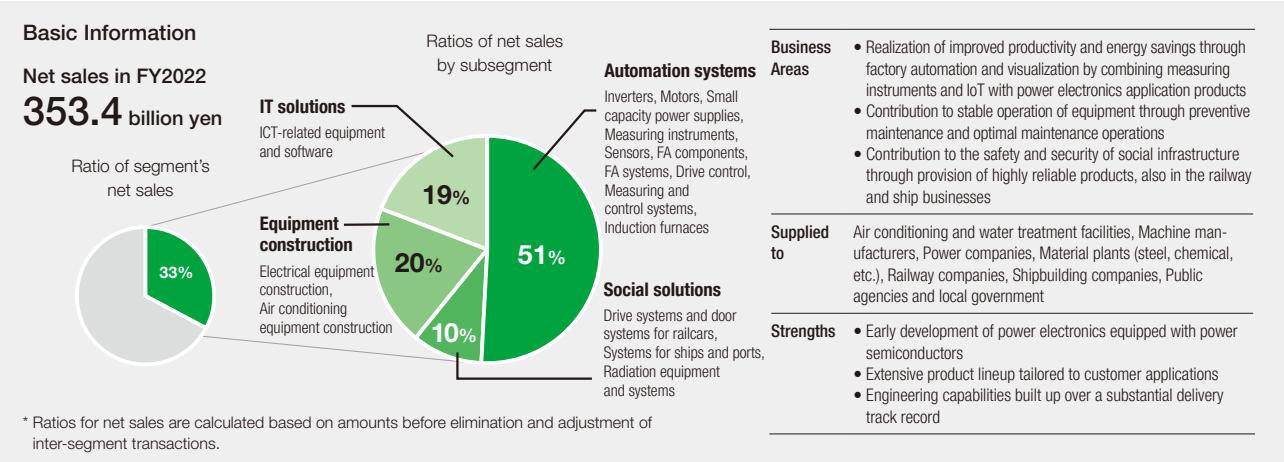


Power Electronics Industry



We will strengthen our business constitution by promoting local design, local production, and local consumption, and work to expand our overseas businesses by launching new global products and furthering collaboration.

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

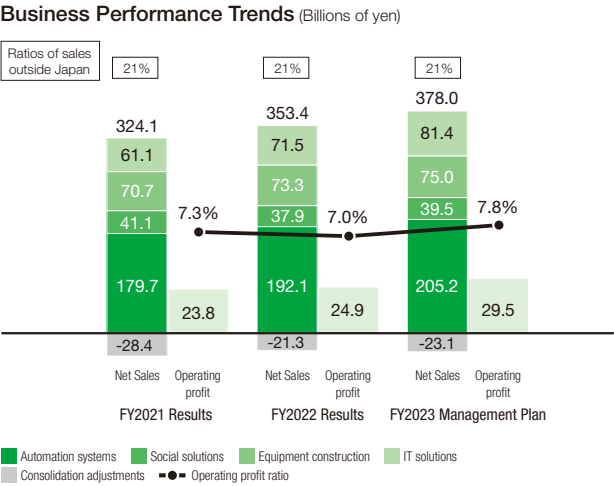


Market Trends and Business Opportunities

In an aim to achieve a decarbonized society, we expect that efforts such as automation and digital transformation (DX) will accelerate globally, and demands for energy saving and productivity improvement will continue to expand.

Subsegments	Market Trends and Business Opportunities
Automation systems (Factory automation/ process automation)	Energy saving and automation-related demand is expected to remain strong, and it is predicted that Japanese market conditions will generally upturn and overseas market conditions will see signs of recovery, except for China.
Social solutions	As countries move toward electrification of ships and decarbonization at ports, the market for environmentally friendly products is growing.
Equipment construction	We anticipate gradual growth in capital investments and public investments.
IT solutions	Digital demand, such as DX and green transformation (GX) is expected to increase in academic, private, and public sectors.

Fiscal 2022 Results and Fiscal 2023 Plan



In fiscal 2022, demand, mainly for automation systems and IT solutions grew, leading to increase in sales and profit. Operating profit ratio fell slightly due to impacts of soaring material prices and material procurement difficulties mostly in the automation systems business.

In fiscal 2023, we forecast net sales of ¥378.0 billion, up ¥24.6 billion year on year, and operating profit of ¥29.5 billion, up ¥4.6 billion, with an operating profit ratio of 7.8%, driven by such factors as high level of order backlog in the automation systems business and increase in demand, also in the IT solutions business.

Priority Measures

Strengthening the automation systems business constitution and expanding overseas operations

Enhancing profitability of component products

To enhance profitability and strengthen competitiveness of our component products, we are strengthening our system of “local design, local production, and local consumption” for components at the global level. While we have been expanding production models, mainly of low-voltage inverters in India and Europe, in fiscal 2023, we will establish production systems in the Americas, and increase the rates of local production and local consumption through a global structure encompassing six areas of the world (Japan, China, Southeast Asia, India, Europe, and the Americas) toward fiscal 2026.

By applying the platforms to standardize the main components of our products, we will work towards improving profitability by increasing productivity, reducing procurement and production costs, and reducing material inventories. As for low-voltage inverters, our core component products, we will be developing new compact models in addition to the high functionality standard model platforms to increase the application rates, and to establish a strong business constitution by producing these products globally.

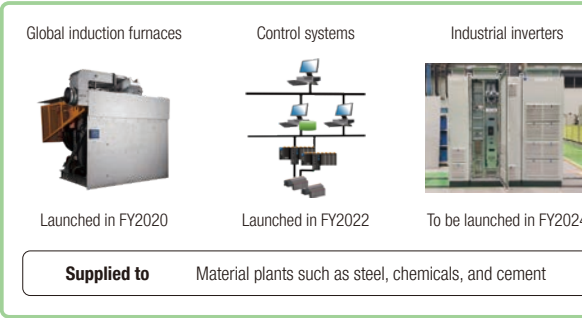
Rates of Local Production & Local Consumption of Low-Voltage Inverters by Region

	FY2023 Plans	FY2026 Targets
China and the rest of Asia	90%	90%
India	40%	
Europe	40%	65%
Americas	0%	45%

Expanding overseas businesses by promoting collaboration and global products

In the factory automation business, we will work to increase sales by engaging in negotiations in China for systems combining low-voltage inverters, controllers (PLCs), and programmable operator interfaces (HMIs) for equipment to manufacture lithium-ion batteries and semiconductors, and expanding our sales channels through collaborations in Europe, the Americas, and India.

Global Products for Process Automation Business

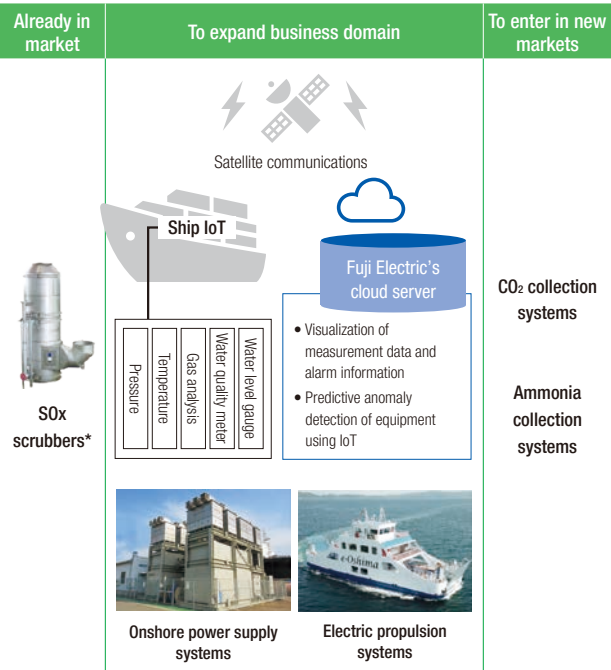


In the process automation business, we will cultivate the local staff and further strengthen our service system to empower the local teams to take lead in expanding the sales of global products, including global induction furnaces and control systems. We will work to expand our business with high value-added products such as soft sensors that enable estimation of data related to product quality at semiconductor factories and other facilities.

Launch of differentiated products for ships and ports

Fuji Electric has the technologies and know-how to provide comprehensive solutions, from the creation, distribution, and storage of energy at ports, and electrification of and supply of electricity for cranes and ships, toward promotion of carbon neutrality in the ship and port business. In the current fiscal year, we will expand the ship and port business by focusing our efforts in the development of electric propulsion systems for ships, ship IoT systems, which will allow automatic data collection and predictive anomaly detection of equipment, and onshore power supply systems. In the future, we are also planning to enter into new fields such as collection systems for CO₂ and ammonia.

Differentiated Products for Ships and Ports



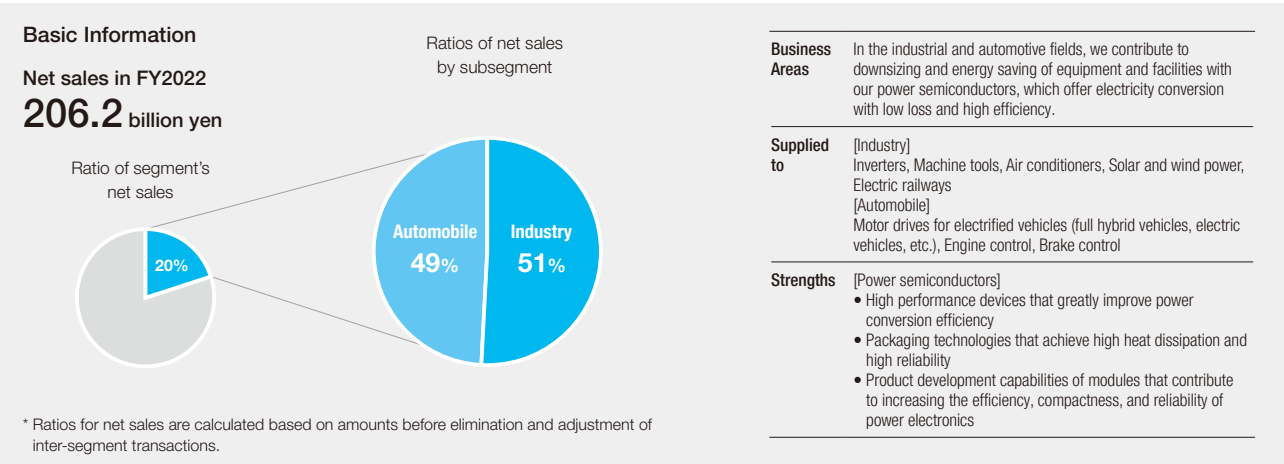
* Exhaust gas cleaning systems for ships

Semiconductors



In response to growing demand for power semiconductors for electrified vehicles, we will continue to invest aggressively and steadily increase production capacity to expand sales and profit.

Toru Hosen
Senior Managing Executive Officer
Corporate General Manager, Semiconductors Business Group



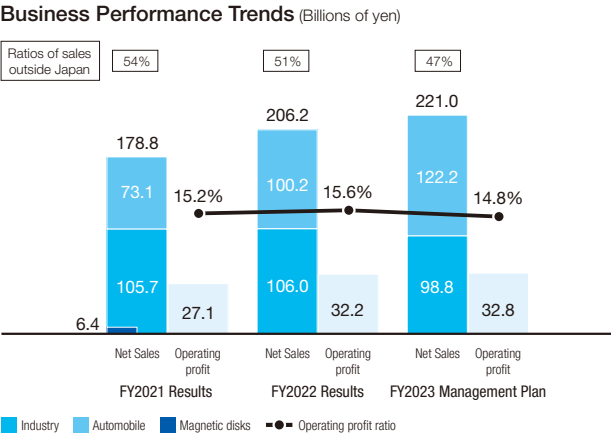
Market Trends and Business Opportunities

Power semiconductors help save energy thanks to their high levels of conversion efficiency and power control. Demand for these devices is rising globally, driven by environmental action aimed at decarbonization and increasing investment in automation in the manufacturing industry.

Subsegments	Market Trends and Business Opportunities
Industry	Due to growing demand for energy saving and automation, demand for factory automation equipment, such as inverters and machine tools, continues to grow, and demand for applications for renewable energy, including solar and wind, has been expanding at an average annual growth rate of 19%* from fiscal 2021 to 2023.
Automobile	Production of full hybrid and electric vehicles (EVs), which are Fuji Electric's targets, is forecasted to grow at an average annual rate of 44%* from fiscal 2021 to 2023, and the growth rate of sales from IGBTs for electrified vehicles (xEVs) is expected to exceed that of production.

* Fuji Electric forecast based on research firm forecasts

Fiscal 2022 Results and Fiscal 2023 Plan



In fiscal 2022, the business was impacted by our exit from the magnetic disk operation, cost increase to expand the production capacity of power semiconductors, and soaring material prices and energy prices. However, thanks to increase in demand for power semiconductors for electrified vehicles and industry applications, as well as impacts of foreign exchange, we achieved net sales of ¥206.2 billion, up ¥27.4 billion year on year, operating profit of ¥32.2 billion, up ¥5.1 billion, and operating profit ratio of 15.6%, up 0.4%.

In fiscal 2023, despite the anticipated increase in fixed costs and adverse foreign exchange impacts, we forecast net sales of ¥221.0 billion, up ¥14.8 billion year on year, and operating profit of ¥32.8 billion, up ¥0.6 billion, with an operating profit ratio of 14.8%, driven by increase in sales in the growing xEVs market.

Priority Measures

Growing sales of power semiconductors in the xEV market

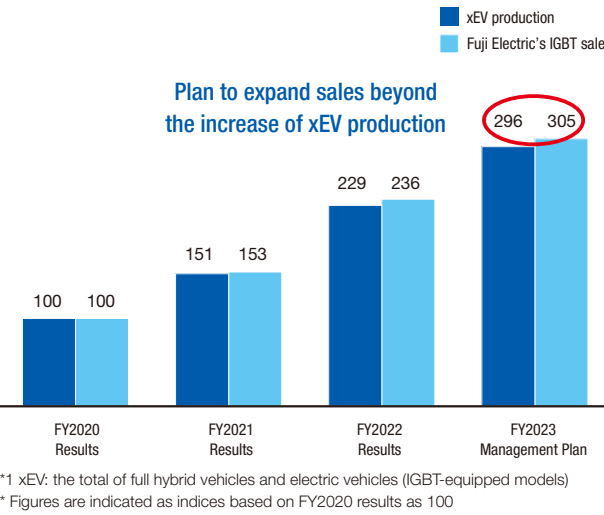
Power semiconductors contribute to reducing power loss and improving driving distance, which are major issues for xEVs, and as demand grows rapidly, there is a need for ever higher efficiency.

We are continuing to develop products to meet customers' requirement specifications, including silicon (Si) RC-IGBT* products, which we developed independently ahead of our competitors, and silicon carbide (SiC) products, which can significantly reduce power loss compared to Si products. By increasing the number of manufacturers and models adopting our modules in Japan and abroad, we will work to expand sales beyond the increase of xEV production.

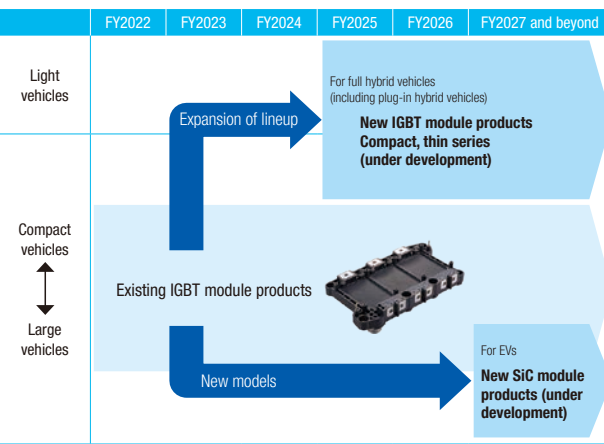
We are also planning to expand our lineup of module products, and promote the development of compact and thin package lineup for light and compact vehicles and new SiC products for EVs.

* RC-IGBT integrates two types of semiconductors having different functions (IGBT and freewheeling diode), laid out alternately in a linear arrangement on a single chip. This chip structure allows significant reduction of power loss and miniaturization compared with conventional products in which two chips are placed separately.

xEV*1 Production Trend & Fuji Electric's IGBT Sales Plan



Plans to Expand Lineup of Power Semiconductor Modules for xEVs



Expanding sales of IGBT modules for renewable energy applications

We are expanding our product lineup of 7th-generation IGBT modules, which feature high heat dissipation and high reliability, and increasing sales of products for the renewable energy in the industrial field.

In the renewable energy field, there is an increasing demand for higher voltage, higher output, higher efficiency products that can contribute to downsizing, system cost reduction, and longer life. We are developing the 8th-generation IGBT modules that offer an output of 10-20% greater compared to the 7th-generation, as well as large capacity modules equipped with next-generation SiC.

Going forward, we will continue to capture the strong demand in these markets to boost sales.

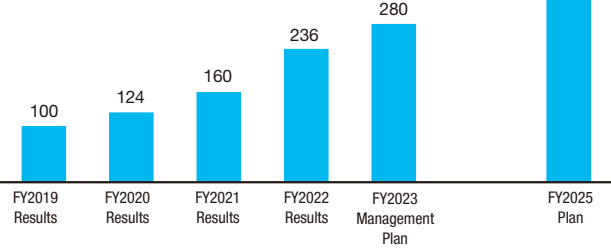
Aggressive investments to increase production capacity for Si and SiC

In order to respond to strong demand for power semiconductors, we anticipate that our cumulative plant and equipment investment for the five years up to fiscal 2023 will increase from ¥120 billion in our initial plan to over ¥200 billion.

For the manufacturing process (front-end process) of power semiconductor chips, we are accelerating investments to increase the production capacity for 8-inch Si wafers and plan to increase production capacity in fiscal 2023 by about 2.8 times the level of fiscal 2019. For SiC products, we are preparing for the full-scale launch of mass production of 6-inch wafers in fiscal 2024, and also pursuing the development of technologies for mass production of 8-inch wafers.

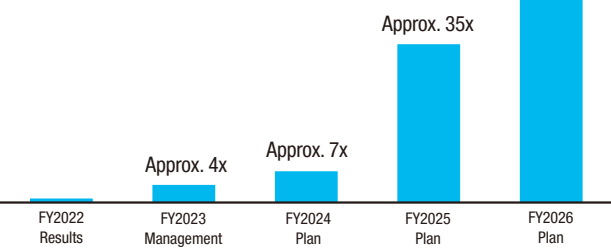
We are also continuing investments for the assembly process to increase the production capacity for automotive and industrial products.

8-Inch Si Wafer Production Capacity (Front-End Process)



* For production capacity (year-end comparison), FY2019 (benchmark year) is assigned 100 for comparison purposes.

6-inch SiC Wafer Production Capacity (Front-End Process)



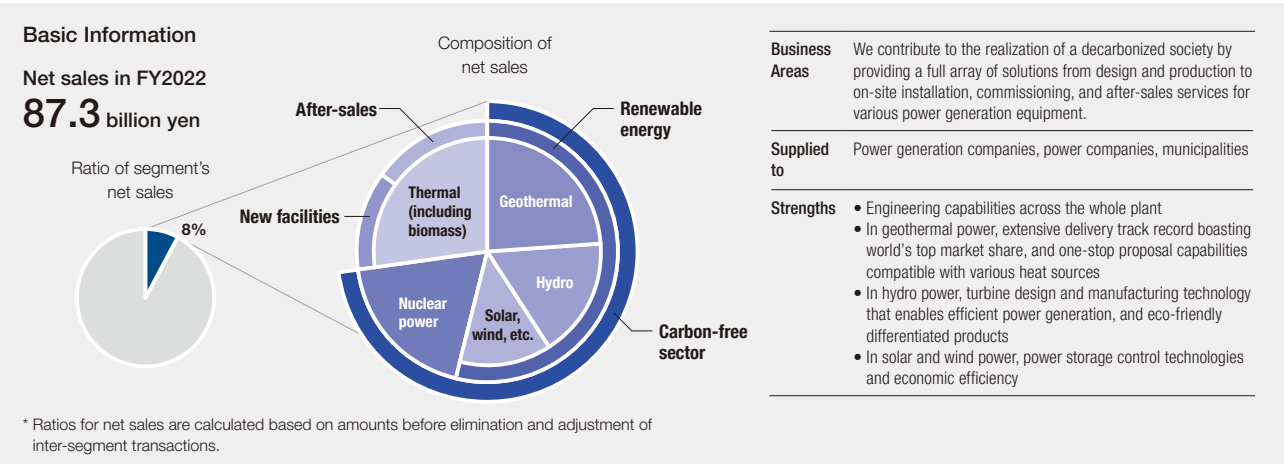
* Figures are indicated as multiples of production capacity as of end of FY2022 (comparison of capacity at end of each fiscal year)

Power Generation



We will expand our renewable energy, after-sales, and nuclear power-related businesses, and increase profitability.

Tadao Horie
Executive Officer
Corporate General Manager, Power Generation Business Group

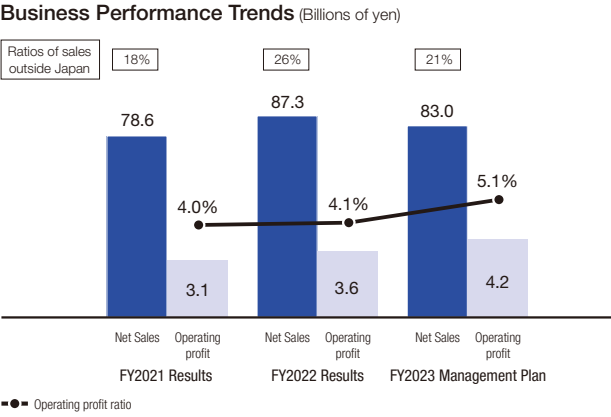


Market Trends and Business Opportunities

As an initiative to resolve climate change issues, decarbonization is accelerating in the energy markets, and business opportunities in the renewable energy and nuclear power-related field are increasing.

Products	Market Trends and Business Opportunities
Geothermal power	As investigation and development of new heat sources are in progress on a global level, low-capacity projects, in particular, are starting to materialize in Japan.
Hydro power	As demand for replacing aged power generation facilities and increasing output continues, pumped-storage hydropower generation is seen in a new light for its marginal supply capability, regulating power, and absorbability of renewable energy, and we expect to see demand to upgrade existing power plants for effective utilization.
Solar power and wind power	As part of the initiatives towards carbon neutrality, more companies are replacing the energy they consume in their business activities with renewable energy, and demand for self-consumption power generation equipment is expanding.
Nuclear power-related field	The "Basic Policy for the Realization of Green Transformation (GX)," which was confirmed by the Japanese Cabinet in February 2023, advocates the utilization of nuclear power as a decarbonized power source. This policy will contribute to improving the energy self-sufficiency rate, and we are expecting increasing demand for decommissioning of facilities as well as waste treatment from the restart of power stations.
After-sales	There is a rising need for increased reliability of equipment in light of the tight electricity supply-demand balance in Japan, and expected demand for renewal and upgrade of geothermal power generation equipment overseas.

Fiscal 2022 Results and Fiscal 2023 Plan



In fiscal 2022, we achieved increase in sales and profit thanks to large-scale geothermal power generation projects, and achieved net sales of ¥87.3 billion, up ¥8.8 billion year on year, operating profit of ¥3.6 billion, up ¥0.4 billion, and operating profit ratio of 4.1%, up 0.1%.

In fiscal 2023, despite decrease in profit year on year due to decrease in large-scale projects in the previous fiscal year, we expect to achieve increase in sales by streamlining our operations and due to differences between projects, forecasting net sales of ¥83.0 billion, down ¥4.3 billion year on year, and operating profit of ¥4.2 billion, up ¥0.6 billion, with an operating profit ratio of 5.1%.

Priority Measures

In response to the accelerating tide of decarbonization, we are focusing on renewable energy, carbon-free sector of nuclear power, and maintenance and upgrade of existing power generation equipment, and promoting the expansion of the after-sales business to deliver increased efficiency.

Expanding orders for renewable energy

● Geothermal power

By handling both the flash method, which is suitable for high-temperature heat sources, and binary method, which can generate power from low-temperature heat sources, we are maintaining top market share globally with our strength of one-stop proposal capabilities in responding to diverse customer needs. Going forward, we will enhance our activities to win orders in and outside Japan including the Pacific-rim and Africa, where energy development is in progress. For ongoing projects, we will maximize profit by establishing the optimum supply chain for each region and strictly managing cost fluctuation and other risks.

● Hydro power

In addition to responding to S&B* demand of existing power plants in Japan, we will address the need for modernization of pumped-storage hydropower generation and contribute to making the sector a main power source of renewable energy. With the strong demand for hydro power generation, our order backlog has grown around 3.4 times over the last five years. We will work to establish systems to ensure steady performance of projects.

* S&B (Scrap and Build): Achieving efficiency by scrapping or eliminating obsolete and inefficient facilities and replacing them with new ones

● Solar and wind power

In Japan, more companies and municipalities are implementing self-consumption power generation equipment and constructing regional microgrids. We will work to increase successful orders by making optimal proposals based on customer needs, by combining our strengths including power stabilization technology utilizing storage batteries, and know-how on cooperative operation with existing power generation equipment that we have accumulated at our factories.

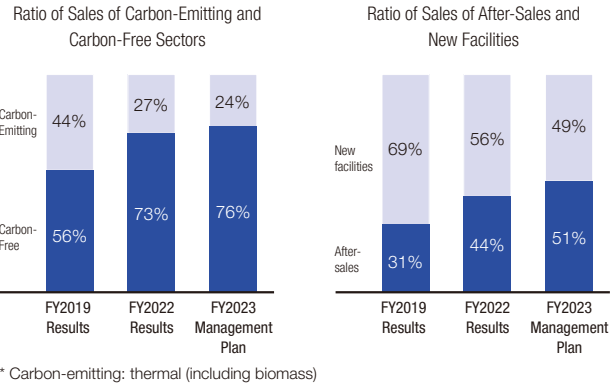
Expanding our nuclear power-related equipment business

By leveraging the extensive experience we have accumulated since the construction of Japan's first nuclear power plant, and our three core technologies of remote handling of nuclear fuel and waste, radioactive waste treatment, and nuclear reactor engineering, we will work to increase successful orders, including fuel extraction and other decommissioning at Monju, as well as radioactive waste treatment upon restart of power stations. We will also work aggressively with partners on innovative next-generation reactor projects to enhance the safety of nuclear power generation.

Expanding our after-sales business

In Japan, we will further expand orders through solutions to minimize risks upon stopping of existing thermal power plants, and contribute to improving output adjustment capability when combining thermal power with renewable energy. Overseas, we will strengthen our proposals for maintenance, upgrades and output capacity increase based on our strong delivery track record of geothermal power generation equipment.

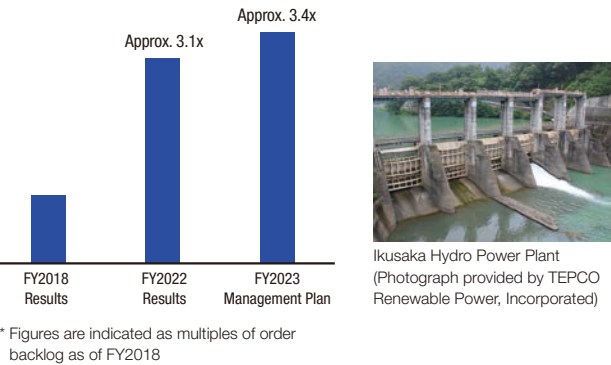
Growth of Percentage of Sales of Carbon-Free Sector and After-Sales Services



Deliveries of Geothermal Power Generation Equipment (As of Sep. 2022)



Hydro Power Order Backlog

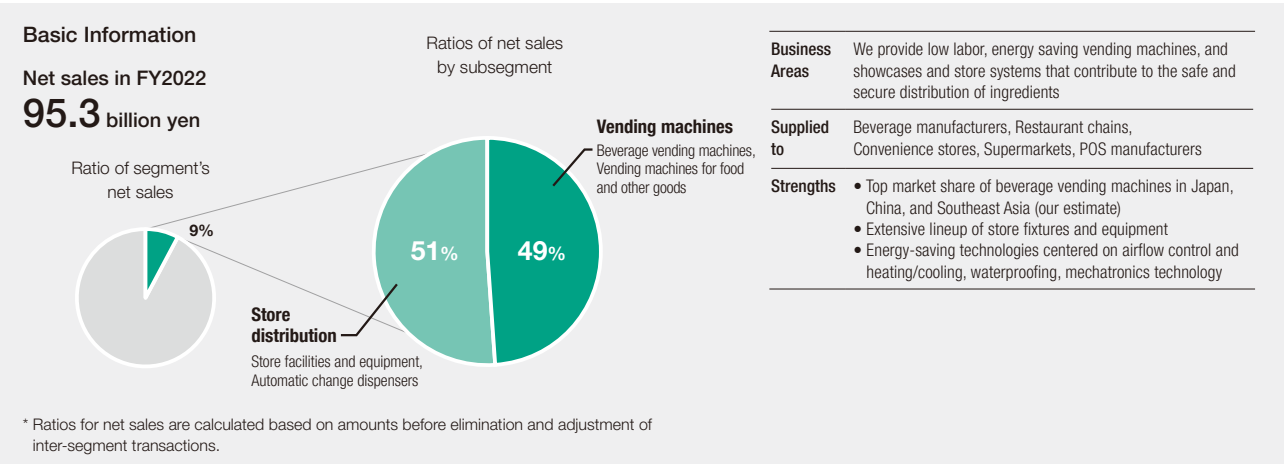


Food and Beverage Distribution



We will enhance profitability by introducing high-value-added products to the market and promoting cost reduction and streamlining in order to explore new areas.

Keiichi Asano
Executive Officer
Corporate General Manager, Food and Beverage Distribution Business Group

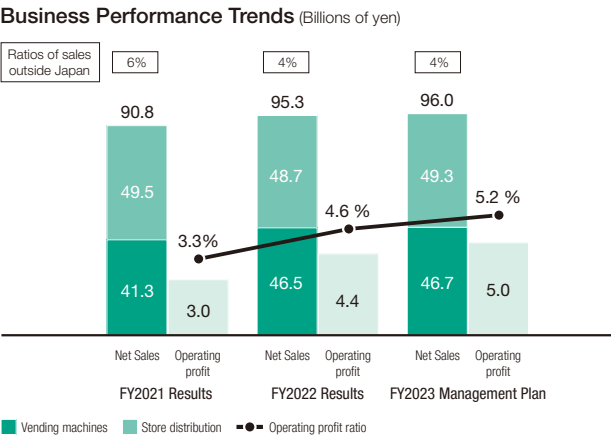


Market Trends and Business Opportunities

As the COVID-19 situation is improving, the food and beverage distribution market continues to recover and we anticipate the market conditions to be almost the same level as the previous fiscal year. New business opportunities are arising as needs are diversifying to include energy saving, labor saving, and contract-free, non-face-to-face interactions.

Subsegments	Market Trends and Business Opportunities
Vending machines	In Japan, we expect investments for vending machines to be at the same level as the previous year as there is a continuing demand for IoT services to achieve energy saving and streamlining of operations, and growing needs of customers newly adopting vending machines resulted from growing sales demand for frozen and other foods. Overseas, market conditions are recovering with increasing replacement demand in China and diversification of customer needs for energy saving and eco-friendliness.
Store distribution	Along with an increase in demand for store renovations to meet energy-saving requirements, particularly in convenience stores, needs are diversifying to include labor saving, food loss reduction, contact-free, non-face-to-face interactions, and satellite locations.

Fiscal 2022 Results and Fiscal 2023 Plan



In fiscal 2022, despite deterioration in profit as a result of allocating allowance for doubtful accounts for our Chinese subsidiary, we achieved increase in sales and profit thanks to factors including increase in investment in vending machines mainly by Japanese beverage manufacturers, more high-value-added products, and promotion of cost reduction in the vending machine and store distribution businesses.

In fiscal 2023, we forecast net sales of ¥96.0 billion, up ¥0.7 billion year on year, and operating profit of ¥5.0 billion year, up ¥0.6 billion, with an operating profit ratio of 5.2%, driven mainly by further deployment and expansion of high-value-added products in both vending machine and store distribution businesses.

Priority Measures

Deploying high-value-added products and promoting price strategy in the vending machine business

In the vending machine business in Japan, we will offer high-value-added vending machines that meet such needs as energy saving and digital transformation (DX) and enhance the value we provide to our customers.

For beverage manufacturers, we will offer DX-related products including sustainable vending machines, which reduce energy consumption by maximum 20% compared to our conventional models (85% reduction from 2001), a dynamic pricing function, which offers the flexibility to change the price of products depending on demand trends, and vending machine IoT services for beverage manufacturers and vending machine operators to improve the efficiency of product replenishment operations.

For customers who are considering new adoption of vending machines to respond to needs such as contact-free, non-face-to-face, and 24-hour sales, we will launch upgraded frozen food vending machines as fiscal 2023 models.

To enhance profitability, in addition to passing on increased material prices, we will implement a pricing strategy for high-value-added products. We will also reduce costs by creating platforms, as well as promote service reform, operational streamlining, and other rationalization.

For overseas markets, we will promote a selective and

focused sales strategy for customers with strong purchasing power. We will offer differentiated products that meet the needs, for example, beverage vending machines with energy saving functions in China, and food vending machines with conveyance functions in Asia.

Proposing solutions that meet diversifying needs

In the store distribution business, we will continue to propose total solutions to meet needs such as energy saving and labor saving.

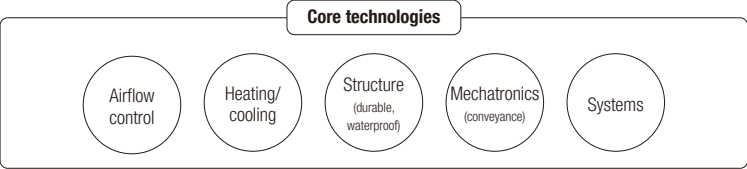
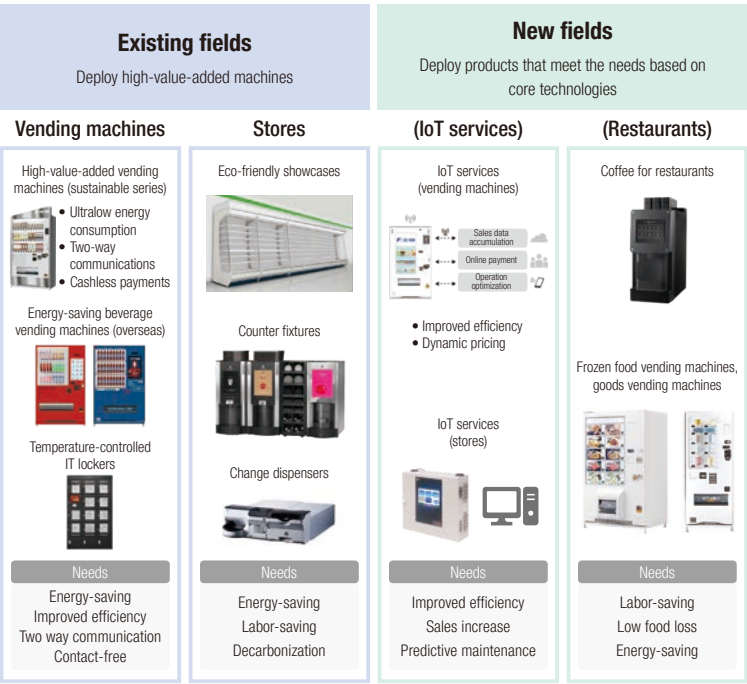
For convenience stores, we will offer differentiated functions and launch high-value-added products, including eco-friendly showcases, store IoT services, and new counter fixtures.

We are also introducing new coffee machine models for restaurant chains to expand sales.

Enhancing business constitution through reorganization of the manufacturing system

We have reorganized our manufacturing system to better match the business scale, and consolidated the bases into two global locations in Japan and in China (Dalian). We will continue to pursue total cost reductions including cost reduction, improvement of operational efficiency, and improvement of productivity, in order to further enhance our business constitution.

Deployment of High-Value-Added Products and Development of New Areas



Reorganization of Manufacturing System (Five bases globally → Two bases)



* DFB: Dalian Fuji Bingshan Vending Machine Co., Ltd.

Research and Development

Basic Policies

- We are engaging in R&D initiatives based on the following policies aimed at the creation of new social value using energy and environmental technologies.
- Acceleration of technology development for the solution of social issues such as carbon neutrality and others, and for the creation of customer value through digital transformation
 - Strengthening the search for research themes and the formulation of product plans in order to respond to major changes in the external environment, such as markets and technologies
 - Creation of competitive advantages through new combinations of technologies
 - Strengthening of research into advanced technologies leading to the next new products anticipating trends in 2030 and beyond
 - Promotion of intellectual property portfolio formation and international standardization activities meeting the requirements of the globalization of business and new technologies and new products

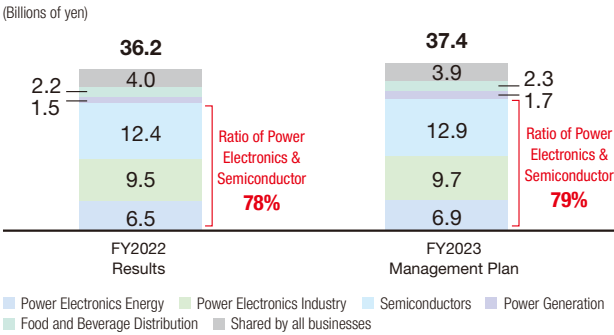
R&D Expenditures

As part of the growth strategy in the FY2023 Medium-Term Management Plan, we have invested approximately 80% of our R&D expenditure in our power electronics and semiconductor businesses.

The FY2022 result was ¥36.2 billion, and we allocated 78% of that amount to the fields of power electronics and semiconductors. In power electronics, we focused our efforts on the development of global products including substation equipment and automation monitoring control systems and the development of products for the mobility field including electrified vehicles (xEVs) and ships. In semiconductors, we expanded the series of RC-IGBT modules for xEVs and evolved silicon carbide (SiC) technologies.

Also in FY2023, we plan to continue priority development investment in power electronics and semiconductor

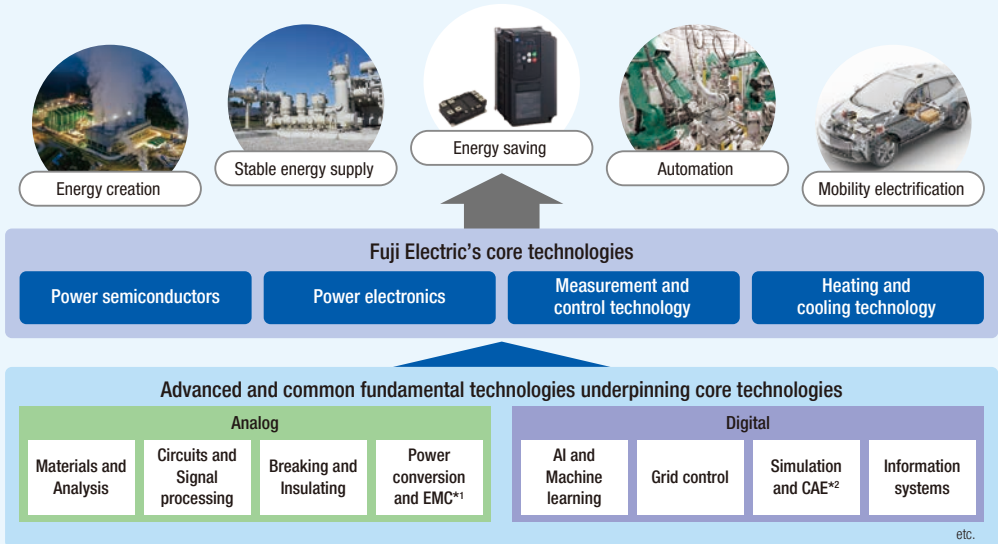
businesses, and to increase the amount of investment in food and beverage distribution and power generation businesses from the previous fiscal year.



Fuji Electric's Core Technologies

Fuji Electric has four core technologies, centered on power semiconductors with the industry's top-of-the-line power conversion efficiency and power electronics to convert and utilize electric power freely and without waste, as well as measurement and control technology, which supports industrial automation and energy saving, and heating and

cooling technology cultivated in our industry-leading vending machines. These core technologies are supported by both analog and digital advanced technologies and common fundamental technologies, including power conversion and EMC*1, and AI and machine learning.



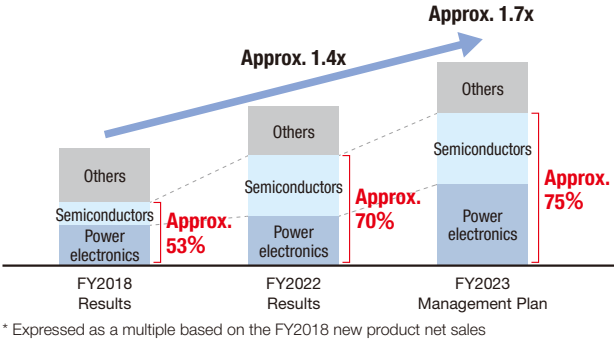
*1 EMC: Electromagnetic Compatibility *2 CAE: Computer Aided Engineering

New Product Net Sales

Regarding the net sales of new products*, which are positioned as the most important KPI for R&D, the FY2022 result grew by approximately 1.4 times compared to FY2018. Power semiconductors for electrified vehicles drove this growth in particular.

In FY2023, we will work to further expand sales of new products, especially for power electronics, aiming for 1.7 times compared to FY2018.

* New products: Within five years after market launch



Medium- to Long-Term R&D Initiatives

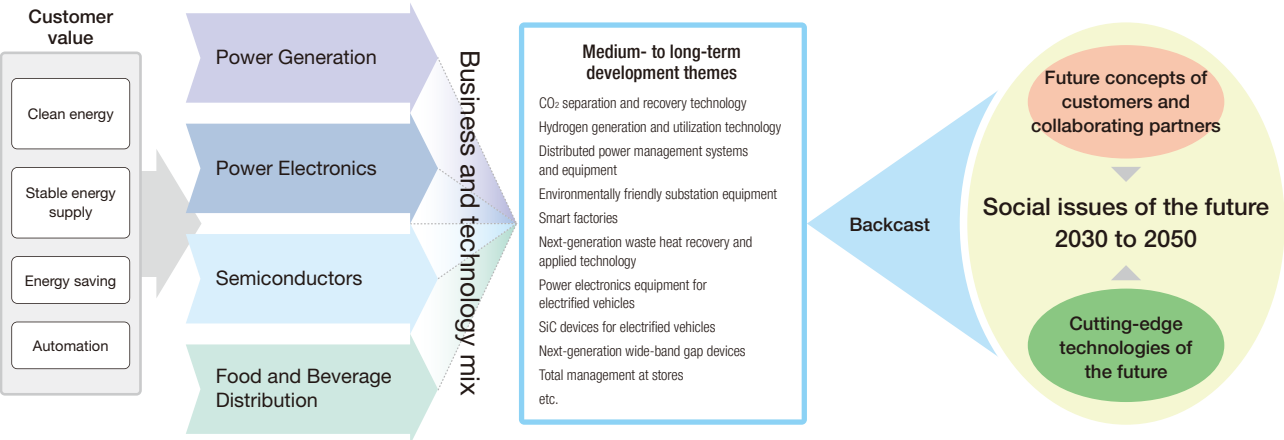
For the sustained growth of Fuji Electric, we will match market needs related to energy and the environment to the business and technology mix of Fuji Electric, with the aim of creating new business opportunities and social value using our products.

The New Products Development Office established in FY2021 is the hub for initiatives to plan and promote new development themes based on analyses of market and customer trends from medium- to long-term perspectives.

In FY2022, we planned and promoted development

themes centered on issues related to green transformation (GX), such as hydrogen generation and utilization technology, CO₂ separation and recovery technology, or next-generation waste heat recovery and applied technology to contribute to carbon neutrality.

Moreover, we ascertain and analyze future concepts of customers and collaborating partners and closely monitor the trends of cutting-edge technologies to imagine the social issues from 2030 onwards and determine the development themes we should tackle.



TOPICS

Aiming to upgrade electricity supply and demand predictions, a social collaboration research department has been opened in the University of Tokyo

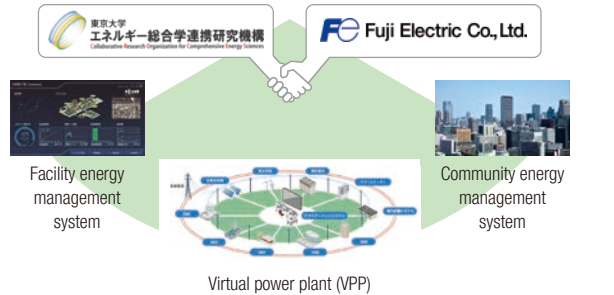
In April 2023, Fuji Electric and the Collaborative Research Organization for Comprehensive Energy Sciences at the University of Tokyo opened "Realization of Electric Systems Innovation," a social collaboration research department with the objective of joint research to contribute to expanded adoption of renewable energy.

With electricity, it is necessary to constantly match the amount of power generation to the amount of consumption. In order to expand the introduction of renewable energy such as solar and wind power, adjustments to achieve equilibrium between electricity supply and demand are essential.

In order to solve this issue, we will develop a technology to predict the amount of renewable energy power generation and the market prices of renewable energy with high precision using AI. This technology will be obtained by combining the outstanding insights of the University of Tokyo concerning electricity supply and demand predictions with the experience in storage battery systems for the power

system* and community energy management systems* that Fuji Electric has been working on to date. Through the provision of Fuji Electric products that have applied the outcomes of those predictions, we will aim for expanded adoption of renewable energy.

* For details, refer to "Promotion of the Energy and Environment Businesses" on P24 and P25

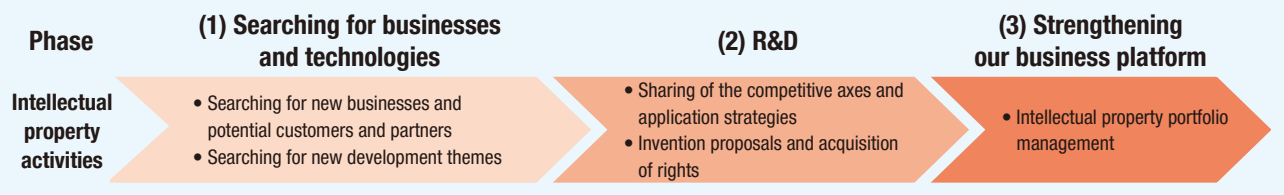


Intellectual Property Strategy

Fuji Electric has positioned intellectual property as an important management resource, and it will secure the competitive advantage of Fuji Electric through the strategic acquisition and utilization of intellectual property rights, most notably patent rights and design rights, and is strengthening initiatives concerning the international standards with which compliance is required in the markets for each of our products aiming for expanded global sales.

Initiatives concerning intellectual property rights

In order to maintain and strengthen our business competitiveness through intellectual property rights, the business division, the R&D division, and the intellectual property division collaborate closely to take initiatives in three phases: searching for businesses and technologies, R&D, and strengthening our business platform.

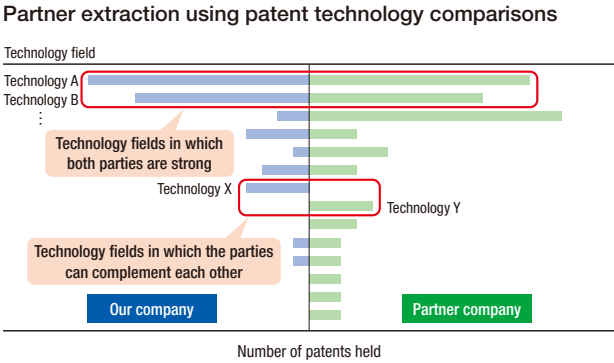


(1) Utilization of intellectual property information analyses for searching for businesses and technologies

When searching for new businesses and new technologies focused on opportunities for major social transformations such as carbon neutrality and digital transformation, we increase the effectiveness of our measures by utilizing the IP landscape.* By analyzing patents and research papers, we not only produce corroboration and counterevidence with respect to new technologies but also ascertain the future needs of our customers in order to promote initiatives utilizing them in the development of competitive new products.

Furthermore, in the case that collaboration in business expansion of new domains becomes necessary, we analyze the patents held by our company and the partner candidate companies (see the figure on the right) in order to clarify the development history and accumulation of each of the technologies and realize the extraction of partner candidates that will lead to win-win relationships.

* IP landscape: Analyzing information concerning intellectual property to ascertain technology trends and the competitive environment



(2) Strengthening of intellectual property rights linked to R&D

Regarding intellectual property generated through R&D, we aim for strategic acquisition of rights to ensure that we can continue expanding profit through differentiation in our business activities. After sharing the “competitive axes” in the markets of the products subject to development with the business, R&D, and intellectual property divisions, we promote activities to build a patent network linked to R&D.

TOPICS

Building the patent networks of the large capacity uninterruptible power supply systems (UPSs) for data centers

In the power electronics business, we are promoting a comprehensive electrical equipment business, and UPSs, the core product, have become the differentiating element in the growing business for data centers (IDCs) in particular.

With large capacity UPSs for IDCs, downsizing to increase the number of installed servers and the shortening of downtime in order to enhance the availability are the main competitive axes. The UPS7500WX Series employs “front maintenance” and “unit structure.” The level of difficulty of combining these is high due to the need for internal cooling; therefore, many ideas, or in other words intellectual property, are incorporated in order to achieve this. Through the Invention Discovery Meeting shared by the R&D division and the intellectual property division, we extract and systematically organize everything from the design concept to the flow channel of the cooling air, component layout and wiring route which embody the design concept, in order to quickly file patent applications without any omissions.

UPS7500WX Series

Front maintenance

Save further space using the mechanisms of top exhaust and front maintenance, and other methods

UPS7500WX manufactured by Fuji Electric

Maintenance space is not necessary between the main unit and the wall

UPS manufactured by another company

Maintenance space is necessary between the main unit and the wall

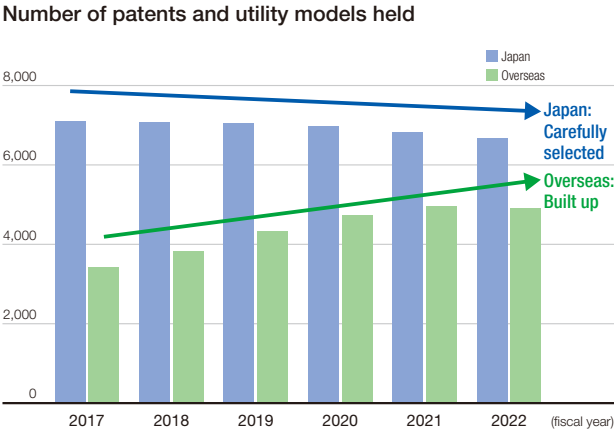
Unit structure

Reduction of man-hours for the wiring and other aspects

(3) Portfolio management of intellectual property for strengthening our business platform

Regarding the intellectual property rights held, we are continuously carrying out maintenance taking into account changes in business conditions, including the addition of application countries in conjunction with the progress of our overseas businesses, and the waiver of patents held in response to competitive axis changes and product lifecycles.

Regarding the number of patents held by Fuji Electric, we carefully select the patents in Japan in order to raise the cost-effectiveness of the intellectual property rights in our businesses, and we file about 1,000 new applications every year to maximize our opportunities for the acquisition of rights. On the other hand, we are building up our foreign patents in order to be able to respond to the expansion of our overseas businesses, globally strengthen our rights, and reduce the risk of intellectual property disputes.



Initiatives concerning international standards

Fuji Electric is strengthening its initiatives concerning international standards. Company-wide committees with each Corporate General Manager as the committee members decide the policies and strategies, we establish working groups for each business field based on those policies and strategies, and we systematically advance the acquisition of certification according to international standards for each of our products.

Furthermore, we are promoting active involvement in international standardization institutions such as the International Electrotechnical Commission (IEC) in order to ensure that we can exercise leadership in rule-making activities pertaining to energy creation, energy saving and other growth domains of Fuji Electric centered on the power electronics and power semiconductors fields. A Fuji Electric employee is in the position of the Japanese representative member of the Conformity Assessment Board (CAB), a top-ranked committee in the IEC, and is contributing to enhancement of the effectiveness of the certification system of the IEC.

In FY2022, we newly established the Global Business Strategy Office, which leads standard certification and rule-making activities, and we are accelerating initiatives for business expansion concerning carbon neutrality and DX in the power electronics business.

TOPICS

Acquisition of security certification in the development lifecycle

The Tokyo Factory and the Suzuka Factory, the flagship factories of the power electronics business, have acquired certification for the international standard IEC62443-4-1.*1 Going forward, both factories will develop new products including inverters and controllers (PLC) that enhance security functions, among others, and they are aiming to launch them on the market by about FY2024.

We acquired the certification of IEC62443-4-1 based on the first CB certification scheme*2 in Japan. Adopting this scheme enables us to efficiently acquire standards certifications in more than 50 countries; therefore, we will utilize it going forward as well.

*1 IEC62443-4-1: The international standard which specifies the requirements for the development of secure products used in industrial automation and control systems

*2 CB certification scheme: A system for mutually approving the test results for electrical equipment internationally. The scheme is operated based on the IEC System for Conformity Assessment Schemes for Electrotechnical Equipment and Components (IECEE). Institutions in more than 50 countries participate in it, and the issued CB certificates and other documents are accepted in the certification systems operated by the certification institutions that are members.

IEC 62443-4-1 CB certificate
(Left: Suzuka Factory Right: Tokyo Factory)

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*1 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*2 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.

*1 SBT: Science-based GHG emissions reduction target to achieve the 1.5°C target
*2 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 ₂ emissions reduction in society through our products:	Over 59 million tons/year

* Reduction rate from FY2013: 54%



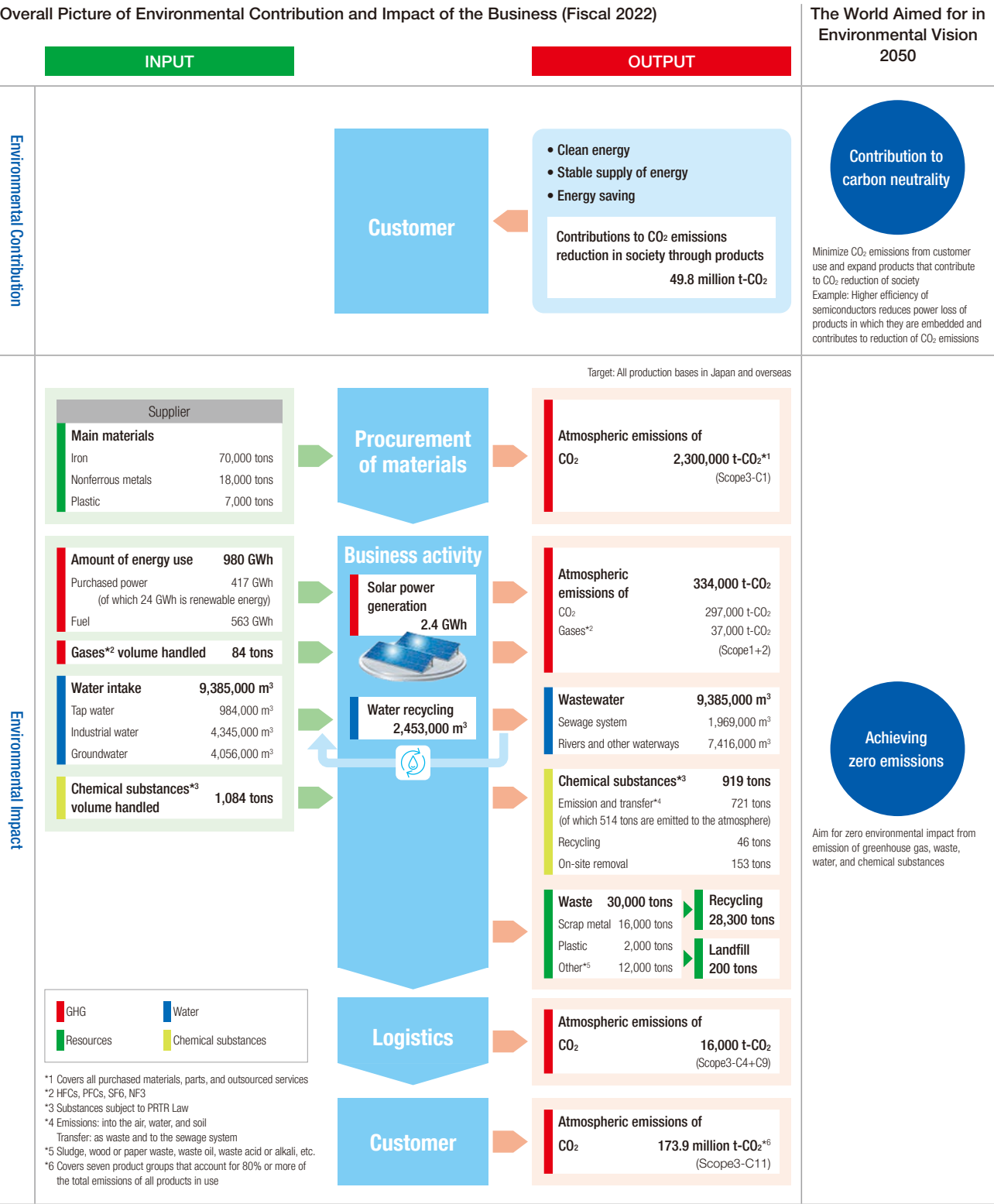
The World Aimed for in Environmental Vision 2050

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.



Initiatives to Achieve a Decarbonized Society

Fiscal 2022 Results and Progress

Environmental Vision Fiscal 2030 indicators	FY2021	FY2022			FY2023	FY2030
	Result	Target	Result	Measures	Target	Target
Supply chain GHG emissions (Scope 1+2+3) (million tons)	180	181	177 <Achieved>	● Increase percentage of 7th-generation IGBTs ● Expand sales of automotive modules	72 or less	67 or less
GHG emissions during production (Scope 1+2) (thousand tons)	364	400 or less	334 <Achieved>	● Implement production process as an alternate to SF6 ● Upgrade to high-efficiency equipment ● Start purchasing renewable energy electricity (Japan)	380 or less	250 or less
Contributions to CO ₂ emissions reduction in society through products (million tons)	45.4	45.0 or more	49.8 <Achieved>	● Cumulative increase in power electronics products and biomass power generation	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. CO₂ (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 CO₂ 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 CO₂ emissions of society by saving energy through activation. We are working to reduce not only our own CO₂ emissions (Scope 1+2+3), but also those of society by contributing to the reduction of CO₂ 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)

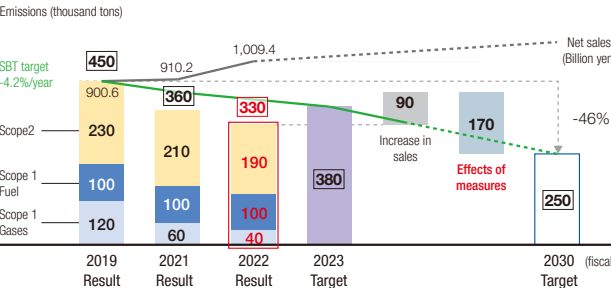


Contributions to CO₂ Emissions Reduction in Society through Products (million tons)

In addition to the above measures, we aim to increase the percentage of renewable energy among company-wide electricity consumption* (6.2% in fiscal 2022) to 40% by fiscal 2030 by increasing the amount of purchased renewable energy in the future.

* Electricity consumption: Electricity purchased + solar power generated internally

Trends in GHG Emissions during Production



● Contributions to CO₂ 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 CO₂ 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 CO₂ equivalent figures. For products shipped in and after fiscal 2009 during their operation period, the amount of CO₂ 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.

<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 Contributing Products and Contribution Amounts (Fiscal 2022)

(Unit: million tons)

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)

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)

(Unit: Billion yen)

	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

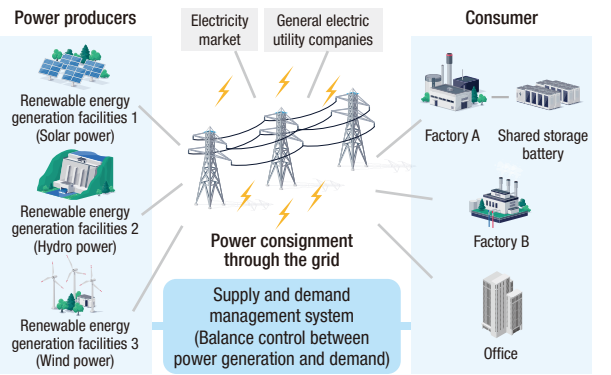
Off-site renewable energy supply model

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,

* PPA: Power Purchase Agreement

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.



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 m³/100 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.

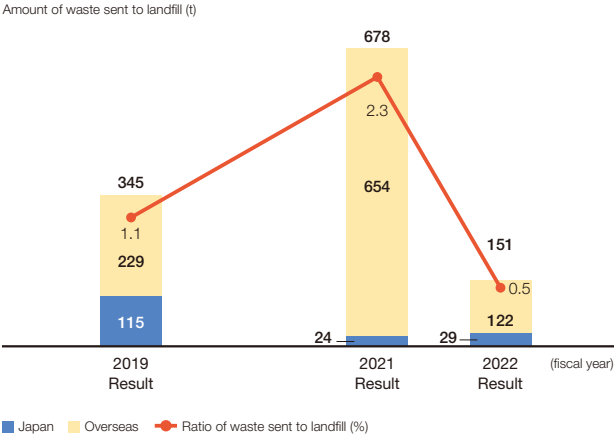
<Issues to be addressed to reduce waste sent to landfill>

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.

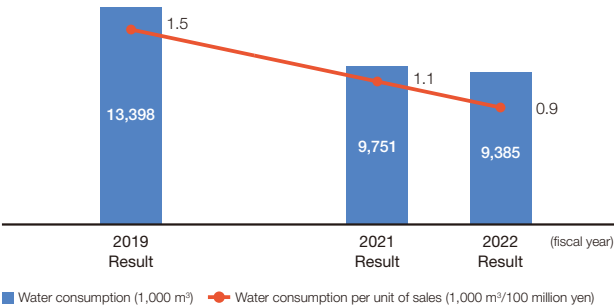
<Compliance with the New Plastics Law>

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		• Delays in procurement of parts • Cost increases due to wind and flood damage countermeasures in response to frequent extreme weather events	• Increased demand resulting from active investment in business continuity plan (BCP) measures by customers	• Promote multi-sourcing of parts (identify parts with high procurement risk due to the disasters, and diversify risks) • Reinforce wind and flood protection measures for factory buildings in Japan and overseas located mainly in bay areas and areas covered by hazard maps
		• Delays in outdoor construction and service work • Delays in product delivery due to the disruption of logistics network and influence to production		
1.5°C	Suppliers	• Deterioration in profit due to procurement difficulties and cost increases	• Promotion of parts standardization and unification • Expanded use of recycled materials in products	• Promote multi-sourcing • Support for decarbonization of key suppliers
	Development and Design	• Delays in technology development to meet decarbonization requirements	• Increased demand for technologies needed to promote decarbonization	• Accelerate R&D of new technologies related to decarbonization, release them to the market in a timely manner, and reduce their costs
	Manufacturing	• Cost increases associated with decarbonization of production facilities (plant and equipment investment and other costs, purchase of renewable electricity)		• Expand parts recycling through collaboration with customers and recycling companies • Strengthen reduction of greenhouse gas emission at production facilities
	Logistics		• Promotion of “local production for local consumption” (inventory reduction, logistics cost reduction, tax saving)	• Respond to increased demand by increasing production capacity [Semiconductors]
	Customers and Markets	• Loss of business opportunities due to lack of support for 100% usage of renewable energy during production • Decrease in demand for thermal power generation	• Increased demand for renewable energy and energy-saving products • 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	• Shift resources to renewable energy business [Power generation]

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

	Risk Identification	Adaptive Measures and Financial Impact
Frequent extreme weather events (4°C)	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 • Risk assessment was conducted by Tokio Marine dR Co., Ltd. and was scrutinized internally • 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. <Reference Materials> • Japan: Web-Based Flood Simulation Search System at an Arbitrary Point (Ministry of Land, Infrastructure, Transport and Tourism), Hazard maps (each municipality) • Overseas: Aqueduct Water Risk Atlas (WRI)	• At production bases at risk of flooding, we will formulate flooding countermeasures to minimize damage and review BCPs • Even at bases that are considered low-risk, we will promote flood countermeasures as necessary • 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
Increased environmental investments and expenses (1.5°C)	Estimate environmental investments and expenses required to achieve the Fiscal 2030 Target (GHG reduction in production activities: over 46% reduction from fiscal 2019 levels) • Install solar power generation equipment within the Company’s factory • Upgrade facilities (production facilities, air conditioning, lighting, etc.) • Purchase electricity and credits derived from renewable energy sources	Total environmental investments and expenses associated with reducing GHG emissions during production • Fiscal 2022: Approximately 2.5 billion yen • Fiscal 2023-2030 (cumulative total): Approximately 13 billion yen (including the risk of higher purchase unit prices for renewable energy and credits) * This financial impact should be reviewed in the event of a revision of the business plan or sudden changes in the environment.



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

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

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">Operating sites: 21 sitesSubsidiaries: 21 Japanese, 42 overseas
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">Planning and implementation of education on human rightsPerform periodic health checkupsConsideration for working hours, etc.

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.

	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

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

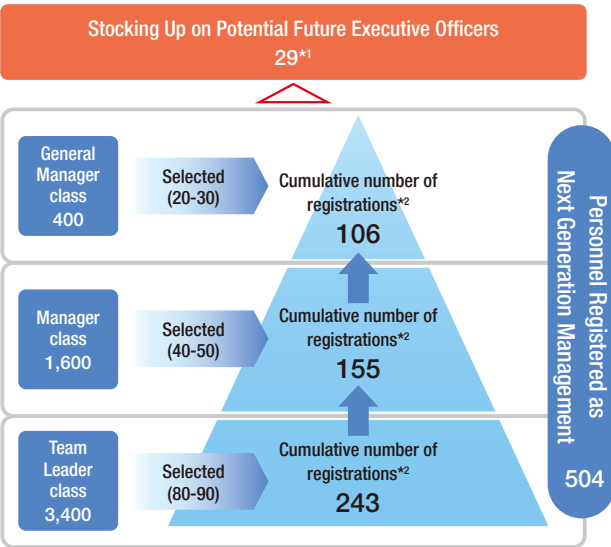
In the Fuji Electric Code of Conduct, we have expressed our commitment to reinforce human resource cultivation to achieve the development of each individual employee as well as the collective strength of the team. We are enhancing the cultivation of human resources who can demonstrate strong leadership 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)
<https://www.fujielectric.com/company/procurement.html>

Sustainable Procurement Activities with Business Partners

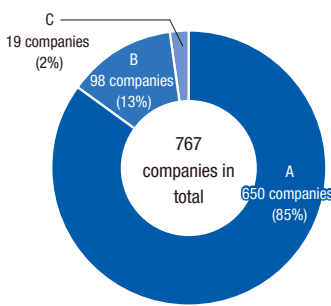
Every year, the Company implements the self-assessment of CSR procurement in accordance with the Fuji Electric CSR Procurement Guidelines for its business partners in Japan and overseas to deepen their understanding of our corporate social responsibility (CSR) approach and initiatives we would like to 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

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)

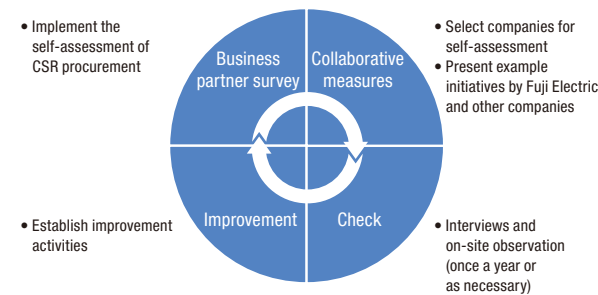


environment, society, and governance.

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.

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

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

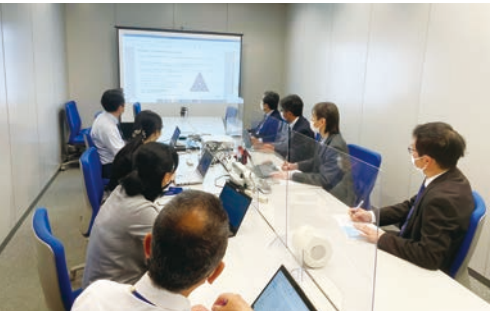
In order to support our business partners in improving their CSR initiatives, we believe it is important for our own employees involved in procurement to understand the CSR issues in the supply chain, and therefore provide employee training on CSR procurement.

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

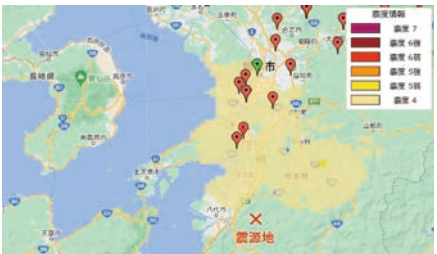
Contributing to Business Continuity through Stable Procurement

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	
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.

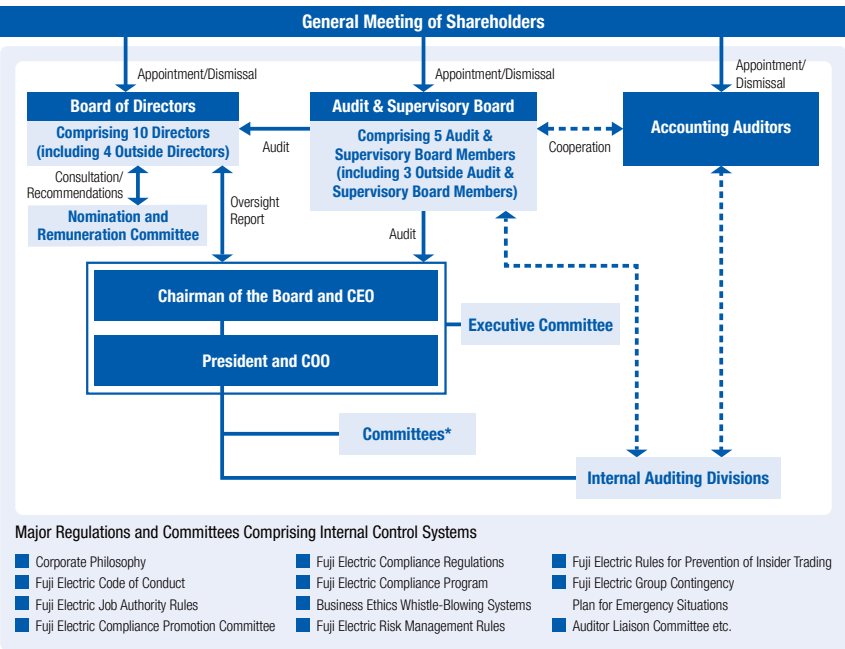
Corporate Governance Framework

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.

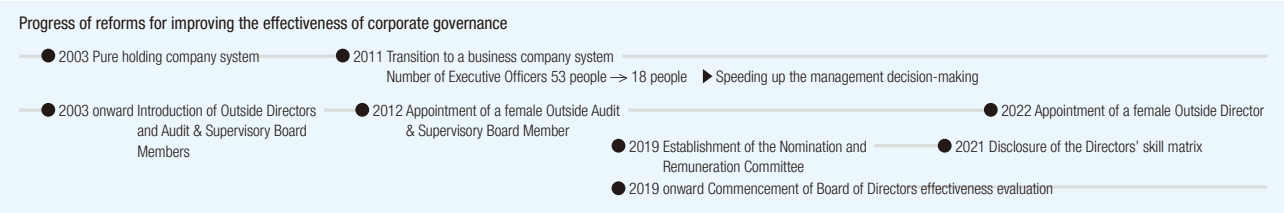
The Company actively appoints Outside Directors and Audit & Supervisory Board Members that satisfy the requirements for independence, endeavors to strengthen management supervisory and auditing functions, and has established the Nomination and Remuneration Committee comprising a majority of Outside Directors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

- (1) Policy on the composition of the Board of Directors
- (2) Policies and criteria regarding the appointment or dismissal of Directors, the President and Chairman of the Board of Directors, and Audit & Supervisory Board Members
- (3) Appointment or dismissal of Directors, the President and Chairman of the Board of Directors, and Audit & Supervisory Board Members
- (4) Matters regarding the formulation and implementation of a succession plan for the President and Chairman of the Board of Directors
- (5) Policies and criteria regarding the remuneration of Directors and Audit & Supervisory Board Members
- (6) 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, Yukihiro 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.

Standing Directors	Persons with the qualifications, experience, and other attributes required to execute the Company's management policies are appointed.
Outside Directors	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.
Standing Audit & Supervisory Board Members	Persons familiar with the Company's operations in general who also possess expert knowledge and experience are appointed.
Outside Audit & Supervisory Board Members	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.

(1) Major shareholder A major shareholder of the Company (who owns 10% or more of the voting rights) or its executor of business.	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.
(2) 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.	(4) 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.
(3) Major lender, etc. A financial institution, other major creditor, or a person executing the	(5) 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
 <div>Michihiro Kitazawa Representative Director Chairman of the Board and CEO (Chief Executive Officer) Nomination and Remuneration Committee member</div>	●	●	●		●	●	●
 <div>Shiro Kondo Representative Director President and COO (Chief Operating Officer) President In charge of Corporate R&D Nomination and Remuneration Committee member</div>	●		●		●		●
 <div>Toshihito Tamba Outside Director Nomination and Remuneration Committee chairman Executive Adviser, Tokyo Century Corporation</div>	●	●	●			●	
 <div>Yukari Tominaga Outside Director Nomination and Remuneration Committee member External Director, MORINAGA MILK INDUSTRY CO., LTD. Outside Director, Yashima & Co., Ltd. Outside Director, SB Technology Corp.</div>	●				●	●	
 <div>Yukihiro Tachifuji Outside Director Nomination and Remuneration Committee member Advisor, Mitsubishi Paper Mills Limited</div>	●		●	●	●	●	
 <div>Tomonari Yashiro Outside Director Nomination and Remuneration Committee member Professor, Kochi University of Technology Specially-appointed Professor, Tokyo City University</div>			●	●		●	
 <div>Michio Abe Director Senior Managing Executive Officer In charge of Production & Procurement and Power Generation Business</div>			●	●	●		●
 <div>Junichi Arai Director Senior Managing Executive Officer Corporate General Manager, Corporate Management Planning Headquarters General Manager, Export Administration Office In charge of compliance management</div>		●	●			●	
 <div>Toru Hosen Director Senior Managing Executive Officer Corporate General Manager, Semiconductors Business Group</div>					●		●
 <div>Hiroshi Tetsutani Director Managing Executive Officer Corporate General Manager, Power Electronics Industry Business Group</div>					●		●

Audit & Supervisory Board Members

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

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. <ul style="list-style-type: none">• 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. <ul style="list-style-type: none">• 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. <ul style="list-style-type: none">• 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. <ul style="list-style-type: none">• 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. Base Remuneration 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. Performance-Linked Remuneration 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

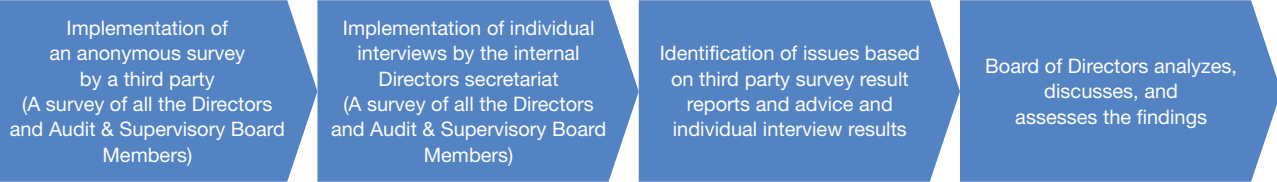
Evaluation of Effectiveness of the Board of Directors

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">Enhancement of disclosure of initiatives and results pertaining to SDGs promotionOrganization of the approach to external disclosure with respect to climate change riskExplanation of the relationship between Fuji Electric's business and social contributionFormulation of a human resources strategy and the setting of goals (overseas, management, female active participation, and others)Organization of the approach with respect to consideration of the introduction of reskilling, profit returns, the equity ratio and capital investment
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">Continuous revision of the R&D roadmap based on our business and technology mixManagement of product development and target values back cast from the CO₂ reduction target
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">Implementation of meetings between top management and institutional investorsConsideration of IR activities for individual investors
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.

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.

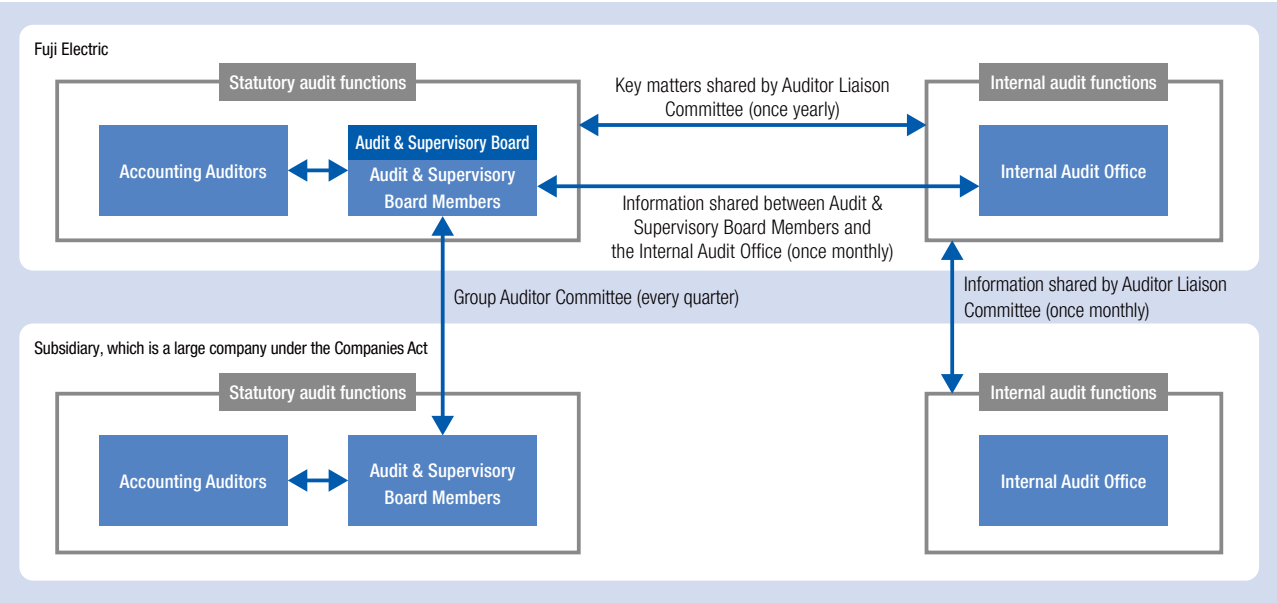
[Main systems based on the internal control system]
Compliance system (For the details refer to P69 "Compliance")
Based on systems for ensuring that Directors and employees

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

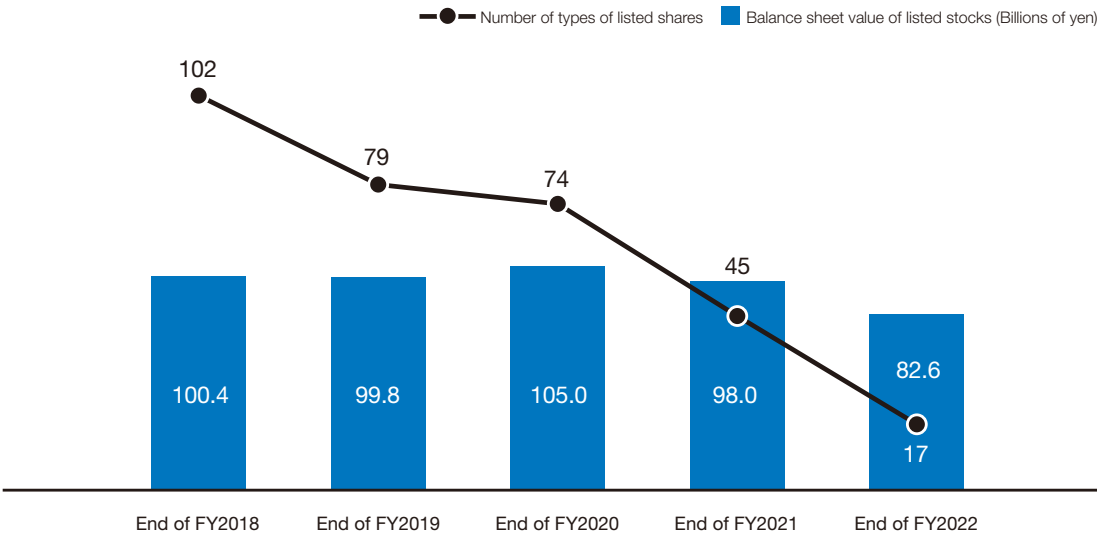
Fuji Electric holds listed shares as a matter of policy in order to maintain and strengthen relations with its investee companies. Our basic policy is to reduce cross-shareholdings. Even in cases where we recognize a certain rationality in holding these cross-shareholdings, we will reduce them while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

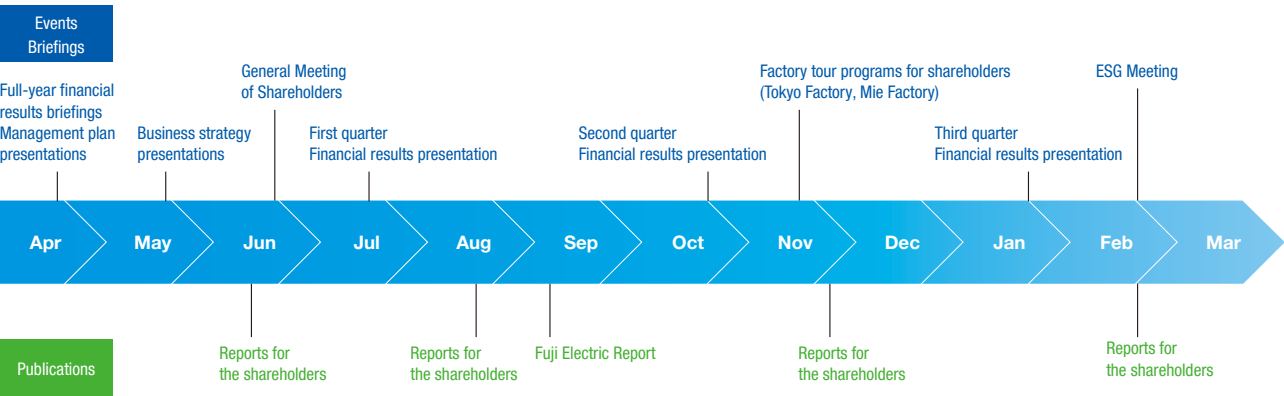
Basic policies

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).



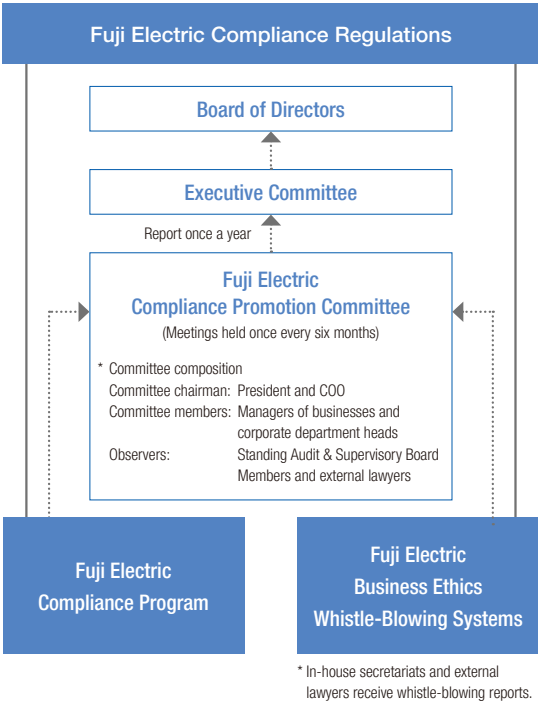
Compliance

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.

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

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.

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

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

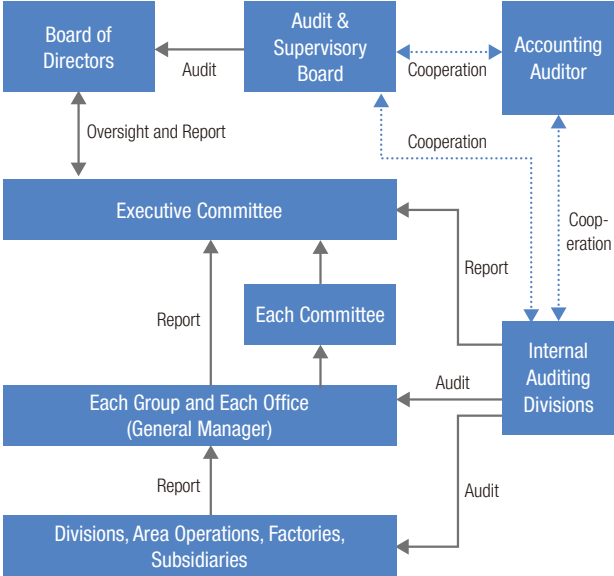
order to prevent risks from materializing (crisis situations), thereby minimizing the impact on management in the event that risks do materialize.

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.



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

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.

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">• We concentrate our management resources on business that is expected to grow and pursue capital investment and R&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&D investment, we emphasize factors that include consistency with our business strategy, and we promote fundamental and advanced technology R&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.• 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.
Corporate Governance	<ul style="list-style-type: none">• 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.
Business Reorganizations, Alliances, and Withdrawals	<ul style="list-style-type: none">• 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.
Orders, Marketing, and Sales Promotion	<ul style="list-style-type: none">• 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.• 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.
Development and Design Engineering	<ul style="list-style-type: none">• We focus on R&D aimed at creating competitive components and systems as well as R&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.
Procurement	<ul style="list-style-type: none">• 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.
Production & Manufacturing Shipping & Distribution Installation & Delivery Services	<ul style="list-style-type: none">• 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.• 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.

Risk Items	Risk Details
Quality Assurance	<ul style="list-style-type: none">• 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.
Human Resources and Labor	<ul style="list-style-type: none">• 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.
Finance and Accounting	<ul style="list-style-type: none">• 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.• 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.
Legal Affairs and Ethics	<ul style="list-style-type: none">• 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 whistle-blowing 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.• 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.• 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.
Political and Socioeconomic Trends	<ul style="list-style-type: none">• We implement currency exchange contracts according to certain standards, but there is still a risk of exchange rates to the yen fluctuating.• 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.
Trends of Shareholders and Other Investors	<ul style="list-style-type: none">• 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.
Natural Disasters and Accidents	<ul style="list-style-type: none">• 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.
External Attacks	<ul style="list-style-type: none">• 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.

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

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.



Positively evaluated for active business continuity efforts, leading to the acquisition of 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.

Consolidated Financial and Non-Financial Highlights

Financial Highlights

Fiscal year	Millions of yen								Thousands of U.S. dollars*1	
	2014	2015	2016	2017	2018	2019	2020	2021*9	2022*9	2022*9
Operating Results										
Net sales	810,678	813,550	837,765	893,451	914,915	900,604	875,927	910,226	1,009,447	7,589,829
Japan	605,763	597,757	632,723	674,744	682,503	679,719	654,020	655,821	717,390	5,393,910
Overseas	204,915	215,793	205,042	218,707	232,412	220,885	221,907	254,405	292,057	2,195,918
Operating profit	39,316	45,006	44,709	55,962	59,972	42,515	48,595	74,835	88,882	668,287
Profit attributable to owners of parent	27,978	30,644	40,978	37,763	40,267	28,793	41,926	58,660	61,348	461,265
R&D and Capital Investment										
R&D expenditures	35,023	35,949	34,910	35,620	33,669	34,457	33,562	33,756	36,216	272,304
Plant and equipment investment**2	29,041	27,650	27,149	26,465	43,338	48,208	35,890	59,320	84,147	632,690
Depreciation and amortization*3	33,615	29,723	29,445	30,151	30,906	32,319	36,194	39,969	45,938	345,401
Cash Flows										
Cash flows from operating activities	51,459	48,450	58,185	53,146	54,949	46,087	26,931	76,809	116,163	873,412
Cash flows from investing activities	(22,750)	(19,410)	9,748	(14,550)	(21,448)	(27,621)	23,477	(22,350)	(49,498)	(372,171)
Free cash flow	28,708	29,040	67,934	38,596	33,501	18,466	50,408	54,458	66,665	501,241
Cash flows from financing activities	(33,828)	(31,566)	(56,083)	(46,887)	(38,174)	16,917	(39,520)	(42,894)	(77,193)	(580,401)
Financial Position										
Total assets*4	904,522	845,378	886,663	914,744	952,659	996,827	1,051,952	1,117,112	1,181,552	8,883,850
Total net assets	319,636	260,980	323,863	366,546	392,061	406,002	461,254	523,729	572,068	4,301,267
Equity	290,339	230,399	291,215	330,635	352,921	365,619	416,996	472,900	517,091	3,887,907
Net interest-bearing debt	194,579	189,374	141,578	130,177	124,850	153,617	140,872	117,041	99,107	745,171
Interest-bearing debt	226,474	220,213	183,465	163,507	153,985	217,364	216,205	208,391	183,273	1,377,994
Financial Indicators										
Ratio of operating profit to net sales (%)	4.8	5.5	5.3	6.3	6.6	4.7	5.5	8.2	8.8	—
Ratio of overseas sales to net sales (%)	25.3	26.5	24.5	24.5	25.4	24.5	25.3	27.9	28.9	—
ROE (Return on equity) (%)	10.8	11.8	15.7	12.1	11.8	8.0	10.7	13.2	12.4	—
ROA (Return on assets) (%)*4	3.3	3.5	4.7	4.2	4.3	3.0	4.1	5.4	5.3	—
Equity ratio (%)*4	32.1	27.3	32.8	36.1	37.0	36.7	39.6	42.3	43.8	—
Net debt-equity ratio (times)*5	0.7	0.8	0.5	0.4	0.4	0.4	0.3	0.2	0.2	—
Debt-equity ratio (times)*6	0.8	1.0	0.6	0.5	0.4	0.6	0.5	0.4	0.4	—
Per Share Data*7										
Profit	195.80	214.48	286.82	264.34	281.89	201.57	293.52	410.68	429.50	3.229
Net assets	2,031.97	1,612.59	2,038.40	2,314.50	2,470.65	2,559.60	2,919.34	3,310.80	3,620.23	27.220
Cash dividends	45.00	50.00	55.00	70.00	80.00	80.00	85.00	100.00	115.00	0.865
Dividend payout ratio (%)	23.0	23.3	19.2	26.5	28.4	39.7	29.0	24.3	26.8	—

Non-Financial Highlights

Fiscal year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2022
Employees	25,740	26,508	26,503	27,009	27,416	27,960	27,593	26,757	27,123	—
Japan	17,814	17,635	17,716	17,704	17,647	17,681	17,647	17,493	17,392	—
Overseas	7,926	8,873	8,787	9,305	9,769	10,279	9,946	9,264	9,731	—
Total greenhouse gas emissions from production activities (10,000 t-CO ₂)	53.8	51.9	46.7	48.4	52.1	45.1	43.7	36.4	33.4	—
Reductions in CO ₂ emissions through products (10,000 t-CO ₂)*8	1,043	1,598	2,230	2,579	3,162	3,651	4,127	4,544	4,979	—

*1 The U.S. dollar amounts represent the arithmetic results of translating yen into dollars at ¥133 = U.S. \$1, the approximate exchange rate at March 31, 2023.

*2 Plant and equipment investment is the total of investment in tangible fixed assets, including acquisition amounts for lease contracts.

*3 Depreciation and amortization expense is the total of the depreciation of tangible fixed assets and amortization of intangible assets.

*4 Effective April 1, 2018, the Company have adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, revised on February 16, 2018).

*5 As such, major management indicators in consolidated accounting period as of March 31, 2018 have been adjusted to retroactively apply said accounting standards.

*5 Net debt-equity ratio is the ratio of net interest-bearing debt (interest-bearing debt + lease obligations – cash and cash equivalents) to equity.

*6 Debt-equity ratio is the ratio of interest-bearing debt to equity.

*7 Effective October 1, 2018, the Company conducted an 1-for-5 common stock consolidation. Amounts for profit per share and net assets per share have been calculated assuming that the stock consolidation took place on April 1, 2014. The amount of dividend ¥48 per share for the year ended March 31, 2019 is total of the interim dividend of ¥8 per share and the year-end dividend of ¥40 per share. Since the Company conducted an 1-for-5 common stock consolidation effective October 1, 2018, the interim dividend of ¥8 does not reflect stock consolidation effect and the annual dividend of ¥40 reflects stock consolidation effect. If the stock consolidation effect is also considered to the interim dividend per share, the interim dividend of ¥8 per share without the effect is equivalent to ¥40 per share with the stock consolidation effect. Accordingly, the annual dividend for fiscal 2018 amounted to ¥80 per share, including adjusted interim dividend of ¥40 per share and year-end dividend ¥40 per share.

*8 The contributions to CO₂ emission reductions refers to CO₂ emission reductions from products shipped in and after fiscal 2009 that were in operation for a year. Calculated based on the Ministry of Economy, Trade and Industry's Guideline for Quantifying Greenhouse Gas Emission Reduction Contribution.

*9 From the beginning of the fiscal year ending March 31, 2022, the company applied the "Accounting Standard for Revenue Recognition" (Accounting Standard Board of Japan ("ASBJ") statement No. 29 issued on March 31, 2020), etc. The figures for the current fiscal year in the "Consolidated Financial Highlights" reflect the application of the accounting standards.



Detailed financial information is available on our website.
https://www.fujielectric.com/ir/library/financial_results/index.html

Corporate Data

Company Information (As of March 31, 2023)

Company Name	FUJI ELECTRIC CO., LTD.
Established	August 29, 1923
Consolidated Subsidiary	70 (Japan 21, Overseas 49)
Equity Method Affiliate	4
Head Office	1-1, Tanabeshinden, Kawasaki-ku, Kawasaki-shi, Kanagawa 210-9530, Japan
Head Office Business Address	Gate City Ohsaki, East Tower, 11-2, Osaki 1-chome, Shinagawa-ku, Tokyo 141-0032, Japan
Capital Stock	¥47.6 billion
Employees (Consolidated)	27,123 (Japan 17,392, Overseas 9,731)
Net Sales (Consolidated)	¥1,009.4 billion (Year ended March 31, 2023)
Stock Code	6504

Stock Information (As of March 31, 2023)

Issued and Outstanding Shares	149,296,991
Number of Shareholders	42,522

Major Shareholders

Shareholders' name	Number of shares (1,000s)	Voting rights (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	26,591	18.62
Custody Bank of Japan, Ltd. (Trust Account)	18,958	13.27
Asahi Mutual Life Insurance Company	3,955	2.77
National Mutual Insurance Federation of Agricultural Cooperatives	3,059	2.14
FANUC CORPORATION	2,684	1.88
STATE STREET BANK AND TRUST COMPANY 505025	2,221	1.55
FURUKAWA CO., LTD.	2,205	1.54
STATE STREET BANK AND TRUST COMPANY 505001	2,165	1.52
STATE STREET BANK WEST CLIENT – TREATY 505234	2,159	1.51
Fujitsu Limited	1,827	1.28

Notes: 1. Treasury stock of 6,462,999 shares is excluded from the above list of top 10 shareholders.
2. The ratio of shareholding is calculated by deducting the number of treasury stock from the total number of shares outstanding based on the provisions of the Ordinance for Enforcement of the Companies Act.

Share Distribution by Shareholder Type


Type	Number of shareholders	Number of shares	Holding (%)
Financial institutions/Securities firms	149	66,738,514	44.70
Other corporations in Japan	462	9,301,380	6.23
Foreign corporations	802	51,075,528	34.21
Individuals and others	41,109	22,181,569	14.86
Total	42,522	149,296,991	100.00

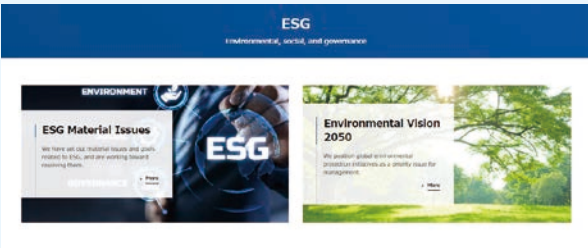
Note: "Individuals and others" includes treasury stock.

Fuji Electric website (information related to IR and ESG)




If you would like to obtain information related to **IR**, please refer to the IR (Investor Relations) site.

 **IR (Investor Relations)**
<https://www.fujielectric.com/ir/>



If you would like to obtain information related to **ESG**, please refer to the ESG (Environmental, social, and governance) site.

 **ESG (Environmental, social, and governance)**
<https://www.fujielectric.com/company/csr/index.html>

External Evaluation

Fuji Electric has been selected as a component of the following socially responsible investment (SRI) indexes, as a company with outstanding CSR performance.

2023 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX

2023 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)

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Member of
Dow Jones
Sustainability Indices

Powered by the S&P Global CSA



In recognition of the efforts to address climate change and the information disclosure, the Company has been selected for four consecutive years for the CDP A-List, the world's most prestigious list in the environmental field.



We have received the following awards and certification in recognition of our outstanding initiatives to promote diversity.



Selected as one of the "Diversity Management Selection 100" firms that have achieved results in improving productivity by utilizing a diverse workforce and creating innovation (Ministry of Economy, Trade, and Industry)



Acquired Kurumin certification as a company that supports child-rearing (Ministry of Health, Labour and Welfare)



Acquired highest rank of Eruboshi certification based on the Act on Promotion of Women's Participation and Advancement in the Workplace (Ministry of Health, Labour and Welfare)



This mark symbolizes
the commitment of Fuji Electric
to environmental protection



Based on the universal design (UD) concept,
we have adopted fonts that are easy to read (and difficult to misread)
by more and more people.



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