

Condensed Transcript of Q&A Session Regarding FY2021 ESG Meeting

Date/Time: Thursday, March 31, 2022 15:00 - 16:07

Environment

Q. One of your environmental goals is to reduce greenhouse gas (GHG) emissions throughout the supply chain. Will there be any change to your expectations for the thermal power sub-segment in your Power Generation Business because of this?

A.

- We assume that there will be no EPC contract project (new installation) for thermal power generation facilities by FY2030, and so we set the goal of reducing GHG emissions throughout the supply chain. Having said that, steam turbines and generators are absolutely necessary for biomass and geothermal power generation systems, and thus we will continue to supply them individually for new installation projects and we will continue offering service and technical support. We may, however, do otherwise if and when CCS (carbon dioxide capture and storage) and other technologies have been established.

Q. How much do you expect to invest to achieve another FY2030 goal of reducing GHG emissions in production?

A.

- Total capital expenditures up to FY2030 are estimated to be somewhere between 10 and 15 billion yen. To reduce GHG emissions in production, we plan to replace existing equipment with energy-saving models and install solar panels within plants.

Q. I understand that renewable energy sources currently account for approximately one percent of total energy sources. What is your target for FY2030 in this regard?

A.

- We are working to ensure that renewable energy sources account for at least 40% of total energy sources by FY2030.

Q. Could you tell me how likely you think you will achieve the FY2030 Goal for your contribution to reducing society's CO₂ emissions through your products?

A.

- We believe it is highly likely we will reach the goal, unless we lose a significant part of our market share for any of our existing businesses.

Q. How do you think your environmental initiatives will make your business more competitive?

A.

- At the SDGs Promotion Committee, we invite a variety of divisions to share and discuss our environmental challenges. In response to the TCFD recommendations, we have discussed climate-related risks, opportunities, adaptation measures, and other issues.

Going forward, we will strive to raise the level of our environmental initiatives to achieve carbon neutrality for the Fuji Electric Group. We can also share some of our best practices in this regard with our customers.

Governance

Q. What changes do you think your new management framework will bring and what do you wish to achieve with this?

A.

- After April 1, CEO and Chairman Kitazawa will be behind the wheel of our Group. He will also remain responsible for overseeing the Board of Directors and the Executive Committee. So, there will be no major changes to our decision-making process.
- It has been twelve years since Mr. Kitazawa took office as President. As we envision the state in which we wish to be in 2023 (our foundation's centennial anniversary) and thereafter, we aim to strengthen our operational foundation under the lead of the new management.
- President and COO Kondo has long been responsible for technology development at the Company. As the society increasingly expects businesses to achieve carbon neutrality, we believe that he is the best fit for guiding us in the right direction.

Q. Was it the Nomination and Remuneration Committee that took the lead in formulating the new management framework? Also, what are the main objectives of strengthening the Board of Directors?

A.

- There's a natural limit to what I can talk about here, but the Nomination and Remuneration Committee is composed of five Directors (including three Outside Directors). Under the lead of an Outside Director, who chairs the Committee, they discussed how the new management framework should be.
- As we seek to bolster our Energy, Environment, and Power Electronics Businesses, appointing a person who is well-versed in these businesses will surely invigorate discussions at board meetings and have a positive effect on management. The new woman Outside Director, on the other hand, has experience serving customers of our Power Electronics Business. As such, we believe that she has much to offer to our businesses.

Business

Q. As you make organizational changes to reinforce the Power Electronics Business, in what direction do you plan to steer the Business? Will it be hardware-oriented or are you planning to expand the service or software domains?

A.

- We have yet to start discussing what, but with the organizational changes effective April 1, some engineers of the new energy team of the Power Generation Business will be transferred to the Power Electronics Energy Business, so that the two businesses can work more closely to address customers' challenges and to clearly determine which areas we should focus on. As we have an increasing number of customer inquiries on carbon neutrality (launching a pilot plant, etc.), we will unify our contacts for such consultations.

- Basically, we will be offering a system that combines hardware with services or software, but it is not enough to merely offer traditional combinations like EMS. Rather, we need to first determine customer requirements so that we can consider what options are available for us to take.