

FY2023 Medium-Term Management Plan

“Reiwa Prosperity 2023”

Following the global financial crisis in 2008, Fuji Electric began restructuring its business in order to generate income even without increasing sales, primarily by strengthening its global manufacturing capabilities based on a local production for local consumption approach. To further expand its business and further improve its profitability, since then the Company has also been focusing on our power electronics and power semiconductors businesses by concentrating its resources there. Under our FY2023 Medium-Term Management Plan, we aim to establish a foundation for sustainable growth with net sales of ¥1 trillion and an operating margin of 8% or more, and pursuing three key initiatives: “promote growth strategies,” “further improve profitability,” and “ongoing reinforcement of operating foundation.”

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

FY2023 Medium-Term Management Plan: Key Issues

Establish Foundations for Sustainable Growth

Promote growth strategies	Further improve profitability
<ul style="list-style-type: none"> • Concentrate resources on our power electronics and power semiconductor businesses • Expand overseas business <ul style="list-style-type: none"> - Increase sales centered on Southeast Asia, India, and China - Target ratio of sales outside Japan: 35% 	<ul style="list-style-type: none"> • Augment global manufacturing capabilities <ul style="list-style-type: none"> - Promote local production for local consumption - Step up the development of local leaders overseas - Deploy IoT technologies to advance digital reforms of our manufacturing

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

Financial Policy

- Emphasize a balance between growth potential, profitability, efficiency, and financial soundness
- Further improve capital efficiency
- For shareholder returns, target a dividend payout ratio of around 30% based on the principle of stable and continuous dividends

Fiscal 2023 Management Targets

Net Sales	¥1 trillion
Operating Income	¥80 billion
Operating Margin	8% or more
Net Income Attributable to Owners of Parent	¥55 billion

Financial Indicators

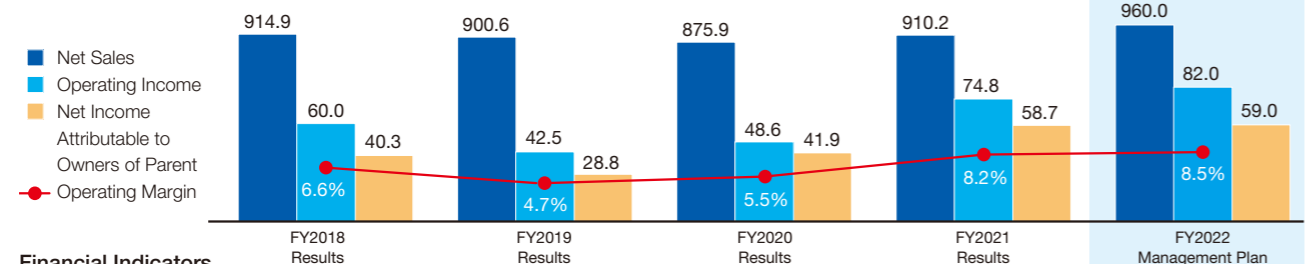
Net Debt-Equity Ratio	0.1 times
Equity Ratio	50%
ROA (Return on Assets)	5%
ROE (Return on Equity)	11%
Dividend Payout Ratio	30%

* 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

Progress of the FY2023 Medium-Term Management Plan

In fiscal 2021, we achieved record-high results for our operating income, operating margin, and net income. Regarding the operating margin, we achieved our Medium-Term Management Plan target two years ahead of schedule.

Consolidated Business Performance Trends (Billions of yen)



Financial Indicators

Indicator	FY2018 Results	FY2019 Results	FY2020 Results	FY2021 Results	FY2022 Management Plan (Target)
Net Debt-Equity Ratio	0.4 times	0.4 times	0.3 times	0.2 times	0.2 times
Equity Ratio	37%	37%	40%	42%	44%
ROA (Return on Assets)	4%	3%	4%	5%	5%
ROE (Return on Equity)	12%	8%	11%	13%	12%
Dividend Payout Ratio	28%	40%	29%	24%	—

Overview of Results for Fiscal 2019 to 2021

In fiscal 2019, we faced market contraction overseas, especially in China, due to trade friction between the United States and China, and we suffered a year-on-year decrease in sales and income, mainly due to decreased demand for ED&C components, power electronics FA,* industrial power semiconductors, vending machines, and other major components.

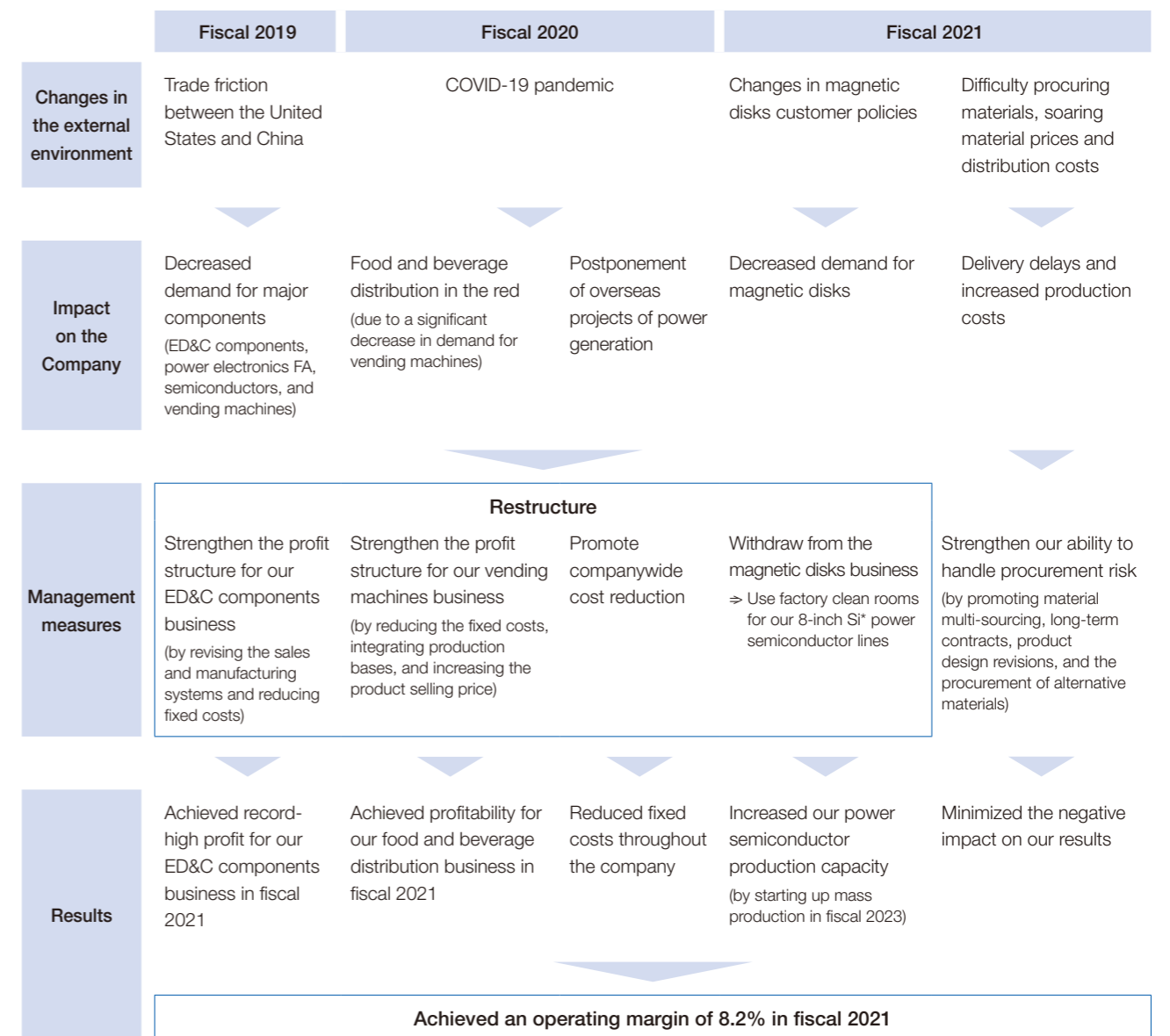
In fiscal 2020, our net sales decreased year on year, mainly due to significantly decreased demand for vending machines and a decrease in large-scale power generation orders due to the effects of the COVID-19 pandemic, but our operating income increased due to factors that included increased demand for power semiconductors, and cost reduction

activities promoted on a companywide basis.

In fiscal 2021, we saw an increase in sales and income—mainly due to increased demand for ED&C components, power electronics FA, industrial power semiconductors, vending machines, and store facilities resulting from expanded our comprehensive electrical equipment business, ongoing increases in the demand for power semiconductors for electrified vehicles, the recovery of plant and equipment investment in the manufacturing sector, and other factors—and we achieved record-high results for our operating income, operating margin, and net income.

* Power electronics FA: Inverters, FA components, and other businesses

Enhancing Our Ability to Respond to Changes in the External Environment to Improve Profitability



* Si: silicon

Fiscal 2022 Management Plan

In fiscal 2022—as our final preparations to achieve net sales of ¥1 trillion and an operating margin of 8% or more, both of which are targets of our FY2023 Medium-Term Management Plan—we will aim to achieve record-high results for our operating income, operating margin, and net income for the second year in a row.

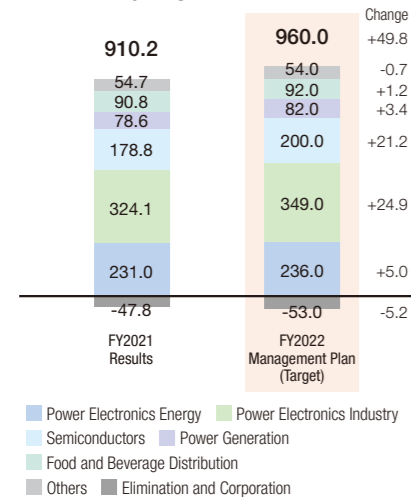
We will aim to increase our net sales to ¥960 billion, a year-on-year increase of ¥49.8 billion, mainly by taking advantage of increased sales in Power Electronics Industry—a result of increased demand for automation and IT solutions due to increased energy saving, automation, and digital transformation (DX) needs—and increased sales in Semiconductors, stemming from an increase in demand for

power semiconductors for electrified vehicles.

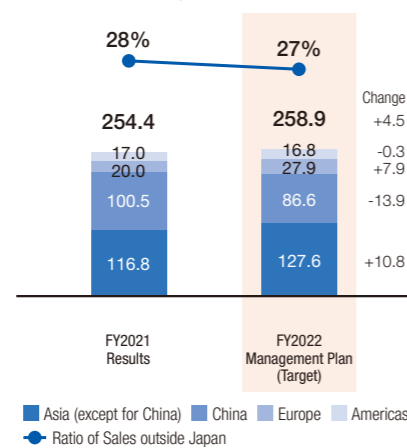
Our overseas sales to China—especially of Power Electronics and Semiconductors—are expected to decline, mainly due to the impact of the lockdown. However, we will increase our sales to Asia and Europe of Power Electronics, Semiconductors, and Power Generation in particular by taking advantage of an expected increase in renewable energy demand as well as increasing energy saving and electrified vehicle needs.

We are aiming to increase our operating income to ¥82 billion, a ¥7.2 billion year-on-year increase, thanks to increased sales and production volumes of Power Electronics Industry and Semiconductors as well as improved profitability of Power Generation and Food and Beverage Distribution.

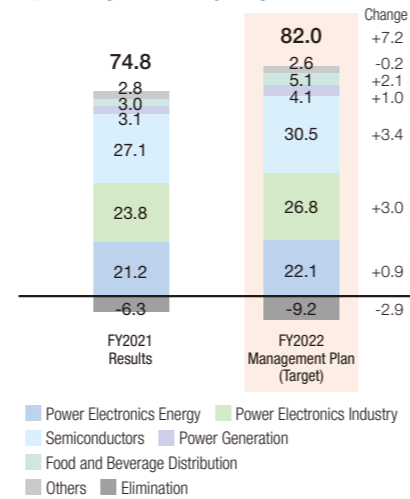
Net Sales by Segment (Billions of yen)



Sales outside Japan (Billions of yen)



Operating Income by Segment (Billions of yen)



* Figures for FY2021 reflect the organizational restructuring conducted in FY2022.

Fiscal 2022 Priority Measures

Promote growth strategies

For our power electronics business, we are striving to expand our comprehensive electrical equipment business that supports stable equipment operation both in Japan and overseas, and we have established a special department to respond to the various carbon neutrality needs of our customers as we expand our business. To expand our after-sales business, we are expanding our services for supporting the efficiency of overall equipment maintenance business as well as our equipment deterioration diagnosis service to prevent accidents and other problems involving aged equipment. In terms of our overseas business, we are striving to expand our global products, including inverters and substation equipment, while also promoting the strengthening of our manufacturing systems to achieve local production for local consumption, the expansion of our production models, and the strengthening of cooperation between our regional sales and manufacturing bases. In this way, we are working on increasing sales for data centers and in the renewable energy and material plant fields where growth is expected.

For our semiconductors business, we will maintain a high rate of operation—and thus maximize our profitability—by flexibly

adjusting our production in response to recent fluctuations in demand. We will also steadily increase our production capacity to deal with the rapid increase in demand for electrified vehicles. In addition, to respond to the increasing need for improved power conversion efficiency, we will promote the development of silicon carbide (SiC) and other new products as well as the establishment of a mass-production system.

Further improve profitability

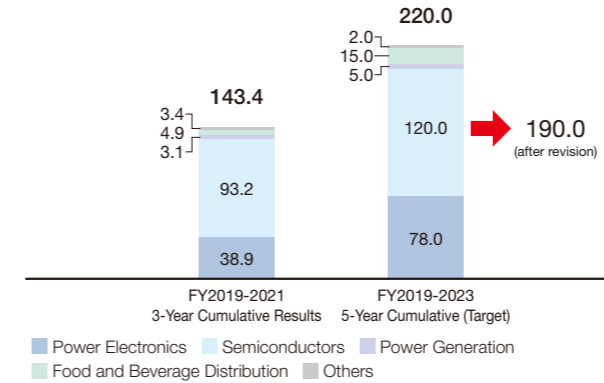
We will strive to minimize the impact of supply chain disorder due to external environment changes on our results, such as by concluding long-term contracts in response to soaring material prices, revising our product prices in accordance with increases in basic costs, securing alternative materials and the ability to purchase from multiple suppliers in the case of materials for which the supply is tight, and promoting design changes.

In addition, we will promote DX through manufacturing innovations based on the expanded application of digital and AI technologies as well as the development of human resources in order to thoroughly enhance quality at every step through our design, manufacturing, and testing processes.

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. In addition, to respond to the strong demand for power semiconductors, we have increased our initial plan for plant and equipment investment during the five years leading up to fiscal 2023 from a total of ¥120 billion to ¥190 billion.

Plant and Equipment Investment (Billions of yen)

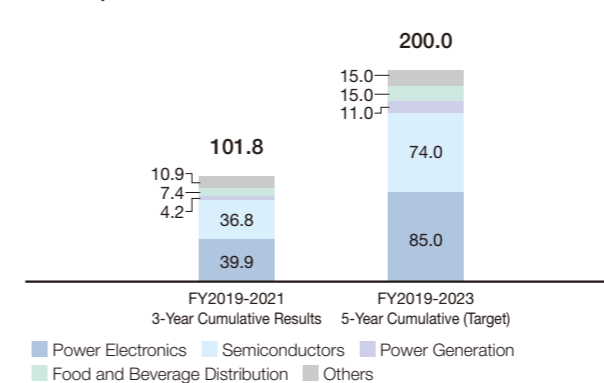


Major Plant and Equipment Investment Details

Segment	Details
Power Electronics	Thailand: Construction of switchgear and controlgear system factory and engineering center India: Expansion of factory and production models Chiba Factory: Construction of engineering center Tokyo Factory: Construction of the Plant Systems Center
Semiconductors	Front-end process (8-inch Si) production capacity expansion (Yamanashi, Matsumoto, Tsugaru Factories)



R&D Expenditures (Billions of yen)



Major R&D Expenditures Details

Segment	Details
Power Electronics	Global product development (transformers, switchgears, large-capacity UPSs, products for plants) Products for the mobility field (electrical equipment for railcars, ship systems)
Semiconductors	Development of 8th-generation IGBT technologies IGBTs for electrified vehicles SiC technology development

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

