

FY2023 Medium-Term Management Plan

June 20, 2019

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President and Chairman of the Board of Directors
Fuji Electric Co., Ltd.

Review of FY2010–FY2018

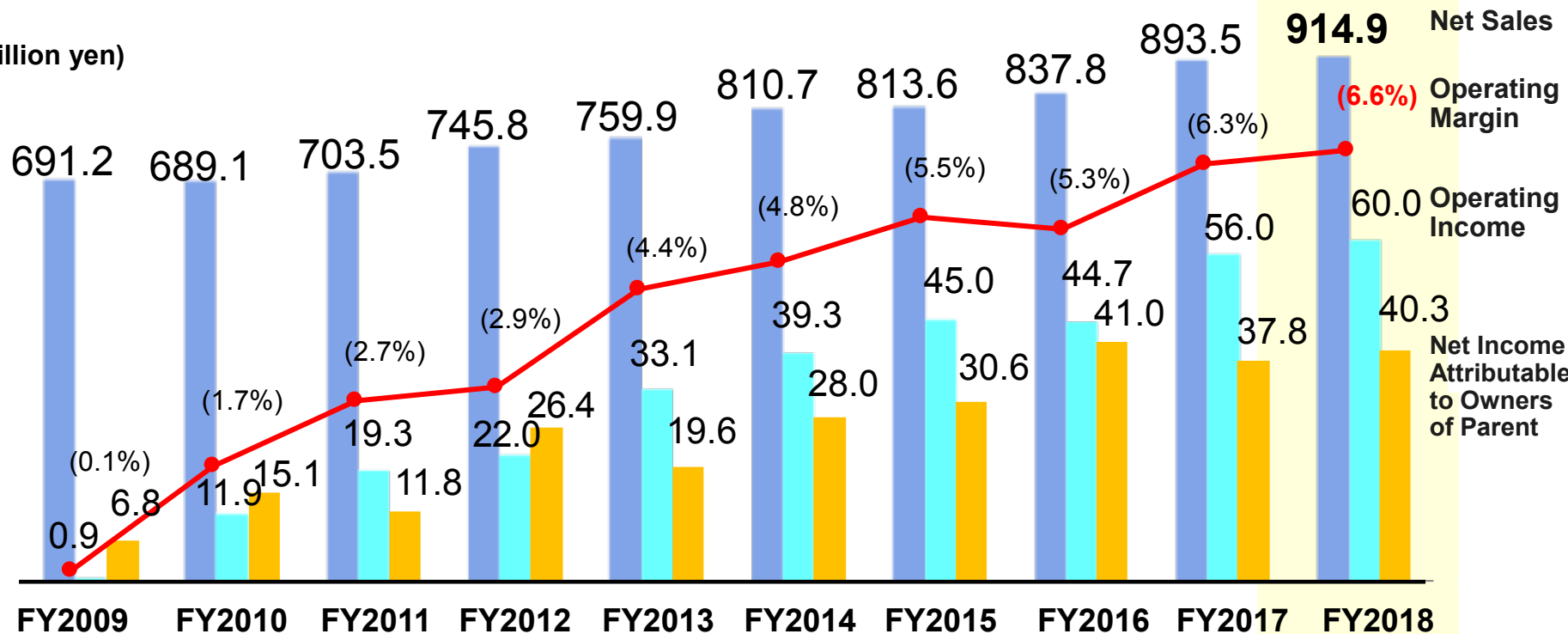
Business Performance Trends

Establish a Profitable Structure through
Business Restructuring

Implement Growth
Strategies

Further Renovation of Fuji Electric

(Billion yen)



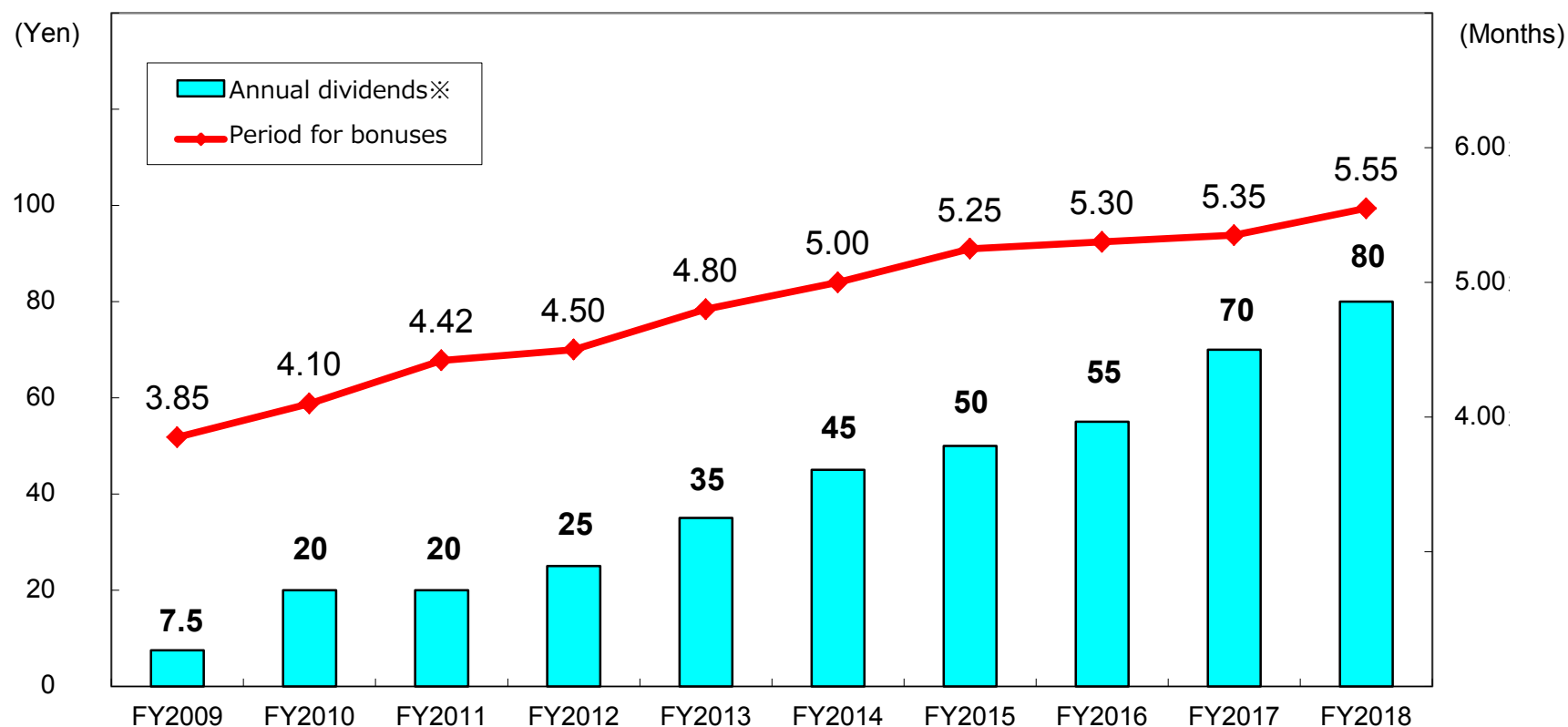
Equity
Ratio

20% 19% 21% 25% 28% 32% 27% 33% 36% **37%**

ROE

4% 9% 7% 15% 9% 11% 12% 16% 12% **12%**

Dividends and Bonuses



* Dividend figures account for the reverse stock split conducted on October 1, 2018.

One Fuji Electric

- **Change in management structure**
 - Abolition of pure holding company system
- **Expedition of management decision making**
 - Revision of executive team
(53 officers → 18 officers)
※Currently 15 officers
 - Enhancement of cooperation between business groups

Expansion of Energy and Environment Businesses

- **Clarification of business domains**
- **Focus on power electronics systems operations**
 - Integration and reorganization of industrial infrastructure, social engineering systems, and power electronics operations
 - Reorganization of substation operations
(dissolution of Japan AE Power Systems Corporation)

Bolstering of Manufacturing Capabilities

- **Enhancement of technological capabilities pertaining to production**
 - Consolidation of engineers and technicians
- **Cost tracking and in-house production**

Globalization

- **Entrenchment of local production and consumption**
 - Augmentation of overseas production bases
 - Global procurement
- **Overseas M&A**

Bolstering of Comprehensive Team Strength

- **Promotion of Companywide Pro-7 Activities**
- **Revision of benefits systems and rewarding of results**
- **Ongoing employee awareness surveys and follow up**

FY2023 Medium-Term Management Plan

Reiwa Prosperity 2023

Contribute to the creation of responsible and sustainable societies through energy and environment businesses

2019–2023 (Centennial Anniversary)

**Establishment of foundation
for sustainable growth**

Reiwa Prosperity 2023

**Net sales: ¥1 trillion
Operating margin: 8% or more**

2016–2018

**Further renovation
of Fuji Electric
Renovation2018**

2013–2015

**Growth
strategies**

2010–2012

**Business
structure
reforms**

No change to corporate philosophy and management policies

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 responsible and sustainable societies.
2. Achieve further growth through our global business expansion.
3. Maximize our strengths as a team, respecting employees' diverse ambition.

Establishment of foundation for sustainable growth

Promotion of growth strategies

- **Concentration of resources on growth fields**
Power electronics systems and power semiconductors
- **Expansion of overseas businesses**

Further improvement of profitability

- **Augmentation of global manufacturing capabilities**

Ongoing reinforcement of operating foundations

Environment

Human resources

Governance

Evolution of Companywide Pro-7 Activities

Target net sales of ¥1 trillion and operating margin of 8% or more

- ✓ Emphasize balance between growth potential, profitability, efficiency, and financial health
- ✓ Achieve dividend payout ratio of 30% with basic policy of stable, ongoing dividends

(Billion yen)	FY2018 Results	FY2023 Medium-Term Management Plan	2018–2023 Change
Net Sales	914.9	1,000.0	85.1
Operating Income	60.0	80.0	20.0
Operating Margin	6.6%	8.0%	1.4pt
Net Income Attributable to Owners of Parent	40.3	55.0	14.7

【Financial Indicators】

Net D/E Ratio	0.4 times	0.1 times	-0.3
Equity Ratio	37%	50%	13pt
ROA (Return on Assets)	4%	5%	1pt
ROE (Return on Equity)	12%	11%	-1pt
Payout Ratio	28%	30%	2pt

※ Net D/E Ratio = Net interest-bearing debt ÷ Shareholder's equity

※ FY2023 Assumed exchange rate: ¥105/US\$, ¥123/EURO, ¥16/RMB

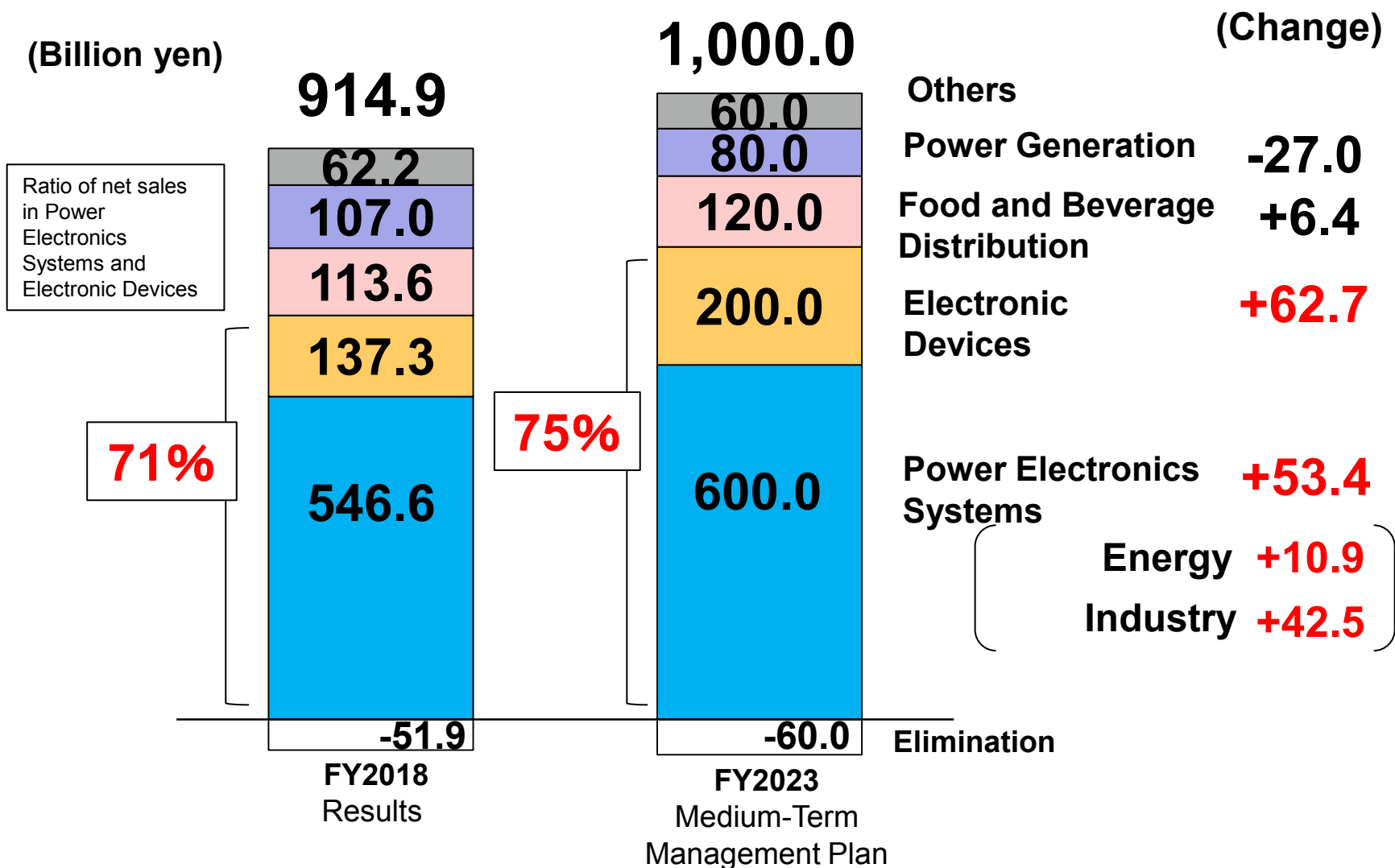
Net Sales and Operating Income by Segment

Expansion of Power Electronics Systems and Electronic Devices

(Billion yen)

	FY2018 Results			FY2023 Medium-Term Management Plan			Change		
	Net Sales	Operating Income/ Loss	Operating Margin	Net Sales	Operating Income/ Loss	Operating Margin	Net Sales	Operating Income/ Loss	Operating Margin
Power Electronics Systems Energy	224.1	16.8	7.5%	235.0	19.5	8.3%	10.9	2.7	0.8%
Power Electronics Systems Industry	322.5	19.4	6.0%	365.0	28.5	7.8%	42.5	9.1	1.8%
Electronic Devices	137.3	15.6	11.4%	200.0	22.0	11.0%	62.7	6.4	-0.4%
Food and Beverage Distribution	113.6	5.8	5.1%	120.0	8.5	7.1%	6.4	2.7	2.0%
Power Generation	107.0	4.8	4.4%	80.0	5.6	7.0%	-27.0	0.8	2.5%
Others	62.2	2.8	4.4%	60.0	3.0	5.0%	-2.2	0.2	0.6%
Elimination and Corporate	-51.9	-5.2		-60.0	-7.0		-8.2	-1.8	
Total	914.9	60.0	6.6%	1,000.0	80.0	8.0%	85.1	20.0	1.4%

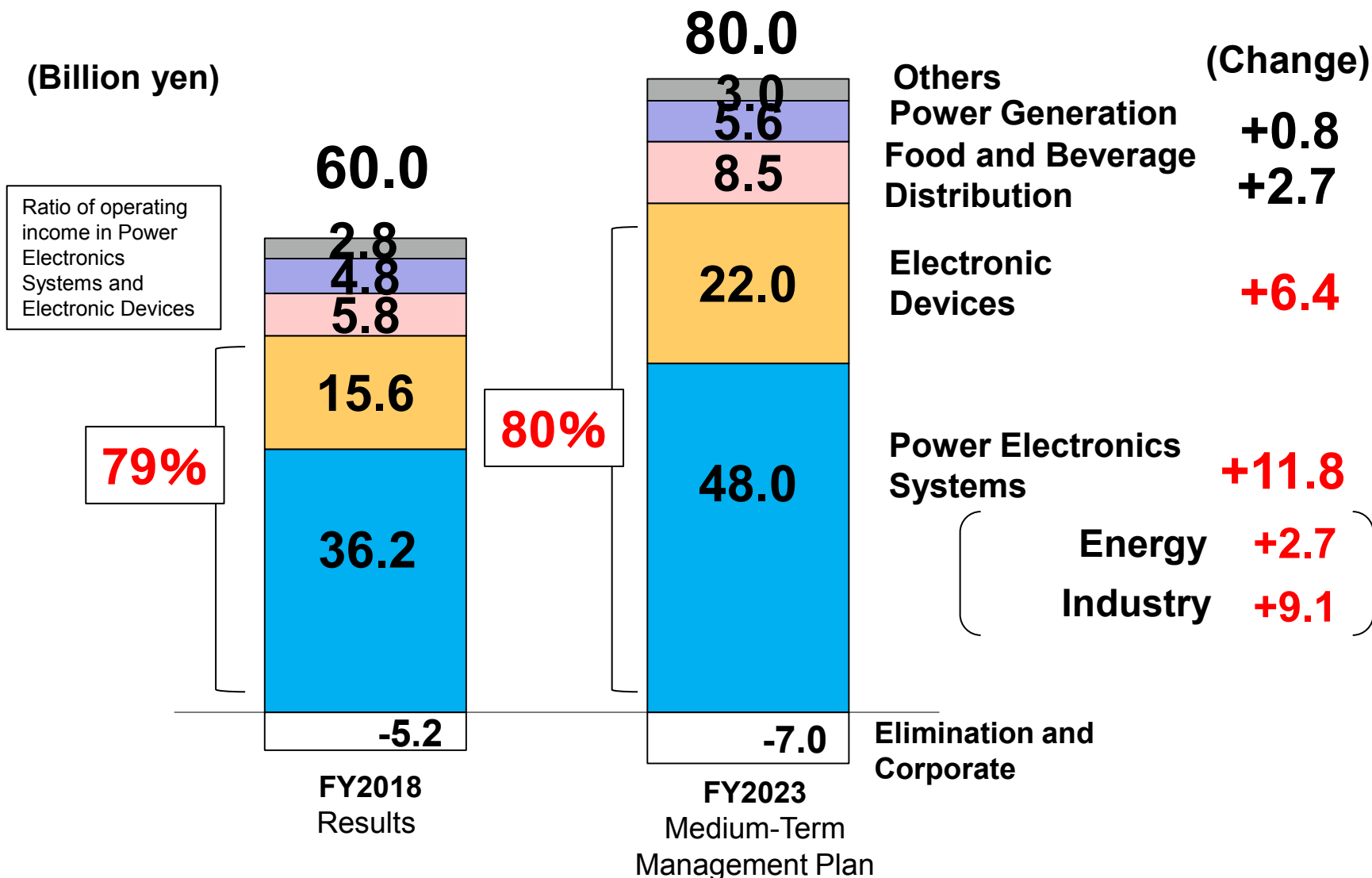
Net Sales (by Segment)



※Sales composition is calculated the amount before elimination and adjustment of internal transactions among segments.

Operating Income (by Segment)

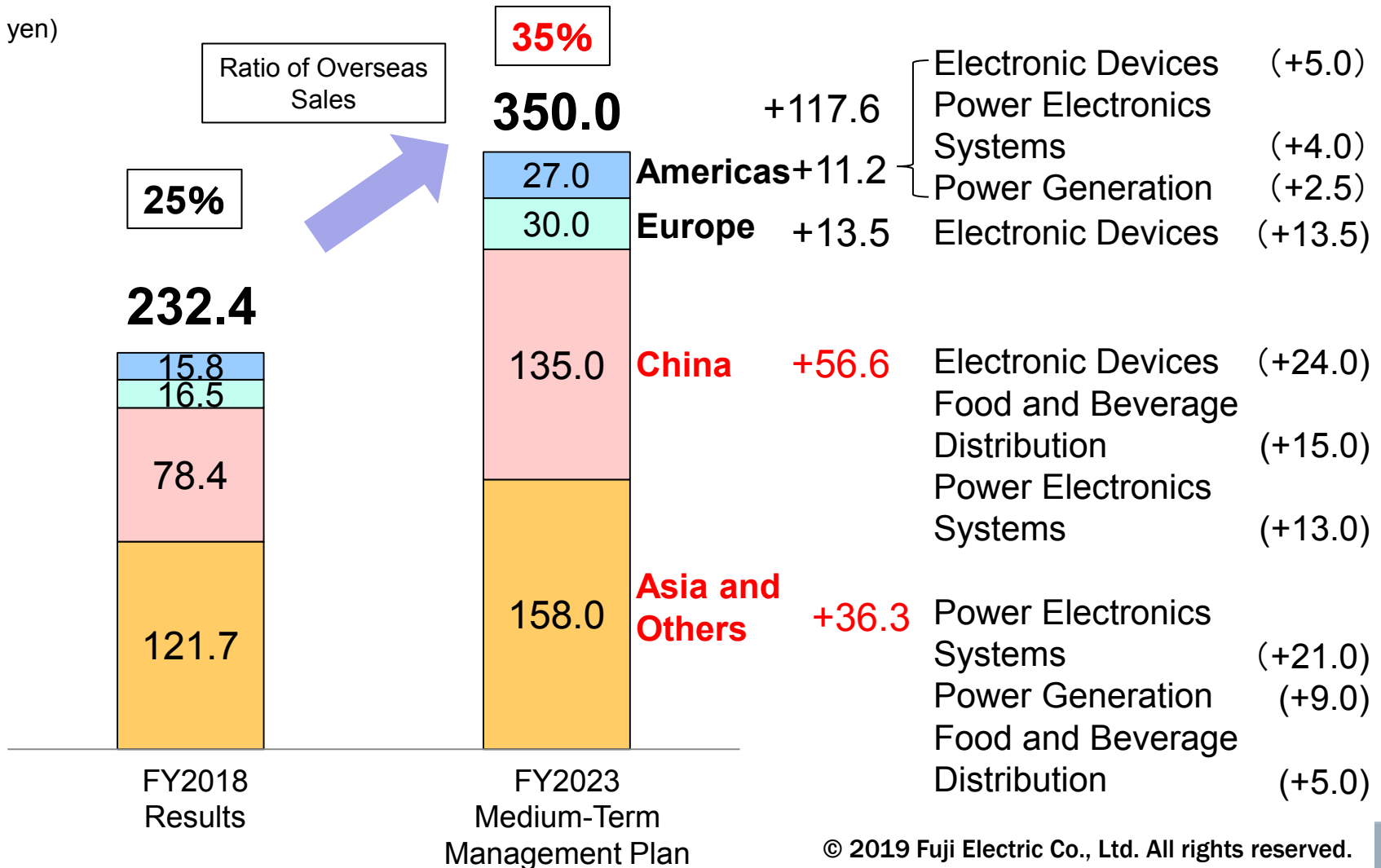
(Billion yen)



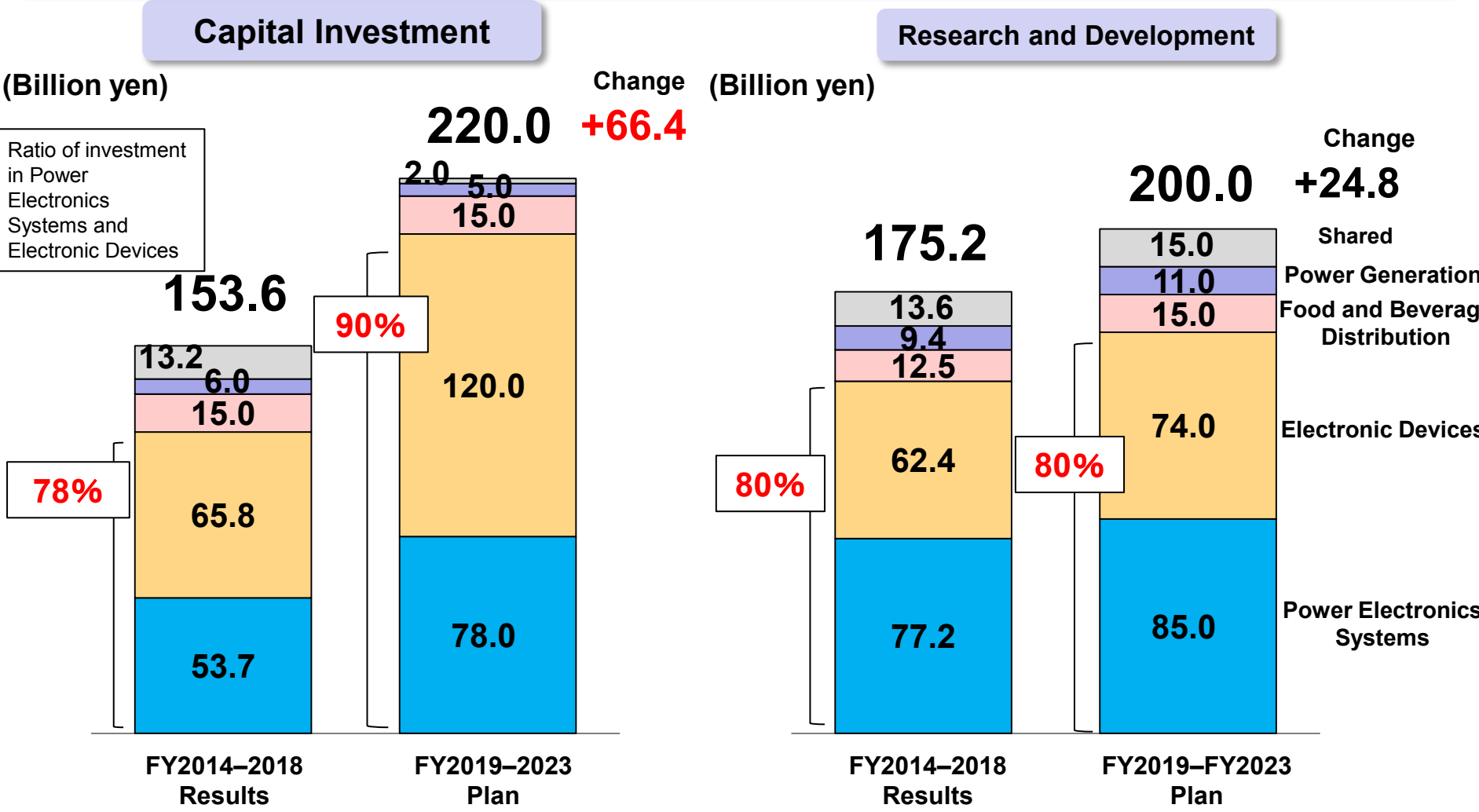
※Income composition is calculated the amount before elimination and adjustment of internal transactions among segments.

Growth of sales in China and other parts of Asia amid investment in energy saving, automation, and EVs

(Billion yen)



Prioritization of investment in power electronics systems and power semiconductors



Augmentation of global manufacturing capabilities

- ✓ **Entrenchment of local production and consumption**
- ✓ **Reduction of lead times and works in progress through IoT-powered manufacturing reforms**
- ✓ **Cultivation of human resources to enhance autonomy of overseas production bases**

Ongoing reinforcement of operating foundations for sustainable growth

- ✓ **Environment**
- ✓ **Human resources**
- ✓ **Governance**
- ✓ **Companywide Pro-7 Activities**

Fuji Electric's Environmental Vision 2050

Make supply chain-wide contributions to the realization of a low-carbon, recycling-oriented society that is in harmony with nature

Low-Carbon Society

- ✓ Target a reduction of 80% or more in greenhouse gas emissions across the supply chain

Recycling-Oriented Society

- ✓ Promote green supply chains and 3R activities to reduce environmental impact to zero

Society that is in Harmony with Nature

- ✓ Reduce impact of business activities on ecosystems to zero

【FY2030 Targets】

- Reduce greenhouse gas emissions during production by 31%
- Reduce 50 million tons of CO₂ emissions through products annually

Greenhouse gas emissions' base year: FY2013

Encouragement of Employee Success

- ✓ **Treatment matched to value of work**
 - Revision of treatment of highly skilled technicians
 - Revision of treatment of employees over 60
- ✓ **Expansion of opportunities for female employees to succeed**
 - Ratio of female employees among new hires: 20%
 - Number of female officers in 2023: 400



Cultivation of Human Resources

- ✓ **Strengthening of line management**
 - Enhancement of training for middle management (manager rank)
- ✓ **Reinforcement of human resource development at overseas bases**
 - Core employee cultivation systems



Optimal Positioning of Human Resources

- ✓ **Strategic fluidity of human resources in conjunction with business structure changes**

Establishment of Nomination and Remuneration Committee

- ✓ **Establishment of Nomination and Remuneration Committee with outside directors serving as chairman and a majority of members (July 2019)**

【Current Number of Directors and Auditors】

Internal directors: 5; outside directors: 3

Internal auditors: 2; outside auditors: 3

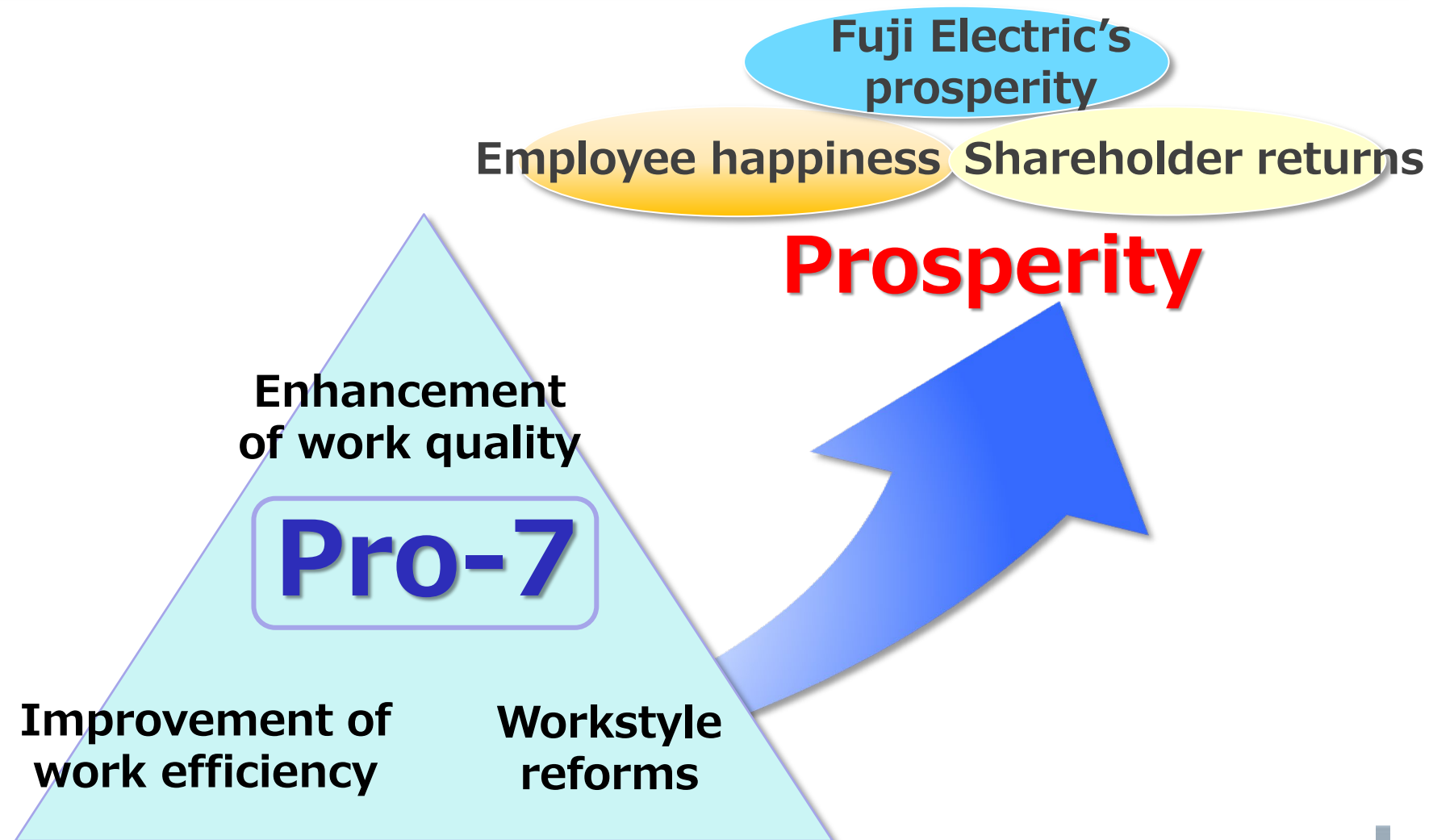
Entrenchment of global compliance

- ✓ **Global promotion of Fuji Electric Compliance Program**
Entrenchment of compliance through establishment of rules, daily monitoring, audits of compliance status, and education
- ✓ **Thorough implementation of business ethics whistleblowing systems (for employees and partners)**

Reinforcement of risk management

- ✓ **Enhancement of business continuity**
- ✓ **Strengthening of information security measures**

Establishment of foundation for sustainable growth
through Companywide Pro-7 Activities



Fuji Electric's Vision



Resolution of social and environmental issues

Creation of customer value

Fuji Electric's Vision

Contribute to the Creation of Responsible and Sustainable Societies

Energy and Environment Businesses

Corporate Philosophy

Contribute to prosperity

Encourage creativity

Seek harmony with the environment

SDGs to be addressed through Companywide activities

Priority SDGs to be addressed through energy and environment businesses



Management Slogan

**To be enthusiastic,
ambitious and sensitive.**

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