Innovating Energy Technology

Management Plan for FY2024

Fuji Electric Co., Ltd.

April 25, 2024

Good Afternoon, I am Shiro Kondo, President and COO of Fuji Electric.

April 25	(Thu.)	FY2023 Financial Results Briefing FY2024 Management Plan Briefing
May 23	(Thu.)	FY2026 Medium-term Management Plan Briefing

I would like to explain our new management plan for FY2024.
Next three years from this FY 2024 will be our new three-year medium-term management plan period.
Today's explanation is about the management plan for FY2024, and we will hold a briefing for the medium-term management plan on May 23rd.

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1. FY2024 Management Plan

Now let me start my explanation on the FY2024 management plan.

Operating Environment for FY2024 Management Plan

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Opaque political and economic conditions

Market Outlook

Energy	• Consistently strong equipment upgrade demand from renewable energy, internet data center, and semiconductor factory applications • Modest 2Q recovery seen both in Japan and overseas in ED&C Components business
Industry	• Continuously strong plant system demand • Recovery in factory automation components seen in Japan and overseas in second half of fiscal year
Semiconductors	• Consistently strong demand related to electrified vehicle and renewable energy applications • Recovery in industrial (factory automation) products seen in second half of fiscal year
Food and Beverage Distribution	• Vending machine demand unchanged year on year • Conclusion of introduction phases for large-scale orders for store counter fixtures

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The market environment for FY2024 is uncertain for both political and economic situation. Under such a circumstance, I would like to explain how we view the market as an assumption for this management plan.

First, we expect strong performance will continue for plant-related projects, renewable energy, data centers, semiconductor plants, total equipment upgrades in the Energy Segment, as well as capital investment in plant system in the Industry Segment.
As for components, this plan incorporates expected market recovery from the second quarter for ED&C components and from the second half for factory automation and industrial semiconductors.

We expect power semiconductors for electrified vehicles and renewable energy applications to remain strong.

We expect vending machine demand in the Food and Beverage Distribution segment will remain unchanged from the previous year. However, for store distribution, we assume it would be difficult to make up for the absence of large-scale orders for counter fixtures of convenience stores in the previous fiscal year.

Summary of Consolidated Management Plan for FY2024 (YoY Comparison)

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Targets of higher sales and profit along with operating profit ratio of more than 9.8%
FY2024 management plan beginning with minimal target

(Billion yen)

	FY2023 Results	FY2024 Management Plan	Change
Net Sales	1,103.2	1,114.0	-18.2* 10.8
Operating Profit	106.1	109.0	-4.1* 2.9
Operating Profit Ratio	9.6%	9.8%	0.2%
Profit Attributable to Owners of Parent	75.4	76.5	1.1

*Exchange rate effect

Conservative forecast based on recent foreign exchange rates

	US$	EURO	RMB
FY2024 Exchange Rate	¥ 140.00	¥150.00	¥19.50
Sensitivity of operating profit to foreign exchange influences	-60 Million Yen	+130 Million Yen	+300 Million Yen

※ US$ and EURO: Impact of ¥1-fluctuation
RMB: Impact of 1% fluctuations

Financial Indicators

	FY2023 Results	FY2024 Management Plan	Change
ROE	13.5%	12.3%	-1.2%
ROIC	11.5%	10.6%	-0.8%
Equity Ratio	47.4%	49.3%	1.9%
Net D/E Ratio※	0.2 times	0.2 times	-

※Net D/E ratio: Net interest-bearing debt ÷ Equity

Next, I will provide a summary of the full-year plan for consolidated financial results for FY 2024.

We target to record sales and profit increase year-on-year with net sales of 1 trillion 114 billion yen, up 10.8 billion yen, operating profit of 109 billion yen, up 2.9 billion yen, and the operating profit ratio of 9.8%.

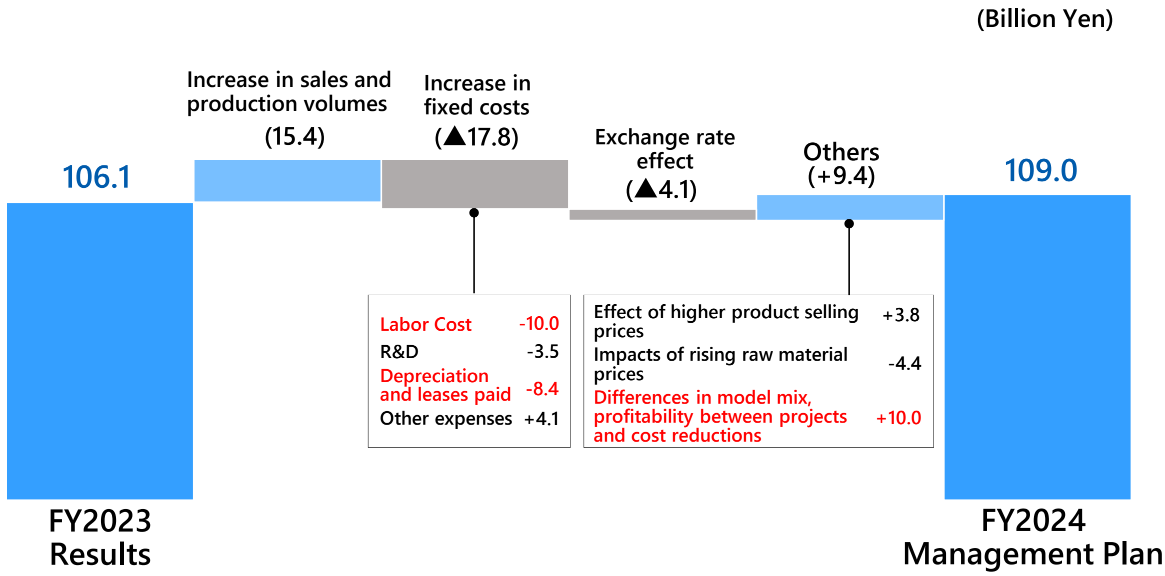
The exchange rate is 140 yen to the US dollar, which is conservative considering the exchange rate around 155 yen for the past few days, but we set our assumption as 140 yen with anticipation of its fluctuation in the future.

We plan to increase profit attributable to owners of parent by 1.1 billion yen to 76.5 billion yen.

ROE is 12.3%, and ROIC will be explained in more detail in the medium-term management plan briefing, but we will operate based on the concept of maintaining ROIC of 10% or higher as we consider investment efficiency and capital efficiency, and investing for growth.
ROIC for FY 2024 is planned to be 10.6%. With profit attributable to owners of parent and other factors, equity ratio is expected to be 49.3% and net D/E ratio will be 0.2 times.

Breakdown of Changes in Operating Results for FY2024 (YoY Comparison)

Higher profit as impacts of higher fixed costs outweighed by benefits of cost reductions as well as increases in sales and production volumes



This slide shows breakdown of changes in operating results.

The increase in fixed costs reflects accelerating investment in human resources, as well as increase in R&D and capital costs. We intend to maintain growth and distribution properly in a virtuous circle.

We plan to increase profit by offsetting this fixed cost increase by increasing sales and production volume and cost reductions.

Net Sales and Operating Profit by Segment for FY2024

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Higher operating results in all segments due to management approach emphasizing profits

(Billion Yen)

	FY2023 Results			FY2024 Management Plan			Change		
	Net Sales	Operating profit	Operating profit ratio	Net Sales	Operating profit	Operating profit ratio	Net Sales	Operating profit	Operating profit ratio
Energy	342.8	30.1	8.8%	348.0	31.0	8.9%	-4.0* 5.2	-0.5* 0.9	0.1%
Industry	419.9	34.3	8.2%	414.0	36.0	8.7%	-5.5* -5.9	-1.3* 1.7	0.5%
Semiconductors	228.0	36.2	15.9%	245.0	37.0	15.1%	-8.3* 17.0	-2.3* 0.8	-0.8%
Food and Beverage Distribution	107.3	8.8	8.2%	102.0	9.2	9.0%	-5.3	0.4	0.8%
Others	63.2	4.3	6.8%	55.0	3.7	6.7%	-8.2	-0.6	-0.1%
Elimination and Corporate	-57.9	-7.6	-	-50.0	-7.9	-	7.9	-0.3	-
Total	1,103.2	106.1	9.6%	1,114.0	109.0	9.8%	-18.2* 10.8	-4.1* 2.9	0.2%

*Exchange rate effect

This slide shows net sales and operating profit by segment for FY2024.

With profit growth expected in all segments, we plan to continue to achieve operating profit ratio of over 8% in the four main segments.

Incoming Orders for FY2024 (YoY Comparison)

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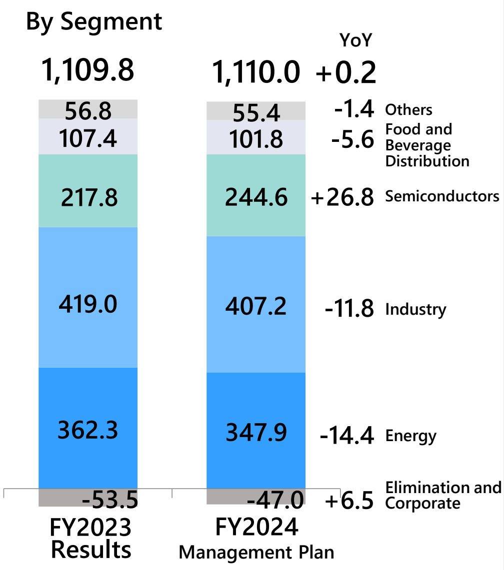
Orders unchanged year on year as increases in growth fields and industry component orders compensated for absence of large-scale orders recorded in previous fiscal year

(Billion Yen)



Expansion of operations in growth fields	+25.1
Energy (Energy Management, Power Supply and facility systems)	+6.0
Semiconductors (Automotive)	+19.1

Recovery in demand for industrial components	+33.6
Energy (ED&C Components)	+11.1
Industry (FA※)	+14.8
Semiconductors (Industrial)	+7.7

※FA：Low voltage inverters, motors, measuring instruments

Decrease due to absence of large-scale orders recorded in previous fiscal year	-56.4
Energy (Power Generation)	-32.0
Industry (Social Solutions and Equipment Construction)	-24.4

※FY2023 results reflect the organization reform conducted in FY2024

Full-year incoming orders are projected to be 1 trillion 110 billion yen, unchanged from the previous year.

As shown at the bottom, the major impact on this plan is the large-scale orders in the previous fiscal year with a total value of over 50 billion yen for power generation plants, social solutions, and equipment construction projects. We plan to compensate the absence of these orders by expanding operations in growth fields and demand recovery for industrial components mentioned above, to make orders unchanged year-on-year.

Specifically for components, we anticipate recovery from the second quarter or the second half of the fiscal year, and plan to achieve year-on-year order increase by 19 billion yen for automotive semiconductors, 7.7 billion yen for industrial semiconductors, and over 10 billion yen for ED&C components and factory automation, respectively.

Performance Outlook and Priority Measures by Segment
Energy / Industry

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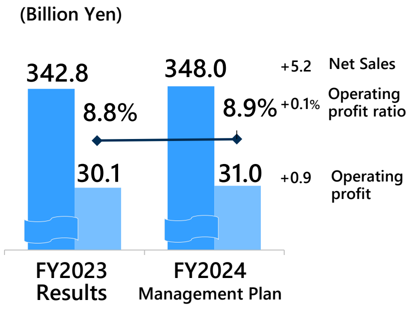
Energy



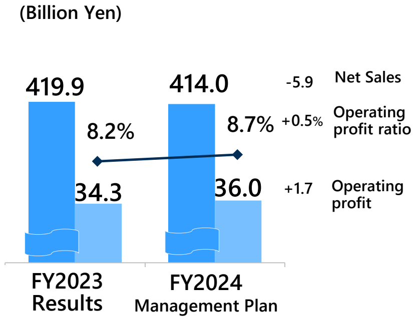
Performance outlook

- Higher sales following growth in demand for ED&C components
- Increased profit due to benefits of higher sales volumes and cost reduction activities

Priority measures

- Growth in orders in businesses related to renewable energy, data centers, and semiconductor factories
- Expansion of ED&C components business following introduction of new products

Industry



Performance outlook

- Lower sales as a result of sales declines in equipment construction business
- Growth in profit due to benefits of higher sales volumes for factory automation and IT solutions products as well as cost reduction activities

Priority measures

- Reductions in lead times and costs achieved through acceleration of local production and consumption
- Expansion of operations in India and other overseas markets
- Growth of businesses related to manufacturing digital transformation solutions and decarbonization businesses

Now let me explain performance outlook and priority measures by segment.

First is the Energy segment. Net sales are planned to be 348 billion yen, up 5.2 billion yen year-on-year. One of the contributing factors is the recovery of ED&C components business.

In addition, operating profit is expected to increase due to the effects of increased sales volume and cost reductions.

As for priority measures, orders for renewable energy-related business, especially power battery systems, etc., will grow quite rapidly. We will make sure to firmly produce the effects of integrating power generation plants and energy management businesses

We expect comprehensive electrical equipment business for data centers and semiconductor factories to remain strong, and we intend to increase orders in these areas. In addition, we will launch new key products for ED&C components business.

Next is the Industry segment. Net sales are projected at 414 billion yen, down 5.9 billion yen year-on-year. Excluding the impact of the absence of a large project in equipment construction in the previous year, net sales will be increased year-on-year.

We plan profit increase by considering the effects of higher sales volume and cost reductions in factory automation business and IT solutions business.

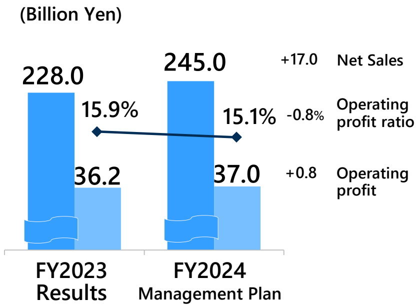
As for priority measures, we will further strengthen local production for local consumption, mainly with low-voltage inverters, to reduce lead times and costs in each region.

In addition, we are expanding our overseas operations with a focus on India, where net sales have increased over five-fold in FY2023 compared to FY18. We will further strengthen this area.

Furthermore, we will enhance our manufacturing solutions in the use of digital technology.

Performance Outlook and Priority Measures by Segment
Semiconductors / Food and Beverage Distribution

Semiconductors



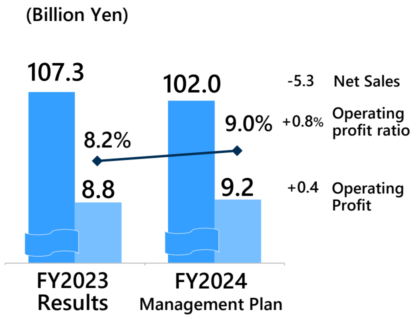
Performance outlook

- Higher sales following growth in demand for power semiconductors for electrified vehicle application
- Higher profit as benefits of sales volume growth outweighed increases in cost of capital associated with production capacity augmentations

Priority measures

- Augmentation of production capacity to cater to growing demand for power semiconductors for electrified vehicle and renewable energy applications
- Growth in sales as a result of mass production of SiC

Food and Beverage Distribution



Performance outlook

- Lower sales in association with large-scale orders for store counter fixtures
- Higher profit due to benefits of cost reduction activities

Priority measures

- Enhanced earnings power achieved through provision of high-value-added products
- Expansion of business through deployment of new products for new fields

Net Sales of the Semiconductors segment are projected to be 245 billion yen, up 17 billion yen year-on-year. Higher sales are expected following growth in demand for power semiconductors for electrified vehicles.

Cost of capital associated with production capacity augmentation will increase, but we plan to offset this by sales volume increase to achieve operating profit growth.

As for priority measures, we will continue augmentation of production capacity to meet growing demand for power semiconductors for electrified vehicles and renewable energy applications. In addition, we will increase sales of SiC in FY 2024, as its full-scale mass production will finally begin in this fiscal year.

Net Sales in the Food and Beverage Distribution segment is projected to decrease by 5.3 billion yen to 102 billion yen due to the absence of large-scale orders for store counter fixtures in FY2023. Excluding the impact of the absence of the large-scale orders, store distribution is business expected to increase sales.

Operating profit is projected to increase by cost reductions. We intend to enhance our earning power with high value-added products, focusing on vending machines with significantly reduced power consumption and environmentally friendly showcases that utilize natural refrigerants.

Also, expansion of business through deployment of new products for new fields will be one of the measures to be implemented in the next medium-term management plan.

Net Sales by Japan and Overseas Area for FY2024 (YoY Comparison)

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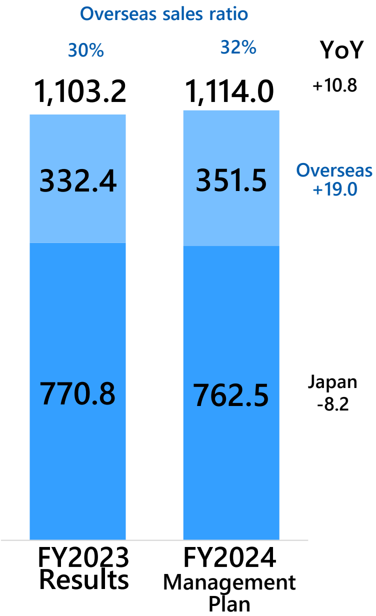
Higher sales overseas
Sales up in all regions when excluding impacts of foreign exchange influences



(Billion Yen)

	FY2023 Results	FY2024 Management Plan	Change
Overseas	332.4	351.5	-18.2* 19.0
Asia and Others	163.4	169.3	-5.6* 5.9
China	96.3	108.1	-7.0* 11.8
Europe	39.2	38.6	-3.3* -0.6
Americas	33.4	35.4	-2.2* 2.0

*Exchange rate effect

Energy Management	-3.5
Power supply and facility systems	+1.0
ED&C Components	+0.6
Automation Systems	+2.4
Semiconductors	+4.7

ED&C Components	-0.8
Automation	-0.8
Social solutions	-0.6
Semiconductors	+13.7

Power Generation	+4.6
Energy Management	+1.4
Power supply and facility systems	-3.0
Semiconductors	-1.0

The ratio of overseas sales to the total sales is planned to be 32%, or 351.5 billion yen. While the previous medium-term management plan targeted 350 billion yen, or 35% of 1 trillion yen, for overseas sales, it regrettably stood at 332.4 billion yen in FY2023, but we are planning to go beyond 350 billion yen with one-year delay.

The key point here is China. Sales are projected to increase 11.8 billion yen year-on-year. We expect sales of semiconductors will grow as we are certain about some orders for renewable energy applications and electrified vehicles, but components other than these are expected to be flat or slightly weaker year-on-year.

Capital Investment for FY2024（YoY Comparison)

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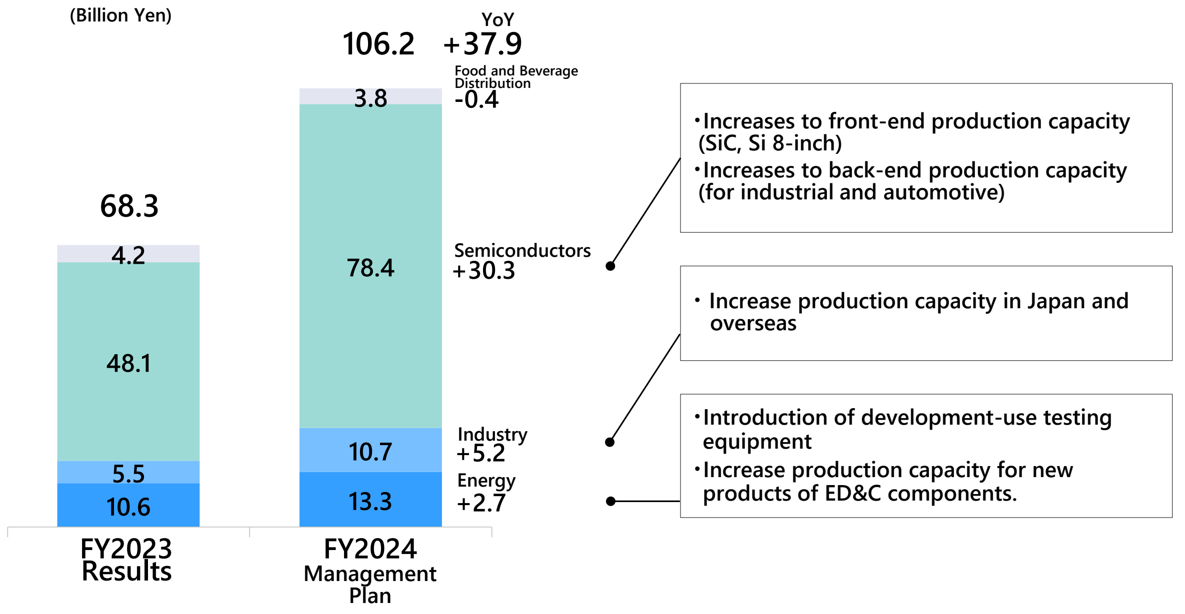
Investment concentrated on semiconductors and other growth fields

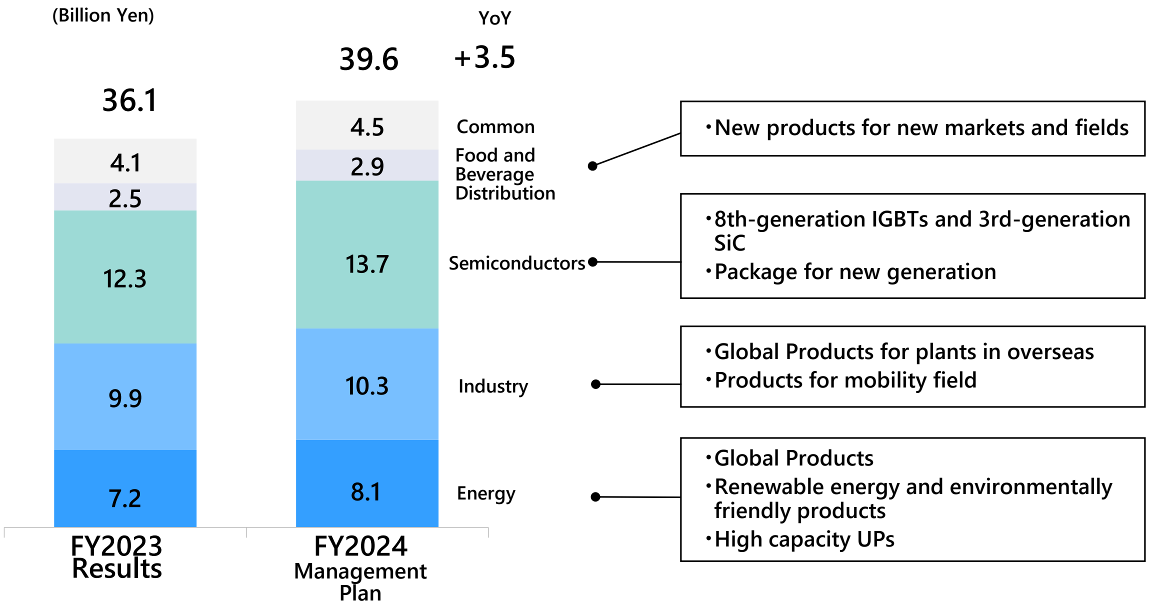


Capital investment is planned as 106.2 billion yen, up 37.9 billion yen year-on-year.

We will concentrate investment in growth fields, mainly in semiconductors. We plan substantial year-on-year increase for increasing production capacity not only in semiconductors, but also in power electronics in the Industry and the Energy segments, and for introducing testing equipment for development.

Research and Development for FY2024 (YoY Comparison)

Continuously aggressive investments in power electronics and power semiconductors



※ The amount for R&D expenditures above have been divided by segment based on theme and may therefore differ from the figures contained in the consolidated financial report.

Research and Development expenses are planned to increase by 3.5 billion yen year-on-year to 39.6 billion yen, with continued aggressive investment in power electronics and power semiconductors, and this investment will account for about 80% of the total R&D expenses.

As I mentioned earlier, the Food and Beverage Distribution segment plans to introduce new products for new fields and will also increase its R&D expenses year-on-year. And for the common area, we also plan a year-on-year increase for the introduction of new products that contribute to green transformation toward 2030, as well as for the basic research for that.

Balance Sheet at the End of FY2024 (YoY Comparison)

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(Billion Yen)

Assets	3/31/24	3/31/25	Change
Cash and deposit	66.2	48.0	-18.2
Notes and account receivables-trade, Contract assets	430.1	425.0	-5.2
Inventories	226.1	232.6	6.5
Other current assets	40.6	47.3	6.7
Total current assets	763.1	752.9	-10.2
Property, plant and equipment	311.5	353.2	41.7
Intangible assets	25.5	29.6	4.2
Investments and other assets	171.1	170.0	-1.1
Total Non-current assets	508.1	552.8	44.7
Deferred assets	0.0	0.1	0.0
Total assets	1,271.2	1,305.8	34.6

Equity ratio	47.4%	49.3%	1.9%
Net interest-bearing debt※1	97.4	96.6	-0.7
Net D/E ratio(times) ※2	0.2	0.2	-

Liabilities and Net Assets	3/31/24	3/31/25	Change
Notes and account payables-trade	207.4	212.1	4.7
Interest-bearing debts	162.9	144.0	-18.9
Other liabilities	239.4	244.9	5.5
Total liabilities	609.7	601.0	-8.7
Share capital	47.6	47.6	-
Capital surplus	46.0	46.0	-
Retained earnings	423.1	478.2	55.1
Treasury shares	-7.4	-7.4	-
Shareholders' equity	509.3	564.4	55.1
Accumulated other comprehensive income	93.2	79.0	-14.3
Non-controlling interests	59.0	61.5	2.5
Total net assets	661.5	704.8	43.3
Total liabilities and net assets	1,271.2	1,305.8	34.6

*1 Net interest-bearing debt: Interest-bearing debt – Cash and cash equivalents
*2 Net D/E ratio: Net interest-bearing debt ÷Equity

The balance sheet shows a plan to increase total assets by 34.6 billion yen, mainly due to increase in property, plant and equipment by capital investment. We will continue our operations by reducing cash and interest-bearing debt as we did in FY2023.

We plan equity ratio of 49.3%, net interest-bearing debt of 96.6 billion yen, almost unchanged from the previous year, and net D/E ratio of 0.2 times as a result of accumulation of retained earnings.

Statements of Cash Flows (YoY Comparison)

(Billion Yen)

		FY 2023 Results	FY 2024 Management Plan
I	Cash flows from operating activities	84.9	133.2
II	Cash flows from investing activities	-62.4	-103.2
I + II	Free cash flow	22.4	30.0
III	Cash flows from financing activities	-45.9	-46.7
IV	Cash and cash equivalent at end period	65.5	47.3

For cash flows from operating activities, while we plan a steady growth for internal reserve, free cash flow is planned to be 30 billion yen as we will increase capital investment for investment for growth.
In FY2024, we will continue to focus on profit as we did in the previous fiscal year.
We will consistently execute this plan for FY 2024, as the first year of the next three-year medium-term management plan.

That is all from me, thank you.

2. Reference

Summary of Consolidated Management Plan for 1H FY2024 (YoY Comparison)

富士電機 Innovating Energy Technology

(Billion Yen)

	FY2023 Results	FY2024 Management Plan	Change
Net Sales	491.7	494.0	-6.2* 2.3
Operating Profit	35.0	35.5	-1.2* 0.5
Operating Profit Ratio	7.1%	7.2%	0.1%
Ordinary Profit	34.6	33.0	-1.6
Profit Attributable to Owners of Parent	24.3	20.0	-4.3

	FY2023 Results		FY2024 Management Plan		Change	
	Net Sales	Operating Profit	Net Sales	Operating Profit	Net Sales	Operating Profit
Energy	146.3	8.7	149.0	8.7	-1.5* 2.7	-0.1* 0.0
Industry	179.7	5.2	173.0	6.2	-1.7* -6.7	-0.4* 1.0
Semiconductors	108.5	16.8	117.0	16.9	-2.9* 8.5	-0.7* 0.1
Food and Beverage Distribution	53.2	5.4	52.0	5.5	-1.2	0.1
Others	31.3	2.1	26.0	1.6	-5.3	-0.5
Elimination and Corporate	-27.2	-3.1	-23.0	-3.4	4.2	-0.3
Total	491.7	35.0	494.0	35.5	-6.2* 2.3	-1.2* 0.5

*Exchange rate effect

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