

**Condensed Transcript of Q&A Session Regarding Consolidated Financial Results
Presentation for the Fiscal Year Ended March 31, 2018, and Management Plan
Presentation for the Fiscal Year Ending March 31, 2019**

Date: April 27, 2018 (Fri) 10:00–11:30

General

Q. Fuji Electric has put forth the targets of achieving net sales of ¥1 trillion and an operating margin of 7% in the fiscal year ending March 31, 2024. What will the targets for operating income and other indicators be under the next medium-term management plan?

A.

- There has been no change to our intention to target net sales of ¥1 trillion. However, determining how to boost net sales by around ¥100.0 billion over the next five years will be a great challenge. Meanwhile, we plan to target an operating margin of 8% or more based on the levels achieved in the fiscal year ended March 31, 2018, and forecast for the fiscal year ending March 31, 2019. Key to increasing the operating margin will be expanding our operations dealing in power semiconductors, which are expected to see increased use for electric vehicle applications in the fiscal year ending March 31, 2021, and beyond, as well as further enhancing manufacturing capabilities and reenergizing the Pro-7 Activities aimed at boosting earnings capacity.

Q. It would seem as though Fuji Electric will be blessed with a favorable operating environment over the medium term. Is this assumption correct?

A.

- There are no particular areas that we view as suffering from poor conditions. The main area presenting risks is the Power and New Energy business segment.

Q. What type of risks do you foresee in relation to higher component and material procurement costs?

A.

- Even if the prices of materials and components increase, we expect to be able to absorb the impacts to a certain degree through cost reductions and price increases.

Power Electronics Systems

Q. I understand that impressive system sales were posted in the power electronics systems business. What was the amount of orders in the fiscal year ended March 31, 2018, and what are your forecasts for the fiscal year ending March 31, 2019?

A.

- Consolidated orders amounted to ¥906.9 billion in the fiscal year ended March 31, 2018, a year-on-year increase of ¥57.1 billion. Similarly, power electronics systems orders were up ¥26.3 billion, which was the result of a ¥6.0 billion decrease in orders in the Power Electronics Systems—Energy Solutions segment and a ¥32.3 billion increase in the Power Electronics Systems—Industry Solutions segment.
- Our forecast for the fiscal year ending March 31, 2019, projects consolidated orders of ¥910.2 billion. The rise in power electronics systems orders is forecast to be ¥11.4 billion, comprised of increases of ¥8.5 billion in the Power Electronics Systems—Energy Solutions segment and ¥2.9 billion in the Power Electronics Systems—Industry Solutions segment.

Q. Systems sales trends are anticipated to grow even more favorable following the reorganization of the power electronics systems business. What portion of performance in this business do you see as being a result of the rising demand and what portion do you attribute to increases in system sales?

A.

- We have succeeded in receiving comprehensive factory electric equipment orders in the Power Electronics Systems—Energy Solutions segment, and this accomplishment has been accounted for in our forecasts.

Q. The forecast for sales in the Power Electronics Systems—Industry Solutions segment during the fiscal year ending March 31, 2019, projects sales that are relatively unchanged year on year. What is your outlook for sales trends by subsegment in this business segment?

A.

- The railroad operations of the social solutions business will be between projects in fiscal year ending March 31, 2019, resulting in a decrease in sales. The factory automation business, meanwhile, is expected to see sales growth due in part to servo sales in China. As the process automation business benefited from exceptionally strong demand during the fiscal year ended March 31, 2018, we are taking a slightly conservative outlook and forecasting sales that are relatively unchanged year on year in the fiscal year ending March 31, 2019. We hope to be able to institute an upward revision to the forecasts for this segment when we enter into the second half of the fiscal year.

Q. What is your outlook for the servo market? Also, what type of growth do you project in this market over the medium-to-long term?

A.

- Servo orders in China rose 40% year on year in the fiscal year ended March 31, 2018, and growth was also seen in Japan.
- In the fiscal year ended March 31, 2018, Fuji Electric launched a new servo boasting industry-leading levels of efficiency. Previously, we had only been able to serve the general industry field in our servo operations. However, we are currently advancing action plans that include initiatives for addressing high-level automation needs in the machine tool and

other markets of China and Japan.

Q. How has progress been in regard to servo solutions and other proposals made to customers? Also, what measures will be implemented to increase such proposals going forward?

A.

- A presentation room has been established at Fuji Electric's Suzuka Factory, and samples of conveyance equipment and printing presses are on display in this room. In the fiscal year ending March 31, 2019, we plan to exhibit a large-scale automobile testing apparatus in this room with the hopes of securing orders by inviting customers to come see this piece of equipment. In China, we intend to boost the efficiency of our systems by coordinating with customers while collaborating with local engineering companies.
- The biggest challenge in the factory automation business will be to expand our factory automation systems operations. We will, of course, continue to grow sales of standalone servos. However, we also look to go a step further by coordinating the efforts of three affiliates dealing in factory automation systems to merge systems combining controllers, human machine interfaces, and servos with the Internet of Things. This business is expected to become quite large in terms of overall scale.

Q. Conditions in the servo market seemed to be extremely beneficial to Fuji Electric during the fiscal year ended March 31, 2018. Although these conditions are anticipated to continue throughout the first half of the fiscal year ending March 31, 2019, the second half of the year presents concern. How do you plan to develop your operations under these conditions?

A.

- Currently, Fuji Electric's factory automation business is overly dependent on China. To address this situation, we plan to establish a global system center in Asia with the aim of expanding operations in this region. We are also seeing growth in the factory automation field in India. Furthermore, we will assemble a project team to advance operations in the North American market, where our lack of presence is an issue.

Q. How are trends in inverter orders and what is your outlook for these orders going forward?

A.

- Full-year inverter orders rose by 6% in China and 5% in Japan in the fiscal year ended March 31, 2018. Orders in the U.S. market were up 20% largely due to the recovery of the oil and gas market. Looking at current conditions, we expect these favorable trends to continue going forward.

Q. How is progress in ship scrubber operations?

A.

- Orders were received at the end of the fiscal year ended March 31, 2018. A scrubber production system has been put in place with the Chiba Factory as the mother factory, and we will be bolstering our production capacity in the future.

Q. Orders for ship scrubbers are expected to begin increasing during the second half of the fiscal year ending March 31, 2020. Will any additional investments be made in the Chiba Factory in light of this outlook? Also, to what extent has the Company been receiving inquiries regarding scrubbers?

A.

- We have received a number of inquiries, and we are currently determining whether or not our current production capacity can keep up with these inquiries. Maintaining the position of the Chiba Factory as the mother factory, we will examine the possibility of manufacturing products for overseas at overseas factories.

Electronic Devices

Q. How are trends in power semiconductor orders and what is your outlook for these orders going forward?

A.

- In the fiscal year ended March 31, 2018, fourth-quarter orders showed a year-on-year increase of more than 10%. A similar trend is anticipated in the first quarter of the fiscal year ending March 31, 2019.

Q. Could you provide a breakdown of your forecast for net sales in the Electronic Devices segment during the fiscal year ending March 31, 2019?

A.

- Sales are projected to increase by more than ¥100.0 billion in the semiconductors business and approximately ¥20.0 billion in the magnetic disk business.

Q. To what extent are capital costs expected to rise in conjunction with the large increase in capital investment in the Electronic Devices segment?

A.

- We plan to conduct capital investments totaling more than ¥30.0 billion in the Electronic Devices segment during the fiscal year ending March 31, 2019, which will result in a slight increase in capital costs during this fiscal year followed by more substantial increases in subsequent fiscal years. Nevertheless, we intend to maintain a consistent ratio of capital costs to net sales.

Q. How much headway has been made in efforts to have Fuji Electric's proposed specifications for automotive-use power semiconductors accepted?

A.

- As the global trend toward electric vehicles in the automotive field advances, we have been working to have our proposed specifications accepted in relation to IGBT modules and other products for electric vehicles. Specifically, we have begun supplying certain Chinese customers with the products that were announced during the fiscal year ended March 31,

2018.

Q. What are the strengths of Fuji Electric's automotive-use power semiconductors? I suspect that IGBT modules will remain central to the market over the foreseeable future, but there are some companies that have begun releasing trench gate SiC-MOSFETs. Could you please explain the strengths, including the technical elements, based on which Fuji Electric will promote its products going forward?

A.

- We do not expect automotive-use SiC modules to become mainstream until later down the line. For the moment, our top priorities will be quality followed by performance achieved through device designs. Fuji Electric has a track record in supplying IGBT models for automotive applications. A major challenge going forward will be bringing the quality of SiC modules in line with the requirements of the automotive field. Development is currently underway with this regard. Our goals in such development activities will be to ensure strengths in terms of quality while effectively bringing out the characteristics of products, for example by examining how to improve the reliability of oxide films.

Q. I suspect that IGBT modules will remain the mainstream form of power semiconductor used in electric vehicles over the foreseeable future. What are Fuji Electric's strengths in this area?

A.

- Currently, the mainstream design for IGBT modules is to employ separate IGBT chips and diode chips. In the future, we anticipate that RC-IGBT chips, which integrate these two types of chips, will become mainstream. Accordingly, Fuji Electric plans to develop its operations by building strength with regard to RC-IGBT chips.

Q. What are your forecasts for power semiconductor sales by field in the fiscal year ending March 31, 2019?

A.

- We expect that power semiconductor sales will be driven by impressive sales in the industrial field, a trend that continuing from the fiscal year ended March 31, 2018, as well as solid sales in the automotive field. In addition, we forecast contributions from sales of air conditioner intelligent power modules.

Q. What are the reasons behind the lackluster growth projected for sales in the Electronic Devices segment during the six-month period ending September 30, 2018?

A.

- This forecast was based in part on factors including the negative impacts of foreign exchange influences, and we have chosen to adopt an overall conservative outlook. We hope to revise our forecasts as we enter into the second half of the fiscal year ending March 31, 2019.

Power and New Energy

Q. How is progress in the large-scale projects currently underway?

A.

- We are making smooth progress in the Moka power plant project for Kobe Steel, Ltd.

Q. What is the situation pertaining to competition with major thermal power generation system manufacturers and other risks in the Power and New Energy segment?

A.

- We are witnessing the prolongation of overseas thermal power generation system projects, a situation we recognize as representing a risk. In addition, the market for large-scale thermal power generation systems is shrinking, and we will therefore be focusing our operations on medium-sized thermal power generation systems going forward. At the same time, we anticipate growth in regional dispersed power generation systems that combine renewable energy sources, such as solar power and wind power. Under these circumstances, we expect that major overseas manufacturers will also be shifting toward medium-sized power generation systems, resulting in intensified competition.

Fuji Electric will continue working to take part in new generation system construction projects. However, it will also be incredibly important to consider how to expand service operations targeting existing systems.

Food and Beverage Distribution

Q. Why are sales in the Food and Beverage Distribution segment projected to show a year-on-year decline during the fiscal year ending March 31, 2019?

A.

- The main reason behind this forecast is reduced demand for products for convenience stores.

Q. What was the number of vending machines shipped in China during the fiscal year ended March 31, 2018, and what is the forecast for this number in the fiscal year ending March 31, 2019?

A.

- In the fiscal year ended March 31, 2018, more than 20,000 vending machines were shipped in China, and we are targeting 35,000 units shipped in the fiscal year ending March 31, 2019.