

**Condensed Transcript of Q&A Session Regarding Financial Results Presentation
for the Six-Month Period Ended September 30, 2019**

Date: November 1, 2019 (Friday) 10:00–11:30

General

Q. How likely is it that the operating income target of ¥50.0 billion for the fiscal year ending March 31, 2020, will be accomplished? Also, does this target incorporate the impacts of fixed cost reduction and other measures?

A.

- Operating income of ¥50.0 billion is the minimum target we would like to achieve. This target incorporates foreign exchange and other risks. It also incorporates full-year cost reductions of between ¥5.0 billion and ¥6.0 billion in comparison to initial forecasts.

Q. How much in funds will be generated by the sale of shares in METAWATER Co., Ltd., and how will these funds be used?

A.

- The roughly ¥5.0 billion in funds generated by the sale of shares in METAWATER Co., Ltd., will be utilized for growth investments.

Power Electronics Systems

Q. The year-on-year increase in second-quarter power electronic systems orders was lower than the increase in first-quarter orders. Is there any risk of slowdown in power electronic systems operations?

A.

- In the Power Electronics Systems Energy segment, orders in the six-month period ended September 30, 2019, exceeded our initial forecasts due to support from growth in demand for switchgears and controlgears for factories and for overseas Internet data centers.

As for the second half of the fiscal year, we are taking a conservative outlook as some orders will need to be won through open bids.

- In the Power Electronics Systems Industry segment, we are seeing strong trends in large-scale orders for radiation equipment and systems and in orders railroad systems pertaining to Shinkansen bullet trains in the social solutions business as well as in information system orders in the IT solutions business.

Q. What is the reason for the downward revision to the forecast for the Power Electronics Systems Energy segment?

A.

- Initially, we had anticipated recovery in the ED&C component market during the second half of the fiscal year. Now, however, we do not expect such a recovery. Systems orders in the power supply and facility systems business, meanwhile, are projected to be in line with our forecasts on a full-year basis, despite some of the orders planned for the second half of the fiscal year being recorded ahead of time in six-month period ended September 30, 2019.
- A major factor will behind the projected reduction in operating income is lower sales of ED&C components.

Q. Orders for low-voltage inverters are projected to recover in the third quarter. What specific growth rate is forecast for orders in the second half of the fiscal year and what are the reasons behind the projected recovery?

A.

- Orders for low-voltage inverters are forecasts to grow by more than 10% year on year in the second half of the fiscal year.
- Customers and sales distributors are almost finished with their inventory adjustments, and we therefore expect to receive orders as customers commence production in the second half of the fiscal year.

We also anticipate increases in orders centered on large-scale orders from the harbor loading crane market and the U.S. oil and gas market.

Q. What are your growth strategies for power electronics systems operations going forward? Will individual projects be emphasized over standardized products?

A.

- There has been no change to our policy of expanding overseas systems operations by capitalizing on competitive components. We thereby aim to increase the ratio of sales accounted for by system orders. To increase this ratio, we will promote industry-specific strategies and utilize the sales channels acquired through M&A activities as well as the channels of collaborators and partner companies.

Q. How are conditions in SOx scrubber operations at the moment?

A.

- Shipbuilders are in the process of installing SOx scrubbers in preparation for the regulations scheduled to be introduced in January 2020. Against this backdrop, Fuji Electric is aggressively working to acquire orders, which includes proposing the large-scale scrubbers currently under development.
- There are also some shipowners that are waiting to see how the prices of the oils they use will change after the introduction of the regulations.
- SOx scrubbers require long lead times of one and a half years. Accordingly, although some

customers are currently refraining from ordering scrubbers, we anticipate a move to place orders after the introduction of the regulations in January 2020.

Q. What is Fuji Electric's monthly production capacity for SOx scrubbers?

A.

- We can produce six units a month. Development of larger sizes, specifically XL and 2L units, is almost complete, and inquiries are being received regarding these units.

Electronic Devices

Q. How were second-quarter orders for power semiconductors by field and what changes have been seen in demand trends?

A.

- When excluding the impacts of foreign exchange influences, overall second-quarter orders were up by roughly 5% year on year. Orders from the industrial field showed a slight increase while orders from the automotive field rose by more than 10%.

In comparison to the first quarter, second-quarter orders were up slightly overall, relatively unchanged in the industrial field, and nearly 10% higher in the automotive field.

- Orders bottomed out in the fourth quarter of the fiscal year ended March 31, 2019, and have been gradually recovering since the first quarter of the fiscal year ending March 31, 2020. In the third quarter and forward, orders from the industrial field are expected to be relatively unchanged year on year while orders from the automotive field increase. A particularly significant increase is expected in the fourth quarter as we begin making deliveries to new automotive-field customers.

Q. What was the distribution of power semiconductor sales by field in the second quarter of the fiscal year ending March 31, 2020, and how did sales compare to the second quarter of the previous fiscal year?

A.

- By field, sales to the industrial field accounted for 66% of power semiconductor sales while the remaining 34% was attributable to the automotive field.

On a year-on-year basis, sales to the industrial field declined by more than 10% and sales to the automotive field were up by over 10%.

Q. Could you explain how the situation has changed from your initial forecasts pertaining to automotive IGBTs and how the FY2023 medium-term management plan will be impacted?

A.

- Sales of automotive IGBTs are slightly lower than forecast. This situation is due primarily to delays in the commencement of mass production among certain customers and lower sales volumes to China. Conversely, there are customers for which we anticipate that mass production will commence ahead of schedule or from which we expect higher sales volumes.

Accordingly, the medium-term management plan will not be significantly impacted.

Q. What portion of full-year sales is projected to be accounted for by sales to the automotive field in the fiscal year ending March 31, 2020?

A.

- In the fiscal year ending March 31, 2020, sales to the automotive field are projected to account for 37% of total sales.

Q. In regard to the full-year sales forecast for the Electronic Devices segment, what changes have been made to forecasts for semiconductors and magnetic disks in comparison to the prior forecasts?

A.

- Sales of both semiconductors and magnetic disks are expected to be approximately 10% lower than initially forecast.

Q. What were the operating ratios of power semiconductor production facilities in the second quarter and what ratios are projected for the second half of the fiscal year?

A.

- When excluding production losses in the second quarter, the overall operating ratio for front-end processes was around 85%. As for 8-inch wafers, production facilities are being operated at practically full capacity due to the strong performance of automotive power semiconductors.
- In the second half of the fiscal year, we plan to raise the overall operating ratio to around 90% in conjunction with the start of production of new automotive products in the fourth quarter. Production of 8-inch wafers will continue at full capacity throughout the second half of the fiscal year even as we augment overall capacity.

Q. What is the situation regarding losses on the start of production of new automotive products?

A.

- A schedule for response measures has already been established, and the impact on performance in the second half of the fiscal year is expected to be limited.

Q. What are your policies for the recording of orders and sales of power semiconductors for electrified vehicles (xEVs) in the automotive field and what are the anticipated impact of foreign exchange influences?

A.

- In principle, we record orders and sales in the month that they are incurred. A large portion of orders and sales to the automotive field take place in Japan, and the impact of foreign exchange influences is therefore expected to be low.

Q. How have initial full-year forecasts for the Electronic Devices segments changed with regard to capital expenditures and depreciation and amortization?

A.

- Some front-end process expenditures initially planned for the fiscal year ending March 31, 2021, will be conducted ahead of schedule. Based on market conditions, we anticipate a decrease in expenditures for back-end processes centered on the industrial field. Depreciation and amortization is expected to decline in conjunction with the delay in capital expenditures.

Q. What are your plans to respond to the trend toward 300-mm power semiconductor wafers for automotive applications?

A.

- We believe that there is a need for wider semiconductor wafers in both the automotive field and the industrial field, and we are moving ahead with preparations for R&D projects accordingly.

Q. How technologically difficult will it be to produce 300-mm wafers and how long will it take to overcome any technological hurdles?

A.

- One of the most significant issues with regard to wider wafers is the disparities in performance. Other issues arise from the increased weight of wafers. Overcoming these technological hurdles will likely require two to three years.

Food and Beverage Distribution

Q. What was the reason for the reductions to the full-year forecasts for the Food and Beverage Distribution segment?

A.

- These reductions were in part a reflection of the reduced vending machine demand in China. The protracted market stagnancy seen in China is resulting in the removal of vending machines due to bankruptcy by customers as well as to closures of factories. Vending machines removed in this manner are then reinstalled in other locations, leading to a decline in investment in new machines.