

**Condensed Transcript of Q&A Session Regarding Financial Results Presentation
for the Three-Month Period Ended June 30, 2020**

Date: July 30, 2020 (Thursday) 15:15–16:15

General

Q. Has there been an end to the one-time losses in the ED&C components business, the power generation business, and the power semiconductors business seen in the second half of the fiscal year ended March 31, 2020?

A.

[ED&C Components]

- The additional expenses for responding to defective products in the ED&C component business were completely recognized through product repair expenses recorded in the fiscal year ended March 31, 2020. Accordingly, no additional expenses were recorded with this regard in the three-month period ended June 30, 2020, nor will related expenses be incurred going forward.

[Power Semiconductors]

- No additional expenses were incurred in the power semiconductors business in the three-month period ended June 30, 2020. We are currently in the process of assessing the possibility of future expenses being recorded and the potential amounts of these expenses.

[Power Generation]

- In the power generation business, additional costs were incurred due to delays in the construction schedules of an overseas engineering, procurement, and construction project and provisions for these costs were recorded in the previous fiscal year. The global COVID-19 pandemic is currently impeding progress in construction projects. Accordingly, we will need to advance these projects while hedging risks going forward.

Q. How did the global COVID-19 pandemic impact performance in the three-month period ended June 30, 2020? Also, what is the Company's projections for the second quarter of the fiscal year ending March 31, 2021?

A.

- It is difficult to quantitatively measure the impacts of the global COVID-19 pandemic as its influence stretches to all segments. In the Food and Beverage Distribution segment, the pandemic had a heavy impact on sales of vending machines and equipment for convenience stores. In plant-related operations, the pandemic resulted in delays in certain projects.
- In the second quarter of the fiscal year, we will target performance exceeding that seen in the three-month period ended June 30, 2020.

Power Electronics Systems Energy

Q. What is the forecast for orders in the Power Electronics Systems Energy segment during the second quarter of the fiscal year?

A.

- We are witnessing a solid trend in inquiries related to data center and power semiconductor-related equipment, and we are committed to linking these inquiries to orders.
- The order backlog for plant systems on June 30, 2020, was in line with that seen on June 30, 2019.
Sales in the second and third quarters, however, are expected to surpass first-quarter sales as a result of the effects of large-scale orders recorded in the previous fiscal year.
- In the ED&C components business, the same difficult order trends seen in the three-month period ended June 30, 2020, are expected to continue in the second quarter of the fiscal year.

Power Electronics Systems Industry

Q. What is the forecast for orders in the Power Electronics Systems Industry segment during the second quarter of the fiscal year?

A.

[Automation Systems]

- Total component orders in the second quarter are anticipated to exceed first-quarter orders.
- Orders in Japan have been gradually recovering since bottoming out in the first quarter. In China, although demand growth was witnessed during the first quarter, we expect second-quarter orders to be relatively unchanged year on year. Orders in India, meanwhile, have been rising since June 2020, and we anticipate demand growth in the second quarter of the fiscal year.

[Equipment Construction]

- Difficult conditions are expected to continue due to factors such as customers foregoing capital investment.

[IT Solutions]

- First-quarter orders were down, but we expect slight increases in orders in the second quarter of the fiscal year and for six-month period ended September 30, 2020.
- Going forward, we anticipate the creation of new businesses related to the digitization of education and workstyle reforms.

Electronic Devices

[Semiconductors]

Q. What is your outlook for power semiconductor orders from July 1, 2020, forward? Will factory automation orders for industrial modules peak and then decline in the Chinese market? Also, are second-quarter orders for automotive power semiconductors expected

to see the same type of growth experienced in the first quarter?

A.

- Industrial power semiconductor orders are expected to increase year on year during the second quarter, largely due to higher orders in China, but the actual rate of growth will fall below that of the first quarter.
- Meanwhile, we anticipate substantial year-on-year growth in second-quarter orders for automotive power semiconductors. Orders for power semiconductors for electrified vehicles (xEVs) enjoyed strong increases in the first quarter while a slight rise in first-quarters was seen for power semiconductors for internal combustion engine vehicles.

Q. What degree of growth do you expect to see in orders for power semiconductors for xEV applications going forward? Also, what are the Company's plans for capital investment in response to this growth?

A.

- In the first quarter, orders for power semiconductors for xEV applications were up 53% year on year. We project growth of between 20% and 30% in overall automotive power semiconductor orders in the second quarter.
- Fuji Electric will continue to conduct capital investments with this regard going forward.

Q. How were operating rates pertaining to front-end semiconductor processes in the three-month period ended June 30, 2020, and what is the outlook for the second quarter of the fiscal year? Also, how are inventories of automotive power semiconductors?

A.

- Overall operating rates pertaining to front-end semiconductor processes in the three-month period ended June 30, 2020, were over 80%, while facilities for producing 8-inch wafers were operated at full capacity. We project overall operating rates of more than 80% in the second quarter of the fiscal year ending March 31, 2021.
- Automotive power semiconductor inventories are currently at an appropriate level.

[Magnetic Disks]

Q. I understand that the strong performance of magnetic disks for nearline models was a factor behind the rise in magnetic disk sales in the three-month period ended June 30, 2020. How were conditions for other product lines? Also, what portions of magnetic disk sales were attributable to aluminum substrate disks and to glass substrate disks?

A.

- Factors behind the rise in magnetic disk sales in the three-month period ended June 30, 2020, included higher sales of magnetic disks for data centers as well as our efforts help a customer compensate for their inability to maintain satisfactory levels of production. As computers and mobile phones are increasingly employing semiconductors, the number of models equipped with hard disk drives is decreasing.
- In the three-month period ended June 30, 2020, glass substrate disks accounted for 65%

of total magnetic disk sales while aluminum substrate disks accounted for 35% of sales. The ratio of sales from glass substrate disks is on the rise.

Q. What is your forecast for orders in the second quarter of the fiscal year?

A.

- Orders in the second quarter will decline slightly as we will stop offering a customer the production support provided in the first quarter. Nonetheless, we expect to be able to receive orders for a number of disks that is in line with the second quarter of the previous fiscal year.

Food and Beverage Distribution

Q. Performance in the vending machine business is struggling. Is the Company considering withdrawing from this business?

A.

- We have no intention of withdrawing from the vending machine business and we are committed to continually proposing new products that match society's changing needs.

Q. What is Fuji Electric's forecast for second quarter orders?

A.

- In the second quarter, we expect to face the same difficult conditions seen in the vending machine and store distribution businesses during the three-month period ended June 30, 2020. Accordingly, second-quarter orders are projected to drop by 20% year on year.
- Performance in domestic vending machine operations is expected to struggle throughout 2020 in comparison to 2019, but we look to secure performance in line with the previous fiscal year in the fourth quarter through the launch of vending machines that respond to new needs. There is currently strong demand for contactless vending machines, such as those with automated extraction venue flaps and no buttons. There is also demand for vending machines that contribute to reduced operator visit frequencies and otherwise help streamline operations. This demand is driving the spread of artificial intelligence-powered vending machines as well as vending machines that deal in goods such as masks and sanitizer.
- In overseas vending machine markets, we anticipated that conditions in the Chinese market will recover in the third quarter, resulting in a 5% year-on-year increase in full-year orders in comparison to the previous fiscal year, which was consistently plagued by the impacts of the trade friction between the United States and China. In Southeast Asia, we will target a 30% increase in orders.
- As for the store distribution business, orders are projected to recover in the third quarter, enabling us to secure orders that are in line with the previous fiscal year on a full-year basis. We are currently seeing a growth in demand for 2 Way cases and vending machine convenience stores amid increased needs arising as convenience stores move away from 24-hours-a-day operation. Going forward, we will continue to propose equipment and systems matched to new needs along with new counter fixtures oriented toward promoting sales growth.

Power Generation

Q. The movement to tighten regulations on coal-fired thermal power generation centered on the Ministry of the Environment is gaining steam. Given this backdrop, what is your outlook for the power generation business?

A.

- There will be no change to Fuji Electric's policy of growing renewable energy- and service-related sales. As for thermal power generation, we will have to monitor trends among customers and in the industry.