

**Condensed Transcript of Q&A Session Regarding Financial Results Presentation  
for the Three-Month Period Ended June 30, 2021**

Date: July 29, 2021 (Thursday) 15:30–16:18

The Q&A session took place after an explanations of Fuji Electric's financial results in the three-month period ended June 30, 2021, and three-month order trends, the demand outlook, and capital investment plans for power semiconductors. These explanations highlighted the following points.

**< Supplementary Explanation Regarding Power Semiconductors >  
Three-Month Order Trends and Demand Outlook for Power Semiconductors**

- Three-month orders for industrial power semiconductors were up 35% year on year, primarily due to higher demand for products for factory automation applications, and down 8% in comparison to the fourth quarter of the fiscal year ended March 31, 2021, or up 9% when excluding extraordinary factors such as foreign exchange influences and upfront orders.
- Three-month orders for power semiconductors for automotive applications increased 72% year on year, largely because of growth in demand for power semiconductors for electrified vehicles, and rose 3% in comparison to the fourth quarter of the fiscal year ended March 31, 2021, or 8% when excluding extraordinary factors such as foreign exchange influences and upfront orders.
- Demand is expected to remain strong throughout the remainder of the fiscal year, and the Company maintains its forecast of double-digit growth in power semiconductor sales on a full-year basis.

**Power Semiconductor Capital Investment Plans**

- The scale of the semiconductor market served by Fuji Electric is growing at a rate that exceeds initial expectations due to the acceleration of the trend toward decarbonization.
- Capital investment is being conducted ahead of schedule in response to the robust growth in demand. There is a need to increase production capacity going forward. Meanwhile, changes in customer policies indicate that we can no longer expect demand in the magnetic disks business. Accordingly, we have reorganized and withdrawn from this business. As part of this process, the magnetic disk cleanroom at our Malaysia Factory has been repurposed for power semiconductors, and we have decided to increase production capacity at this factory.
- The impacts of the reorganization and withdrawal from the magnetic disks business will be explained at the financial results briefing for the six-month period ending September 30, 2021.

## < Q&A Session >

### General

Q. How did performance in the three-month period ended June 30, 2021, compare with internal projections?

A.

- Net sales were slightly lower than projected due to the Power Generation and the postponement of IT solutions projects in the Power Electronics Systems Industry segments. Operating income, meanwhile, exceeded forecasts in the Semiconductor segment as well as in all other segments. The degree to which operating income surpassed forecasts can be measured in billions of yen for the Semiconductor segment and in hundreds of millions of yen for the other segments.

Q. Fuji Electric has chosen not to revise its forecasts for the six-month period ending September 30, 2021, or for the fiscal year ending March 31, 2022. Is there no chance that performance might surpass forecasts, particularly in the Semiconductor segment?

A.

- Net sales in the six-month period ending September 30, 2021, are expected to fall short of performance forecasts. Factors behind this outcome will include the postponement of IT solutions projects in the Power Electronics Systems Industry segment and the impacts of the withdrawal from the magnetic disks business. Six-month operating income, meanwhile, is set to exceed forecasts due to higher-than-anticipated sales for semiconductors, factory automation-related power electronics systems, and ED&C components.
- There is a possibility that full-year performance will surpass forecasts. However, we would like to wait to make forecast revisions until after we have examined the positive and negative developments to occur in the second quarter. Accordingly, any revisions to full-year forecasts will be announced at the financial results briefing for the six-month period ending September 30, 2021.

Q. Has Fuji Electric been impacted by the rises in material prices?

A.

- The prices of certain materials are rising. Fortunately, Fuji Electric has concluded long-term procurement agreements with suppliers, and the impacts of material price increases on performance have been limited so far.

Q. Risk factors for the remainder of the fiscal year have been stated to include resource price increases and the postponement of plant projects. What measures will be taken to mitigate these risks and what is the estimated amount of impact of these risks?

A.

- The impacts of resource price increases will primarily be felt in semiconductor and ED&C component operations. We will work to minimize the impacts of these price increases through cost reductions, but a portion of the impacts will need to be absorbed through increases to sales prices.

- There is the risk that plant projects may be postponed in the Power Generation segment as a result of the COVID-19 pandemic. The amount of impact varies by project, and we therefore cannot offer any comment with this regard.

### **Semiconductor**

Q. What is Fuji Electric's share in the magnetic disks market and what is the scale of sales in the magnetic disks business?

A.

- It is common for hard disk drive manufacturers to produce magnetic disks in-house, and Fuji Electric's share of the magnetic disks market is thus less than 10%. In the fiscal year ended March 31, 2021, net sales in the magnetic disks business amounted to around ¥19.0 billion.

Q. What were the changes in policies among customers that prompted Fuji Electric to withdraw from the magnetic disks business?

A.

- We cannot comment on this matter.

Q. When will production of magnetic disks cease?

A.

- Production was ceased in July 2021, and we are now in the process of filling outstanding orders.

Q. Could you please offer details on the impacts on performance of the withdrawal from the magnetic disks business as well as the plans to repurpose magnetic disks assets for use with power semiconductors?

A.

- The impacts on performance of the withdrawal from the magnetic disks business will be explained in detail at the financial results briefing for the six-month period ending September 30, 2021. On a full-year basis, in the fiscal year ending March 31, 2022, the Semiconductor segment is projected to be able to compensate for the absence of the net sales and operating income from the magnetic disks business with the strong performance of power semiconductor operations.
- The magnetic disk cleanroom at our Malaysia Factory has been repurposed for power semiconductors, and this cleanroom will be used for both front-end and back-end semiconductor production processes.

Q. How were orders for power semiconductors in the three-month period ended June 30, 2021, and what is the outlook for order trends in the remainder of the fiscal year?

A.

- Upfront orders for power semiconductors were brisk in the three-month period ended June 30, 2021, and we are currently having difficulty maintaining a supply that matches the demand from customers.

- Growth in orders is also expected in the second and third quarters, but this growth will not be as robust as that seen in the first quarter.

Q. What factories will be the target of investment for increasing production of power semiconductors during the fiscal years ending March 31, 2022 and 2023?

A.

- In the fiscal year ending March 31, 2022, investments for increasing front-end processing capacity will primarily be directed toward the Tsugaru Factory, and we plan to conduct mass production at this factory during the second half of the fiscal year. Looking ahead, production will be increased centered on the Tsugaru Factory in the fiscal year ending March 31, 2023 and then at the Malaysia Factory and other factories in subsequent fiscal years.

Q. What are the Company's policies for capital investment in SiC devices and in 12-inch wafers?

A.

- We are currently in the process of preparing technologies for the production of SiC devices and 12-inch wafers, and we expect to be able to begin production, and consequently mass production, of SiC devices earlier than initially anticipated.

Q. As production of SiC devices is slated to begin earlier than initially anticipated, to where will these devices being supplied? Were investments to be directed toward increasing production of SiC devices, is it safe to assume that these investments would be aimed at 6-inch wafers?

A.

- We anticipate that production of SiC devices will begin six months to a year earlier than the initial forecast of 2025. The early produced devices will be supplied to the automotive field.
- Were investments to be directed toward increasing production of SiC devices, these investments would indeed be aimed at 6-inch wafers.

### **Food and Beverage Distribution**

Q. It was explained that sales in the vending machine business are declining due to postponements in customers' capital investment plans. How will this trend impact full-year sales?

A.

- Given current trends, second-quarter sales in Japan are expected to exceed first-quarter sales. Meanwhile, favorable trends in overseas orders are being seen centered on Asia. We therefore anticipate that full-year sales will be in line with forecasts.