

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

Date: October 28, 2021 (Thursday) 15:30–16:36

General

Q. What factors that may buoyed or depress performance were incorporated into the newly announced forecasts for full-year performance in the fiscal year ending March 31, 2022?

A.

- Factors that may buoy performance include the potential for increased sales centered on component products should the difficulties in procuring parts be alleviated quickly. There is also a possibility that we will see more beneficial foreign exchange rates and reductions in fixed costs.
- Factors that may depress performance include market downturns as well as the risk of IT solutions sales falling below targets.
- Currently, we expect buoying factors to exceed depressing factors, and we will thus be targeting operating income of ¥67.0 billion as the minimum level of performance with the aim of achieving performance that exceeds this level.

Q. What is the situation regarding the difficulties in procuring parts?

A.

- The lockdowns instituted in principal Asian countries are creating difficulties in procuring various parts, including electronic parts and resins. We have managed to mitigate the impacts of these risks through purchasing from multiple suppliers, long-term contracts, and the use of alternative parts. As such, the impact on performance has not been significantly large.
- The issues in procuring resins seem to be trending toward a resolution, and we have already secured a stock of silicon wafers that will last us through the fiscal year ending March 31, 2023. We will continue to ramp up procurement activities going forward in order to facilitate sales growth.

Q. What impacts have the rises in material and logistics prices had on performance?

A.

- Our forecasts account for ¥2.0 billion in impacts from material price increases in the first half of the fiscal year ending March 31, 2022, and ¥4.0 billion in the second half. We are taking steps to minimize the impacts of material price

increases on performance through purchasing from multiple suppliers, long-term contracts, cost reductions, and transference of costs to sales prices.

- The impact of rising logistics prices on performance has been small as a result of our ongoing promotion of local production and consumption.

Q. Have there been any ahead-of-schedule orders for components amid the growth in demand?

A.

- We continue to see ahead-of-schedule orders centered on ED&C components, factory automation systems, and semiconductors.
- Ahead-of-schedule orders for ED&C components and factory automation systems are on the rise as a result of customers' concern regarding the difficulties in procuring parts. This rise in orders is expected to begin to taper off in the second half of the fiscal year ending March 31, 2022. For low-voltage inverters, we have received around middle of double digits in orders to be delivered in the next fiscal year.
- Ahead-of-schedule orders for semiconductors are being received centered on industrial semiconductors, and these orders represent between 5% and 9% of all orders.

Power Electronics Energy

Q. From what countries is Fuji Electric receiving a lot of ahead-of-schedule orders for ED&C components?

A.

- Ahead-of-schedule orders for ED&C components are largely being received in Japan, China, and other Asian countries.

Q. Have there been improvements in the profitability of ED&C components?

A.

- Significant improvements are being seen in the profitability of ED&C components as a result of the benefits of the business structure reforms we have been advancing since the fiscal year ended March 31, 2021, as well as the increases in sales volumes.

Power Electronics Industry

Q. Has Fuji Electric felt the impacts of procurement risks related to resins, connectors, and other general-use parts in factory automation operations? Also, what impact will these risks have on performance in the third quarter and forward?

A.

- We are witnessing the materialization of various parts-related procurement risks. These risks are being addressed through the use of alternative parts and other revisions to the parts we use as we work to accomplish our full-year targets.

Q. Performance in the automation systems business has been strong in the fiscal year ending March 31, 2022. Is it possible that performance will decrease in the fiscal year ending March 31, 2023, as a result of the rebound from this strong performance?

A.

- There is a possibility that risks will materialize in the Chinese market in the fiscal year ending March 31, 2023, but the outlook remains opaque at this point in time. We look to achieve growth in orders and sales of components and systems in future fiscal years by revising our power electronics sales systems. For components, for example, we will target higher sales by launching new low-voltage inverter products that capitalize on the platforms developed in the fiscal year ended March 31, 2021. Domestic plant operations, meanwhile, are enjoying increased demand for upgrades to aged equipment, a product of investment trends among customers, as well as for measures for pursuing carbon neutrality. Accordingly, we will be working to acquire new orders in these operations on a Companywide basis.

Semiconductor

Q. In the semiconductor business, what are your forecasts for third-quarter semiconductor orders by field in comparison to second-quarter orders? Also, what are the reasons behind the improvements in profitability in the semiconductor business and what are your projections for this business in the third quarter and forward?

A.

- Third-quarter orders are expected to be around the same high level as in the second quarter, with the exception of industrial semiconductors for which orders will decline due to the absence of the ahead-of-schedule orders recorded in the second quarter. Meanwhile, double-digit growth from the second quarter is anticipated for orders for automotive semiconductors as a result of the launch of new vehicles.
- Factors behind the improvements in profitability in the semiconductor business include higher sales volumes as well as the revision of selling prices for certain industrial and automotive semiconductor products.
- We expect profitability in this business to remain high in the third quarter and beyond as sales volumes grow in conjunction with investments for bolstering production volumes.

Q. Has there been any change in the competitive climate surrounding RC-IGBTs? What is the situation regarding next-generation offerings?

A.

- We have not received reports of rival offerings being employed in automobiles on a full-fledged basis, and we therefore believe that Fuji Electric's RC-IGBTs continue to have a competitive edge.
- We are in the process of developing next-generation offerings with an eye toward commencing application in 2023 or 2024.

Q. A newspaper article spoke of an additional ¥40.0 billion in investments in semiconductor equipment. How does this article line up with reality?

A.

- The reality is just as stated in the newspaper article. We have approved plans to conduct an additional ¥40.0 billion in investments in semiconductor equipment. Targets of these investments will include the withdrawal from the magnetic disk business and the refitting of cleanrooms for use with semiconductors, as announced at the financial results briefing for the three-month period ended June 30, 2021. Another major target of the investments will be production of 8-inch silicon wafers at the Matsumoto Factory. These investments will be conducted in preparation for production in 2023.

Q. How has Fuji Electric been responding to the trend toward 8-inch SiC devices in the automotive industry?

A.

- The trend toward 8-inch SiC devices is expected to continue going forward, but these devices do not currently offer a level of quality that is sufficient for mass production. Accordingly, we anticipate that 6-inch devices will remain mainstream for the foreseeable future.

Q. What was the scale of sales and income in the magnetic disk business? Also, what is the schedule regarding the refitting of cleanrooms in Malaysia for use with semiconductors?

A.

- The magnetic disk business posted net sales of ¥19.0 billion in the fiscal year ended March 31, 2021. As for the six-month period ended September 30, 2021, net sales in this business nearly reached ¥6.0 billion while operating income was around ¥1.0 billion.
- We are moving ahead with plans to begin mass producing semiconductors in our cleanrooms in Malaysia during the second half of the fiscal year ending March 31, 2024.