

**Condensed Transcript of Q&A Session Regarding Financial Results Presentation
for the Nine-Month Period Ended December 31, 2021**

Date: January 27, 2022 (Thursday) 15:30–16:30

General

Q. It was mentioned that Fuji Electric is on course to accomplish its operating margin target for the fiscal year ending March 31, 2024, ahead of schedule. Is there any chance of a revision to the targets of the Company's medium-term management plan?

A.

- We currently have no intention of revising the medium-term management plan targets of net sales of ¥1 trillion and an operating margin of 8% or more for the fiscal year ending March 31, 2024.

Q. What risks are being faced with regard to parts procurement?

A.

- The lockdowns in Asia continue to present obstacles to the procurement of electronic parts, resins, and various other parts. Sales of certain component products have been affected by this situation, but the overall impact on performance has not been significant as we have hedged against procurement risks by using multiple vendors, securing long-term contracts, and identifying alternative parts.

Q. What impact has the high material prices had on performance?

A.

- The full-year impact of the high material prices is projected to reach nearly ¥7.0 billion, more than ¥2.0 billion in the first half of the fiscal year and over ¥4.0 billion in the second half. We will expect to be able to mitigate this impact by cutting costs and raising selling prices.

Q. In what segments are selling prices being raised?

A.

- We are raising selling prices in the Food and Beverage Distribution, Power Electronics and Semiconductor segments, which are the segments most impacted by the high material prices.

Q. It was stated that growth in orders for major component outpaced net sales in the nine-month period ended December 31, 2021. Will this trend continue in the fourth quarter?

A.

- Growth in orders for major components outpaced net sales in the nine-month period ended December 31, 2021, due in part to upfront orders. Our performance forecasts assume that orders will be down in comparison to the net sales in the fourth quarter.

Q. Why did orders for products other than major components decrease year on year in the nine-month period ended December 31, 2021?

A.

- The year-on-year decrease was a result of the absence of orders recorded in relation to the GIGA School Scheme in the previous equivalent period in the IT solutions business of the Power Electronics Industry segment. Plant and system orders, meanwhile, were up year on year.

Q. What are Fuji Electric's policies with regard to cross-shareholdings?

A.

- The 102 cross-shareholdings Company held on March 31, 2019, had been reduced to 51 on October 31, 2021. We intend to further cut back on cross-shareholdings during the period of the medium-term management plan slated to conclude with the fiscal year ending March 31, 2024.

Power Electronics

Q. The number of companies addressing Scope 3 emissions as part of the pursuit of carbon neutrality is increasing. At what timing do you expect power electronics-related inquiries and orders associated with carbon neutrality to become prevalent?

A.

- We are seeing a rise in inquiries related to carbon neutrality. Our response to various customer inquiries is being addressed in a consolidated manner by the Power Electronics Sales Group, an organization specializing in power electronics established in September 2021.
- Several orders for pilot plants have been received from customers, and the combined amount of such orders is in the billions of yen. We anticipate full-fledged growth in sales to begin in 2024 or 2025.

Power Electronics Energy

Q. What is the forecast for performance in each of the subsegments of the Power Electronics Energy segment in the fourth quarter of the fiscal year ending March 31, 2022?

A.

- The energy management business is expected to experience a year-on-year decrease in sales. The power supply and facility systems business is projected to

post higher sales and income as a result of strong trends in orders from data centers and semiconductor manufacturers. In the ED&C components business, we are witnessing robust demand from machine tool manufacturers, and we have a plentiful order backlog. Accordingly, we forecast increases in sales and income in this business, when excluding the impacts of foreign exchange influences.

Q. In what areas are strong trends being seen in orders for ED&C components and what is the outlook for the fourth quarter?

A.

- Growth in ED&C component orders exceeded expectations in Japan, China, and other parts of Asia. We had initially anticipated a decrease in orders in the fourth quarter, but recent order trends have been surpassing our forecasts.

Power Electronics Industry

Q. Why did growth in low-voltage inverter orders surpass expectations in the third quarter and what is the forecast for the fourth quarter of the fiscal year ending March 31, 2022?

A.

- We had expected that low-voltage inverter orders in the third quarter would decline slightly from the second quarter. However, low-voltage inverter orders were up 2% in Japan, where we continued to receive upfront orders, and 34% overseas in comparison to the second quarter. In China, order trends were strong leading up to the second quarter due to user demand, and some upfront orders were received in the third quarter. We have also seen impressive performance in orders for low-voltage inverters for elevator applications in Europe and for oil and gas applications in the United States, even when excluding upfront orders.
- We had projected that orders would decline in the fourth quarter, but recent order trends have been strong, and we therefore now anticipate that we will be able to secure enough orders to support sales in the fiscal year ending March 31, 2023.

Semiconductor

Q. What trends were seen in semiconductor orders in the third quarter and what is the outlook for the fourth quarter of the fiscal year ending March 31, 2022? Also, what has been the trend in orders for semiconductors for electrified vehicles?

A.

- Third-quarter orders for industrial semiconductors were down 4% in comparison to the second quarter. However, if we exclude the impacts of upfront orders and foreign exchange influences, orders in the third quarter were relatively unchanged from those in the second quarter. Orders for automotive semiconductors in the third quarter were up 9% from the second quarter. Breaking this figure down, orders for semiconductors for electrified vehicles, IGBTs specifically, rose by more than 20% in comparison to the second quarter while orders for other automotive semiconductors were down 10%. Upfront

orders also decreased in comparison to the second quarter.

- In the fourth quarter, we anticipate growth in orders of around 5% over the third quarter when combining both industrial and automotive semiconductors. More specifically, automotive semiconductor orders will grow by more than 10%, and the rise in orders for semiconductors for electrified vehicles will be nearly 20% as a result of an expanded range of vehicles using such semiconductors. Orders for industrial semiconductors will increase slightly in comparison to the third quarter. This outlook excludes the impacts of upfront orders and foreign exchange influences.

Q. Given the increase to semiconductor production capacity, can fourth-quarter net sales in the Semiconductor segment be expected to increase by more than 10% over the third quarter? Also, what will be the segment's production capacity in the fiscal year ending March 31, 2023?

A.

- We have been undertaking a gradual increase in production capacity for 8-inch wafers that is scheduled to encompass the period spanning from the second quarter to the fourth quarter of the fiscal year ending March 31, 2022. As a result, fourth-quarter net sales in the Semiconductor segment are expected to increase over the third quarter.
- Production capacity for 8-inch wafers on March 31, 2023, is projected to be 50% higher than the production capacity on March 31, 2022.

Q. What factors contributed to the Semiconductor segment's high operating margin of 15% in the nine-month period ended December 31, 2021?

A.

- We have continued to operate production equipment at full capacity against a backdrop of robust demand from customers, and we have thus been able to absorb the funding burden of capital investments.

Q. What is the latest forecast for net sales in the Semiconductor segment under the medium-term management plan scheduled to conclude with the fiscal year ending March 31, 2024?

A.

- The medium-term management plan forecast currently stands at net sales of ¥200.0 billion in the Semiconductor segment, which was formerly known as the Electronic Devices segment, in the fiscal year ending March 31, 2024. Of this, semiconductors were to account for ¥175.0 billion while the remaining ¥25.0 billion was to be attributable to magnetic disks. However, we now believe that the segment should be able to generate net sales in excess of ¥200.0 billion even when excluding the magnetic disk business, from which we have withdrawn.

Q. How is the competitive climate surrounding RC-IGBTs? What is the situation regarding the development of next-generation offerings?

A.

- Other companies have begun developing RC-IGBTs, and we expect these rival offerings to begin appearing on the market in the near future.
- We are in the process of developing next-generation offerings with an eye toward commencing supply in 2023 or 2024.

Q. What is the aim of the SiC power semiconductor capital investments announced today and why this decision made at this timing? Also, why was the Tsugaru Factory chosen as the target for these investments?

A.

- Through these capital investments, we aim to expand the scope of application of SiC devices, which contribute to smaller, lighter weight, and more energy efficient equipment, in electrified vehicles, which are highly suited to taking advantage of the benefits of these devices. This decision was made in light of the projected market growth anticipated in response to the accelerated electrification of automobiles. Moreover, the timing for the SiC power semiconductor production capacity increases was influenced by the fact that we just recently received concrete purchase volume projections from customers.
- The Matsumoto Factory was considered as a target for investments, but we decided against this factory due to the research and development-related aspects of its existing production line. Rather, we chose to use the Tsugaru Factory, where we have nearly completed foundry production for Renesas Electronics Corporation, for full-fledged mass production of SiC power semiconductors.

Q. There has been a clear shift toward electric vehicles among major Japanese automobile manufacturers. Will there be any changes to your medium- to long-term strategies in response to this shift? Also, is there any validity to the newspaper article that came out today talking about joint investment between an automobile manufacturer and Fuji Electric?

A.

- It is not just major companies that are shifting toward electric vehicles; this shift is being seen among all companies. Regardless, there has been no change to Fuji Electric's strategy for the time being, and we maintain our outlook that demand for SiC power semiconductors will continue to grow into the future.
- We believe that joint investment in one option that could be taken, but there is no validity to the newspaper article you speak of.

Power Generation

Q. Power Generation segment performance was down year on year in the nine-month period ended December 31, 2021. Is there any risk that the performance targets for this segment will not be met?

A.

- Sales and income will be concentrated in the fourth quarter in the fiscal year ending March 31, 2022, and the vast majority of sales recorded in the fourth quarter will be attributable to existing order backlog. There is a need to be mindful of the risk of project postponements as a result of the COVID-19 pandemic, but we are committed to working toward our performance targets nonetheless.