

**Condensed Transcript of Q&A Session Regarding Briefing on
FY2026 Medium-Term Management Plan**

Date: May 23, 2024 (Thursday) 15:15 – 17:50

General

Q. It is my understanding that all segments have achieved operating profit ratio of at least 10% due to efforts to improve profits through manufacturing reforms and other means. Can we look forward to further improvements in profitability?

A.

· Productivity improvements will be key to achieving higher profits. We plan to target a 20% improvement in productivity over the next three years by utilizing digital, AI, and other technologies. We will also examine the possibility of optimizing our production network. In the past, we have decided what production bases to use on a by-business group basis. If we were to adjust our approach to make such decisions based on the characteristics of each base, it would bring with it the potential to improve productivity and generate further earnings. Accordingly, we will be looking to adopt this approach through coordination among corporate divisions, business groups, and factories.

Q. In terms of cash allocation strategies, it seems like Fuji Electric will be devoting significant funds toward M&A, information, and other investments. What will be some specific targets of these investments? Also, does the Company have any plans to sell cross-shareholdings?

A.

· In regard to M&A activities, we are in the process of examining means of strengthening manufacturing functions in Southeast Asia, India, and other locations. Developing new businesses requires investing in partnerships with start-up companies, and we hope to find some quality candidates for such investments.

· As for information investments, we are steadily replacing our core systems. Accordingly, we plan to ramp up investments for upgrading operational systems to expedite decision-making.

· The new medium-term management plan does not include any major sales of cross-shareholdings.

Q. What factors may cause profit attributable to owners of parent to deviate from forecasts in the fiscal year ending March 31, 2027?

A.

· Were the Company to sell cross-shareholdings, it could cause profit attributable to owners of parent to surpass forecasts. Meanwhile, management will work to improve the operating profit ratio while preventing non-operating losses.

Q. The medium-term management plan talks about imagination and creativity. Does Fuji Electric intend to develop products based on market needs?

A.

· The importance of imagination can be seen in how we advance product planning and research and development. Rather than creating fuel conversion, direct current electricity distribution, heat electrification, and other products entirely by ourselves, we will share our road maps with various partners to formulate visions for the future. These visions will be used to shape concrete business activities, which will be advanced while discussing with such partners. Green transformation is one of the larger trends we are seeing at the moment, and conditions have been changing, as seen in developments such as alterations to the timetables on which we have to think. This is why we need creativity to envision and achieve our ideal position while sharing this vision with partners.

Energy

Q. Why has Fuji Electric taken a conservative approach toward its targets for internet data center-related orders, despite the brisk investment being seen by foreign internet data center operators?

A.

· The medium-term management plan does not include all of the business opportunities that could emerge as a result of the recent increases in investments among domestic internet data center operators or by new foreign internet data center operators. We will look to take raise orders by taking advantage of such opportunities going forward.

Q. What are some characteristics of Fuji Electric's internet data center operator customer base?

A.

· Foreign internet data center operators, which continue to make large transactions, are the cornerstone of our internet data center operator customer base, while we also serve a wide range of other customers, including domestic internet data center operators and internet data center operators who have just recently entered into the Japanese market.

Q. The energy management business is forecast to see a ¥17.3 billion increase in net sales. In what areas of this business will growth be seen? I suspect that industrial and general-use products represent a large portion of sales in the energy management business. Does Fuji Electric plan to grow sales of products for power grid applications?

A.

- In the energy management business, we plan to grow sales of electricity storage systems and power conditioning systems. In the fiscal year ending March 31, 2025, we project a threefold year-on-year increase in sales of grid electricity storage systems and an increase of more than fourfold in sales of electricity storage systems for renewable energy and in-house generation applications. Meanwhile, sales of systems for decentralized power grids will be relatively unchanged year on year. By accomplishing sales of these levels, we will look to lay the groundwork for sales growth in the fiscal year ending March 31, 2026, and beyond.

- Sales of substation systems are expected to grow with regard to general industry, railway substation, and large-capacity rectifying equipment plant manufacturing applications. Conversely, we do not anticipate large growth in sales of substation equipment for power applications, although there may be a slight increase related to efforts to achieve compatibility with digital substations.

Q. I believe that significant growth will be seen in overseas sales in the power generation business. Meanwhile, what is the outlook for overseas in the power supply and facility systems business and the energy management businesses? Do you envision overseas sales growing leading up to the fiscal year ending March 31, 2031?

A.

- As you stated, overseas projects in the power generation business will make significant contributions to sales. Meanwhile, overseas sales in the power supply and facility systems business will be relatively unchanged year on year in the fiscal year ending March 31, 2025. This outcome will be due in part to the absence of the overseas sales of products for semiconductor applications that contributed greatly to performance in the fiscal year ended March 31, 2024. Conversely, we plan to grow sales of products for data center applications.

- In the energy management business, we have hardly any overseas presence in terms of the electricity distribution field. For power conditioning systems, however, we have developed manufacturing systems for overseas markets in India and other locations, and we will thus be looking to grow sales of such systems while ramping up development.

Industry

Q. It was announced that the IT solutions and information solutions operations of the Industry segment have been integrated in order to form the digital transformation solutions business subsegment. What are the profitability targets of this subsegment and what competitive advantages does it boast?

A.

- The IT solutions business had low profit ratios. However, we expect that the synergies between the operations of this business and our information solutions business will enable us to target an operating profit ratio of 10% for the digital transformation solutions business.

- One of Fuji Electric's principal characteristics is its ability to supply equipment along with

related services. By capitalizing on this characteristic, we aim to provide digital transformation proposals that integrate sensors, edge controllers, and other components. We are also promoting digital transformation investment in-house with the goal of improving production efficiency. There is thus potential for us to grow our business by promoting digital transformation solutions based on usage cases by Fuji Electric.

Semiconductor

Q. The IGBT sales forecast for the fiscal year ending March 31, 2027, does not show much growth from the actual sales figure achieved in the fiscal year ended March 31, 2024. Is this a result of changes to the competitive climate?

A.

· There has been no significant change to conditions in the competitive climate at this point in time. We project ongoing growth for IGBT and other industrial semiconductors. We also anticipate that the shift from IGBTs to SiC devices for automotive semiconductors will result in increased rates for growth for these devices.

Q. We are currently witnessing a return to hybrid-electric vehicles, a change from the prior focus on battery-electric vehicles, as well as augmentations in related production capacity. Why, then, is the growth rate projected for automotive semiconductor sales in the fiscal year ending March 31, 2027, so low?

A.

· Capital investments amounts include amounts for upfront investments, and there is thus a portion of these amounts that is not directly linked to the sales forecast for the fiscal year ending March 31, 2027. Nevertheless, we are committed to growing sales of automotive semiconductors leading up to the fiscal year ending March 31, 2031. The reason for the seemingly low growth in automotive semiconductor sales is the discontinuation of certain models as customers shift toward new models. This will result in a temporary decline in automotive semiconductor sales. Fortunately, we have succeeded in convincing customers to adopt Fuji Electric's specification from models to be released after the fiscal year ending March 31, 2027, and we therefore expect sales growth to accelerate following said fiscal year.

Q. Why was the three-year capital investment target changed from the previously announced ¥200 billion to ¥180 billion? Also, is Fuji Electric planning any joint investments with other companies?

A.

· The reason for the change from ¥200 billion to ¥180 billion was that we judged that this level of investment would be viable for allowing us to achieve our business targets. It is not a result of us lowering investment budgets.

· At the moment, we have no plans to have other companies fund a portion of any investments.

Q. Given the sluggish demand for battery-electric vehicles, is there any risk that plans for capital investment related to SiC devices might fall behind schedule?

A.

- Our investment plan has been formulated based on information gained by speaking with customers.

Q. What type of impact will the increase in capital investment related to SiC devices have on return on invested capital and the operating profit ratio?

A.

- When looking at the Semiconductor segment as a whole, we anticipate flat growth in return on invested capital. We are currently in the process of setting up mass-production lines for SiC devices, which will require R&D expenditures and other upfront investments. These investments are anticipated to make contributions to performance leading up to the fiscal year ending March 21, 2027, resulting in an operating profit ratio of more than 10%.

Q. What are the competitive advantages of Fuji Electric's SiC devices?

A.

- Competitive advantages of Fuji Electric's SiC devices include a technological edge that contributes to lower losses for chips as well as more compact equipment and higher output density for modules and other devices, which are important features for automotive products.

Q. In regard to Fuji Electric's plans to have its automotive semiconductors adopted for use in vehicles, why are you projecting an increase in new adoption of IGBTs in China and other parts of Asia, but a low number of new adoptions of SiC devices in Japan?

A.

- Despite the intense competition in China, customers who have used Fuji Electric products previously are choosing to continue using our products for new vehicles.

- We are witnessing the start of a shift toward SiC devices in Japan, and we anticipate that growth will be achieved in the number of vehicles for which Fuji Electric products are adopted in the fiscal year ending March 31, 2025.