May 27, 2025
Fuji Electric Co., Ltd.

Condensed Transcript of Q&A Session Regarding Business Strategy Meeting for the Fiscal Year Ending March 31, 2026

Date: May 27, 2025 (Tuesday) 13:00 – 15:45

Energy

Q. What trends are expected in orders by subsegment in the Energy segment during the fiscal year ending March 31, 2026?

A.

- In the power generation business, orders are projected to decrease year on year due to the absence of the large-scale orders recorded in the fiscal year ended March 31, 2025.
- Orders are forecast to be relatively unchanged year on year in the energy management business. Although a year-on-year increase will be seen in orders for grid power distribution and renewable energy systems, orders for transformer systems are projected to decline due to the absence of large-scale orders recorded in the previous fiscal year. However, transformer system orders are currently surpassing forecasts.
- Orders should increase year on year in the power supply and facility systems business when excluding the impacts of foreign exchange influences.

Q. The operating profit ratio in the fiscal year ending March 31, 2026 is proving to be significantly higher than projected in the medium-term management plan slated to conclude with the fiscal year ending March 31, 2027. Why is this? Also, what specific measures will be implemented to improve profitability going forward?

A.

- The improvements seen to profitability in the Energy segment are a result of our efforts to standardize production processes, perform production in-house, heighten efficiency, and reduce costs. Moreover, we have been successful in proposing selling price increases to transfer the rising costs of materials to customers.
- Going forward, we will pursue higher levels of productivity and enhance management systems in order to achieve further improvement in the operating profit ratio. We have set the internal target of an operating profit ratio that at least surpasses the level stipulated in the current medium-term management plan in the fiscal year ending March 31, 2027.

Q. What is the outlook for sales in the renewable energy stabilization business?

A.

- We expect that sales of grid storage battery systems including grid power distribution, renewable energy stabilization in the fiscal year ending March 31, 2026 will be nearly four times the level seen in the fiscal year ended March 31, 2025. Our current order backlog is equivalent to nearly half of our sales forecast for this business in the fiscal year ending March 31, 2026 and the outstanding order backlog for the fiscal year ending March 31, 2027 is around the same level.
- Sales of products for renewable energy stabilization applications in the fiscal year ending March 31, 2027 are projected to be three times higher than seen in the fiscal year ended March 31, 2024.
- We anticipate that sales of grid storage battery systems and energy management systems will continue to grow up until the fiscal year ending March 31, 2031.

Q. Since 2020, growth in Fuji Electric's sales of products for data centers has been surpassing the rate of growth in the internet data center markets of the respective regions. Is this market-exceeding rate of growth a result of expansions in Fuji Electric's market share? Also, does the sales target for the Energy segment in the fiscal year ending March 31, 2029 represent growth on par with the market growth expected to be seen in comparison to the fiscal year ending March 31, 2026?

A.

- Customers has continued to ramp up their data center-related investments since around 2020, and this investment has contributed to growth in Fuji Electric's sales. We estimate that our market shares in 2024 were around the same level as in 2023, but we have been seeing ongoing growth in orders from Japan and other parts of Asia in particular.
- The North American market will be an area of focus going forward. In this market, we will be targeting sales growth in line with the market scale projected in the fiscal year ending March 31, 2029.

Q. What are the reasons behind the substantial year-on-year growth seen in orders in the power supply and facility systems business in the fiscal year ended March 31, 2025?

A.

- Although orders for semiconductor-related products were down due to the absence of previously received large-scale overseas orders, we have been witnessing increases in overall orders due to rapid growth in orders for data center-related projects seen both in Japan and overseas.

Q. Sales in the power supply and facility systems business are expected to be around the same level as the previous fiscal year in the fiscal year ending March 31, 2026. Is there any possibility that Fuji Electric could shorten lead times?

A.

- Customers have been placing orders in advance, and this situation has resulted in some disparity between the timing at which orders and sales are recorded. Fuji Electric is carefully monitoring construction progress on a Companywide basis to ensure that it can deliver products at the designated timings.
- Efforts to shorten lead times have included augmentations to production capacity at the Chiba Factory, the Kawasaki Factory, and the Kobe Factory, and we plan to continue such efforts going forward.

Q. Has there been any change to the outlook with regard to products for data centers in comparison to the forecasts outlined in the medium-term management plan set to conclude with the fiscal year ending March 31, 2027?

A.

- We are seeing incredibly favorable trends in Japan and overseas, and we anticipate that both orders and sales will surpass our initial forecasts in the fiscal year ending March 31, 2027?

Q. What is the ratio of sales of skid systems?

A.

- The ratio of sales of skid systems is still relatively low. These systems have been adopted by Asian and other overseas manufacturers looking to shorten construction periods and ensure quality. We have also introduced skid systems in Japan based on requests from customers developing

operations in Asia. Going forward, we will continue to propose and expand use of these systems in response to customer needs.

Q. Are Fuji Electric's skid systems delivered in the same format as used by competitors?

A.

・Companies that are able to ensure high levels of quality and reliability when combining transformers, uninterruptable power supply systems (UPSs), and low-voltage switchgears and control gears could, in theory, provide skid systems. However, these systems require circuit breakers, transformers, UPSs, and low- and high-voltage switchgears and controlgears. Fuji Electric thus has an edge in terms of its ability to furnish all of these items in-house.

Q. When will strategies targeting data centers in the North American market begin contributing to performance? Also, do you plan to revise production systems in conjunction with growth in sales in North America?

A.

・We will be moving forward with the development and commercialization of devices that match the specifications used in the North American market during the fiscal year ending March 31, 2026, and we are planning a full-fledge rollout of these items beginning in the fiscal year ending March 31, 2027.
・Switchgears and controlgears for data centers are primarily manufactured overseas, and we believe that we have secured the level of cost competitiveness required for the North American market. Accordingly, we will be maintaining the current production systems over the foreseeable future.
・However, we do plan to promote local production and consumption while taking into account the production capacities of overseas production bases.

Q. Has there been any improvements to the profitability of orders received for data center-related products?

A.

・We have been proposing selling price increases to transfer the rises in material and other costs to customers. Fuji Electric's products are competitive when compared to rival offerings. Accordingly, we will continue moving forward with initiatives for improving earnings by ensuring that these products can be profitable.

Q. Could you please provide a breakdown of system solution sales?

A.

・Fuji Electric is actively promoting comprehensive proposals for all items involved in systems. When excluding sales of molded-case transformers and other standalone products, the vast majority of sales in the Energy segment come from plant and system solutions.

Q. What is the projection for fixed costs in the fiscal year ending March 31, 2027 given the production capacity augmentations that will be advanced in the fiscal year ending March 31, 2026?

A.

・As we will be utilizing existing structures and equipment to bolster production capacity, we do not anticipate a significant increase in fixed costs.

・The scale of investments in the production capacity augmentations will only be a few billion yen.

Q. What is the status of the in-house production initiatives being advanced in conjunction with production capacity augmentations? Also, what portion of production will be conducted in-house going forward?

A.
・We are in the process of implementing quality assurance and other measures in relation to production processes that are currently outsourced but for which Fuji Electric possesses the necessary processing and production technologies. For example, we have begun conducting conductor and plating processing in-house at the Kawasaki Factory, which is anticipated to contribute to shorter lead times and increased quality. Other options for expanding in-house production will be examined going forward in pursuit of further improvements to production efficiency.
・The ratios of in-house production vary by product, and it is therefore difficult to provide a figure for overall production.

<u>Industry</u>

Q. Projections for the fiscal year ending March 31, 2026 call for improvements in the profitability of the Industry segment's factory automation components. What factors will contribute to these improvements? Also, what steps are being taken to respond to Chinese manufacturers?

A.
・Factors behind the improvements in profitability for factory components will include transferring the impacts of rising raw material costs and foreign exchange influences to product selling prices, cutting fixed and other costs, and improving productivity. We will also be taking steps to enhance our global business constitution, which is expected to contribute to higher profitability as well.
・In response to Chinese manufacturers, we are taking part in joint development with partners such as the Shanghai Electric Group. Through this approach, we are moving forward with the development of new products that incorporate Japanese automation technologies while being benchmarked to local manufacturers to utilize specifications and parts that match the market. In the second half of the fiscal year ending March 31, 2026, we plan to launch new servo systems for this market, and we are examining the possibility of introducing inverters into the market late in the fiscal year ending March 31, 2027.

Q. What are the goals of the constitution reinforcement measures involving the integration of production and sales functions for factory automation components, and what progress has been seen with this regard?

A.
・On April 1, 2025, we established a specialized component sales team within the Industry segment's organization. By operating the organization in a manner than integrates production and sales functions, we aim to accelerate management decision-making to contribute to the creation of customer value.
・These efforts have generated a positive response among sales companies and major customers. Expediting decision-making processes is crucial to encouraging customers to choose Fuji Electric as their partner for developing products that contribute to higher competitiveness.

Q. What type of sales targets, market prices, and business models are anticipated with regard to smart meter operations in the Indian market? Also, what business opportunities are present for smart meters outside of the Indian market?

A.

・In the fiscal year ending March 31, 2026, we will target net sales of nearly ¥2.0 billion from our smart meter operations in India.
・Market prices in the Indian market are about 40% lower than in Japan, although the specification of products are different.
・As for business models, we plan on selling standalone hardware through system integrators.
・The Chinese smart meter market is also quite large, and we thus intend to approach this market by leveraging the strength of Fuji Electric's high-quality products.

Q. What degree of profitability can be anticipated from smart meter operations in India?

A.

・In the fiscal year ending March 31, 2027, we will target an operating profit ratio of around 10% from our smart meter operations in India.
Our products for this market will be developed to ensure a level of costs that will allow us to achieve an operating profit ratio of about 10% even with a low market share. If sales were to surpass forecasts, it would result in even higher levels of profitability.

Q. An operating profit ratio of 10% seems like a fairly high target for Fuji Electric's smart meter operations in India. How feasible is this target?

A.

・Fuji Electric has acquired Bureau of Indian Standards certification in India, and we are currently providing samples based on these standards. At the moment, we do not have a clear picture of what type of sales volumes we will be seeing, but we will be targeting an operating profit ratio of 10% nonetheless.

Q. What sort of sales channels are used for heat products, and what markets are being targeted with these products?

A.

・Fuji Electric has patented it ejector cooling systems, but we have yet to build a sales track record for these products. These systems have been proposed to two data center operators in Japan, and we aim to realize performance contributions using these systems in the fiscal year ending March 31, 2027 or 2028.
At the moment, we plan to primarily cater to the domestic market with these systems, and we will thus not be introducing them into overseas markets.

Q. How is Fuji Electric pursuing success with regard to automotive inverters in the mobility field? Have any orders been received for these items?

A.

・The strength of our automotive inverters lies in how they merge Fuji Electric's power semiconductors with the Company's motor control technology expertise. We are currently examining the possibility of commercializing automotive inverters for use in compact and light vehicles.
Some customers have already chosen our inverters. Accordingly, we are in the process of preparing the Suzuka Factory to commence mass production of these products in the fiscal year ending March 31, 2027.

Semiconductors

Q. What is the sales forecast for SiC devices in the fiscal year ending March 31, 2026, and how does this compare to the projections of the medium-term management plan concluding with the fiscal year ending March 31, 2027?

A.

・We anticipate that sales of SiC devices in the fiscal year ending March 31, 2026 will be more than four times the amount seen in the fourth quarter of the fiscal year ended March 31, 2025, when excluding the impacts of selling price revisions affecting automotive semiconductors. Moreover, we are targeting a 150% increase in production capacity by March 31, 2026. Given current conditions, it is possible that actual sales might surpass forecasts.

・However, sales of SiC devices are still expected to fall short of the level projected by the medium-term management plan set to conclude with the fiscal year ending March 31, 2027.

Q. Competition is intensifying in relation to SiC devices. What will be the source of Fuji Electric's competitiveness in the global market going forward?

A.

・There is still room to improve the performance of our SiC devices. We will thus be seeking to secure a competitive advantage by quickly releasing products that feature higher performance than rival offerings.

・Specifically, we will be pursuing differentiation with performance achieved through the development of fourth-generation SiC-MOSFET chips that offer even higher levels of performance as well as with packaging technologies that contribute to more compact devices with greater electricity density.

Q. What are Fuji Electric's plans for capital investments in SiC devices going forward?

A.

・The growth of battery-electric vehicles is slowing. We will thus be basing investments on the levels of demand we see going forward.

Q. Why is Fuji Electric targeting growth in sales of SiC devices instead of those for IGBTs? Also, what percentage of automotive module sales are expected to be attributable to SiC devices in the fiscal year ending March 31, 2027?

A.

・Customers are increasingly transitioning from IGBTs to SiC devices, and we expect SiC devices to represent even higher portions of sales in the fiscal year ending March 31, 2028 and beyond.

・As for the fiscal year ending March 31, 2026, we anticipate that SiC devices will represent between 15% and 20% of sales of automotive semiconductors.

・We will solicit our specifications for RC-IGBTs and conduct mass production of these items as warranted by demand going forward.

Q. What are the reasons behind the reduction in the number of bar graphs for SiC devices under mass production by Company B and Company E in the presentation materials for this briefing in comparison to the presentation for the medium-term management plan concluding with the fiscal year ending March 31, 2027?

A.

・In regard to Company B, we simply consolidated the two bar graphs for SiC devices under mass

production into one, and this does not reflect any significant change.
・As for Company E, we removed the bar in graph in reflection of the company in question delaying their development plans.

Q. To what factors do you attribute your success in encouraging customers to adopt Fuji Electric's specifications for automotive semiconductors?

A.
・Fuji Electric has a track record built on longstanding relationships with customers as well as an overall strong reputation accounting for factors such as the performance and reliability of its products, the quality of its services, and costs at which it provides these offerings. These strengths enabled us to win the new customers of Company K and Company J.

Q. Am I correct in assuming that sales of automotive semiconductors will bottom out in the fiscal year ending March 31, 2026 and then begin recovering in the fiscal year ending March 31, 2027?

A.
・We will need to assess the conditions forecast for the fiscal year ending March 31, 2027, but we can say that our outlook is not optimistic given the projected discontinuation of current models and launches of new models by customers. However, we do anticipate growth beginning in the fiscal year ending March 31, 2028.

Q. How is Fuji Electric differentiated from local manufacturers in the Chinese market in terms of modules for renewable energy applications?

A.
・We expect to have to compete with local manufacturers in the Chinese market at some point in the future.
To win out against the competition, Fuji Electric is enhancing its lineup of large-capacity products with high voltage resistance and promoting the adoption of its specifications.
・Reliability is of the utmost importance in the wind power field. Accordingly, Fuji Electric has developed products that offer even higher levels of reliability.
・Going forward, we will seek to commercialize eighth-generation IGBT products to differentiated ourselves in terms of the characteristics of our offerings.

Q. What is Fuji Electric's share of the global market for modules for renewable energy applications.

A.
・We estimate our share of the global market for modules for renewable energy applications to be above 20%.

Q. It is my understanding that conditions are recovering in the factory automation component market. Why, then, is the target for sales of factory automation components in the fiscal year ending March 31, 2026 so low?

A.
・When excluding foreign exchange influences, we are expecting year-on-year growth of a few percent in net sales of factory automation components. However, the recovery in the factory automation component market is not particular strong, and we have thus judged that conditions in this market are relatively week.

Q. Why are you not projecting any particularly large increases in depreciation and amortization in the fiscal year ending March 31, 2026?

A.

・There will be an increase in depreciation and amortization in relation to capital investments pertaining to SiC devices in the fiscal year ending March 31, 2026, but the overall level of depreciation and amortization will be on par with the fiscal year ended March 31, 2025 due to the reduction depreciation and amortization on prior investments in Si devices.

Q. How feasible is it for the operating profit ratio of the Semiconductor segment to recover to around 15% and what measures will be taken to achieve this recovery?

A.

・We hope to return the operating profit ratio of the Semiconductor segment to around 15% during the period of the next medium-term management plan.

・Measures for recovering the operating profit ratio will include boosting sales volumes by creating new, high-value-added products matched to customer needs and reducing costs to heighten profitability.

<u>Food and Beverage Distribution</u>

Q What steps will be taken to raise the operating profit ratio in the Food and Beverage Distribution segment to 15%?

A.

・To raise the operating profit ratio in the Food and Beverage Distribution segment, we will continue to pursue higher levels of profitability in existing fields of operation, though we cannot expect particularly large improvements with this regard. As for new fields, we expect to be able to boost profitability by increasing sales of digital transformation application and other services. In this manner, we will seek to heighten profitability by enhancing Fuji Electric's value proposition.

Q. What is the scale of sales for digital transformation application services?

A.

・The scale of sales for digital transformation application services in the vending machine business is still not particularly large, but a number of companies have adopted our operation streamlining services. We plan to ramp up proposals of these services going forward. Meanwhile, we are currently engaged in verification testing together with a major convenience store operator in the store distribution business, and we will look to expand these efforts in the future.

Q. To what degree is growth in sales of new products anticipated to contribute to performance in the fiscal year ending March 31, 2026. Also, how feasible is it to achieve such performance contributions?

A.

・In the fiscal year ending March 31, 2026, we project that growth in sales of new products will contribute to a year-on-year increase of between ¥5.0 billion and ¥10.0 billion in net sales with a marginal profit ratio of between 30% and 40%.

・In existing fields, we have completed solicitation of Fuji Electric's specifications for new counter fixtures and vertical-standing automatic change dispensers, and orders for these items are practically finalized. As for new fields, we already have a good idea of how we will generate about half of our order target for restaurant-use coffee machines and locker vending machines.