

**Condensed Transcript of Q&A Session Regarding
FY2023 Medium-Term Management Plan Presentation**

Date: June 20, 2019 (Thursday) 14:00–16:40

General

Q. What is your outlook for the operating environment and for Fuji Electric's growth as the Company works toward its targets of net sales of ¥1 trillion and an operating margin of 8% in the fiscal year ending March 31, 2024?

A.

- We anticipate higher sales and income each year beginning with the fiscal year ending March 31, 2020. Moreover, it is possible that performance may exceed our forecasts on an individual fiscal year-basis as a result of trends in demand for electronic devices.
- In the operating environment for the Electronic Devices segment, demand has been seen focused on upgrades in the industrial field, and we anticipate higher demand for power semiconductors following progress in the trend toward electric vehicles. As for the Power Electronics segment, it is difficult to judge whether the trends in investments for upgrading aged equipment or realizing energy savings seen in Japan today will be the same five years from now. Meanwhile, we expect strong growth overseas centered on Asia. Our outlooks for the Food and Beverage Distribution segment and the Power Generation segment are as explained.

Q. What measures will be taken to improve profit margins in segments projected to have operating margins less than 8% in the fiscal year ending March 31, 2024?

A.

- We will work to achieve operating margins of 8% or more in all segments. In the Power Electronics Systems Industry segment, for example, we will examine measures for improving profit margins together with affiliate companies as this segment includes affiliates responsible for equipment construction.

Q. What is the forecast for depreciation and amortization in the fiscal year ending March 31, 2024?

A.

- We forecast depreciation and amortization of around ¥41.0 billion on a consolidated basis in the fiscal year ending March 31, 2024.

Q. What are your policies for funding capital investment and other growth investments? Does the Company have any plans to utilize cross-shareholdings or other non-business assets?

A.

- Capital investments will, in principle, be funded using business income and borrowings, but other options will be examined as appropriate. We are considering the possibility of selling cross-shareholdings in 10 to 20 companies, and we will continue to reassess our cross-shareholdings while evaluating the meaningfulness of these holdings.

Q. What are your policies for human resources?

A.

- We plan to bolster our staff centered on the Electronic Devices segment and on China and Asia to grow overseas operations. In Japan, we expect to be able to hire more than 500 new graduates in the fiscal year ending March 31, 2021. However, we recognize the need to continue recruitment of this scale out of consideration for the aging and retirement of existing employees.

Q. Is Fuji Electric's intent to concentrate management resources on its power electronics systems and power semiconductor operations indicative of plans to abandon other businesses?

A.

- The Company has no plans of abandoning any of its businesses.

Q. Are any potential M&A activities being considered?

A.

- We have no plans for M&A activities at the moment. A budget of around ¥50.0 billion has been secured for M&A activities, and we intend to examine potential options for collaboration or M&A activities should promising opportunities arise in our power electronics systems operations in order to expand these operations overseas.

Q. Do the sales targets for the fiscal year ending March 31, 2024, incorporate earnings contributions from M&A activities?

A.

- The sales targets for the fiscal year ending March 31, 2024, do not incorporate earnings contributions from Consul Neowatt Power Solutions Pvt Ltd. in India or from other M&A activities.

Power Electronics Systems

Q. How do you assess the competitive climate in Japan and overseas?

A.

- In Japan, we have been able to achieve performance for inverters, industrial motors, and other components that exceed the statistics released by the Japan Electrical Manufacturers' Association.
- Overseas, there are three major European companies that command a large share of the market, making our ability to grow our systems operations an area of concern. We will seek to cultivate plant know-how while expanding systems operations through coordination with our partners, such as industry leaders Shanghai Electric Group Co., Ltd., and Dalian Bingshan Group Co., Ltd., in China and Consul Neowatt Power Solutions in Asia.

Q. What are your thoughts regarding servo operations and their profitability?

A.

- Current conditions remain opaque, due in part to the trade friction between China and the United States. Nevertheless, Fuji Electric products are starting to be adopted in new fields, such as the robot and machine processing fields, following the introduction of new products. We aim to broaden the scope of our operations while boosting profitability through the provision of servos and other factory automation systems.

Q. Have the sales targets for SOx scrubbers been set on the conservative side?

A.

- Currently, we are receiving orders primarily from Japanese shipbuilders, but inquiries from Chinese and other overseas customers are on the rise.

Electronic Devices

Q. What is the outlook for the scale of sales of power semiconductors in the fiscal year ending March 31, 2024, and beyond?

A.

- We project power semiconductor sales of ¥175.0 billion in the fiscal year ending March 31, 2024. However, we have judged the upper limit for these sales to be around ¥200.0 billion given investment risks.

Q. I suspect that depreciation will come to represent a greater portion of net sales as capital investments are made to increase production capacity. What impact will this situation have on profitability?

A.

- The ratio of depreciation to net sales is only expected to increase by a few percentage points, and we will be able to compensate for this increase with the productivity improvements and

earnings growth to result from the switch from 6-inch to 8-inch wafers.

Q. The number of automotive field customers seems to have grown in comparison to the materials distributed at the business strategy meeting for the fiscal year ended March 31, 2019. What were the reasons behind this increase?

A.

- The materials from the business strategy meeting for the fiscal year ended March 31, 2019, only counted customers that had adopted our specifications for 4th-generation direct liquid-cooling IGBTs. The materials for this meeting account for all customers, including those that have adopted our specifications for automotive IGBTs.

Q. Will a broad-scope approach be adopted when promoting sales of automotive power semiconductors?

A.

- Automotive power semiconductors must be customized for individual customers. We will therefore be limiting the scope of sales promotion activities.

Q. I understand that Fuji Electric plans to conduct capital investments totaling ¥120.0 billion over the next five years. How much of these investments will be for the production capacity increases necessary to achieve the sales target for the fiscal year ending March 31, 2024?

A.

- The amount of investments for this purpose will be between ¥60.0 billion and ¥70.0 billion.

Q. If demand were to undergo another increase, would Fuji Electric address the increased demand in-house through capital investments or out-of-house through the use of subcontractors or collaboration with partners?

A.

- It would depend on the scale of this increase in demand, but we would probably look to address this increase by utilizing foundry models or bolstering in-house production capacity. We have no plans for collaboration at the moment, but we would certainly consider any promising opportunities.

Q. When considering the cost of capital and the fact that Fuji Electric is targeting sales increases, is the target for the operating margin not a little conservative?

A.

- Return on invested capital in the semiconductor business was 11% in the fiscal year ended March 31, 2019, and we are projecting a figure of 12% in the fiscal year ending March 31, 2024. There has been no significant change to this outlook. The current target for the operating margin is the minimum level that we will aim for as we look to improve profit margins.

Food and Beverage Distribution

Q. Why are sales projected to decrease in the Food and Beverage Distribution segment despite conditions in the domestic market remaining relatively the same?

A.

- In the store distribution business, we will emphasize profitability as we select and concentrate our order acquisition activities. The current target will be seen as the minimum level to be pursued, and we will work to achieve even higher levels of sales.

Power Generation

Q. Could you please explain the productivity improvement initiatives and project management methods being implemented at the Kawasaki Factory?

A.

- We continue to implement production rationalization and cost reduction initiatives as we look to optimize our production system in line with sales volumes.

Meanwhile, we are enhancing management of plant projects on a Companywide basis.