

**Condensed Transcript of Q&A Session Regarding Financial Results Presentation
for the Three-Month Period Ended June 30, 2018**

Date: July 27, 2018 (Friday) 10:00–11:00

General

Q. Operating income in three-month period ended June 30, 2018, was more than ¥2.0 billion higher than forecast. How was performance by segment?

A.

- Operating income was higher than forecast in the Electronic Devices, Power Electronics Systems—Energy Solutions, Power Electronics Systems—Industry Solutions, and Food and Beverage Distribution segments.
The extent to which operating income exceeded forecasts was particularly high in the Electronic Devices segment.

Q. The targets of the FY2018 Medium-Term Management Plan were accomplished in the fiscal year ended March 31, 2018. What sort of targets will be incorporated into the next medium-term management plan?

A.

- We are currently in the process of formulating a new five-year medium-term management plan that will have the fiscal year ending March 31, 2024, as its final year. Previously, we had planned to target net sales of ¥1 trillion and an operating margin of 7%. However, given the current situation, we are considering the possibility of raising the operating margin target to 8%. The projected portion of sales to come from the Electronic Devices segment will also be made larger than initially intended to reflect the strong performance in this segment.

Power Electronics Systems

Q. Has the sluggish demand for smartphones had an impact on orders or sales in the factory automation business? How are conditions in this business and what is your outlook for future trends?

A.

- The portion of sales attributable to products for smartphone applications is not particularly high, and the sluggish demand for smartphones is therefore not impacting performance at the moment nor do we expect it to affect orders or sales in the future. Incoming orders in the three-month period ended June 30, 2018, were more than 10% higher than in the previous equivalent period, a figure that exceeded our forecasts.
- In addition, we are seeing favorable trends in orders for ship scrubbers and other systems.

Q. In what factory automation business field is demand the strongest in China?

A.

- Demand for food packaging machines for use in China is strong in this country.

Q. What is your outlook for future demand trends by product line in the factory automation business?

A.

- Year-on-year increases were seen in orders for low-voltage inverters in Japan, China, Asia, and North America. An increase of more than 10% was seen in orders in Japan. In North America, we are witnessing a rise in demand centered on products for oil and gas markets. Order growth in Asia was achieved as a result of our efforts to explore new sales channels. Operations in China also enjoyed favorable performance. In the ED&C component business, orders, centered on those from domestic machine tool manufacturers, were up year on year and higher than forecast, and we expect that this trend will continue going forward.

Q. How are inventories in the factory automation business?

A.

- Inventories, including logistics inventories, were down year on year. Accordingly, there is no need for concern with this regard.

Q. What is the scale of Fuji Electric's ship scrubber operations? Also, how have trends in inquiries been?

A.

- Our main target is currently small to medium-sized vessels (engine outputs: 5 –16 megawatts). The price of one ship scrubber is between ¥0.1 billion and ¥0.2 billion.
- In the fiscal year ended March 31, 2018, we acquired orders for 10 scrubber sets. Orders for nearly 10 more sets have been received as of late, a pace that is exceeding our forecast of 20 sets on a full-year basis. In addition, the number of inquiries at this point is double what we had anticipated.
- We are currently installing production systems in our Chiba Factory with the aim of delivering the first set in September 2018.

Power and New Energy

Q. In Japan, there is a movement to restrict construction of new coal-fired thermal power plants with generation capacities of less than 112,500 kW. Given that Fuji Electric specializes in medium-capacity plants, is this movement having any impact on the Company's operations?

A.

- There has been no impact at the moment.
- When considering the difficult conditions faced in the market for large-capacity thermal power plants in Japan, it can be expected that competition will intensify in the market for medium-capacity plants.

Overseas, Fuji Electric is developing its thermal power-related operations with an eye to the Southeast Asian market and, in the future, the African market.

Electronic Devices

Q. How did foreign exchange influences affect performance in the Electronic Devices segment in the three-month period ended June 30, 2019, in terms of both year-on-year performance and in comparison to forecasts?

A.

- On a year-on-year basis, foreign exchange influences placed downward pressure on net sales to the degree of ¥0.2 billion while operating income was unaffected.
- In comparison to forecasts, foreign exchange influences boosted net sales by between ¥0.5 billion and ¥1.0 billion and upped operating income by around ¥2.0 billion.

Q. Could you please provide a breakdown of the Electronic Devices segment's operating margin in the three-month period ended June 30, 2018?

A.

- The operating margin in the Electronic Devices segment was 13.6% in the three-month period ended June 30, 2018. We have not disclosed a breakdown of this margin, but we can say that the margins for the semiconductor and magnetic disk businesses were both above 10%.

Q. Why was demand for power semiconductors in the three-month period ended June 30, 2018, higher than in the fourth quarter of the fiscal year ended March 31, 2018? Also, what is your outlook for power semiconductor demand in the remainder of the fiscal year ending March 31, 2019?

A.

- As a seasonal factor, demand tends to drop during the fourth quarter as a result of Chinese New Year. In the three-month period ended June 30, 2018, we saw smooth sales of power semiconductors for automotive applications.
- In the second quarter, we have been witnessing slowdown in demand for power semiconductors to be used in smartphone production equipment, but the overall impact on performance has been minimal due to strong demand for semiconductors for inverters, air conditions, and other industrial applications in China. Net sales in the second quarter are expected to be around the same level as in the first quarter when excluding the impact of foreign exchange influences.
- We are currently in the process of examining the degree to which demand for power semiconductors to be used in smartphone production equipment will recover during the second half of the fiscal year.

Q. What portion of total power semiconductor sales are accounted for by power semiconductors to be used in smartphone production equipment?

A.

- The portion of sales of such products is less than 5% of total power semiconductor sales.

Q. How are trends pertaining to power semiconductors for machine tool applications?

A.

- We continue to receive large quantities of orders for power semiconductors for machine tool applications. In addition, several machine tool manufacturers have approached the Company with inquiries regarding increasing production of robots.

Q. How are trends in demand for IGBT chips, modules, and MOSFETs?

A.

- Demand is brisk in all of these categories. IGBT demand is up for products for industrial and automotive applications. Overall, we are having trouble securing inventories of MOSFETs, and we have been forced to place slight restrictions on orders.

Q. Will Fuji Electric be implementing any pricing measures in response to the rise in wafer prices?

A.

- As material prices are rising, we will maintain or, if possible, increase the prices of our products.

Q. What is your forecast for the operating margin in the remainder of the fiscal ending March 31, 2019?

A.

- Increases in sales and production resulted in a high operating margin in the three-month period ended June 30, 2018. We will be conducting capital expenditures going forward, and the rise in depreciation and amortization will place a little bit of downward pressure on the operating margin in the remainder of the fiscal year. Nevertheless, we aim to maintain a margin of around 10%.

Q. When does the Company plan to boost its production capacity for power semiconductors?

A.

- We are currently preparing to begin increasing front-end production capacity in the second half of the fiscal year.

Q. What are the circumstances relating to investment in facilities for producing power semiconductors for use in electric vehicles?

A.

- We are moving ahead with preparations for mass production in back-end processes with the aim of conducting full-fledged supply to customers in the fiscal year ending March 31, 2020.

Q. How many magnetic disks were sold in the three-month period ended June 30, 2018?

A.

- We sold 12 million magnetic disks in the three-month period ended June 30, 2018. Also, demand for aluminum substrate media was up.

Food and Beverage Distribution

Q. How many vending machines were shipped in China during the three-month period ended June 30, 2018, and what is your full-year forecast for shipment volumes?

A.

- We plan to ship 35,000 vending machines in China on a full-year basis, and more than 7,000 units were shipped in the three-month period ended June 30, 2018.

Q. What is the competitive climate like in the Chinese vending machine market?

A.

- Fuji Electric's share of the Chinese market for can and PET bottle vending machines is roughly 70% while the Company's share of the market for food and cup vending machines is around 40%. For vending machines other than can and PET bottle vending machines, we have to face competition from local manufacturers.