

**Condensed Transcript of Q&A Session Regarding Financial Results Presentation
for the Three-Month Period Ended June 30, 2019**

Date: July 26, 2019 (Friday) 10:00–11:00

General

Q. How did net sales and operating income in the three-month period ended June 30, 2019, compare to forecasts?

A.

- Net sales fell below the forecast by around ¥10.0 billion while operating income was roughly ¥1.0 billion less than the forecast. This outcome was primarily a result of lower-than-expected performance in ED&C component, automation system, semiconductor, and vending machine operations.

Q. What is the Company's outlook for performance in the second quarter of the fiscal year?

A.

- The recording of certain orders scheduled for the first quarter has been delayed to the second quarter. These orders include those for industrial substation equipment in the energy management business and factory automation systems and drive control systems in the automation systems business. In addition, domestic vending machine customers are beginning to deploy machines. For these reasons, we expect that performance in the second quarter will exceed forecasts.

Q. It would appear as though performance in the three-month period ended June 30, 2019, was a touch worse than anticipated. What changed from your initial expectations?

A.

- Our targets for the three-month period ended June 30, 2019, had incorporated the impacts of a market that was sluggish in comparison to the previous fiscal year. However, the Chinese market experienced slowdown that exceeded our expectations, and the impacts of this slowdown spread to Japan and to other parts of Asia. These impacts manifested, in particular, in limited capital expenditures and reduced demand among customers for components.
- In addition, the economic slowdown in China resulted in closures of certain factories and offices. As a result, some of the vending machines installed at these locations were transferred to other locations. This phenomenon resulted in reductions in vending machine shipments in our Chinese vending machine operations, causing performance to fall below forecasts.

Q. What is your outlook with regard to the full-year forecast for operating income?

A.

- Overall, the outlook for market conditions in the second half of the fiscal year remains opaque, and we therefore chose not to revise our full-year forecast. This opacity extends to major components. Conversely, we project increases in power electronics systems orders. Going forward, we will attempt to formulate an accurate outlook for market conditions in the second half of the fiscal year, and reevaluate our forecast accordingly. Limiting fixed costs will be part of this reevaluation.

Q. Fuji Electric has chosen not to revise its full-year forecast for operating income. However, the hurdle for accomplishing this target seems quite high. How much operating income do you actually expect to be able to generate?

A.

- Our initial forecast remains unchanged, but we still intend to work to formulate an accurate outlook for market conditions and to reevaluate our forecast accordingly. As a minimum, we hope to achieve operating income that at least exceeds the figure of ¥60.0 billion posted in the previous fiscal year.

Q. You mentioned plans to limit fixed costs. What exactly do these plans entail?

A.

- We plan to pursue reductions to expenses in the billions of yen. Measures for achieving these reductions will include promoting the provision of mutual aid between factories; curtailing overseas hiring, cutting overtime, and otherwise lowering personnel expenses; reducing unnecessary investments and R&D expenditures; increasing in-house production; and taking other steps to improve profits.

Q. On a full-year basis in the fiscal year ending March 31, 2020, negative adjustments to operating loss under elimination and corporate are expected to increase by ¥2.0 billion year on year. Is there any room to cut back on initially planned IT investments or education expenses?

A.

- There has been no change to our intent to focus on IT investments. However, we do plan to reassess investments and cut back on those that we can.

Power Electronics Systems

Q. How were orders for low-voltage inverters and factory automation components in the three-month period ended June 30, 2019, and what is the outlook for these orders in the second quarter?

A.

- In the domestic market for low-voltage inverters, customers have entered into a production adjustment phase. This situation caused a fair amount of disparity between in orders by month during the three-month period ended June 30, 2019, but these orders are trending upward nonetheless. Orders in the second quarter will be influenced by the seasonal factors seen every year, and we therefore expect second-quarter orders to exceed first-quarter orders.
- Factory automation component orders in the three-month period ended June 30, 2019, decreased by a few percent in Japan, while this decrease was in the double digits overseas. Second-quarter orders are thus anticipated to be higher than first-quarter orders. Servos are often equipped on machinery meant for export, and sluggish orders for servos have continued since the previous fiscal year. As for programmable logic controllers, about half of these controllers are used for plant applications. Accordingly, we are receiving orders for these controllers as planned thanks to the impressive performance in systems orders.

Q. Could you provide a breakdown of systems orders in the three-month period ended June 30, 2019? Also, how did these orders compare to their target?

A.

- Systems orders increased by more than ¥25.0 billion year on year. Of these, the majority were in the Power Electronics Systems Industry segment. Meanwhile, there was a rise in orders in the switchgear and controlgear operations of Fuji SMBE Pte. Ltd. in the Power Electronics Systems Energy segment.
- These orders were around ¥10.0 billion higher than the target.

Q. Is there any chance that demand for upgrades to aged facilities may emerge later than anticipated going forward?

A.

- There is a trend toward customers focusing on preventative maintenance to avoid factory equipment accidents and other incidents. As a result, we were able to record orders scheduled for the second half of the fiscal year during the first half. Elsewhere, conditions are brisk in the data center market as a result of foreign companies enter into the Japanese market. Fuji Electric is able to cater to comprehensive orders for electrical equipment, including transformers, uninterruptable power systems, and switchgears and controlgears. We have therefore been receiving a large number of inquiries from customers.

Q. How are orders for SOx scrubbers? Can we expect that orders will exceed targets?

A.

- In the three-month period ended June 30, 2019, we received orders for 10 scrubber sets. The aggregate number of orders to date is more than 60 sets. These operations have not been impacted by the market downturn, and order acquisition activities are proceeding as planned.
- Customers' decisions to install SOx scrubbers has been heavily influenced by fluctuations in the prices of crude oil. As a result, there was a trend toward customers deciding to wait on ordering scrubber in spring 2019, and we therefore anticipate increased demand in summer 2019 and forward.

Electronic Devices

Q. How were first-quarter power semiconductor orders and orders by field in comparison to the three-month period ended June 30, 2018, and the fourth quarter of the fiscal year ended March 31, 2019?

A.

- In comparison to the three-month period ended June 30, 2018, first-quarter orders were down 9% year-on-year when accounting for foreign exchange influences. However, this decrease was only 3% when excluding foreign exchange influences as well as the upfront orders received in the three-month period ended June 30, 2018. In comparison to the fourth quarter of the fiscal year ended March 31, 2019, first-quarter orders were up 6% when accounting for foreign exchange influences and 9% when excluding these influences.
- By field, orders in the industrial field were down by nearly 20% year on year while orders increased by roughly 15% in the automotive field. First-quarter orders in both fields were higher than in the fourth quarter of the fiscal year ended March 31, 2019.

Q. How were power semiconductor orders by month in the three-month period ended June 30, 2019, and what is your outlook for these orders in the second quarter?

A.

- Orders in the three-month period ended June 30, 2019, were lower than forecast. Orders for industrial machinery applications in Japan and overseas have been consistently low. Meanwhile, overseas orders have been strong in wind power, solar power, and other renewable energy fields.
- Second-quarter orders are anticipated to exceed first-quarters orders as we start making deliveries to new customers in the automotive field.

Q. Orders in the three-month period ended June 30, 2019, were up in comparison to the fourth quarter of the fiscal year ended March 31, 2019. Why, then, did net sales decline when compared to the prior quarter?

A.

- The primary reason net sales in the three-month period ended June 30, 2019, were lower than in the fourth quarter of the fiscal year ended March 31, 2019, was foreign exchange influences. If these influences are excluded, sales were relatively unchanged between these two quarters. The disparity between the levels of orders and sales is a result of differences in the desired delivery timings of customers as well as of the recording of upfront orders in the brisk renewable energy field that have delivery dates far into the future.

Q. How are trends in orders and inquiries for automotive power semiconductors at the moment?

A.

- We are receiving orders in line with our expectations, and inquiries are higher than in the previous fiscal year. While these do not constitute finalized orders, we have reached unofficial agreements for enough orders to fill our backlog for three years.

Q. What is your forecast for second-quarter power semiconductor sales? Is it correct to assume that orders have already been received in regard to the sales planned for the second quarter?

A.

- We anticipate that second-quarter power semiconductor sales will increase by more than 5% in comparison to first quarter sales. The time between the receipt of orders and the recording of sales for power semiconductors is between one and two months. Accordingly, we have already received orders that will correspond to the sales to be recorded up until September 2019.

Q. What is the status of operations at power semiconductor factories? Also, how are power semiconductor inventories?

A.

- Overall, front-end production facilities are being operated at 85% to 95% capacity. Facilities producing 8-inch wafers are operating at near full capacity due to the strong performance of products for automotive applications.
- Inventory levels are in line with our internal estimates, and customers are also around the appropriate level.

Q. What is your outlook for the recovery of the semiconductor market?

A.

- The outlook for industrial power semiconductors is opaque. However, we have been moving ahead with efforts to have our proposed specifications for power semiconductors for various types of electric vehicles accepted by customers for three to four years now. We anticipate that these efforts will lead to higher sales in terms of our customer plans.

Q. What is your outlook for magnetic disk sales in the second quarter and beyond?

A.

- Magnetic disk sales are expected to remain flat in the second quarter and beyond.