

October 29, 2020
Fuji Electric Co., Ltd.

Condensed Transcript of Q&A Session Regarding Management Plan and Financial Results Presentation for the Six-Month Period Ended September 30, 2020

Date: October 29, 2020 (Thursday) 15:30–16:40

General

Q. I understand that one of the reasons Fuji Electric initially chose not to disclose consolidated performance forecasts was the uncertainty regarding capital investment by customers. Based on order trends in the second quarter of the fiscal year ending March 31, 2021, what is your outlook with regard to capital investment by customers?

A.

- A certain degree of uncertainty persists, but we have seen strong trends in power semiconductor orders while the promotion of the GIGA School Concept in Japan is driving increases in orders in the IT solutions businesses. The Food and Beverage Distribution segment, meanwhile, faces risks with regard to potential delays in customer projects. Regardless, our full-year forecast for orders in this segment is around ¥900.0 billion, essentially the same as in the previous fiscal year.

Q. Fuji Electric's management targets for overseas sales call for higher sales in China but lower sales in all other regions. How long will this trend continue?

A.

- The market is recovering in China, stimulating growth in demand for industrial and automotive power semiconductors. We have also seen signs of recovery with regard to these items in the Japanese market. In Europe, the United States, and India, however, the increases in COVID-19 cases indicate that more time will be required before a recovery is achieved.

Power Electronics Systems Industry

Q. Plans for the second half of the fiscal year project increases in demand in the IT solutions business. Could you please offer more details with regard to this demand?

A.

- The IT solutions business is developed by subsidiary Fuji Electric IT Solutions Co., Ltd. We project that this company will receive orders totaling ¥40.0 billion in the fiscal year ending March 31, 2021, as it is contracted to install terminals and networks for the developing GIGA School Concept included in the revised budget of the national government of Japan.

Electronic Devices

Q. What are the reasons behind the favorable trends in orders for industrial modules?

A.

- In the second quarter, industrial module orders were up 25% year on year, largely due to orders for modules for new energy applications in China.
- In the second half of the fiscal year, we expect that sales will be lower than in the first half due to a drop in orders during the fourth quarter as a result of the Chinese New Year.

Q. How was performance of automotive power semiconductors in the second quarter and what is the outlook for third quarter performance?

A.

- Second-quarter automotive power semiconductor orders were up 36% year on year. This growth was a result of an increase of nearly 80% in orders for power semiconductors for electrified vehicles, which greatly outweighed a decrease of 5% in orders for power semiconductors for gasoline vehicles.
- We expect ongoing growth in automotive power semiconductor orders during the second half of the fiscal year. Specifically, second-half automotive power semiconductor orders are anticipated to increase by 40% on a net sales basis.

Q. Countries around the world are implementing policies aimed at accelerating the popularization of electrified vehicles. Is power semiconductor performance exceeding the levels put forth by the medium-term management plan?

A.

- In the fiscal year ending March 31, 2021, sales of power semiconductors for electrified vehicles are projected to grow year on year while sales of power semiconductors for gasoline vehicles decrease. China has announced its target of completely transitioning to eco-friendly vehicles by 2035, but this policy has yet not been reflected in customers plans. Nonetheless, we expect that sales of power semiconductors for electrified vehicles will exceed the level described in the medium-term management plan.

Q. The medium-term management plan targets five-year aggregate capital investments of ¥120.0 billion in the Electronic Devices segment. Do you have any plans to invest past this amount given the favorable operating environment?

A.

- We have no concrete plans for additional investments at the moment. However, we do recognize that market for products for electrified vehicles is exceptionally strong at the moment, and it is therefore incredibly likely that we will conduct capital investments that go beyond the amount described in the medium-term management plan.

Q. Has there been an end to the one-time expenses incurred in the semiconductor business in the fiscal year ended March 31, 2020?

A.

- We are currently in the process of examining this manner.

Food and Beverage Distribution

Q. Why was the decrease in operating income between the first and second quarters greater than the decrease in net sales?

A.

- Operating income decreased in the second quarter due to lower production volumes as part of production adjustments conducted in response to demand declines.

Q. What are the reasons behind the forecast for higher sales and income in the Food and Beverage Distribution segment in the second half of the fiscal year?

A.

- We have received concrete orders for counter fixtures and automatic change dispensers in the store distribution business. In the vending machine business, meanwhile, we anticipate a year-on-year increase in demand for new vending machines in Southeast Asian countries such as Thailand and Indonesia.

Power Generation

Q. How did the global COVID-19 pandemic impact the Power Generation segment in the six-month period ended September 30, 2020?

A.

- In the six-month period ended September 30, 2020, we were unable to dispatch employees to countries that conducted lockdowns, which detracted from performance in overseas after sales businesses.