

**Condensed Transcript of Q&A Session Regarding Financial Results
Presentation for the Six-Month Period Ended September 30, 2022**

Date: October 27, 2022 (Thursday) 15:30–16:45

General

Q. Is there any possibility that full-year performance might surpass the forecast announced on October 27, 2022?

A.

- Foreign exchange rates over the past month present the possibility that operating income might surpass forecasts by around ¥2.0 billion. We also see the potential to reduce manageable and other expenses by about ¥1.0 billion.

Q. The revised forecast for full-year performance projects operating income that is significantly higher than the initial forecast, but the new forecast for net income attributable to owners of parent is only slightly higher than the initial forecast. What is the reason behind this situation?

A.

- This situation is a result of the revised forecast incorporating extraordinary losses, reflecting factors such as water damages at an Asian subsidiary, as well as an increase in net income attributable to non-controlling interests.

Q. It was stated that Fuji Electric had misread the Chinese market when formulating its prior outlook. How exactly was the situation misread?

A.

- We had previously anticipated a gradual recovery in the Chinese market beginning in the second quarter, as a result of the cancelation of lockdowns. However, the factory automation operations of the Power Electronics Industry segment were unable to recover to the level seen last year. This factor has been reflected in our forecasts for performance in the second half of the fiscal year ending March 31, 2023.

Q. You mentioned that performance was strong for new products in the six-month period ended September 30, 2022. Specifically, to what new products do you refer?

A.

- The medium-term management plan targets an increase in the ratio of net sales from new products of five percentage points. If we continue to make progress in accordance with our current plans, we should be able to accomplish this target in the fiscal year ending March 31, 2023, a year ahead of schedule. We are seeing

particularly strong growth in sales of new semiconductor and power electronics products.

Power Electronics Energy

Q. Performance appears to be strong in the power supply and facility systems business. Is there any risk of performance in this segment losing momentum? Also, are there any factors behind the growth of this business that are unique to Fuji Electric?

A.

- In the power supply and facility systems business, favorable trends are evident in investment by overseas semiconductor manufacturers, and these customers have been choosing Fuji Electric because we supply products that match their needs. Accordingly, we expect that this business will continue to see strong performance going forward.

Q. Why were second-quarters orders for ED&C components lower than the amount of orders received in the first quarter? Is this decline a result of order cancellations? What is your outlook for sales of ED&C components?

A.

- First-quarter orders for ED&C components include advance orders, a situation that resulted in flat growth in orders in the second quarter. There have not been any cancellations in orders at this point in time.
- Orders are expected to decline starting in the third quarter. However, we have secured the order backlogs necessary to sustain operations in the second half of the fiscal year ending March 31, 2023, and to achieve continuously high levels of sales. We are committed to securing orders even amid recessions in order to support performance in the fiscal year ending March 31, 2024.

Power Electronics Industry

Q. What are the reasons behind the favorable trends in orders for low-voltage inverters seen in the second quarter?

A.

- In Japan, advanced orders came to an end in the second quarter, resulting in orders being on the same level as sales.
- Overseas, increases in demand for oil and gas are being seen in the United States. We have thus been receiving advanced orders from customers concerned about prolonged shipping periods. Specifically, we have recorded large-scale orders in the second quarter, including those that are scheduled to be shipped in the fiscal year ending March 31, 2024.

Semiconductor

Q. Could you please offer information on trends in orders in the second quarter and the outlook for orders in the third quarter and beyond by semiconductor type?

A.

- Second-quarter orders for automotive semiconductors rose 15% from the first quarter. A growth rate of 16% was seen in semiconductors for electric vehicles, or 19% when excluding advanced orders, while semiconductors for engine vehicles were up 12% from the first quarter.
- The impacts of foreign exchange influences are expected to be particularly heavy in the third quarter. Accordingly, overall semiconductor orders in the third quarter are projected to be relatively unchanged from the second quarter or up 6% when excluding the impacts of foreign exchange influences. Third-quarter orders for automotive semiconductors will rise by around 20% in comparison to the second quarter, and the increase in orders for semiconductors for electrified vehicles should be more than 20%. Third-quarter orders for industrial semiconductors will likely be slightly lower than second-quarter orders as a result of the advanced orders.

Q. Why are the reasons behind the increases from the previous quarter seen in second-quarter orders and projected for third-quarter orders of automotive semiconductors?

A.

- Factors behind these trends in orders include increased production by customers as well as the augmentation of Fuji Electric's supply capabilities following the boosts to production capacity to take place in the third quarter and beyond.

Q. What were the reasons behind the increase in orders for industrial semiconductors in the six-month period ended September 30, 2022, and what is your outlook for these semiconductors going forward?

A.

- A year-on-year increase in orders for industrial semiconductors was achieved as a result of strong performance for factory automation-related products. A slight decrease was seen in semiconductors for television applications as demand returned to normal levels from the high levels witnessed as people increasingly stayed at home in response to the COVID-19 pandemic. We are also seeing a downturn in demand for air conditioners in China.
- Looking ahead, factory automation-related products are expected to continue to benefit from strong performance in machine tools for electric vehicle- and battery-related applications, which should compensate for the decline in demand for air conditioners in China.

Q. Is there any risk that operating ratios might decline in the second half of the

fiscal year ending March 31, 2023, as a result of trends in semiconductor inventories?

A.

- Fuji Electric's inventories remain understocked, and we are not suffering from gluts in inventories for distribution. We expect to continue production of industrial and automotive semiconductors at almost full capacity in the second half of the fiscal year ending March 31, 2023.

Q. What were the factors behind the year-on-year increase in income in the semiconductors business in the six-month period ended September 30, 2022, and what is your forecast for performance in this business in the second half of the fiscal year?

A.

- In the six-month period ended September 30, 2022, large contributions to income in the semiconductors business were made by increased sales volumes, and income rose, when excluding foreign exchange influences, as a result. Although capital costs were up due to capital investments, and we also experienced rises in material and energy costs, we were able to compensate for these detractions with cost reductions, selling price increases, and higher sales volumes.
- In the second half of the fiscal year, we forecast a year-on-year increase in income as we counter rises in material and energy costs with higher sales volumes.

Q. With regard to the second half of the fiscal year ending March 31, 2023, what are the projections for growth rates in sales by semiconductor type in comparison to the six-month period ended September 30, 2022?

A.

- In the second half of the fiscal year ending March 31, 2023, we anticipate that sales of automotive semiconductors will increase 40% in comparison to the six-month period ended September 30, 2022, as a result of the accelerated trend toward electrified vehicles.
- Sales of industrial semiconductors are expected to decrease due to foreign exchange influences in the second half of the fiscal year ending March 31, 2023, but will be relatively unchanged from the six-month period ended September 30, 2022, when the impacts of foreign exchange influences are excluded.

Q. Is there any risk that sales of automotive semiconductors might decline in the second half of the fiscal year ending March 31, 2023, as a result of downturns in automobile production volumes?

A.

- We have confirmed orders from most of our customers, and we therefore see no risk of large downturns in sales.

Q. What progress has been made in activities to encourage customers to adopt Fuji Electric's specifications for SiC devices for electrified vehicles?

A.

- We had initially expected sales of SiC devices to start growing in 2024, but the current outlook is for an increase in sales in conjunction with the deployment of new automobile models beginning in 2025 or 2026.

Food and Beverage Distribution

Q. It was stated that full-year performance forecasts include allowance for doubtful accounts in Chinese vending machine operations. Specifically, for what number of companies has this allowance been recorded and in what amount? Also, what is your outlook for the Chinese vending machine market?

A.

- We have recorded an allowance for doubtful accounts of over a billion yen for one company. Forecasts reflect all allowances that need to be incorporated. We do not anticipate a large recovery in the Chinese market in the fiscal year ending March 31, 2023, but this market is expected to begin recovering the fiscal year ending March 31, 2024, or beyond. We are committed to monitoring and responding to the trends to be seen going forward.