

July 27, 2023
Fuji Electric Co., Ltd.

**Condensed Transcript of Q&A Session Regarding Financial Results
Presentation for the Three-Month Period Ended June 30, 2023**

Date: July 27, 2023 (Thursday) 15:30–16:28

Power Electronics Energy

Q. I understand that growth in demand in Southeast Asia is contributing to improved profitability in the power supply and facility systems business. What is the likelihood of this trend continuing?

A.

- We are witnessing strong performance at our switchgear and controlgear subsidiary in Singapore. Trends in orders related to data centers and semiconductor manufacturers are favorable, and this subsidiary has been able to fill nearly its entire order backlog while operating production at full capacity. This situation has contributed to improvements in profit margins. Orders in the fiscal year ending March 31, 2024, are expected to decrease in comparison to the fiscal year ended March 31, 2023, when a massive increase in orders was seen. Nevertheless, we expect robust sales to continue.

Q. What is the outlook for demand in the ED&C component business throughout the remainder of the fiscal year?

A.

- We anticipate the continuation of strong trends in demand from power distribution board manufacturers and internet data centers in Japan. Conversely, demand from domestic machinery and semiconductor applications is expected to decline as a result of increases in inventory levels among customers. Overseas, sluggish demand is projected centered on the United States, China, and other parts of Asia. On a quarter-on-quarter basis, demand is forecast to show a gradual recovery trend from the second quarter onward.

Power Electronics Industry

Q. How are order trends in the automation systems business?

A.

- Orders in the first quarter of the fiscal year ending March 31, 2024, surpassed forecasts. Overall order growth was driven by measuring instruments and sensors while orders for mainstay low-voltage inverters and industrial motors were in line with projections.
- In the second quarter, trends in orders for low-voltage inverters have been following our anticipations. Orders for servos, however, are expected to be slightly lower than forecast as the market will likely fail to recover.

- In Japan, we had initially anticipated that orders for factory automation components for semiconductor and battery production equipment and other machinery applications would recover in the second half of the fiscal year ending March 31, 2024. However, our latest forecast projects that such orders will recover in the fourth quarter, but not in the third quarter. Meanwhile, strong trends in orders are being seen for measuring instruments and sensors as well as for low-voltage inverters for applications related elevators and feed pumps. In this manner, the declines in orders in sluggish areas will be counteracted by the benefits of orders in well-performing areas, making for a level of overall domestic orders that is on par with our projections.
- Overseas, orders for low-voltage inverters from China are as expected, while servo orders from this country are down. Elsewhere, orders are strong for low-voltage orders for pump and elevator applications from India, and we have enjoyed brisk orders from original equipment manufacturers in Europe. We are still in the process of formulating our outlook for the second half of the fiscal year ending March 31, 2024, but we project that overseas orders will be consistent with initial projections as the lower-than-anticipated orders in China will be counterbalanced by the higher-than-expected orders in India and Europe.

Semiconductor

Q. What are the reasons behind the deterioration of the operating profit for the Semiconductor segment seen in the first quarter?

A.

- In the first quarter of the fiscal year ending March 31, 2024, the operating profit was down as a result of reduction in production at Fuji Electric factories following adjustments to the number of days of operation. The operating profit is expected to improve as production is ramped up through the remainder of the fiscal year.
- We are already feeling the benefits of the efforts to transfer the impacts of higher raw material and fuel prices to customers that were implemented in the previous fiscal year.

Q. Why, in the first quarter of the fiscal year ending March 31, 2024, was there such a large decrease in orders for automotive semiconductors in comparison to the fourth quarter of the fiscal year ended March 31, 2023?

A.

- The decrease in orders for automotive semiconductors was primarily a result of lower orders for semiconductors for use in electrified vehicles.
- Orders increased in the fourth quarter of the fiscal year ended March 31, 2023, due to customers' efforts to bolster inventories. Meanwhile, as the Company had planned to reduce the number of days it operates its factories in the first quarter of the fiscal year ending March 31, 2024, we asked that customers delay certain

orders until the second quarter or later.

Q. Could you please provide a breakdown of the year-on-year changes in orders and sales for automotive semiconductors in the first quarter of the fiscal year ending March 31, 2024, by electrified vehicles and gasoline vehicles? Also, what is the outlook for orders in the second quarter and beyond?

A.

- In the first quarter of the fiscal year ending March 31, 2024, orders of automotive semiconductors for electrified vehicles were up 36% year on year while orders for semiconductors for gasoline vehicles rose 5%. Similarly, net sales of semiconductors for electrified vehicles increased 43% while sales of those for gasoline vehicles grew by 7%.
- In the second quarter, orders of automotive semiconductors are projected to increase by around 20% in comparison to the first quarter while orders of semiconductors for electrified vehicles specifically will rise by about 30%. This outlook is prefaced on our efforts in the second quarter to compensate for the reduction in the number of days factories were operated during first quarter. Another factor behind this outlook is the projected increase in automobile production.
- In the second half of the fiscal year ending March 31, 2024, orders of automotive semiconductors for electrified vehicles are expected to grow by nearly 20% in comparison to the first half of the fiscal year.

Q. Are customers for automotive semiconductors expected to amass inventories going forward?

- Customers for automotive semiconductors underwent a period of inventory adjustment during the first quarter of the fiscal year ending March 31, 2024, but this trend is expected to be temporary.

Q. What is the outlook for orders for industrial semiconductors throughout the remainder of the fiscal year? What areas are expected to drive recovery in these semiconductors?

A.

- In comparison to the first quarter of the fiscal year ending March 31, 2024, second-quarter orders for industrial semiconductors are expected to grow by 5%, when excluding the impacts of foreign exchange influences. We project that growth in these orders will be driven by orders from the United States and Europe, and in particular orders for renewable energy applications from China. These orders are anticipated to drive growth through the second half of the fiscal year.

Q. There is a push in China toward in-house production of semiconductors for

renewable energy applications. How will this trend impact Fuji Electric?

A.

- Semiconductors for renewable energy applications require large-scale devices. We are receiving orders for these semiconductors from a limited number of manufacturers who emphasize quality.

Q. When will the expanded lineup of semiconductors for small and medium-sized automobiles begin contributing to performance?

A.

- The expanded lineup of semiconductors for small and medium-sized automobiles is expected to begin contributing to performance in late 2025 or 2026.

Q. What trends are being seen in procurement of SiC wafers?

A.

- We have secured the amount of wafers that we will need for the next several years.

Power Generation

Q. How will Fuji Electric be impacted by the steam eruption that occurred when drilling as part of the construction of a geothermal power plant in Rankoshi-cho, Hokkaido Prefecture?

A.

- Fuji Electric is not involved in this incident. The processes of investigating and developing heat sources are outside of the scope of Fuji Electric's business, and we will thus feel no direct impact on performance.

Food and Beverage Distribution

Q. What were the factors behind the positive turn in sales and profit in the Food and Beverage Distribution segment during the first quarter of the fiscal year ending March 31, 2024? Also, how likely is it that these trends will continue?

A.

- Orders for vending machines from beverage manufacturers surpassed expectations in the first quarter of the fiscal year ending March 31, 2024. Although we have not altered our forecast for full-year performance, we do anticipate performance that is higher than forecast.

Q. How will performance in the Food and Beverage Distribution segment be impacted by the issuance of new paper currency in Japan in the fiscal year ending March 31, 2025?

A.

- In the fiscal year ending March 31, 2024, we are anticipating an increase in sales

and profit to the tune of hundreds of millions of yen in association with automatic change dispensers for point of sales system manufacturers.

- As for the fiscal year ending March 31, 2025, we project higher demand for both automatic change dispensers and vending machines that can recognize the new paper currency. However, this demand will be influenced by trends in capital investment by customers, and the actual degree of impact on performance thus cannot be determined at this point in time.

Q. What volume of vending machines was shipped in Japan during the first quarter of the fiscal year ending March 31, 2024?

A.

- In the first quarter of the fiscal year ending March 31, 2024, we shipped nearly 28,000 vending machines in Japan, an increase of almost 30% year on year.