

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

Date: October 26, 2023 (Thursday) 15:30–16:45

**General**

Q. What factors might contribute to performance that surpasses full-year forecasts?

A.

- If the current foreign exchange rates continue, it should result in an increase in operating profit of ¥2.0 billion above the forecast, while another increase of billions of yen could be achieved by limiting costs.

Nevertheless, we are taking a conservative outlook toward performance, incorporating the risks present in the regard to ED&C components, automation components, and industrial semiconductors. This decision was made in light of the rising uncertainty in relation to the global economy stemming from factors such as sluggish economic conditions in China, the prolongation of the war in Ukraine, and the instability in the Middle East. At the same time, we anticipate higher-than-forecast performance in the power supply and facility systems business and the Food and Beverage Distribution segment.

Q. What is the forecast for dividend payments in the second half of the fiscal year ending March 31, 2024?

A.

- Dividend payments have not yet been determined at this point in time, but it is our goal to secure sufficient earnings that will allow us to once again raise dividend payments in the fiscal year ending March 31, 2024.

Q. Is Fuji Electric considering relocating any of its bases in China to Japan given the uncertain outlook with regard to the Chinese economy?

A.

- Fuji Electric is promoting local production and consumption, and our bases in China are thus primarily used to cater to the Chinese market. Decisions regarding our operations are made based on medium- to long-term trends, as opposed to short-term economic conditions.

Q. What type of initiatives will be advanced under the next medium-term management plan?

A.

- Under the next medium-term management plan, we will maintain our overarching policy of contributing to the realization of a sustainable society

through our energy and environment businesses. Power semiconductors will continue to be a focus. At the same time, we will dedicate efforts toward the new growth areas of electrified and eco-friendly mobility options. We are also moving forward with the development of global products to drive the expansion of overseas operations.

With eyes to 2030, Fuji Electric is turning its focus toward fields related to carbon neutrality and green transformation. Specific areas to be targeted include products that contribute to transitions to new energy sources, like hydrogen and ammonia, and technologies for separating and capturing CO<sub>2</sub>.

### Energy

Q. In regard to the power supply and facility systems business, it was stated that subsidiaries in Singapore are posting strong performance. How was performance in Japan in this business?

A.

- We continue to invest in semiconductor factories and data centers in Japan, and order trends are relatively strong.

Q. Performance is currently down in the ED&C component business. How does Fuji Electric intend to address this situation?

A.

- For the past several years, we have been taking steps to cut fixed costs and otherwise improve the profitability of the ED&C components business. Moreover, we are planning the launch of our first new model for magnetic switches, a focus product line, in decades during the second half of the fiscal year ending March 31, 2024. The launch of such new products is anticipated to contribute to sales growth. At the same time, we plan to enhance our switchboard proposals for data centers, which are seeing consistent demand.

Q. How are order trends for ED&C components? Specifically, what type of trends are being seen on a regional and model basis?

A.

- Our initial forecast projected that orders for ED&C components would bottom out in the first quarter of the fiscal year ending March 31, 2024, but we now think that orders struck the bottom in second quarter and will remain around that level during the third quarter. Nevertheless, we anticipate that semiconductor-related demand will recover in the first quarter of the fiscal year ending March 31, 2025, and we therefore expect to see a slight upturn in ED&C component orders beginning in the fourth quarter of the fiscal year ending March 31, 2024.
- In Japan, performance for ED&C components for equipment manufacturers has been low while performance for ED&C components for power distribution board manufacturers remains around the same level as in the previous equivalent period. Meanwhile, recovery in ED&C components for equipment manufacturers

in China has been slow, as has the recovery in semiconductor-related products in Southeast Asia, resulting in a greater-than-anticipated drop in orders.

### **Industry**

Q. How were trends in orders for low-voltage inverters in the second quarter of the fiscal year ending March 31, 2024, and what type of trends are anticipated going forward?

A.

- In comparison to the first quarter of the fiscal year ending March 31, 2024, second-quarter orders for low-voltage inverters may seem to have decreased significantly. However, this is primary due to the large-scale orders recorded previously. We anticipate that orders for low-voltage inverters will bottom out in the third quarter before showing a recovery. Low-voltage inverters differ from servos and controllers for semiconductor production equipment, which are experiencing declines in demand. Conversely, we have seen positive growth in orders for low-voltage inverters for use in fans, pumps, and elevators. Accordingly, we are committed to producing the necessary inverters within this fiscal year to support growth in sales.

### **Semiconductor**

Q. Why were second-quarter orders for industrial semiconductors down 7% in comparison to first-quarter orders? Also, what is the outlook for orders in the third quarter of the fiscal year ending March 31, 2024, and forward?

A.

- Second-quarter orders were down in comparison to first-quarter orders as a result of reduced demand for machine tools, servo systems, and standardization-use power supplies.
- Order growth is expected to remain flat in the third quarter of the fiscal year ending March 31, 2024, and beyond when excluding the impacts of foreign exchange influences.

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

A.

- In the second quarter of the fiscal year ending March 31, 2024, orders of automotive semiconductors were up more than 30% year on year overall, with orders for semiconductors for electrified vehicles growing 45% while semiconductors for gasoline vehicles declined 6%.
- In the third quarter, overall orders of automotive semiconductors are projected to increase by more than 10% in comparison to the second quarter and by more

than 30% on a year-on-year basis. Orders for semiconductors for electrified vehicles are anticipated to increase by around 40% year on year, while a slight decrease is seen in orders for gasoline vehicles.

Q. What were the reasons behind the strong second-quarter performance for the Semiconductor segment, and what is the outlook for the third quarter and forward?

A.

- At the financial results briefing for the three-month period ended June 30, 2023, we explained that our intent to compensate for the reduction in production of semiconductors following adjustments to the number of days of operation seen in the first quarter with production in the second quarter. These efforts went as planned. In addition, retroactive price increases are contributing to improvements in profitability. We anticipate that the operating margin in the Semiconductor segment will remain around the level seen in the six-month period ended September 30, 2023, in the third quarter of the fiscal year ending March 31, 2024, and beyond.

Q. Has there been any change in the outlook for automotive semiconductors in comparison to three months ago?

A.

- There have been no major changes in the outlook for automotive semiconductors in comparison to three months ago. Japanese, European, and U.S. automobile manufacturers are struggling a bit in China, and this is a trend that will require attention going forward.

Q. Major customers for Fuji Electric's automotive semiconductors are transitioning toward electric vehicles (EVs). How will this trend affect Fuji Electric's position and medium- to long-term strategies?

A.

- We do not see any change in Fuji Electric's position with regard to major customers. Moreover, we anticipate that the move from Si devices to SiC devices in conjunction with the transition to EVs will drive growth in sales of SiC devices during the period of the next medium-term management plan. We continue our efforts to increase the number of major customers for our industrial and automotive semiconductors, and we hope that these efforts can be translated to sales increases under the next medium-term management plan or in future plans.

Q. What is Fuji Electric's production capacity when it comes to SiC devices and what trends are being seen in orders for these devices?

A.

- We cannot disclose our SiC device production capacity, but we can say that, in the fiscal year ending March 31, 2025, we plan to increase our production

capacity by sevenfold in comparison to the fiscal year ended March 31, 2023 (as of the business strategy briefing held on May 30, 2023). At the moment, we are bolstering production capacity in preparation for commencing mass production at the Tsugaru Factory in the fiscal year ending March 31, 2025. We are also in the process of assessing prototypes.

- We expect to begin receiving orders for SiC devices in the first quarter of the fiscal year ending March 31, 2025, which should start contributing to sales in the second quarter of this fiscal year.

Q. In China, competition is intensifying for EV inverters. Is there any risk that this trend might create increased pressure to lower prices of power semiconductors?

A.

- We receive various requests to reduce prices, but we have yet to get any requests to lower prices for the reason you mention. Though it is possible that this might occur in the future, we also recognize that there are not enough manufacturers to provide a supply sufficient to match the rapidly increasing demand for power semiconductors.

Q. Is there any risk of manufacturers of EV inverters shifting away from Japanese suppliers and to Chinese suppliers for power semiconductors to reduce costs?

A.

- Chinese automobile manufacturers are transitioning toward EVs to take advantage of subsidy programs, and we are thus seeing a shift toward Chinese power semiconductors suppliers centered on Chinese automobile manufacturers. Fuji Electric seeks to differentiate itself through, for example, thinner and more compact packages to ensure that it can maintain its cost competitiveness.

### **Food and Beverage Distribution**

Q. What is the situation regarding one-time expenses for recording allowances for doubtful accounts in the Food and Beverage Distribution segment?

A.

- No such one-time expenses were incurred in the six-month period ended September 30, 2023. As described in forecasts, we have accounted for the risk of recording allowances for doubtful accounts of above ¥2.0 billion, which should be split evenly among the third and fourth quarters.