

**Condensed Transcript of Q&A Session Regarding Presentation on
Financial Results for the Fiscal Year Ended March 31, 2020**

Date: May 29, 2020 (Friday) 15:30–17:00

General

Q. What were the reasons behind the delay in announcement of full-year financial results for the fiscal year ended March 31, 2020?

A.

- Fuji Electric develops operations around the world. The global COVID-19 pandemic caused delays in calculating and auditing the financial results of overseas consolidated subsidiaries in countries such as India and Malaysia, which in turned delayed the announcement of consolidated financial results.

Q. What was the amount of impact of the global COVID-19 pandemic in the fiscal year ended March 31, 2020? Also, what segments will be impacted by the pandemic in the fiscal year ending March 31, 2021?

A.

- In the fiscal year ended March 31, 2020, the global COVID-19 pandemic caused reductions of more than ¥18.0 billion in net sales and ¥5.0 billion in operating income. These impacts were felt centered on domestic and Chinese component operations in the Power Electronics Systems Industry Segment as well as on the Electronic Devices Segment and Food and Beverage Distribution Segment.
- These segments are also expected to be the centers of the impacts felt in the fiscal year ending March 31, 2021.

Q. Full-year operating income in the fiscal year ended March 31, 2020, fell below the forecast even when excluding the reduction of more than ¥5.0 billion associated with the COVID-19 pandemic. I suspect that this outcome was in part a result of additional costs in the ED&C components business, the semiconductors business, and the Power Generation Segment. Were these one-time occurrences? Could you please provide some concrete details with this regard?

A.

- Performance fell below forecasts in the ED&C components business and the semiconductors business as a result of the COVID-19 pandemic and of product repair-related costs. We have completed the product defect countermeasures in the ED&C components business, and the related costs will not be recurring. As for the product repair-related costs in the semiconductor business, we have recorded the costs that have been recognized at this point in time. We are currently examining the possibility of additional costs being incurred.
- The lower-than-forecast performance in the Power Generation Segment is a result of a one-time increase in expenses attributable to construction delays associated with overseas engineering, procurement, and construction projects.

Q. What impact has the global COVID-19 pandemic had on Fuji Electric's supply chain?

A.

- We have seen difficulties in procuring certain parts from overseas as a result of the COVID-19 pandemic, but there been no significant issues.
- We had previously developed a procurement network comprised of multiple suppliers, but this network was overly concentrated in China. Accordingly, we are currently in the process of revising our standards to account for business continuity along with quality and costs when selecting suppliers.

Q. In what businesses are delivery delays being seen as a result of the COVID-19 pandemic?

A.

- There have been delivery delays in power electronics systems operations. For example, there have been some SOx scrubber deliveries scheduled for the fiscal year ended March 31, 2020, that have been delayed until the fiscal year ending March 31, 2021. We hope to prevent future delays by coordinating with shipbuilders to take steps such as having customers transfer ships from overseas docks to domestic docks. In addition, we are faced with the risk of capital expenditure curtailments in the Power Electronics Systems Industry Segment as a result of plant-related delivery delays.

Q. What are your segment outlooks for the three-month period ending June 30, 2020?

A.

- Power Electronics Systems Energy

Some businesses showed slight year-on-year increases in sales in April 2020, but overall sales are projected to decline due to delivery delays. Meanwhile, demand is dropping in the ED&C components business due to the impacts of the COVID-19 pandemic.

- Power Electronics Systems Industry

In the three-month period ending June 30, 2020, the automation systems business has been faced with a bearish component market in Japan. Overall sales in this business, however, are expected to increase year on year due to the recovery in seen the Chinese market, higher sales of SOx scrubbers, and the benefits of the consolidation of Consul Neowatt Power Solutions Pvt Ltd. of India conducted during the second half of the fiscal year ended March 31, 2020. We also expect year-on-year increases in sales in the social solutions business and the IT solutions business.

- Electronic Devices

By region, first-quarter sales in China are expected to increase due to the rebound from the massive demand slump seen in February and March 2020. Meanwhile, first-quarter sales in Europe will decline as demand remains low due to the lockdowns instituted over the period from April to May 2020.

By product category, we forecast a slight increase in first-quarter sales of automotive products as the decline in sales of products for gasoline vehicles will be countered by sales of products for electric vehicles. These trends will continue throughout the fiscal year ending March 31, 2021, resulting in a year-on-year increase in full-year sales.

- Power Generation

In the three-month period ending June 30, 2020, we have been seeing limits on the movement of people and subsequent delays in construction and service projects due to the COVID-19 pandemic. However, we are projecting an increase in first-quarter sales due to project mix differences.

- Food and Beverage Distribution

Market conditions for beverage manufacturers and convenience stores have been incredibly challenging from April 2020 forward, although supermarkets have not been hit as hard.

Vending machine sales are expected to bottom out in the three-month period ending June 30, 2020. Domestic vending machine operations are projected to struggle during the six-month period ending September 30, 2020, but recovery is anticipated in the second half of the fiscal year ending March 31, 2021. Although Chinese vending machine operations will see difficult conditions in the first quarter, we look forward to business negotiations picking up in the second quarter. We also anticipate year-on-year increases in sales in Southeast Asia if the stay-at-home orders in place in Thailand, Malaysia, and other countries are lifted.

First-quarter sales in the store distribution business will decrease year on year as new store renovation projects by customers have been halted until mid-June 2020, but we expect recovery beginning in the second quarter.

Q. How are sales activities progressing at the moment?

A.

- Only 18% of employees have been coming into our head office and other facilities. Efforts to receive orders through teleworking have led to order levels that are not as low as we had expected, hinting at the potential for substantial changes to workstyles centered on sales activities. By having employees stagger when they come into the office, we can transform how we work through means such as minimizing the amount of floor space and desks needed.
- There have also been no significant delays in R&D activities.
- At the moment, each business group is in the process of developing plans for new workstyles. As for factories, we will maintain attendance levels of at least 90% of employees while, of course, taking the necessary steps to prevent the spread of COVID-19. Through these new workstyles, we aim to transform this adversity into a significant opportunity.

Q. Are there any business opportunities to be found in the global COVID-19 pandemic?

A.

- The COVID-19 pandemic has generated business opportunities regarding facility automation using control equipment and monitoring systems. Also, inverter demand is currently rising for specific applications, such as mask production equipment. We also see the potential for business opportunities in the IT solutions field given how education is transforming.

Q. Is the Company implementing any measures for reducing costs of sales and fixed costs other than the Pro-7 Activities?

A.

- Controllable costs amount to just below ¥15.0 billion a year. These costs were reduced by between ¥1.0 billion and ¥2.0 billion in the fiscal year ended March 31, 2020. We are committed to further cutting costs in the fiscal year ending March 31, 2021, and all but the most essential fixed costs will be cut.

Q. Is the current level of on-hand funds of ¥190.0 billion sufficient? Do you have plans to increase this amount going forward?

A.

- We believe that this level is sufficient. However, we also see room to procure additional funds through short-term borrowings or commercial paper if needed.

Electronic Devices

Q. How are Fuji Electric's semiconductor inventories?

A.

- Semiconductor inventories are currently at an appropriate level.

Q. How are inventories of automotive power semiconductors for distribution?

A.

- Automotive power semiconductor inventories are currently at an appropriate level.

Q. How were operating rates pertaining to front-end semiconductor processes in the fourth quarter of the fiscal year ended March 31, 2020, and in the first quarter of the fiscal year ending March 31, 2021?

A.

- Operating rates pertaining to front-end semiconductor processes in the fourth quarter of the fiscal year ended March 31, 2020, were over 80%, and we expect similar rates in first quarter of the fiscal year ending March 31, 2021.

Q. What are your plans for semiconductor investments in the fiscal year ending March 31, 2021?

A.

- There has been no change in our investment policies, which are oriented toward accomplishing the targets of the current medium-term management plan, and we will continue investments for bolstering production capacity accordingly.

Q. What are the reasons behind the strong performance in magnetic disk operations?

A.

- Sales of magnetic disks for data center applications are strong. The closure of borders seen in Southeast Asia beginning in March 2020 has adversely impacted customers' procurement activities. Some customers have reached out to Fuji Electric for help with this regard, and we are responding to these requests. We therefore see no concern for significant downturns in magnetic disk sales.