# Financial Performance

## (1) Qualitative Information regarding Consolidated Results of Operations

### Results of Operations in the Fiscal Year Ended March 31, 2017

In the fiscal year ended March 31, 2017, economic instability was seen overseas against a backdrop of factors such as the risk of economic downturn in Asia, most apparent in China, and uncertainty regarding government policy in Europe and the United States. Nevertheless, an overall trend toward modest recovery was witnessed overseas driven by principal developed countries, including the United States and European countries. In the domestic economy, the general trend was that of gentle recovery, despite the rapid foreign exchange rate fluctuations seen over a short period of time that were a result of the growing sense of uncertainty in the overseas economy.

In this environment, we unveiled the FY2018 Medium-Term Management Plan, Renovation 2018. Acting in accordance with the plan's basic policy of "further renovation of Fuji Electric," we are implementing growth strategies including reforming operating processes in social engineering systems, industrial infrastructure, and power electronics businesses; expanding overseas operations; and creating high-value-added products while also improving profitability.

During the fiscal year ended March 31, 2017, although operations felt the impacts of foreign exchange rate fluctuations, we advanced the various measures of our growth strategies, and demand grew. As a result, net sales increased ¥24.2 billion year on year, to ¥837.8 billion. By business segment, Power and Social Infrastructure and Industrial Infrastructure saw increased net sales, while Power Electronics, Electronic Devices, Food and Beverage Distribution, and Others saw net sales decline.

Operating income decreased ¥0.3 billion year on year, to ¥44.7 billion, as the impacts of upfront investments in Power Electronics and foreign exchange rate fluctuations outweighed the benefits of cost reduction efforts. Meanwhile, ordinary income increased ¥0.7 billion, to ¥46.3 billion. At the same time, net income attributable to owners of parent climbed ¥10.3 billion, reaching a new record high of ¥41.0 billion due to the recording of gain on sales of investment securities.

Consolidated results of operations for the fiscal year ended March 31, 2017, were as follows.
(¥ billion)

| | Fiscal year ended March 31, 2016 | Fiscal year ended March 31, 2017 | Change |
|---|---|---|---|
| Net sales | 813.6 | 837.8 | 24.2 |
| Operating income | 45.0 | 44.7 | (0.3) |
| Ordinary income | 45.6 | 46.3 | 0.7 |
| Net income attributable to owners of parent | 30.6 | 41.0 | 10.3 |

### Results by Segment

**[Power and Social Infrastructure]**
**YoY: Net sales increased 11%, operating income increased ¥2.2 billion**

Net sales increased 11% year on year, to ¥194.8 billion, and operating income increased ¥2.2 billion year on year, to ¥11.9 billion.

In the power plant business, net sales were up and operating results improved year on year due to an increase in large-scale orders for hydraulic power generation facilities. In the social engineering systems business, net sales were up and operating results improved year on year due to higher sales of smart meters. In the social information business, net sales were up and operating results improved year on year following a rise in large-scale orders from the public sector and an increase in projects in the academic sector.

**[Industrial Infrastructure]**
**YoY: Net sales increased 5%, operating income increased ¥3.4 billion**

Net sales increased 5% year on year, to ¥209.1 billion, and operating income increased ¥3.4 billion year on year, to ¥14.6 billion.

In the transmission and distribution business, net sales were up and operating results improved year on year due to contributions from large-scale orders from domestic industries. In the industrial plant business, net sales were up and operating results improved year on year as a result of strong energy saving and replacement demand in Japan as well as increased sales in new solutions businesses targeting data centers. In the industrial and instrumentation equipment business, net sales were up and operating results improved year on year due to the robust replacement demand seen in Japan. In the equipment construction business, net sales were relatively unchanged year on year while operating results improved due to the benefits of cost reduction efforts.

**[Power Electronics]**
**YoY: Net sales decreased 1%, operating income decreased ¥0.8 billion**

Net sales decreased 1% year on year, to ¥205.9 billion, and operating income decreased ¥0.8 billion year on year, to ¥8.6 billion.

In the drive business, nets sales increased year on year as the strong performance of inverters and servos counteracted the impacts of unfavorable foreign exchange rates and a decline in large-scale overseas orders for electrical equipment for railcars. However, operating results worsened as a result of upfront investments in overseas production bases. In the power supply business, net sales were down year on year due to the decline in demand for power conditioning sub-systems for megasolar power generation systems and the impacts of unfavorable foreign exchange rates. Regardless, operating results improved due to the benefits of cost reduction efforts. In the ED&C components business, nets sales decreased and operating results worsened year on year following reduced demand from machine tool and other machinery manufacturers as well as from distribution board manufacturers.

**[Electronic Devices]**
**YoY: Net sales decreased 1%, operating income decreased ¥1.7 billion**

Net sales decreased 1% year on year, to ¥118.5 billion, and operating income decreased ¥1.7 billion year on year, to ¥8.0 billion.

In the semiconductors business, net sales increased and operating results improved year on year, despite the adverse impacts of foreign exchange influences, due to the recovery of demand in the industrial and power supply application fields as well as the continuation of firm performance in the automotive field. In the magnetic disks business, net sales were down and operating results worsened year on year because of the declines in demand following deteriorating market conditions.

**[Food and Beverage Distribution]**
**YoY: Net sales decreased slightly, operating income decreased ¥2.0 billion**

Net sales decreased slightly year on year, to ¥109.6 billion, and operating income decreased ¥2.0 billion year on year, to ¥6.0 billion.

In the vending machine business, net sales decreased and operating results worsened year on year. Demand was down in the Japanese market due to industry reorganizations and limited investment among domestic beverage manufacturers while performance in the Chinese market was impacted by the revision of installation plans, which offset the benefits of our progress in acquiring new customers. In the store distribution business, net sales increased year on year due to a rise in demand for store equipment and automatic change dispensers for convenience stores, but operating results worsened year on year as a result of a less favorable sales mix.

[Others]

**YoY: Net sales decreased 6%, operating income decreased ¥0.3 billion**

Net sales decreased 6% year on year, to ¥59.1 billion, and operating income decreased ¥0.3 billion year on year, to ¥2.1 billion.

**Forecasts for the Fiscal Year Ending March 31, 2018**

Forecasts for consolidated business results in the fiscal year ending March 31, 2018, are as follows.

Further, forecasts for the fiscal year ending March 31, 2018, assume exchange rates of US$1 = ¥105 and €1 = ¥115.

**Consolidated Business Results Forecasts** (¥ billion)

| | Fiscal year ended March 31, 2017 Results | Fiscal year ending March 31, 2018 Forecasts | Change |
|---|---|---|---|
| Net sales | 830.0 | 850.0 | 12.2 |
| Operating income | 47.0 | 48.0 | 3.3 |
| Ordinary income | 46.3 | 47.0 | 0.7 |
| Net Income attributable to owners of parent | 41.0 | 29.0 | (12.0) |

**Forecasts by Segment** (¥ billion)

| | Fiscal year ending March 31, 2018 Forecasts | |
|---|---|---|
| | Net Sales | Operating Income |
| Power Electronics Systems – Energy Solutions | 219.3 | 14.0 |
| Power Electronics Systems – Industry Solutions | 294.7 | 15.9 |
| Power and New Energy | 100.5 | 6.5 |
| Electronic Devices | 112.7 | 8.3 |
| Food and Beverage Distribution | 118.4 | 8.0 |
| Others | 57.4 | 1.7 |
| Elimination and Corporate | (53.2) | (6.4) |
| Total | 850.0 | 48.0 |

Effective from April 1, 2017, the Company reorganized its business segments to create the following six segments: Power Electronics Systems—Energy Solutions, Power Electronics Systems—Industry Solutions, Power and New Energy, Electronic Devices, Food and Beverage Distribution, and Others.

In the fiscal year ending March 31, 2018, the Power Electronics Systems – Energy Solutions business segment will focus on securing a sufficient share of the domestic smart meter market while incorporating domestic replacement demand in the substation systems business. At the same time, effort will be devoted to expanding operations by enhancing manufacturing and engineering capabilities in Asia. Furthermore, this segment will introduce power supplies equipped with SiC power semiconductors with the aim of providing a total facility lineup encompassing everything from data center to server power supplies. In the ED&C components business, we will seek to capture domestic construction demand.

The Power Electronics Systems – Industry Solutions business segment will work to expand systems operations that address automation needs in Japan and China in the factory automation business and capture domestic replacement demand while leveraging Asian engineering subsidiaries to take advantage of capital investment demand in the process automation business. In addition, this segment will promote sales to the logistics industry and accelerate the development of new transportation systems products in the environmental and social solutions business.

The Power and New Energy business segment will work to increase orders for thermal and geothermal power generation plant while growing service operations and increasing orders in the new energy business.

The Electronic Devices business segment will seek to grow industrial and automotive field sales in the semiconductor business. In addition, this segment will accelerate the development of new SiC power semiconductors and automotive field products with the aim of creating competitive power electronics while also expanding post-process production overseas.

The Food and Beverage Distribution business segment will expand its vending machine business in China, Asia, and other overseas markets while boosting competitiveness by developing high-value-added products and pursuing further cost reductions. In the store distribution business, the segment will strive to increase orders of store equipment from supermarkets and convenience stores while developing new products.

## (2) Quantitative Information regarding Consolidated Financial Position

(¥ billion)

| | March 31, 2016 | Breakdown (%) | March 31, 2017 | Breakdown (%) | Change |
|---|---|---|---|---|---|
| Total assets | 845.4 | 100.0 | 886.7 | 100.0 | +41.3 |
| Interest-bearing debt | 184.7 | 21.9 | 151.2 | 17.1 | (33.5) |
| Shareholder's equity*1 | 230.4 | 27.3 | 291.2 | 32.8 | +60.8 |
| Debt-equity ratio*2 (times) | 0.7 | | 0.8 | | -0.3 |

*1 Shareholders' equity = Total net assets — Non-controlling interests

*2 Debt-equity ratio = Interest-bearing debt/ Shareholders' equity

Total assets on March 31, 2017, stood at ¥886.7 billion, an increase of ¥41.3 billion from the end of the previous fiscal year-end. Total current assets increased ¥18.5 billion as the rise in notes and accounts receivable-trade and cash and deposits counteracted the decline in inventories. Total noncurrent assets were up ¥22.7 billion primarily due to an increase in net defined benefit asset.

Interest-bearing debt as of March 31, 2017, amounted to ¥151.2 billion, down ¥33.5 billion from the previous fiscal year-end largely due to a decrease in commercial papers. Further, net interest-bearing debt—interest-bearing debt net of cash and cash equivalents—decreased ¥44.6 billion from the previous fiscal year-end, amounting to ¥109.3 billion on March 31, 2017.

Net assets on March 31, 2017, stood at ¥323.9 billion, up ¥62.9 billion from the previous fiscal year-end due to increases in retained earnings, remeasurements of defined benefit plans, and valuation difference on available-for-sale securities. In addition, shareholders' equity—total net assets net of non-controlling interests—was up ¥60.8 billion from the previous fiscal year-end, standing at ¥291.2 billion on March 31, 2017. The debt-to-equity ratio (interest-bearing debt ÷ shareholders' equity) was 0.5 times, down 0.3 times from the previous fiscal year-end. Also, the net debt-to-equity ratio (net interest-bearing debt ÷ shareholders' equity) was 0.4 times, down 0.3 times from the previous fiscal year-end.

(¥ billion)

| | Fiscal year ended March 31, 2016 | Fiscal year ended March 31, 2017 | Change |
|---|---|---|---|
| Net cash provided by operating activities | 48.5 | 58.2 | 9.7 |
| Net cash provided by (used in) investing activities | (9.4) | 9.7 | 29.2 |
| Free cash flow | 29.0 | 67.9 | 38.9 |
| Net cash used in financing activities | (31.6) | (56.1) | (24.5) |
| Cash and cash equivalents at the end of period | 30.8 | 41.9 | 11.0 |

In the fiscal year ended March 31, 2017, consolidated free cash flow (net cash from operating activities + net cash from investing activities) was a positive ¥67.9 billion, an improvement of ¥38.9 billion compared with positive free cash flow of ¥29.0 billion in the previous fiscal year.

**Cash flows from operating activities**

Net cash provided by operating activities was ¥58.2 billion, compared with ¥48.5 billion in the previous fiscal year. Major factors increasing cash included the recording of income before income taxes and an increase in notes and accounts payable-trade. Major factors decreasing cash included an increase in notes and accounts receivable-trade.

This was an improvement of ¥9.7 billion year on year.

**Cash flows from investing activities**

Net cash provided by investing activities was ¥9.7 billion, compared with net cash used in investing activities of ¥19.4 billion in the previous fiscal year. This was primarily a result of gain on sales of investment securities.

This was an improvement of ¥29.2 billion year on year.

**Cash flows from financing activities**

Net cash used in financing activities was ¥56.1 billion, compared with ¥31.6 billion in the previous fiscal year. This was principally due to a decrease in commercial papers and the repayment of lease obligations.

As a result, consolidated cash and cash equivalents on March 31, 2017, amounted to ¥41.9 billion, up ¥11.0 billion from the previous fiscal year-end.

**(3) Basic Policy Regarding Distribution of Earnings and Dividends for the Fiscal Year Ended March 31, 2017, and the Fiscal Year Ending March 31, 2018**

We intend to return profit gained through business activities to shareholders. At the same time—while maintaining and strengthening our management foundation—we intend to appropriate profit for consolidated shareholders' equity in order to secure internal reserves for research and development, capital investment, development of human resources, and other uses reflecting a medium-to-long-term viewpoint.

We will determine the amount of dividends to be paid from retained earnings in light of the above medium-to-long-term business cycle; our policy of paying stable and continuous dividends; and a comprehensive evaluation of the business results from the relevant fiscal year, research and development and capital investment plans for future growth, and the operating environment.

We regard the acquisition of treasury stock as a flexible mechanism to supplement dividends from retained earnings when warranted by the cash flow position.

Based on a rigorous evaluation of performance during the fiscal year ended March 31, 2017, forecasted performance for the fiscal year ending March 31, 2018, and our financial position, we plan to pay a year-end dividend of ¥6 per share for the fiscal year ended March 31, 2017. Together with the interim dividend, this will make for an annual dividend of ¥11 per share for the fiscal year ended March 31, 2017, to be paid from retained earnings.

We have not yet decided the dividend to be paid for the fiscal year ending March 31, 2018.

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