

Financial Performance

(1) Qualitative Information regarding Consolidated Results of Operations

In the three-month period ended June 30, 2017, an overall trend toward gradual recovery was seen in the overseas economy centered on China as well as on principal developed countries such as Europe and the United States. This recovery trend came regardless of the sense of opacity resulted from political uncertainty in Europe and the United States. In Japan, the economy recovered on the back of relatively stable foreign exchange rates and improvements in capital investment levels.

In this environment, we moved ahead with 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 strengthening the power electronics systems business and further enhancing manufacturing capabilities while also pursuing improved profitability by re-energizing the Pro-7 Activities that entail reviewing all costs associated with business activities.

Consolidated net sales in the three-month period ended June 30, 2017, increased ¥8.4 billion year on year, to ¥173.5 billion, due to higher demand and the sales-heightening benefits of favorable foreign exchange influences. By business segment, Power Electronics Systems—Industry Solutions, Power and New Energy, Electronic Devices, Food and Beverage Distribution, and Others saw increased net sales, while Power Electronics Systems—Energy Solutions saw net sales decline as a result of the absence of large-scale orders recorded in the previous equivalent period.

Operating income increased ¥0.5 billion year on year, to ¥2.8 billion, due to the benefits of higher demand and cost reduction efforts. Ordinary income was up ¥2.5 billion, to ¥2.8 billion, following a decline in foreign exchange loss. Net income attributable to owners of parent of ¥1.1 billion was recorded, compared with net loss attributable to owners of parent of ¥0.7 billion in the three-month period ended June 30, 2016.

Consolidated results of operations for the three-month period were as follows.

	(¥ billion)		
	Three-month period ended June 30, 2016	Three-month period ended June 30, 2017	Change
Net sales	165.1	173.5	8.4
Operating income	2.3	2.8	0.5
Ordinary income	0.3	2.8	2.5
Net income (loss) attributable to owners of parent	(0.7)	1.1	1.9

Results by Segment

Power Electronics Systems—Energy Solutions

Net sales: ¥42.6 billion (down 8% year on year)

Operating income: ¥1.5 billion (up ¥0.2 billion year on year)

In the energy management business, net sales decreased and operating results worsened year on year primarily due to a decline in smart meter sales volumes. In the transmission and distribution business, net sales decreased and operating results worsened year on year, despite strong performance resulted from a rise in capital investment demand, due to the absence of large-scale orders from the industrial field that were recorded in the previous equivalent period. In the power supply systems business, net sales decreased year on year following lower overseas demand in switchgear and controlgear operations. Regardless, operating results improved year on year due to the benefits of cost reduction efforts. In the ED&C components business, net sales and operating results improved year on year as a result of strong demand seen overseas and from machine tool and other machinery manufacturers.

Power Electronics Systems—Industry Solutions

Net sales: ¥53.1 billion (up 14% year on year)

Operating loss: ¥2.8 billion (down ¥0.3 billion year on year)

In the factory automation business, net sales and operating results improved year on year due to strong conditions in Japan and China centered on markets for inverters, factory automation components, and industrial motors. In the process automation business, net sales and operating results improved year on year because of the brisk replacement demand seen in the Japanese market. In the environmental and social solutions business, net sales improved year on year as a result of higher demand in radiation-related equipment and system and environment-related operations. However, operating results worsened following a decrease in overseas sales of electrical equipment for railcars. In the equipment construction business, net sales decreased and operating results worsened year on year as the rebound from large-scale orders recorded in the previous equivalent period offset the benefits of strong performance in plant and air-conditioning equipment operations. In the IT solutions business, net sales and operating results improved year on year due to an increase in orders from the public sector and the academic sector.

Power and New Energy

Net sales: ¥17.0 billion (up 21% year on year)

Operating income: ¥0.8 billion (down ¥0.2 billion year on year)

In the power and new energy business, net sales were up year on year thanks to increases in large-scale orders for solar power generation systems, but operating results worsened year on year as a result of a less favorable sales mix.

Electronic Devices

Net sales: ¥30.5 billion (up 7% year on year)

Operating income: ¥2.8 billion (up ¥1.2 billion year on year)

In the electronic devices business, net sales and operating results improved year on year following a rise in demand for semiconductors for the industrial field.

Food and Beverage Distribution

Net sales: ¥25.8 billion (unchanged year on year)

Operating income: ¥1.2 billion (down ¥0.6 billion year on year)

In the vending machine business, net sales decreased and operating results worsened year on year as a result of the impacts of a temporary decline in investment stemming from the revision of the expansion plans of customers in the Chinese market, which outweighed the benefits of the brisk demand seen in the domestic market. In the store distribution business, net sales increased year on year due to a rise in demand for store equipment for convenience stores, but operating results worsened year on year as a result of a less favorable sales mix.

Others

Net sales: ¥14.4 billion (up 2% year on year)

Operating income: ¥0.8 billion (up ¥0.2 billion year on year)

Note: Effective April 1, 2017, the Company reorganized its reportable segments in conjunction with a change in organizational structure. Accordingly, the prior segments of Power and Social Infrastructure, Industrial Infrastructure, Power Electronics, Electronic Devices, and Food and Beverage Distribution were rearranged into the new segments of Power Electronics Systems—Energy Solutions, Power Electronics Systems—Industry Solutions, Power and New Energy, Electronic Devices, and Food and Beverage Distribution. Year-on-year comparison use figures for the three-month period ended June 30, 2016, that have been restated to reflect this change in reportable segments.

(2) Quantitative Information regarding Consolidated Financial Position

	March 31, 2017	Breakdown (%)	June 30, 2017	Breakdown (%)	Change
Total assets	886.7	100.0	864.7	100.0	(22.0)
Interest-bearing debt	151.2	17.1	175.6	20.3	24.4
Shareholder's equity ^{*1}	291.2	32.8	297.6	34.4	6.4
Debt-equity ratio ^{*2} (times)	0.5		0.9		0.1

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

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

Total assets on June 30, 2017, stood at ¥864.7 billion, a decrease of ¥22.0 billion from the end of the previous fiscal year. Total current assets decreased ¥29.2 billion, as the decline in notes and accounts receivable-trade counteracted the rise in inventories. Total noncurrent assets were up ¥7.1 billion, due to an increase stemming from valuation difference on available-for-sale securities.

Interest-bearing debt as of June 30, 2017, amounted to ¥175.6 billion, up ¥5.7 billion from the previous fiscal year-end. Further, net interest-bearing debt—interest-bearing debt net of cash and cash equivalents—increased ¥6.4 billion from the previous fiscal year-end, amounting to ¥297.6 billion on June 30, 2017.

Net assets on June 30, 2017, stood at ¥329.6 billion, up ¥5.7 billion from the previous fiscal year-end. This was because of an increase stemming from valuation difference on available-for-sale securities. In addition, shareholders' equity—total net assets net of non-controlling interests—was up ¥6.4 billion from the previous fiscal year-end, standing at ¥297.6 billion on June 30, 2017. The debt-to-equity ratio (interest-bearing debt ÷ shareholders' equity) was 0.1 times, up 0.1 times from the previous fiscal year-end. Also, the net debt-to-equity ratio (net interest-bearing debt ÷ shareholders' equity) was 0.5 times, up 0.1 times.

(3) Qualitative Information regarding Consolidated Forecasts and Forecast Information

In light of the business result trends seen in the three-month period ended June 30, 2017, Fuji Electric has chosen to revise the consolidated forecast for business results for the six-month period ending September 30, 2017, that was announced together with financial results for the fiscal year ended March 31, 2017, on April 27, 2017.

The forecast assumes exchange rates of US\$1 = ¥105 and € 1 = ¥115 for the period from July 1, 2017, onward.

(Consolidated Forecasts for the Six Months Ending September 30, 2017) (¥ billion)

	Previous announcement	Revised announcement	Change
Net sales	368.9	370.0	1.1
Operating income	6.1	7.0	0.9
Ordinary income	3.2	4.5	1.3
Net income attributable to owners of parent	0.0	1.1	1.1

Despite the following disparity between the performance and forecasts for individual segments, Fuji Electric has chosen not to revise the consolidated forecast for business results for the fiscal year ending March 31, 2018, that was announced together with financial results for the fiscal year ended March 31, 2017, on April 27, 2017.

(Consolidated Forecasts for the Fiscal Year Ending March 31, 2018) (¥ billion)

	Previous announcement	Revised announcement	Change
Net sales	850.0	850.0	0.0
Operating income	48.0	48.0	0.0
Ordinary income	47.0	47.0	0.0
Net income attributable to owners of parent	29.0	29.0	0.0

(Reference: Consolidated Forecasts for the Fiscal Year Ending March 31, 2018, by Segment)(¥billion)

	Net sales			Operating income (loss)		
	Previous announcement	Revised announcement	Change	Previous announcement	Revised announcement	Change
Power Electronics Systems – Energy Solutions	219.3	219.9	0.6	14.0	14.6	0.6
Power Electronics Systems – Industry Solutions	294.7	295.9	1.2	15.9	16.5	0.6
Power and New Energy	100.5	100.0	(0.5)	6.5	5.8	(0.7)
Electronic Devices	112.7	117.1	4.4	8.3	9.8	1.5
Food and Beverage Distribution	118.4	114.0	(4.4)	8.0	6.5	(1.5)
Others	57.4	57.4	0.0	1.7	1.7	0.0
Elimination and Corporate	(53.2)	(54.5)	(1.3)	(6.4)	(6.9)	(0.5)
Total	850.0	850.0	0.0	48.0	48.0	0.0