

Consolidated Financial Results **for 1H FY2017**

October 27, 2017
Fuji Electric Co., Ltd.

Summary of Consolidated Financial Results for 1H FY2017 (YoY Comparison)

Record highs for operating income, ordinary income, and net income attributable to owners of parent

(Billion yen)

	1H FY2016	1H FY2017	Change
Net Sales	351.6	395.0	43.5
Operating Income/Loss	5.9	12.7	6.9
Ordinary Income/Loss	2.7	11.7	9.0
Extraordinary Income/Loss	-0.0	-0.0	0.0
Income/Loss before Income Taxes	2.7	11.7	9.0
Income Taxes	1.1	4.3	3.2
Net Income Attributable to Non-controlling Interests	1.6	1.3	-0.4
Net Income Attributable to Owners of Parent	0.0	6.2	6.2

(Average Exchange Rate)

(Yen)

US\$	105.29	111.06	5.77
EURO	118.15	126.29	8.14
RMB	15.94	16.42	0.48

(Exchange Rate Difference: the end of March →the end of September)

(Yen)

US\$	112.68→101.12	112.19→112.73	12.10
EURO	127.70→113.36	119.79→132.85	27.40
RMB	17.39→15.14	16.29→16.96	2.92

Net Sales

Gain on translation of earnings of overseas subsidiaries +8.9
Demand increase excluding exchange rate effect **+34.6**

Operating Income/Loss

Increase in sales volumes	7.8	Price decline	-7.8
Cost reduction	7.0	Increase in fixed cost	-1.1
Exchange rate effect	0.9		
	<u>15.7</u>		<u>-8.9</u>

Non-operating Income/Loss

Net interest expense	-0.1	(0.5 → 0.4)
Equity in earnings of affiliates	-0.1	(-0.9 → -1.0)
Foreign exchange losses	2.2	(-2.6 → -0.4)
Others	0.1	(-0.1 → -0.0)
	<u>2.1</u>	<u>(-3.1 → -1.0)</u>

Net Sales and Operating Income by Segment for 1H FY2017 (YoY Comparison)

Higher net sales and operating income supported by increased investment in automation and labor saving and rise in demand for replacing aged equipment

(Billion yen)

	1H FY2016		1H FY2017		Change	
	Net Sales	Operating Income/Loss	Net Sales	Operating Income/Loss	Net Sales	Operating Income/Loss
Power Electronics Systems - Energy Solutions	94.6	2.4	94.3	2.8	-0.3	0.3
Power Electronics Systems - Industry Solutions	112.5	-2.2	134.2	1.1	21.8	3.2
Power and New Energy	30.8	2.1	37.9	1.2	7.1	-0.9
Electronic Devices	57.6	3.2	64.7	6.7	7.1	3.5
Food and Beverage Distribution	49.5	2.0	55.5	2.2	6.1	0.2
Others	28.3	1.1	29.9	1.5	1.6	0.4
Elimination and Corporate	-21.7	-2.8	-21.5	-2.8	0.2	0.0
Total	351.6	5.9	395.0	12.7	43.5	6.9

Business Results by Segment for 1H FY2017 (YoY Comparison) ①

(Billion yen)

		1H FY2016	1H FY2017	Change	Overview
Energy Solutions	Net Sales	94.6	94.3	-0.3	<p>Energy management Decrease in net sales and operating results primarily due to declined smart meter sales volumes</p> <p>Transmission and distribution systems Decrease in net sales and operating results, despite strong performance resulted from a rise in capital investment demand, due to the absence of large-scale orders from the industrial field recorded in the previous equivalent period</p>
	Operating Income/Loss	2.4	2.8	0.3	<p>Power supply systems Decrease in net sales following lower overseas demand in switchgear and controlgear operations, but increase in operating results due to the benefits of cost reduction efforts</p> <p>ED&C components Increase in net sales and operating results as a result of strong demand seen overseas and from machine tool and other machinery manufacturers</p>
Industry Solutions	Net Sales	112.5	134.2	21.8	<p>Factory automation Increase in net sales and operating results due to strong conditions in Japan and China centered on markets for inverters, factory automation components, and industrial motors</p> <p>Process automation Increase in net sales and operating results due to brisk domestic replacement demand and early emergence of 2nd-half demand</p> <p>Environmental and social solutions Increase in net sales due to higher overseas demand for electrical equipment for railcars, but decrease in operating results due to disparities in the profitability of different projects</p>
	Operating Income/Loss	-2.2	1.1	3.2	<p>Equipment construction Decrease in net sales and operating results as the rebound from large-scale orders recorded in the previous equivalent period offset the benefits of strong air-conditioning equipment performance</p> <p>IT solutions Increase in net sales and operating results due to higher orders from the public sector and the academic sector</p>

Business Results by Segment for 1H FY2017 (YoY Comparison) ②

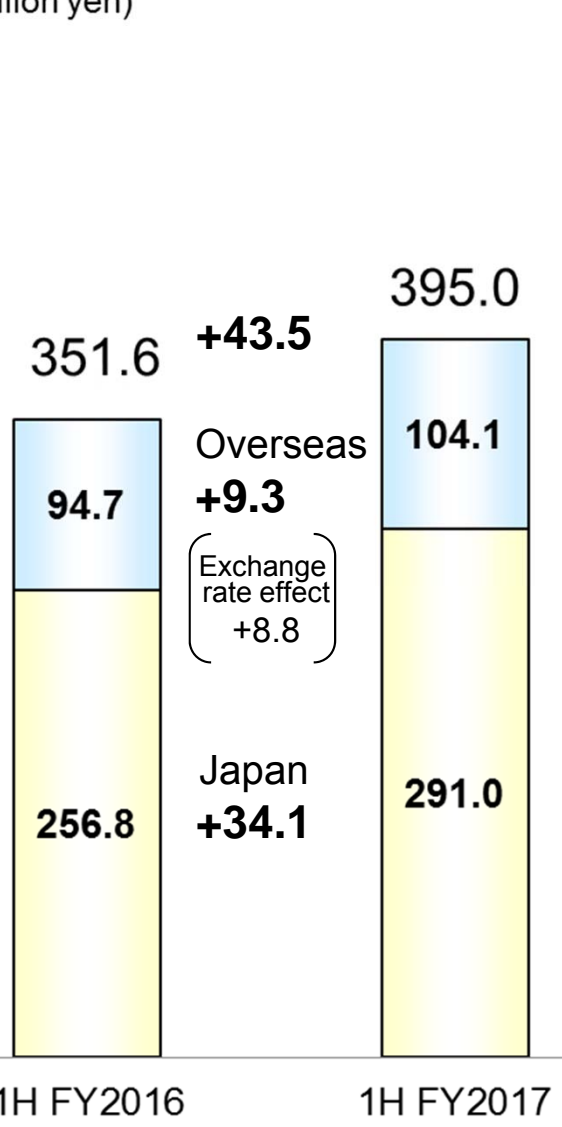
(Billion yen)

		1H FY2016	1H FY2017	Change	Overview
Power and New Energy	Net Sales	30.8	37.9	7.1	Large-scale orders in Japan contributing to higher sales of thermal power generation systems as well as solar power generation systems in the renewable energy field Decrease in operating income due to disparities in the profitability of different projects
	Operating Income/Loss	2.1	1.2	-0.9	
Electronic Devices	Net Sales	57.6	64.7	7.1 4.1*	Higher net sales and operating results for semiconductors following a rise in demand for semiconductors for the industrial field supported by strong conditions in the Japanese and Chinese markets Lower net sales for magnetic disks due to reduced demand, but higher operating results stemming from beneficial foreign exchange rates
	Operating Income/Loss	3.2	6.7	3.5 0.8*	
Food and Beverage Distribution	Net Sales	49.5	55.5	6.1	Vending machines Increase in net sales but operating results were relatively unchanged because investment levels continued to be limited in the Chinese market as a result of revisions to the expansion plans of customers while brisk demand was seen in the domestic market
	Operating Income/Loss	2.0	2.2	0.2	Store distribution Increase in net sales and operating results due to a rise in demand for store equipment for convenience stores

* Exchange rate effect

Domestic and Overseas Net Sales and Net Sales by Overseas Area for 1H FY2017 (YoY Comparison)

(Billion yen)



	1H FY2016	1H FY2017	Change
Overseas	94.7	104.1	9.3
Asia and Others	47.5	49.8	2.4
China	33.4	37.1	3.7
Europe	7.6	8.8	1.2
Americas	6.2	8.3	2.0

■ **Asia and Others**
【Sales increase】
 Energy Solutions (Transmission and distribution systems, ED&C components)
 Electronic Devices (Semiconductors, Magnetic disks)

【Sales decrease】
 Energy Solutions (Power supply systems)
 Power Plant

■ **China**
【Sales increase】
 Energy Solutions (ED&C components)
 Industry Solutions (Factory automation)
 Electronic Devices (Semiconductors)

【Sales decrease】
 Electronic Devices (Magnetic disks)
 Food and Beverage Distribution (Vending machines)

■ **Europe**
【Sales increase】
 Electronic Devices (Semiconductors)

■ **Americas**
【Sales increase】
 Energy solutions, Industry solutions

Summary of Consolidated Financial Results for 1H FY2017 (Comparison with Previous Forecasts)

Higher-than-forecast net sales and operating income due to strong capital investment demand

(Billion yen)

	1H FY2017		Change
	Forecasts (July 27, 2017)	Results	
Net Sales	370.0	395.0	25.0
Operating Income/Loss	7.0	12.7	5.7
Ordinary Income/Loss	4.5	11.7	7.2
Net Income Attributable to Owners of Parent	1.1	6.2	5.1

Net Sales

Higher demand and early emergence of 2nd-half demand	+19.0
Gain on translation of earnings of overseas subsidiaries	+6.0

Operating Income/Loss

Increase in sales volumes and others	+5.2
Exchange rate effect	+0.5

(Average Exchange Rate)

(Yen)

US\$	108.05	111.06	3.01
EURO	118.60	126.29	7.69
RMB	15.96	16.42	0.46

(Exchange Rate Difference: the end of March → the end of September)

(Yen)

US\$	112.19→105.00	112.19→112.73	7.73
EURO	119.79→115.00	119.79→132.85	17.85
RMB	16.29→15.70	16.29→16.96	1.26

Net Sales and Operating Income by Segment for 1H FY2017 (Comparison with Previous Forecasts)

(Billion yen)

	1H FY2017				Change		Reasons for Changes in Net Sales
	Forecasts (July 27, 2017)		Results				
	Net Sales	Operating Income/ Loss	Net Sales	Operating Income/ Loss	Net Sales	Operating Income/ Loss	
Power Electronics Systems - Energy Solutions	92.6	3.1	94.3	2.8	1.6	-0.3	Higher demand in the transmission and distribution systems business and the ED&C components business
Power Electronics Systems - Industry Solutions	121.2	-1.6	134.2	1.1	13.1	2.7	Higher demand in the factory automation business Early emergence demand in the process automation business Increased orders from the academic sector and the public sector in the IT solutions business
Power and New Energy	37.7	1.0	37.9	1.2	0.2	0.2	In line with forecasts
Electronic Devices	61.5	5.2	64.7	6.7	3.2 2.9*	1.5 0.4*	More beneficial foreign exchange rates and higher demand for semiconductors for the industrial field
Food and Beverage Distribution	52.5	1.7	55.5	2.2	3.1	0.5	Higher sales due to early emergence of domestic demand in the vending machine business Downturn in vending machine demand in Chinese market Increased sales due to early emergence of convenience store equipment demand in the store distribution business
Others	27.7	0.8	29.9	1.5	2.2	0.8	
Elimination and Corporate	-23.1	-3.1	-21.5	-2.8	1.6	0.4	
Total	370.0	7.0	395.0	12.7	25.0	5.7	

*Exchange rate effect

Consolidated Balance Sheet for 1H FY2017

Assets				Liabilities and Net Assets			
	3/31/17	9/30/17	Change		3/31/17	9/30/17	Change
Cash and time deposit	42.0	29.6	-12.4	Notes and account payables, trade payables	165.3	155.8	-9.5
Notes and account receivables, trade receivables	269.7	242.3	-27.4	Interest-bearing debts	151.2	158.0	6.7
Inventories	142.4	163.3	20.9	Other liabilities	246.3	234.5	-11.8
Other current assets	58.3	67.0	8.6	Total liabilities	562.8	548.3	-14.5
Total current assets	512.5	502.2	-10.3	Common stock	47.6	47.6	-
Tangible fixed assets	173.5	173.7	0.2	Capital surplus	46.0	46.0	0.0
Intangible fixed assets	20.5	19.4	-1.2	Retained earnings	166.3	168.3	2.0
Investments and other assets	180.0	194.9	14.9	Treasury stock at cost	-7.2	-7.3	-0.0
Total long-term assets	374.1	387.9	13.9	Shareholders' equity	252.6	254.6	2.0
Deferred assets	0.1	0.2	0.0	Accumulated other comprehensive income	38.6	54.5	15.9
Total assets	886.7	890.3	3.6	Non-controlling interests	32.6	32.9	0.3
Equity Ratio (%)	32.8	34.7	1.9	Total net assets	323.9	342.0	18.1
Net Interest-bearing Debts	109.3	128.5	19.2	Total liabilities and net assets	886.7	890.3	3.6
Net debt-equity ratio (times)	0.4	0.4	0.0				

Consolidated Cash Flow for 1H FY2017

(Billion yen)

	1H FY2016	1H FY2017
Cash Flows from Operating Activities	21.2	0.4
Cash Flows from Investing Activities	-9.6	-6.6
Free Cash Flow	11.6	-6.2
Cash Flows from Financing Activities	-11.0	-6.8
Cash and Cash Equivalents at End of Period	28.6	29.4

Income Tax Paid

1H FY2016	1H FY2017
-5.1	-28.2

Consolidated Financial Results Forecasts for FY2017 (YoY Comparison)

(Billion yen)

	FY2016 Results	FY2017 Forecasts	Change
Net Sales	837.8	870.0	-9.6* 32.2
Operating Income/Loss	44.7	52.0	0.2* 7.3
Ordinary Income/Loss	46.3	51.0	4.7
Net Income Attributable to Owners of Parent	41.0	31.0	-10.0

2H Assumed Exchange Rate

	US\$	EURO	RMB
Exchange rate (Yen)	105	115	15.7
One Yen Effect (Million yen)	30	30	70

*Impact on operating income/loss
US\$ and EURO : Impact of ¥1-fluctuations
RMB: Impact of 1% fluctuations

(Billion yen)

	FY2016 Results		FY2017 Forecasts		Change	
	Net Sales	Operating Income/Loss	Net Sales	Operating Income/Loss	Net Sales	Operating Income/Loss
Power Electronics Systems - Energy Solutions	218.7	13.7	220.0	14.6	1.2	0.8
Power Electronics Systems - Industry Solutions	286.0	13.9	305.9	18.0	19.9	4.1
Power and New Energy	93.8	7.5	100.0	5.8	6.2	-1.6
Electronic Devices	118.5	8.0	120.4	11.3	-3.9*	0.2* 3.3
Food and Beverage Distribution	109.6	6.0	114.0	6.5	4.5	0.5
Others	59.1	2.1	58.9	2.0	-0.2	-0.1
Elimination and Corporate	-48.0	-6.6	-49.2	-6.2	-1.2	0.3
Total	837.8	44.7	870.0	52.0	32.2	7.3

*Exchange rate effect

Consolidated Financial Results Forecasts for FY2017 (Comparison with Previous Forecasts)

Consolidated forecasts increased in light of the business result trends

(Billion yen)

	FY2017		Change
	Forecasts (July 27, 2017)	Forecasts (October 26, 2017)	
Net Sales	850.0	870.0	20.0
Operating Income/Loss	48.0	52.0	4.0
Ordinary Income/Loss	47.0	51.0	4.0
Net Income Attributable to Owners of Parent	29.0	31.0	2.0

2H Assumed Exchange Rate

	US\$	EURO	RMB
Exchange rate (Yen)	105	115	15.7
One Yen Effect (Million yen)	30	30	70

*Impact on operating income/loss
US\$ and EURO : Impact of ¥1-fluctuations
RMB: Impact of 1% fluctuations

Consolidated Financial Results Forecasts for FY2017 (Comparison with Previous Forecasts)

(Billion yen)

	FY2017				Change		Reasons for Changes in Net Sales
	Forecasts (July 27, 2017)		Forecasts (October 26, 2017)				
	Net Sales	Operating Income/ Loss	Net Sales	Operating Income/ Loss	Net Sales	Operating Income/ Loss	
Power Electronics Systems - Energy Solutions	219.9	14.6	220.0	14.6	0.0	0.0	In line with previously released forecasts
Power Electronics Systems - Industry Solutions	295.9	16.5	305.9	18.0	10.0	1.5	Higher than forecast due to increase in domestic replacement demand Lower than forecast due to early emergence of 2nd-half demand during 1st half
Power and New Energy	100.0	5.8	100.0	5.8	0.0	0.0	In line with previously released forecasts
Electronic Devices	117.1	9.8	120.4	11.3	3.2	1.5	Higher than forecast due to increased demand for semiconductors for the industrial field In line with previously released forecasts for the 2nd half
Food and Beverage Distribution	114.0	6.5	114.0	6.5	0.0	0.0	In line with previously released forecasts Higher domestic vending machine demand to compensate for downturn in vending machine demand in China
Others	57.4	1.7	58.9	2.0	1.5	0.2	
Elimination and Corporate	-54.5	-6.9	-49.2	-6.2	5.3	0.7	
Total	850.0	48.0	870.0	52.0	20.0	4.0	

(Yen)

	Interim	Year-end	Annual
FY2016	5.00	6.00	11.00
FY2017	6.00	TBD	TBD

■ Breakdown of Electronic Devices Sales (Billion yen)

	1H FY2016	1H FY2017
Semiconductors	47.0	55.7
Magnetic Disks	10.7	9.1

■ Distribution of Semiconductor Sales by Field

	1H FY2016	1H FY2017
Industrial	46%	49%
Automotive	29%	26%
Others*	25%	25%

* Including photoconductors

■ Order Growth Rates (Reference)

	2Q FY2017 Results	
	Vs. 1Q	YoY
Power semiconductors	+10%	+34%

	2Q FY2017 Results	
	Vs. 1Q	YoY
Inverters	+11%	+12%

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