

Consolidated Financial Results Briefing for 1H FY2024:
Greeting by President and COO Kondo

I am Shiro Kondo of Fuji Electric Co. Thank you very much for taking time out of your busy schedule today to participate in Fuji Electric's briefing on financial results for the second quarter of fiscal year 2024.

As was already announced, Fuji Electric has started a new medium-term management plan from FY2024. Our goal is to adapt to the changing times, continuously contribute to society, and enhance our corporate value through these efforts.

Having firmly achieved the targets of 1 trillion yen in net sales and an operating profit ratio of 8% or more for FY2023, the final year of the previous medium-term management plan, we intend to continue to emphasize profit-oriented management over the next three years.

It is against this backdrop that we are reporting our first-half results. Mr. Arai will give a more detailed explanation later, but just to hit the highlights, from the perspective of our focus on profit, the absolute amount of operating profit reached the 40 billion yen mark for the first time in the first half of a fiscal year. The operating profit ratio of 8.1% also represents our first time to achieve that level in the first half of a fiscal year. Regarding the business situation, the recovery of the market for components, especially in FA, such as low-voltage inverters, as well as ED&C components, has been very slow, which has proven to be a negative factor. Another negative factor is that sales volume of power semiconductors are not performing as expected due to the slowdown in EVs.

On the other hand, however, the extremely strong performance of plant systems and food and beverage distribution offset these negative factors, allowing us to achieve the financial figures mentioned earlier, and to close the first half with higher sales and profits compared to the previous year and to the forecast presented in July. The profit attributable to owners of the parent for the first half was 35.5 billion yen, or 7.1% as a percentage of sales, renewing our record high figures for net sales, operating profit, ordinary profit, and profit attributable to owners of the parent.

In light of this, in the second half, unfortunately, we must expect the market for components to remain short of coming back on a recovery track. Our analysis indicates that the imbalance between supply and demand over the past two years has led to accumulations of distribution inventories, which have not been fully cleared out yet. At the beginning of this fiscal year, we had assumed that the market would gradually recover from the second half, but unfortunately, we have to factor in a delay in the recovery into the 4th quarter.

We also believe that the EV market will not pick up in the short term, but in the mid to long term, the trend toward electrification of cars will not change.

Therefore, we intend to execute investments in R&D, capital expenditure to increase production, and other growth investments at the appropriate time without delay, so that we can establish a structure that will enable us to meet future demand.

In addition, we expect orders for plant systems, which showed brisk performance in the first half, to remain strong, but we do not expect them to contribute to sales in this fiscal year but to build up the backlog for the next fiscal year and beyond.

Therefore, we intend to finish this fiscal year with solid project management. At the same time, we will prepare resources and project organizations with an eye to growth in the next fiscal year and beyond, so as to contribute to further profit growth.

As for the full year forecast based on this, we expect net sales to remain almost unchanged from the figures disclosed in July. On the other hand, operating profit is expected to be slightly higher, and we are aiming to hit the 10% mark in full-year operating profit ratio.

Since there still remains some uncertainty in the component market, we will carefully assess this situation, and in fact, we have been implementing many improvement measures in the third quarter, so we will watch these trends for the next two months as we foresee where we will land ultimately this fiscal year.

On a different topic, at the same time as the announcement of our financial results, we announced our intention to move forward with the procedure to make an equipment work company in our group, Fuji Furukawa Engineering & Construction Co. Ltd., into a wholly owned subsidiary through a share exchange. The purpose is mainly to dissolve the parent-subsidary listing and to pursue synergies with our power electronics business and capture profits amid increasing importance of equipment work in the plant business. It has been a bit desultory talk, but this concludes my speech. We will continue to adapt to changes while firmly pursuing profits, and I look forward to your continued support.