Financial Performance

(1) Qualitative Information regarding Consolidated Results of Operations

Results of Operations in the Fiscal Year Ended March 31, 2018

In the fiscal year ended March 31, 2018, a gentle, overseas recovery trend was seen in the Company's operating environment supported by robust demand for machine tools and robots, which was driven by increased production facility automation and labor saving needs in China and other countries. In Japan, there was a modest recovery trend against the backdrop of higher demand resulted from increases in replacements of aged equipment and investments in automation and labor saving.

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 the growth strategies of strengthening the power electronics systems business and further enhancing manufacturing capabilities while also pursuing improved profitability by reenergizing the Pro-7 Activities that entail reviewing all costs associated with business activities.

Consolidated net sales in the fiscal year ended March 31, 2018, increased ¥55.7 billion year on year, to ¥893.5 billion, as a result of higher demand. Higher sales were posted in all business segments, with particularly large increases being seen in the Power Electronics Systems—Industry Solutions, Electronic Devices, and Food and Beverage Distribution segments. In addition, consolidated operating income rose ¥11.3 billion year on year, to ¥56.0 billion, due to the benefits of higher demand and cost reduction efforts, and ordinary income was up ¥9.8 billion, to ¥56.0 billion. Both of these figures represented new record highs. Net income attributable to owners of parent, meanwhile, decreased ¥3.2 billion, to ¥37.8 billion, because of the absence of the gain on sales of investment securities recorded in the previous fiscal year.

Consolidated results of operations for the fiscal year ended March 31, 2018, were as follows.

(¥ billion)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Change
Net sales	837.8	893.5	55.7
Operating income	44.7	56.0	11.3
Ordinary income	46.3	56.0	9.8
Net income attributable to owners of parent	41.0	37.8	(3.2)

Results by Segment

Power Electronics Systems—Energy Solutions
Net sales: ¥224.1 billion (up 2% year on year)
Operating income: ¥14.7 billion (up ¥0.9 billion year on year)

In the Power Electronics Systems—Energy Solutions segment, net sales and operating income were up year on year. Solid performance in the ED&C components business supported by increased machine tool demand outweighed the impacts of reduced demand in the energy management business and the power supply systems business.

・In the energy management business, net sales decreased year on year primarily due to a decline in smart meter sales volumes while operating results were relatively unchanged from the previous fiscal year due to the benefits of cost reduction efforts.

・In the transmission and distribution systems business, net sales increased year on year due to contributions from large-scale power and industrial field orders from overseas. However, operating results worsened year on year as a result of a less favorable sales mix.

・In the power supply systems business, net sales decreased year on year due to reduced demand for power conditioning systems for use in solar power generation systems. 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 from machine tool and other machinery manufacturers as well as from overseas semiconductor manufacturers.

Power Electronics Systems—Industry Solutions
Net sales: ¥315.9 billion (up 10% year on year)
Operating income: ¥18.3 billion (up ¥4.3 billion year on year)

In the Power Electronics Systems—Industry Solutions segment, net sales and operating income increased year on year. Performance was driven by the factory automation business, which benefited from robust demand for the automation of production facilities in Japan and China, and the process automation business, which enjoyed brisk replacement demand in the Japanese market, as well as by the IT solutions business.

・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 and factory automation components.

・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 and operating results improved year on year as a result of higher demand for electrical equipment for railcars in Asia and other regions.

・In the equipment construction business, net sales increased year on year following strong performance in air-conditioning equipment and electricity and information distribution operations. Operating results, however, worsened year on year as a result of a less favorable sales mix.

・In the IT solutions business, net sales and operating results improved year on year due to increases in orders from the academic sector and large-scales orders from the public sector.

Power and New Energy
Net sales: ¥96.9 billion (up 3% year on year)
Operating income: ¥5.5 billion (down ¥2.0 billion year on year)

・In the power and new energy business, net sales increased year on year because the benefits of large-scale orders for thermal power generation systems counteracted the impacts of the decline in large-scale orders for hydro power generation systems and solar power generation systems. However, operating income worsened year on year as a result of a less favorable sales mix.

Electronic Devices
Net sales: ¥126.9 billion (up 7% year on year)
Operating income: ¥13.7 billion (up ¥5.7 billion year on year)

・In the electronic devices business, net sales and operating income improved year on year as a result of solid demand from the automotive field coupled with the increased demand for power semiconductors from industrial fields, which was a result of rising automation, labor saving, and energy saving needs in the Chinese and Japanese markets.

Food and Beverage Distribution
Net sales: ¥117.8 billion (up 7% year on year)
Operating income: ¥6.2 billion (up ¥0.2 billion year on year)

・In the vending machine business, although the revision of customers' plans caused performance in the Chinese market to remain around the same level as in the previous fiscal year, overall net sales and operating results improved year on year due to higher demand from customers in the Japanese market.

・In the store distribution business, net sales increased year on year following a rise in demand for store equipment for convenience stores. However, operating results worsened year on year as a result of a less favorable sales mix.

Others
Net sales: ¥60.4 billion (up 2% year on year)
Operating income: ¥2.9 billion (up ¥0.8 billion year on year)

Forecasts for the Fiscal Year Ending March 31, 2019
Forecasts for consolidated business results in the fiscal year ending March 31, 2019, are as follows. Further, forecasts for the fiscal year ending March 31, 2019, assume exchange rates of US$1 = ¥105 and €1 = ¥125.

Consolidated Business Results Forecasts (¥ billion)

	Fiscal year ended March 31, 2018 Results	Fiscal year ending March 31, 2019 Forecasts	Change
Net sales	893.5	900.0	6.5
Operating income	56.0	58.5	2.5
Ordinary income	56.0	60.0	4.0
Net Income attributable to owners of parent	37.8	39.5	1.7

Forecasts by Segment (¥ billion)

	Fiscal year ending March 31, 2019 Forecasts	
	Net sales	Operating income
Power Electronics Systems —Energy Solutions	224.4	16.4
Power Electronics Systems —Industry Solutions	322.0	19.2
Power and New Energy	102.0	6.5
Electronic Devices	133.0	15.2
Food and Beverage Distribution	116.0	6.5
Others	59.1	2.2
Elimination and Corporate	(56.5)	(7.6)
Total	900.0	58.5

Effective from April 1, 2018, the Company partially reorganized the areas of operations contained within the Power Electronics Systems—Energy Solutions and Power Electronics Systems—Industry Solutions business segments.

In the fiscal year ending March 31, 2019, the Power Electronics Systems—Energy Solutions business segment will focus on incorporating domestic replacement demand in the energy management business while expanding its operations in Asia. This segment will also enhance its overseas engineering and manufacturing capabilities in the power supply and facility systems business and work to take advantage of demand from domestic and overseas machinery manufacturers as well as domestic construction demand in the ED&C components business.

The Power Electronics Systems—Industry Solutions will endeavor to expand its factory automation systems operations in response to the automation needs of the Japanese and Chinese markets in the factory automation business. At the same time, this segment will seek to augment its overseas engineering and manufacturing capabilities and grow plant system orders in the process automation business. The focus of the social solutions business will be to accelerate the development of new products for expanding overseas railroad operations.

The Power and New Energy business segment will work to expand its thermal and geothermal power generation service operations while increasing domestic and overseas orders in the renewable energy and new energy fields.

The Electronic Device segment will strive to boost sales in the industrial field, which is seeing increased demand around the world, while also accelerating the development of new products in response to the trend toward electric vehicles in the automotive field and bolstering its production capacity to grow operations in this field.

The aims of the Food and Beverage Distribution business segment's efforts in the vending machine business will be to expand overseas operations centered on China and other parts of Asia and to boost competitiveness by developing high-value-added products and reducing costs. In the store distribution business, the segment will strive to increase orders for store equipment from convenience stores while developing new products that help realize labor savings.

(2) Quantitative Information regarding Consolidated Financial Position

(¥ billion)

	March 31, 2017	Breakdown (%)	March 31, 2018	Breakdown (%)	Change
Total assets	886.7	100.0	918.9	100.0	+32.2
Interest-bearing debt	183.5	20.7	163.5	17.8	(20.0)
Shareholder's equity*1	291.2	32.8	330.6	36.0	+39.4
Debt-to-equity ratio*2 (times)	0.6		0.5		(0.1)

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

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

Total assets on March 31, 2018, stood at ¥918.9 billion, an increase of ¥32.2 billion from the end of the previous fiscal year. Total current assets increased ¥23.8 billion as the rise in notes and accounts receivable-trade and inventories outweighed the decline in cash and deposits. Total noncurrent assets were up ¥8.4 billion due to an increase stemming from valuation difference on available-for-sale securities.

Interest-bearing debt as of March 31, 2018, amounted to ¥163.5 billion, down ¥20.0 billion from the previous fiscal year-end, as a result of a decrease in current portion of long-term loans payable. Furthermore, net interest-bearing debt—interest-bearing debt net of cash and cash equivalents—decreased ¥11.4 billion from the previous fiscal year-end, amounting to ¥130.2 billion on March 31, 2018.

Net assets on March 31, 2018, stood at ¥366.5 billion, up ¥42.7 billion from the previous fiscal year-end. This outcome was because of increases stemming from capital surplus, valuation difference on available-for-sale securities, and remeasurements of defined benefit plans. In addition, shareholders' equity—total net assets net of non-controlling interests—was up ¥39.4 billion from the previous fiscal year-end, standing at ¥330.6 billion on March 31, 2018. The debt-to-equity ratio (interest-bearing debt ÷ shareholders' equity) was 0.5 times, down 0.1 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 0.1 times from the previous fiscal year-end.

(¥ billion)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Change
Net cash provided by operating activities	58.2	53.1	(5.0)
Net cash provided by (used in) investing activities	9.7	(14.6)	(24.3)
Free cash flow	67.9	38.6	(29.3)
Net cash used in financing activities	(56.1)	(46.9)	9.2
Cash and cash equivalents at the end of period	41.9	33.3	(8.6)

In the fiscal year ended March 31, 2018, consolidated free cash flow (net cash from operating activities + net cash from investing activities) was a positive ¥38.6 billion, a decrease of ¥29.3 billion compared with positive free cash flow of ¥67.9 billion in the previous fiscal year.

Cash flows from operating activities

Net cash provided by operating activities was ¥53.1 billion, compared with ¥58.2 billion in the previous fiscal year. Major factors increasing cash included income before income taxes and an increase in notes and accounts payable-trade. Major factors decreasing cash included income taxes paid and an increase in notes and accounts receivable-trade.

This was a decrease of ¥5.0 billion year on year.

Cash flows from investing activities

Net cash used in investing activities was ¥14.6 billion, compared with net cash provided by investing activities of ¥9.7 billion in the previous fiscal year. This was primarily related to the purchase of property, plant and equipment.

This was a deterioration of ¥24.3 billion year on year.

Cash flows from financing activities

Net cash used in financing activities was ¥46.9 billion, compared with ¥56.1 billion in the previous fiscal year. This was principally due to repayment of long-term loans payable and repayments of lease obligations.

As a result, consolidated cash and cash equivalents on March 31, 2018, amounted to ¥33.3 billion, down ¥8.6 billion from the previous fiscal year-end.

(3) Basic Policy Regarding Distribution of Earnings and Dividends for the Fiscal Year Ended March 31, 2018, and the Fiscal Year Ending March 31, 2019

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, 2018, forecasted performance for the fiscal year ending March 31, 2019, and our financial position, we plan to pay a year-end dividend of ¥8 per share for the fiscal year ended March 31, 2018. Together with the interim dividend, this will make for an annual dividend of ¥14 per share for the fiscal year ended March 31, 2018, to be paid from retained earnings.

We have not yet decided the dividend to be paid for the fiscal year ending March 31, 2019.

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