

Financial Performance

(1) Qualitative Information regarding Consolidated Results of Operations

In the nine-month period ended December 31, 2017, a gentle recovery was seen in the Company's operating environment supported by improved conditions in Europe, the United States, and other contributors to the global economy as well as the robust demand for machine tools and robots in China, which was driven by increased production facility automation needs. In Japan, there was a modest recovery trend against the backdrop of higher demand for replacing aged equipment and increased investment 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 nine-month period ended December 31, 2017, increased ¥45.9 billion year on year, to ¥601.2 billion, due to higher demand. By business segment, Power Electronics Systems—Industry Solutions, Electronic Devices, and Food and Beverage Distribution saw large increases in net sales. In addition, consolidated operating income rose ¥11.7 billion year on year, to ¥22.4 billion, due to the benefits of higher demand and cost reduction efforts; ordinary income was up ¥10.8 billion, to ¥21.8 billion; and net income attributable to owners of parent grew ¥8.5 billion, to ¥13.4 billion. In this manner, new record highs were achieved for all three income figures in a nine-month period.

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

(¥ billion)

	Nine-month period ended December 31, 2016	Nine-month period ended December 31, 2017	Change
Net sales	555.3	601.2	45.9
Operating income	10.7	22.4	11.7
Ordinary income	11.0	21.8	10.8
Net income attributable to owners of parent	4.9	13.4	8.5

Results by Segment

Power Electronics Systems—Energy Solutions

Net sales: ¥147.9 billion (relatively unchanged year on year)

Operating income: ¥5.5 billion (up ¥0.6 billion year on year)

In the Power Electronics Systems—Energy Solutions segment, net sales were relatively unchanged year on year while operating income was up. Factors detracting from performance included reduced demand in the energy management business and the impacts of the absence of the large-scale orders that were recorded during the previous equivalent period in the transmission and distribution systems business. Factors contributing to performance included the solid performance of the ED&C components business, which was supported by increased machine tool demand.

- 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 systems 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 due to the absence of large-scale orders recorded during the previous equivalent period in switchgear and controlgear operations as well as 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 overseas and from machine tool and other machinery manufacturers.

Power Electronics Systems—Industry Solutions

Net sales: ¥200.8 billion (up 14% year on year)

Operating income: ¥2.0 billion (compared with operating loss of ¥1.6 billion in the previous equivalent period)

In the Power Electronics Systems—Industry Solutions segment, net sales were up and operating income was recorded, compared with operating loss in the previous equivalent period. 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. The strong performance of these businesses counteracted the adverse impacts of the rebound from large-scale orders recorded in the equipment construction business during the previous equivalent period.

- 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 increased year on year as a result of higher demand for electrical equipment for railcars, which counteracted the impacts of the downturns in demand for radiation-related equipment and system operations. However, operating results worsened year on year as a result of a less favorable sales mix.
- 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 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 academic sector.

Power and New Energy

Net sales: ¥55.8 billion (relatively unchanged year on year)

Operating income: ¥1.4 billion (down ¥1.3 billion year on year)

- In the power and new energy business, net sales were relatively unchanged year on year because the increase in large-scale orders for solar power generation systems counteracted the decline in large-scale orders for hydro power generation systems. However, operating results worsened year on year as a result of a less favorable sales mix.

Electronic Devices

Net sales: ¥98.6 billion (up 8% year on year)

Operating income: ¥10.9 billion (up ¥5.2 billion year on year)

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

Food and Beverage Distribution

Net sales: ¥86.2 billion (up 17% year on year)

Operating income: ¥4.4 billion (up ¥2.7 billion year on year)

- In the vending machine business, net sales and operating results improved year on year following higher demand from customers in the Japanese market as well as the recovery of the Chinese market.
- In the store distribution business, net sales and operating results improved year on year due to a rise in demand for store equipment for convenience stores.

Others

Net sales: ¥45.5 billion (up 5% year on year)

Operating income: ¥2.2 billion (up ¥0.7 billion year on year)

(2) Quantitative Information regarding Consolidated Financial Position

(¥ billion)

	March 31, 2017	Breakdown (%)	Dec. 31, 2017	Breakdown (%)	Change
Total assets	886.7	100.0	921.0	100.0	34.3
Interest-bearing debt	151.2	17.1	180.7	19.6	29.5
Shareholder's equity* ¹	291.2	32.8	315.5	34.3	24.3
Debt-to-equity ratio* ² (times)	0.5		0.6		0.1

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

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

Total assets on December 31, 2017, stood at ¥921.0 billion, an increase of ¥34.3 billion from the end of the previous fiscal year. Total current assets increased ¥17.5 billion as the rise in inventories outweighed the decline in notes and accounts receivable-trade. Total noncurrent assets were up ¥16.7 billion due to an increase stemming from valuation difference on available-for-sale securities.

Interest-bearing debt as of December 31, 2017, amounted to ¥180.7 billion, up ¥29.5 billion from the previous fiscal year-end. Further, net interest-bearing debt—interest-bearing debt net of cash and cash equivalents—increased ¥41.1 billion from the previous fiscal year-end, amounting to ¥150.4 billion on December 31, 2017.

Net assets on December 31, 2017, stood at ¥349.5 billion, up ¥25.7 billion from the previous fiscal year-end. This outcome 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 ¥24.3 billion from the previous fiscal year-end, standing at ¥315.5 billion on December 31, 2017. The debt-to-equity ratio (interest-bearing debt ÷ shareholders' equity) was 0.1 times, up 0.6 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 from the previous fiscal year-end.

(3) Qualitative Information regarding Consolidated Forecasts and Forecast Information

In light of the business result trends seen in the nine-month period ended December 31, 2017, Fuji Electric has chosen 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 six-month period ended September 30, 2017, on October 26, 2017.

The forecast assumes exchange rates of US\$1 = ¥105 and € 1 = ¥115 for the period from January 1, 2018, onward.

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

(¥ billion)

	Previous announcement	Revised announcement	Change
Net sales	870.0	875.0	5.0
Operating income	52.0	53.0	1.0
Ordinary income	51.0	51.0	0.0
Net income attributable to owners of parent	31.0	31.0	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	220.0	220.0	0.0	14.6	14.6	0.0
Power Electronics Systems—Industry Solutions	305.9	308.9	3.0	18.0	18.5	0.5
Power and New Energy	100.0	98.0	(2.0)	5.8	5.3	(0.5)
Electronic Devices	120.4	122.4	2.0	11.3	12.8	1.5
Food and Beverage Distribution	114.0	116.0	2.0	6.5	6.5	0.0
Others	58.9	58.9	0.0	2.0	2.0	0.0
Elimination and Corporate	(49.2)	(49.2)	0.0	(6.2)	(6.7)	(0.5)
Total	870.0	875.0	5.0	52.0	53.0	1.0