# Financial Performance

## (1) Qualitative Information regarding Consolidated Results of Operations

In the six-month period ended September 30, 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 re-energizing the Pro-7 Activities that entail reviewing all costs associated with business activities.

Consolidated net sales in the six-month period ended September 30, 2017, increased ¥43.5 billion year on year, to ¥395.0 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 net sales were relatively unchanged year on year in the Power Electronics Systems—Energy Solutions as a result of the absence of large-scale orders recorded in the previous equivalent period.

Operating income increased ¥6.9 billion year on year, to ¥12.7 billion, due to the benefits of higher demand and cost reduction efforts. Ordinary income was up ¥9.0 billion, to ¥11.7 billion, following a decline in foreign exchange loss. Meanwhile, net income attributable to owners of parent rose ¥6.2 billion, to ¥6.2 billion. In this manner, new record highs were achieved for all three income figures in a six-month period.

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

(¥ billion)

| | Six-month period ended September 30, 2016 | Six-month period ended September 30, 2017 | Change |
|---|---|---|---|
| Net sales | 351.6 | 395.0 | 43.5 |
| Operating income | 5.9 | 12.7 | 6.9 |
| Ordinary income | 2.7 | 11.7 | 9.0 |
| Net income attributable to owners of parent | 0.0 | 6.2 | 6.2 |

## Results by Segment

### Power Electronics Systems—Energy Solutions

**Net sales: ¥94.3 billion (relatively unchanged year on year)**
**Operating income: ¥2.8 billion (up ¥0.3 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 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 and reduced demand in the power supply 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 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: ¥134.2 billion (up 19% year on year)**
**Operating income: ¥1.1 billion (compared with operating loss of ¥2.2 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, 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 increased year on year as a result of higher overseas demand for electrical equipment for railcars. However, operating results worsened

due to disparities in the profitability of different projects.

- 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 public sector and the academic sector.

**Power and New Energy**
**Net sales: ¥37.9 billion (up 23% year on year)**
**Operating income: ¥1.2 billion (down ¥0.9 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, which 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: ¥64.7 billion (up 12% year on year)**
**Operating income: ¥6.7 billion (up ¥3.5 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 supported by strong conditions in the Japanese and Chinese markets.

**Food and Beverage Distribution**
**Net sales: ¥55.5 billion (up 12% year on year)**
**Operating income: ¥2.2 billion (up ¥0.2 billion year on year)**

- In the vending machine business, net sales increased while operating results were relatively unchanged year on year. Investment levels continued to be limited in the Chinese market as a result of revisions to the expansion plans of customers. Conversely, brisk demand was seen in the domestic 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: ¥29.9 billion (up 6% year on year)**
**Operating income: ¥1.5 billion (up ¥0.4 billion year on year)**

## (2) Quantitative Information regarding Consolidated Financial Position

(¥ billion)

| | March 31, 2017 | Breakdown (%) | Sep. 30, 2017 | Breakdown (%) | Change |
|---|---|---|---|---|---|
| Total assets | 886.7 | 100.0 | 890.3 | 100.0 | 3.6 |
| Interest-bearing debt | 151.2 | 17.1 | 158.0 | 17.7 | 6.7 |
| Shareholder's equity*1 | 291.2 | 32.8 | 309.1 | 34.7 | 17.9 |
| Debt-to-equity ratio*2 (times) | 0.5 | | 0.5 | | 0.0 |

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

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

Total assets on September 30, 2017, stood at ¥890.3 billion, an increase of ¥3.6 billion from the end of the previous fiscal year. Total current assets decreased ¥10.3 billion, as the decline in notes and accounts receivable-trade counteracted the rise in inventories. Total noncurrent assets were up ¥13.9 billion, due to an increase stemming from valuation difference on available-for-sale securities.

Interest-bearing debt as of September 30, 2017, amounted to ¥158.0 billion, up ¥6.7 billion from the previous fiscal year-end. Further, net interest-bearing debt—interest-bearing debt net of cash and cash equivalents—increased ¥19.2 billion from the previous fiscal year-end, amounting to ¥128.5 billion on September 30, 2017.

Net assets on September 30, 2017, stood at ¥342.0 billion, up ¥18.1 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 ¥17.9 billion from the previous fiscal year-end, standing at ¥309.1 billion on September 30, 2017. The debt-to-equity ratio (interest-bearing debt ÷ shareholders' equity) was 0.5 times, relatively unchanged from the previous fiscal year-end. Also, the net debt-to-equity ratio (net interest-bearing debt ÷ shareholders' equity) was 0.4 times, also relatively unchanged from the previous fiscal year-end.

In the six-month period ended September 30, 2017, consolidated free cash flow (net cash from operating activities + net cash from investing activities) was a negative ¥6.2 billion, a decrease of ¥17.8 billion compared with free cash flow of a positive ¥11.6 billion in the previous fiscal year.

**Cash flows from operating activities**

Net cash provided by operating activities was ¥0.4 billion, compared with ¥21.2 billion for the previous equivalent period. Major factors increasing cash included a decrease in notes and accounts receivable-trade, a result of efforts to collect receivables. Major factors decreasing cash included income taxes paid and an increase in inventories.

This was a decrease of ¥20.9 billion year on year.

**Cash flows from investing activities**

Net cash used in investing activities was ¥6.6 billion, compared with ¥9.6 billion in the previous fiscal year. This was primarily related to the purchase of property, plant and equipment.

This was a decrease of ¥3.1 billion year on year.

**Cash flows from financing activities**

Net cash used in financing activities was ¥6.8 billion, compared with ¥11.0 billion in the previous fiscal year. This was principally due to repayment of lease obligations.

As a result, consolidated cash and cash equivalents on September 30, 2017, amounted to ¥29.4 billion, down ¥12.5 billion 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 six-month period ended September 30, 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 three-month period ended June 30, 2017, on July 27, 2017.

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

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

| | Previous announcement | Revised announcement | Change |
|---|---|---|---|
| Net sales | 850.0 | 870.0 | 20.0 |
| Operating income | 48.0 | 52.0 | 4.0 |
| Ordinary income | 47.0 | 51.0 | 4.0 |
| Net income attributable to owners of parent | 29.0 | 31.0 | 2.0 |

(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 - Industry Solutions | 219.9 | 220.0 | 0.0 | 14.6 | 14.6 | 0.0 |
| Power Electronics Systems - Industry Solutions | 295.9 | 305.9 | 10.0 | 16.5 | 18.0 | 1.5 |
| Power and New Energy | 100.0 | 100.0 | 0.0 | 5.8 | 5.8 | 0.0 |
| Electronic Devices | 117.1 | 120.4 | 3.2 | 9.8 | 11.3 | 1.5 |
| Food and Beverage Distribution | 114.0 | 114.0 | 0.0 | 6.5 | 6.5 | 0.0 |
| Others | 57.4 | 58.9 | 1.5 | 1.7 | 2.0 | 0.2 |
| Elimination and Corporate | (54.5) | (49.2) | 5.3 | (6.9) | (6.2) | 0.7 |
| Total | 850.0 | 870.0 | 20.0 | 48.0 | 52.0 | 4.0 |

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