Financial Performance

(1) Qualitative Information regarding Consolidated Results of Operations

1. Results of Operations in the Fiscal Year Ended March 31, 2019

In the fiscal year ended March 31, 2019, the outlook for the Company's operating environment overseas saw a trend toward limited investment emerge in the Chinese market during the second half of the fiscal year amid the trade friction between the United States and China. In Japan, meanwhile, robust demand was seen for investments in replacements of aged equipment, production equipment automation aimed at productivity improvements, labor saving, and energy conservation, although there was slowdown in certain sectors.

In this environment, we sought to complete the measures put forth in the FY2018 Medium-Term Management Plan, Renovation 2018, which concluded with the fiscal year ended March 31, 2019. To this end, we strengthened the power electronics systems business and aggressively invested in the expansion of our power semiconductors operations while also pursuing increased profitability by further enhancing manufacturing capabilities and re-energizing the Companywide Pro-7 Activities that are aimed at improving work quality.

Consolidated net sales in the fiscal year ended March 31, 2019, increased ¥21.5 billion year on year, to ¥914.9 billion, due to higher demand centered on the Power Electronics Systems—Energy Solutions segment, the Power and New Energy segment, and the Electronic Devices segment. Despite the impacts of slowdown in demand seen in the second half of the fiscal year as well as increased costs associated with a large-scale project in the Power and New Energy segment, consolidated operating income in the fiscal year ended March 31, 2019, rose ¥4.0 billion year on year, to ¥60.0 billion, and ordinary income was up ¥7.4 billion, to ¥63.5 billion, due to higher sales and the benefits of cost reduction efforts. Both of these figures represented new record highs. Meanwhile, net income attributable to owners of parent increased ¥2.5 billion, to ¥40.3 billion.

In this manner, the targets of the FY2018 Medium-Term Management Plan—net sales of ¥900.0 billion, operating income of ¥54.0 billion, and net income attributable to owners of parent of ¥34.0 billion—were achieved.

Consolidated results of operations for the fiscal year ended March 31, 2019, were as follows.

(¥ billion)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Change
Net sales	893.5	914.9	21.5
Operating income	56.0	60.0	4.0
Ordinary income	56.0	63.5	7.4
Net income attributable to owners of parent	37.8	40.3	2.5

2. Results by Segment

Power Electronics Systems—Energy Solutions
Net sales: ¥224.8 billion (up 3% year on year)
Operating income: ¥16.9 billion (up ¥2.8 billion year on year)

In the Power Electronics Systems—Energy Solutions segment, net sales and operating income were up year on year due to strong performance in the power supply and facility systems business and the ED&C components business.

・In the energy management business, net sales decreased year on year primarily as a result of the rebound from a large-scale project undertaken overseas during the previous fiscal year and reduced demand for smart meters. However, operating results improved year on year due to the benefits of cost reduction efforts.
・In the power supply and facility systems business, net sales and operating results improved year on year due to an increase in large-scale orders in Japan.
・In the ED&C components business, net sales and operating results improved year on year because of strong demand from distribution panel manufacturers.

Power Electronics Systems—Industry Solutions
Net sales: ¥321.9 billion (relatively unchanged year on year)
Operating income: ¥19.4 billion (up ¥0.5 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, the equipment construction business, and the IT solutions business.

・In the factory automation business, net sales and operating results improved year on year due to increased domestic demand centered on inverters, motors, and factory automation systems, the benefits of which outweighed the impacts of the bearish trends seen overseas during the second half of the fiscal year.
・In the process automation business, net sales and operating results worsened year on year due to the absence of a large-scale order recorded in the previous fiscal year.
・In the social solutions business, net sales and operating results worsened year on year primarily as a result of lower demand for electrical equipment for railcars.
・In the equipment construction business, net sales and operating results improved year on year following an increase in orders for construction of electrical equipment such as factory power distribution equipment.
・In the IT solutions business, net sales and operating results improved year on year due to an increase in orders from the academic sector and the public sector.

Power and New Energy
Net sales: ¥107.0 billion (up 10% year on year)
Operating income: ¥4.8 billion (down ¥0.8 billion year on year)

・In the power and new energy business, net sales increased year on year following growth in orders for solar power generation systems, but operating results worsened year on year due to higher costs associated with a large-scale order.

Electronic Devices
Net sales: ¥137.3 billion (up 8% year on year)
Operating income: ¥15.6 billion (up ¥1.9 billion year on year)

・In the electronic devices business, net sales and operating results improved year on year thanks to higher demand for products for automotive applications, amid the trend toward electric vehicles, and for magnetic disks. These factors offset the impacts of the sluggish demand seen in the domestic industrial power semiconductor market during the second half of the fiscal year.

Food and Beverage Distribution
Net sales: ¥113.6 billion (down 4% year on year)
Operating income: ¥5.8 billion (down ¥0.5 billion year on year)

・In the vending machine business, net sales and operating results improved year on year largely thanks to increased demand from domestic customers.

・In the store distribution business, net sales and operating results worsened year on year because of a decline in demand for store equipment for convenience stores.

Others
Net sales: ¥62.2 billion (up 3% year on year)
Operating income: ¥2.8 billion (down ¥0.1 billion year on year)

Note: Effective April 1, 2018, the businesses contained within the Power Electronics Systems—Energy Solutions and the Power Electronics Systems—Industry Solutions reporting segments were changed to reflect a structural reorganization. Year-on-year comparisons have been calculated using figures for the fiscal year ended March 31, 2018, that have been restated to reflect this change.

3. Forecasts for the Fiscal Year Ending March 31, 2020

Forecasts for consolidated business results in the fiscal year ending March 31, 2020, are as follows.

Further, forecasts for the fiscal year ending March 31, 2020, assume exchange rates of US$1 = ¥105, €1 = ¥123, RMB1 = ¥16.

Further, forecasts for the fiscal year ending March 31, 2020, assume exchange rates of US$1 = ¥XX, €1 = ¥XX, RMB1 = ¥XX.

(Consolidated Business Results Forecasts) (¥ billion)

	Fiscal year ended March 31, 2019 Results	Fiscal year ending March 31, 2020 Forecasts	Change
Net sales	914.9	930.0	15.1
Operating income	60.0	62.0	2.0
Ordinary income	63.5	63.6	0.1
Net income attributable to owners of parent	40.3	40.4	0.1

(Forecasts by Segment) (¥ billion)

	Fiscal year ended March 31, 2019 Results		Fiscal year ending March 31, 2020 Forecasts		Change	
	Net sales	Operating Income (Loss)	Net sales	Operating Income (Loss)	Net sales	Operating Income (Loss)
Power Electronics Systems Energy	224.1	16.8	220.0	16.8	(4.1)	0.0
Power Electronics Systems Industry	322.5	19.4	332.0	21.9	9.5	2.5
Power Generation	107.0	4.8	116.0	4.3	9.0	(0.5)
Electronic Devices	137.3	15.6	150.3	17.5	12.9	1.9
Food and Beverage Distribution	113.6	5.8	113.6	6.6	0.0	0.8
Others	62.2	2.8	60.0	2.2	(2.2)	(0.5)
Elimination and Corporate	(51.9)	(5.2)	(61.9)	(7.4)	(10.0)	(2.2)
Total	914.9	60.0	930.0	62.0	15.1	2.0

Effective from April 1, 2019, the Company reorganized its power electronics systems business to form the Power Electronics Systems Energy segment and the Power Electronics Systems Industry segment. In addition, the Power and New Energy segment was renamed the Power Generation segment. Figures for the fiscal year ended March 31, 2019, for the Power Electronic Systems Energy segment and Power Electronic Systems Industry segment have been restated to reflect this change.

(2) Quantitative Information regarding Consolidated Financial Position

	March 31, 2018	Breakdown (%)	March 31, 2019	Breakdown (%)	Change
Total assets	914.7	100.0	952.7	100.0	37.9
Interest-bearing debt	163.5	17.9	154.0	16.2	(9.5)
Shareholder's equity*1	330.6	36.1	352.9	37.0	22.3
Debt-to-equity ratio*2 (times)	0.5		0.4		(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, 2019, stood at ¥952.7 billion, an increase of ¥37.9 billion from the end of the previous fiscal year. Total current assets increased ¥54.6 billion primarily as a result of the rise in inventories and notes and accounts receivable-trade. Total noncurrent assets were down ¥16.7 billion due to a decrease in net defined benefit asset, which offset a rise in property, plant and equipment.

Interest-bearing debt as of March 31, 2019, amounted to ¥154.0 billion, down ¥9.5 billion from the previous fiscal year-end primarily due to the redemption of bonds. Further, net interest-bearing debt—interest-bearing debt net of cash and cash equivalents—decreased ¥5.3 billion from the previous fiscal year-end, amounting to ¥124.9 billion on March 31, 2019.

Net assets on March 31, 2019, stood at ¥392.1 billion, up ¥25.5 billion from the previous fiscal year-end largely as the result of an increase in retained earnings. In addition, shareholders' equity—total net assets net of non-controlling interests—was up ¥22.3 billion from the previous fiscal year-end, standing at ¥352.9 billion on March 31, 2019. The debt-to-equity ratio (interest-bearing debt ÷ shareholders' equity) was 0.4 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, relatively unchanged from the previous fiscal year-end.

(¥ billion)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Change
Net cash provided by operating activities	53.1	54.9	1.8
Net cash provided by (used in) investing activities	(14.6)	(21.4)	(6.9)
Free cash flow	38.6	33.5	(5.1)
Net cash used in financing activities	(46.9)	(38.2)	8.7
Cash and cash equivalents at the end of period	33.3	29.1	(4.2)

In the fiscal year ended March 31, 2019, consolidated free cash flow (net cash from operating activities + net cash from investing activities) was a positive ¥33.5 billion, a decrease of ¥5.1 billion compared with positive free cash flow of ¥38.6 billion in the previous fiscal year.

Cash flows from operating activities

Net cash provided by operating activities was ¥54.9 billion, compared with ¥53.1 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 an increase in inventories and an increase in notes and accounts receivable-trade.

This was an increase of ¥1.8 billion year on year.

Cash flows from investing activities

Net cash used in investing activities was ¥21.4 billion, compared with ¥14.6 billion in the previous fiscal year. This was primarily related to the purchase of property, plant and equipment.

This was an increase of ¥6.9 billion year on year.

Cash flows from financing activities

Net cash used in financing activities was ¥38.2 billion, compared with ¥46.9 billion in the previous fiscal year. This was principally due to the redemption of bonds and repayments of lease obligations.

As a result, consolidated cash and cash equivalents on March 31, 2019, amounted to ¥29.1 billion, down ¥4.2 billion from the previous fiscal year-end.

(3) Basic Policy Regarding Distribution of Earnings and Dividends for the Fiscal Year Ended March 31, 2019, and the Fiscal Year Ending March 31, 2020

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, 2019, forecasted performance for the fiscal year ending March 31, 2020, and our financial position, we plan to pay a year-end dividend of ¥40 per share for the fiscal year ended March 31, 2019.

Effective October 1, 2018, the Company conducted a one-for-five reverse stock split pertaining to shares of common stock. The per share amount for the year-end dividend has been calculated to reflect this reverse stock split. When adjusted based on the number of shares following the reverse stock split, the annual dividend for the fiscal year ended March 31, 2019, amounted to ¥80 per share, including the post-adjustment interim dividend.

We have not yet decided the dividend to be paid for the fiscal year ending March 31, 2020.

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