Financial Performance

(1) Qualitative Information regarding Consolidated Results of Operations

In the three-month period ended June 30, 2018, a gentle, overseas recovery trend was seen in the Company's operating environment supported by the continuation from the previous fiscal year of robust automation, labor saving, and energy conservation demand in China and other parts of Asia. In Japan, there was a modest recovery trend against the backdrop of higher demand for investments in replacements of aged equipment, production equipment automation, and labor saving as well as for automotive field investments.

In this environment, we seek to complete the measures put forth in the FY2018 Medium-Term Management Plan, Renovation 2018, which is scheduled to conclude with the fiscal year ending March 31, 2019. To this end, we are aggressively investing in the strengthening of the power electronics systems business and 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 three-month period ended June 30, 2018, increased ¥22.4 billion year on year, to ¥195.8 billion, due to sales growth in all segments driven by higher demand.

Due to the benefits of higher sales and cost reduction efforts, consolidated operating income rose ¥3.5 billion year on year, to ¥6.4 billion, and ordinary income was up ¥4.6 billion, to ¥7.4 billion. Both of these figures represented new record highs. Net income attributable to owners of parent similarly increased ¥4.2 billion, to ¥5.4 billion.

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

(¥ billion)

	Three-month period ended June 30, 2017	Three-month period ended June 30, 2018	Change
Net sales	173.5	195.8	22.4
Operating income	2.8	6.4	3.5
Ordinary income	2.8	7.4	4.6
Net income attributable to owners of parent	1.1	5.4	4.2

Results by Segment

Power Electronics Systems—Energy Solutions
Net sales: ¥44.8 billion (up 10% year on year)
Operating income: ¥1.3 billion (up ¥0.3 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 energy management business and the ED&C components business.

・In the energy management business, net sales and operating results improved year on year due to solid performance with regard to energy management systems and industrial substation equipment.

・In the power supply and facility systems business, net sales were up year on year due to an increase in large-scale projects. However, operating results worsened year on year as a result of a less favorable sales mix.

・In the ED&C components business, net sales and operating results improved year on year because of strong demand seen from machine tool and other machinery manufacturers primarily in Japan.

Power Electronics Systems—Industry Solutions
Net sales: ¥59.0 billion (up 8% year on year)
Operating loss: ¥1.4 billion (up ¥1.0 billion year on year)

In the Power Electronics Systems—Industry Solutions segment, net sales increased year on year while operating loss decreased. Performance was driven by the factory automation business, which benefited from robust demand for the automation of production facilities in Japan and China, among other areas.

・In the factory automation business, net sales and operating results improved year on year due to increased overseas and domestic demand centered on low-voltage inverters, motors, and factory automation systems.

・In the process automation business, net sales increased year on year because of the benefits of large-scale industrial electric heating orders in Japan and contributions from newly consolidated subsidiaries. However, operating results worsened year on year as a result of a less favorable sales mix.

・In the social solutions business, net sales and operating results improved year on year as a result of higher demand for electrical equipment for railcars and for radiation equipment and systems.

・In the equipment construction business, net sales increased year on year following strong performance in electric facilities and construction 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 worsened year on year due to a less favorable sales mix.

Power and New Energy
Net sales: ¥24.5 billion (up 44% year on year)
Operating income: ¥1.0 billion (up ¥0.2 billion year on year)

・In the power and new energy business, net sales and operating results improved year on year following an increase in orders for thermal and geothermal power generation systems as well as for solar power generation systems.

Electronic Devices
Net sales: 35.3 billion (up 16% year on year)
Operating income: ¥4.8 billion (up ¥2.0 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 industrial fields, which was a result of automation, labor saving, and energy saving needs in the Chinese and Japanese markets.

Food and Beverage Distribution
Net sales: ¥28.5 billion (up 10% year on year)
Operating income: ¥1.4 billion (up ¥0.3 billion year on year)

・In the vending machine business, net sales and operating results improved year on year thanks to increased demand from domestic customers coupled with the recovery of the Chinese market.

・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: ¥14.9 billion (up 4% year on year)
Operating income: ¥0.5 billion (down ¥0.3 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 three-month period ended June 30, 2017, that have been restated to reflect this change.

(2) Quantitative Information regarding Consolidated Financial Position

(¥ billion)

	March 31, 2018	Breakdown (%)	June 30, 2018	Breakdown (%)	Change
Total assets	914.7	100.0	890.4	100.0	(24.3)
Interest-bearing debt	163.5	17.9	175.5	19.7	+12.0
Shareholder's equity*1	330.6	36.1	325.3	36.5	(5.4)
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 June 30, 2018, stood at ¥890.4 billion, a decrease of ¥24.3 billion from the end of the previous fiscal year. Total current assets decreased ¥16.4 billion, as the decline in notes and accounts receivable-trade counteracted the rise in inventories. Total noncurrent assets were down ¥7.9 billion, due to a decrease stemming from valuation difference on available-for-sale securities.

Interest-bearing debt as of June 30, 2018, amounted to ¥175.5 billion, up ¥12.0 billion from the previous fiscal year-end. Further, net interest-bearing debt—interest-bearing debt net of cash and cash equivalents—increased ¥17.0 billion from the previous fiscal year-end, amounting to ¥147.2 billion on June 30, 2018.

Net assets on June 30, 2018, stood at ¥360.9 billion, up ¥5.6 billion from the previous fiscal year-end. This outcome was because of decreases stemming from valuation difference on available-for-sale securities. In addition, shareholders' equity—total net assets net of non-controlling interests—was down ¥5.4 billion from the previous fiscal year-end, standing at ¥325.3 billion on June 30, 2018. 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 0.5 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 three-month period ended June 30, 2018, Fuji Electric has chosen not to revise the consolidated forecast for business results for the fiscal year ending March 31, 2019, that was announced together with financial results for the fiscal year ended March 31, 2018, on April 26, 2018.

The forecast assumes exchange rates of US$1 = ¥105 and €1 = ¥125 for the period from July 1, 2018, onward.

(Consolidated Forecasts for the Six Months Ending September 30, 2018) (¥ billion)

	Previous announcement	Revised announcement	Change
Net sales	400.0	400.0	0.0
Operating income	13.0	13.0	0.0
Ordinary income	12.2	12.2	0.0
Net income attributable to owners of parent	7.5	7.5	0.0

(Consolidated Forecasts for the Fiscal Year Ending March 31, 2019) (¥ billion)

	Previous announcement	Revised announcement	Change
Net sales	900.0	900.0	0.0
Operating income	58.5	58.5	0.0
Ordinary income	60.0	60.0	0.0
Net income attributable to owners of parent	39.5	39.5	0.0

(Reference: Consolidated Forecasts for the Fiscal Year Ending March 31, 2019, by Segment)
(¥billion)

	Net sales			Operating income (loss)		
	Previous announcement	Revised announcement	Change	Previous announcement	Revised announcement	Change
Power Electronics Systems—Energy Solutions	224.4	224.4	0.0	16.4	16.4	0.0
Power Electronics Systems—Industry Solutions	322.0	322.0	0.0	19.2	19.2	0.0
Power and New Energy	102.0	102.0	0.0	6.5	6.5	0.0
Electronic Devices	133.0	133.0	0.0	15.2	15.2	0.0
Food and Beverage Distribution	116.0	116.0	0.0	6.5	6.5	0.0
Others	59.1	59.1	0.0	2.2	2.2	0.0
Elimination and Corporate	(56.5)	(56.5)	0.0	(7.6)	(7.6)	0.0
Total	900.0	900.0	0.0	58.5	58.5	0.0

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