

Financial Performance

(1) Qualitative Information regarding Consolidated Results of Operations

In the three-month period ended June 30, 2019, the trade friction between the United States and China seen overseas continued on from the previously fiscal year, having a greater impact on market conditions. This situation led to the ongoing curtailment of investments in the Chinese market, which also began affecting the Asian market as a whole. In Japan, the slowdown in the overseas market resulted in bearish exports of machine tools. Regardless, demand for investments in replacements of aged equipment remained firm.

In this environment, we launched Reiwa Prosperity 2023, a new five-year medium-term management plan slated to conclude with the fiscal year ending March 31, 2024, the year in which we celebrate the centennial anniversary of Fuji Electric's founding. Under this plan, the Company will seek to establish a foundation for sustainable growth by implementing growth strategies prescribing the concentration of resources on growth fields, namely the power electronics systems and power semiconductor businesses, and the expansion of overseas businesses. In addition, we will pursue further improvements in profitability through the augmentation of global manufacturing capabilities and work toward the ongoing reinforcement of operating foundations through the Companywide Pro-7 Activities that are aimed at improving work quality.

Consolidated net sales in the three-month period ended June 30, 2019, decreased ¥19.8 billion year on year, to ¥176.0 billion, due to the rebound from large-scale orders recorded in the previous equivalent period. Another contributor was the fact that the projected decrease demand in the four segments other than the Food and Beverage Distribution and Others segments occurred as forecast. The reduction in demand was a result of the trends toward production adjustment and curtailed capital investment triggered by the trade friction between the United States and China.

As a result of the lower sales, consolidated operating income decreased ¥2.7 billion year on year, to ¥3.6 billion; ordinary income was down ¥3.5 billion, to ¥3.9 billion; and net income attributable to owners of parent declined ¥2.8 billion, to ¥2.5 billion.

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

	(¥ billion)		
	Three-month period ended June 30, 2018	Three-month period ended June 30, 2019	Change
Net sales	195.8	176.0	(19.8)
Operating income	6.4	3.6	(2.7)
Ordinary income	7.4	3.9	(3.5)
Net income attributable to owners of parent	5.4	2.5	(2.8)

Results by Segment

Power Electronics Systems Energy

Net sales: ¥42.4 billion (down 5% year on year)

Operating income: ¥1.2 billion (down ¥0.1 billion year on year)

In the Power Electronics Systems Energy, net sales and operating income were down year on year as a result of the rebound from large-scale projects undertaken in the previous equivalent period in the energy management business and reduced demand in the ED&C components business.

- In the energy management business, net sales decreased year on year primarily as a result of the rebound from large-scale projects undertaken overseas during the previous equivalent period. 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, despite the absence of a large-scale order recorded in the previous equivalent period in Japan, as a result of a rise in large-scale overseas orders in switchgear and controlgear operations.
- In the ED&C components business, net sales and operating results worsened year on year due to reduced demand from machine tool and other equipment manufacturers in Japan and overseas.

Power Electronics Systems Industry

Net sales: ¥53.5 billion (down 10% year on year)

Operating loss: ¥2.7 billion (up ¥1.4 billion year on year)

In the Power Electronics Systems Industry segment, net sales decreased and operating loss increased. Factors behind this outcome included lower demand in the Japanese and Chinese markets in the automation business and the absence of large-scale orders recorded in the previous equivalent period in the social solutions business.

- In the automation systems business, net sales and operating results worsened year on year following reduced demand for low-voltage inverters and factory automation components in Japan and overseas.
- In the social solutions business, net sales and operating results worsened year on year due to the absence of large-scale orders for electrical equipment for railcars recorded in the previous equivalent period.
- In the equipment construction business, net sales and operating results improved year on year due to strong demand for plant and air-conditioning equipment construction.
- In the IT solutions business, net sales and operating results worsened year on year because of the rebound from large-scale orders recorded in the previous equivalent period.

Electronic Devices

Net sales: ¥32.9 billion (down 7% year on year)

Operating income: ¥3.3 billion (down ¥1.5 billion year on year)

- In the electronic devices business, net sales and operating income worsened year on year as the benefits of higher demand for automotive power semiconductors were outweighed by the impacts of lower demand in the industrial field stemming from slowdown in the Japanese and Chinese markets.

Food and Beverage Distribution

Net sales: ¥28.7 billion (up 1% year on year)

Operating income: ¥2.2 billion (up ¥0.8 billion year on year)

- In the vending machine business, net sales and operating results worsened year on year due to reduced demand in the Japanese and Chinese markets.
- In the store distribution business, net sales and operating results improved year on year thanks to an increase in demand for store equipment for convenience stores.

Power Generation

Net sales: ¥14.6 billion (down 40% year on year)

Operating income: ¥0.6 billion (down ¥0.4 billion year on year)

- In the power generation business, net sales and operating results worsened year on year as a result of the rebound from large-scale thermal power, hydro power, and solar power generation system projects undertaken in the previous equivalent period.

Others

Net sales: ¥15.0 billion (up 1% year on year)

Operating income: ¥0.5 billion (unchanged year on year)

Note: Effective April 1, 2019, the Power Electronics Systems—Energy Solutions and Power Electronics Systems—Industry Solutions reporting segments were changed to form the Power Electronics Systems Energy and Power Electronics Systems Industry segments. In addition, the Power and New Energy segment was renamed the Power Generation segment. Year-on-year comparisons have been calculated using figures for the three-month period ended June 30, 2018, that have been restated to reflect these changes.

(2) Quantitative Information regarding Consolidated Financial Position

(¥ billion)

	March 31, 2019	Breakdown (%)	June 30, 2019	Breakdown (%)	Change
Total assets	952.7	100.0	952.9	100.0	+0.3
Interest-bearing debt	154.0	16.2	180.6	19.0	+26.6
Shareholder's equity*1	352.9	37.0	345.4	36.2	(7.5)
Debt-to-equity ratio*2 (times)	0.4		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 June 30, 2019, stood at ¥952.9 billion, an increase of ¥0.3 billion from the end of the previous fiscal year. Total current assets increased ¥4.6 billion primarily as a result of a rise in inventories, which offset a decline in notes and accounts receivable-trade. Total noncurrent assets were down ¥4.3 billion due to a decrease stemming from valuation difference on available-for-sale securities.

Interest-bearing debt as of June 30, 2019, amounted to ¥180.6 billion, up ¥26.6 billion from the previous fiscal year-end. Further, net interest-bearing debt—interest-bearing debt net of cash and cash equivalents—increased ¥30.8 billion from the previous fiscal year-end, amounting to ¥155.7 billion on June 30, 2019.

Net assets on June 30, 2019, stood at ¥383.2 billion, down ¥8.9 billion from the previous fiscal year-end. This outcome was because of lower retained earnings and decreases stemming from foreign currency translation adjustments and valuation difference on available-for-sale securities. In addition, shareholders' equity—total net assets net of non-controlling interests—was down ¥7.5 billion from the previous fiscal year-end, standing at ¥345.4 billion on June 30, 2019. The debt-to-equity ratio (interest-bearing debt ÷ shareholders' equity) was 0.5 times, up 0.1 times from the previous fiscal year. 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, 2019, Fuji Electric has chosen to revise the consolidated forecast for business results for the six-month period ending September 30, 2019, that was announced together with financial results for the fiscal year ended March 31, 2019, on April 25, 2019.

The forecast assumes exchange rates of US\$1 = ¥105, €1 = ¥123, and RMB1 = ¥16 for the period from July 1, 2019, onward.

(Consolidated Forecasts for the Six Months Ending September 30, 2019) (¥ billion)

	Previous announcement	Revised announcement	Change
Net sales	411.5	405.5	(6.0)
Operating income	15.6	12.6	(3.0)
Ordinary income	14.8	11.8	(3.0)
Net income attributable to owners of parent	8.6	6.5	(2.1)

(Reference: Consolidated Forecasts for the Six Months Ending September 30, 2019 by Segment)
(¥billion)

	Net sales			Operating income (loss)		
	Previous announcement	Revised announcement	Change	Previous announcement	Revised announcement	Change
Power Electronics Systems Energy	95.2	94.2	(1.0)	4.7	3.7	(1.0)
Power Electronics Systems Industry	140.3	138.3	(2.0)	0.8	0.0	(0.8)
Electronic Devices	71.7	68.7	(3.0)	8.3	7.1	(1.2)
Food and Beverage Distribution	55.1	55.1	0.0	2.9	2.9	0.0
Power Generation	45.1	45.1	0.0	0.9	0.9	0.0
Others	31.4	31.4	0.0	1.0	1.0	0.0
Elimination and Corporate	(27.2)	(27.2)	0.0	(3.0)	(3.0)	0.0
Total	411.5	405.5	(6.0)	15.6	12.6	(3.0)

There has been no change to the consolidated forecast for business results for the fiscal year ending March 31, 2020, that was announced together with financial results for the fiscal year ended March 31, 2019, on April 25, 2019.

(Consolidated Forecasts for the Fiscal Year Ending March 31, 2020) (¥ billion)

	Previous announcement	Revised announcement	Change
Net sales	930.0	930.0	0.0
Operating income	62.0	62.0	0.0
Ordinary income	63.6	63.6	0.0
Net income attributable to owners of parent	40.4	40.4	0.0

(Reference: Consolidated Forecasts for the Fiscal Year Ending March 31, 2020, by Segment)
(¥billion)

	Net sales			Operating income (loss)		
	Previous announcement	Revised announcement	Change	Previous announcement	Revised announcement	Change
Power Electronics Systems Energy	220.0	220.0	0.0	16.8	16.8	0.0
Power Electronics Systems Industry	332.0	332.0	0.0	21.9	21.9	0.0
Electronic Devices	150.3	150.3	0.0	17.5	17.5	0.0
Food and Beverage Distribution	113.6	113.6	0.0	6.6	6.6	0.0
Power Generation	116.0	116.0	0.0	4.3	4.3	0.0
Others	60.0	60.0	0.0	2.2	2.2	0.0
Elimination and Corporate	(61.9)	(61.9)	0.0	(7.4)	(7.4)	0.0
Total	930.0	930.0	0.0	62.0	62.0	0.0