Financial Performance

(1) Qualitative Information regarding Consolidated Results of Operations

In the six-month period ended September 30, 2018, the Company's operating environment saw the continuation of favorable trends in labor saving and energy conservation demand in China and other parts of Asia. 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. However, the outlook for the future grew increasingly opaque due to slowdown in certain markets stemming from trade friction between the United States and China.

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 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 six-month period ended September 30, 2018, increased ¥24.4 billion year on year, to ¥419.4 billion, as a result of sales growth in all segments driven by higher demand.

Due to the benefits of higher sales and cost reduction efforts, operating results improved in the Company's five principal segments. Accordingly, consolidated operating income rose ¥5.8 billion year on year, to ¥18.5 billion; ordinary income was up ¥7.7 billion, to ¥19.4 billion; and net income attributable to owners of parent increased ¥6.3 billion, to ¥12.5 billion. All of these figures represented new six-month highs.

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

(¥ billion)

	Six-month period ended September 30, 2017	Six-month period ended September 30, 2018	Change
Net sales	395.0	419.4	24.4
Operating income	12.7	18.5	5.8
Ordinary income	11.7	19.4	7.7
Net income attributable to owners of parent	6.2	12.5	6.3

Results by Segment

Power Electronics Systems—Energy Solutions
Net sales: ¥94.2 billion (up 5% year on year)
Operating income: ¥5.0 billion (up ¥3.0 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 and operating results improved year on year due to an increase in large-scale orders for electrical facilities and other offerings.

- 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.

Power Electronics Systems—Industry Solutions
Net sales: ¥141.8 billion (up 2% year on year)
Operating income: ¥1.9 billion (up ¥0.1 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, which benefited from robust demand for the automation of production facilities primarily in Japan, China, and other parts of Asia, as well as by 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 overseas and domestic demand centered on low-voltage inverters, motors, and factory automation systems.

- In the process automation business, net sales and operating results worsened year on year due to the absence of large-scale orders recorded in the previous equivalent period.

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

- In the equipment construction business, net sales and operating results improved year on year following an increase in orders for factory power distribution equipment and other electrical equipment construction.

- In the IT solutions business, net sales and operating results improved year on year due to an increase in orders centered on the public sector.

Power and New Energy

Net sales: ¥49.2 billion (up 30% year on year)

Operating income: ¥1.9 billion (up ¥0.7 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: ¥71.8 billion (up 11% year on year)

Operating income: ¥8.6 billion (up ¥1.8 billion year on year)

- In the electronic devices business, net sales and operating results improved year on year thanks to the robust demand for power semiconductors for industrial and automotive applications as well as higher demand for magnetic disks.

Food and Beverage Distribution

Net sales: ¥56.3 billion (up 1% year on year)

Operating income: ¥2.6 billion (up ¥0.4 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: ¥30.3 billion (up 2% year on year)

Operating income: ¥1.1 billion (down ¥0.4 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 six-month period ended September 30, 2017, that have been restated to reflect this change.

(2) Quantitative Information regarding Consolidated Financial Position

(¥ billion)

	March 31, 2018	Breakdown (%)	Sep. 30, 2018	Breakdown (%)	Change
Total assets	914.7	100.0	910.1	100.0	(4.6)
Interest-bearing debt	163.5	17.9	161.9	17.8	(1.6)
Shareholder's equity*1	330.6	36.1	338.3	37.2	7.7
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, 2018, stood at ¥910.1 billion, a decrease of ¥4.6 billion from the end of the previous fiscal year. Total current assets increased ¥15.0 billion as the decline in notes and accounts receivable-trade was counteracted by the rise in inventories. Total noncurrent assets were down ¥19.6 billion due to a decrease in net defined benefit asset.

Interest-bearing debt as of September 30, 2018, amounted to ¥161.9 billion, down ¥1.6 billion from the previous fiscal year-end. Further, net interest-bearing debt—interest-bearing debt net of cash and cash equivalents—increased ¥3.0 billion from the previous fiscal year-end, amounting to ¥133.1 billion on September 30, 2018.

Net assets on September 30, 2018, stood at ¥375.4 billion, up ¥8.9 billion from the previous fiscal year-end. This outcome was because of an increase in retained earnings. In addition, shareholders' equity—total net assets net of non-controlling interests—was up ¥7.7 billion from the previous fiscal year-end, standing at ¥338.3 billion on September 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 0.4 times, relatively unchanged from the previous fiscal year-end.

In the six-month period ended September 30, 2018, consolidated free cash flow (net cash from operating activities + net cash from investing activities) was a positive ¥9.2 billion, an improvement of ¥15.4 billion compared with free cash flow of a negative ¥6.2 billion in the previous fiscal year.

Cash flows from operating activities

Net cash provided by operating activities was ¥18.0 billion, compared with ¥0.4 billion for the previous equivalent period. Major factors increasing cash included income before income taxes and a decrease in notes and accounts receivable-trade, a result of efforts to collect receivables. Major factors decreasing cash included an increase in inventories.

This was an improvement of ¥17.6 billion year on year.

Cash flows from investing activities

Net cash used in investing activities was ¥8.7 billion, compared with ¥6.6 billion in the previous fiscal year. This was primarily related to the purchase of property, plant and equipment.

This was a deterioration of ¥2.2 billion year on year.

Cash flows from financing activities

Net cash used in financing activities was ¥15.1 billion, compared with ¥6.8 billion in the previous fiscal year. This was principally due to repayment of lease obligations and cash dividends paid.

As a result, consolidated cash and cash equivalents on September 30, 2018, amounted to ¥28.8 billion, down ¥4.5 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, 2018, Fuji Electric has chosen 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 three-month period ended June 30, 2018, on July 26, 2018.

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

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

	Previous announcement	Revised announcement	Change
Net sales	900.0	910.0	10.0
Operating income	58.5	61.0	2.5
Ordinary income	60.0	62.5	2.5
Net income attributable to owners of parent	39.5	41.5	2.0

(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	225.0	0.6	16.4	17.4	1.0
Power Electronics Systems—Industry Solutions	322.0	323.0	1.0	19.2	19.2	0.0
Power and New Energy	102.0	102.0	0.0	6.5	6.2	(0.3)
Electronic Devices	133.0	140.0	7.0	15.2	15.9	0.7
Food and Beverage Distribution	116.0	113.0	(3.0)	6.5	6.2	(0.3)
Others	59.1	62.1	3.0	2.2	2.4	0.2
Elimination and Corporate	(565)	(55.1)	1.3	(7.6)	(6.4)	1.1
Total	900.0	910.0	10.0	58.5	61.0	2.5

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