Financial Performance

(1) Qualitative Information regarding Consolidated Results of Operations

In the fiscal year ended March 31, 2020, Fuji Electric 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 is 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.

The operating environment for the three-month period ended June 30, 2020, saw the ongoing curtailment of investments in Japan and overseas due to the global COVID-19 pandemic that has greatly restricted economic activities worldwide, resulting in prolonged uncertain situations. In China, on the other hand, economic activities gradually resumed and there were indications of recovery in capital investment of the manufacturing industry.

Consolidated net sales in the three-month period ended June 30, 2020, decreased ¥7.2 billion year on year, to ¥168.8 billion. Factors behind this decrease included the rebound from the fact that demand was down mainly in the Power Electronics Systems Energy segment and the Food and Beverage Distribution segment. The reduction in demand was a result of the delivery delays and capital investment curtailments stemming from the restrictions placed on business activities for the purpose of combating the global COVID-19 pandemic.

As a result of the lower sales, the impacts of foreign exchange influences, and higher expenses associated with upfront investments in the power semiconductor business, which offset the benefits of cost and fixed cost reduction efforts, consolidated operating income decreased ¥1.2 billion year on year, to ¥2.4 billion; ordinary income was down ¥1.2 billion, to ¥2.6 billion; and net income attributable to owners of parent declined ¥1.2 billion, to ¥1.4 billion.

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

(¥ billion)

	Three-month period ended June 30, 2019	Three-month period ended June 30, 2020	Change
Net sales	176.0	168.8	(7.2)
Operating income	3.6	2.4	(1.2)
Ordinary income	3.9	2.6	(1.2)
Net income attributable to owners of parent	2.5	1.4	(1.2)

Results by Segment

Power Electronics Systems Energy
Net sales: ¥38.4 billion (down 10% year on year)
Operating income: ¥1.2 billion (unchanged year on year)

In the Power Electronics Systems Energy segment, net sales were down year on year primarily as a result of the decline in demand in the energy management and ED&C components businesses, but operating income unchanged year on year due to the benefits of cost and fixed cost reduction efforts.

・In the energy management business, net sales and operating results were down year on year as a result of the rebound from large-scale projects for industrial power supply equipment in the previous equivalent period and the decline in demand for smart meters.

・In the power supply and facility systems business, net sales were down year on year as a result of the decline in demand for electrical facilities and rebound from large-scale projects in the switchgear and controlgear operations in the previous equivalent period. However, operating results were up year on year due to the benefits of cost reduction efforts.

・In the ED&C components business, net sales were down year on year due to the sluggish demand from Japanese machine manufacturers including machine tools and switchboard manufacturers, but operating results were up year on year due to the benefits of cost and fixed cost reduction efforts.

Power Electronics Systems Industry
Net sales: ¥57.9 billion (up 8% year on year)
Operating loss: ¥1.4 billion (up ¥1.4 billion year on year)

In the Power Electronics Systems Industry segment, net sales increased year on year while operating loss decreased following the increased demand mainly in the automation systems and IT solutions businesses, despite reduced sales in the equipment construction business due to extension of construction periods.

・In the automation systems business, net sales were up year on year while operating results unchanged year on year following the increased demand mainly for FA components in China and FA systems, despite reduced demand for low-voltage inverters mainly in Japan.

・In the social solutions business, net sales and operating results improved year on year thanks to increased large-scale projects for electrical equipment for railcars.

・In the equipment construction business, net sales decreased year on year due to sluggish sales of electrical equipment constructions arising from the postponement of capital investment plans and extension of construction periods, but operating results improved year on year due to the benefits of cost reduction efforts.

・In the IT solutions business, net sales and operating results improved year on year thanks to the increased large-scale projects in the public and academic sectors.

Electronic Devices
Net sales: ¥35.0 billion (up 6% year on year)
Operating income: ¥2.7 billion (down ¥0.5 billion year on year)

・In the electronic devices business, net sales improved year on year thanks to the increased demand for power semiconductors for the new energy market mainly in China and for electrified vehicles (xEVs), but operating results were down year on year as a result of higher expenses associated with upfront investments for bolstering capacity for producing power semiconductors as well as negative foreign exchange influences.

Food and Beverage Distribution
Net sales: ¥19.0 billion (down 34% year on year)
Operating loss: ¥0.2 billion (compared with operating income of ¥2.2 billion in the previous equivalent period)

In the Food and Beverage Distribution segment, net sales decreased and operating loss was posted due to reduced demand in the vending machine and store distribution businesses as a result of the delivery delays and capital investment curtailments stemming from the global COVID-19 pandemic.

・In the vending machine business, net sales and operating results were down year on year due to the self-restraint on sales activities and reduced capital investment of Japanese beverage manufacturers, and reduced demand in the Chinese market.

・In the store distribution business, net sales and operating results were down year on year because of a decline in demand for store equipment for convenience stores and cancellations of and delays in some renovation works.

Power Generation
Net sales: ¥15.7 billion (up 7% year on year)
Operating income: ¥0.9 billion (up ¥0.3 billion year on year)

・In the power generation business, net sales and operating results improved year on year as a result of the increased large-scale thermal power and solar power generation system projects.

Others
Net sales: ¥12.2 billion (down 19% year on year)
Operating income: ¥0.3 billion (down ¥0.2 billion year on year)

(2) Quantitative Information regarding Consolidated Financial Position

(¥ billion)

	March 31, 2020	Breakdown (%)	June 30, 2020	Breakdown (%)	Change
Total assets	996.8	100.0	1,060.8	100.0	+64.0
Interest-bearing debt	217.4	21.8	325.7	30.7	+108.4
Shareholder's equity*1	365.6	36.7	377.5	35.6	+11.9
Debt-to-equity ratio*2 (times)	0.6		0.9		+0.3

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

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

Total assets on June 30, 2020, stood at ¥1,060.8 billion, an increase of ¥64.0 billion from the end of the previous fiscal year. Total current assets increased ¥51.0 billion primarily as a result of rises in cash and deposits and inventories, which offset a decline in notes and accounts receivable-trade. Total noncurrent assets were up ¥12.9 billion thanks to an increase due to an increase stemming from valuation difference on available-for-sale securities.

Interest-bearing debt as of June 30, 2020, amounted to ¥325.7 billion, up ¥108.4 billion from the previous fiscal year-end. Further, net interest-bearing debt—interest-bearing debt net of cash and cash equivalents—increased ¥20.7 billion from the previous fiscal year-end, amounting to ¥174.4 billion on June 30, 2020.

Net assets on June 30, 2020, was ¥417.8 billion, up ¥11.8 billion from the previous fiscal year-end. This outcome was because of an increase associated with valuation difference on available-for-sale securities. In addition, shareholders' equity—total net assets net of non-controlling interests—was up ¥11.9 billion from the previous fiscal year-end, standing at ¥377.5 billion on June 30, 2020. The debt-to-equity ratio (interest-bearing debt ÷ shareholders' equity) was 0.9 times, up 0.3 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

The Company has chosen not to release forecasts for consolidated business results in the fiscal year ending March 31, 2021, as it is currently difficult to project future trends in capital investment and production by customers amid the limited economic activity in Japan and other countries stemming from the global COVID-19 pandemic. Forecasts will be disclosed promptly when the Company is able to estimate the impacts of this situation on economic activities with a sufficient degree of accuracy.

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