

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 six-month period ended September 30, 2020, saw the ongoing curtailment of investments in Japan and overseas due to the global COVID-19 pandemic, resulting in the prolongation of difficult conditions. In China, meanwhile, economic activities were quickly resumed and there were indications of recovery in capital investment in the manufacturing industry.

Consolidated net sales in the six-month period ended September 30, 2020, decreased ¥49.7 billion year on year, to ¥357.0 billion. Factors behind this decrease included reductions in demand in the Power Electronics Systems Energy, Power Electronics Systems Industry, Food and Beverage Distribution, and Power Generation segments. These reductions in demand were a result of the capital investment curtailments and delivery delays stemming from the restrictions placed on business activities for the purpose of combating the global COVID-19 pandemic. Another factor was the rebound from large-scale orders recorded in the previous equivalent period.

As a result of large decreases in net sales and in production volumes, which offset the benefits of fixed cost and other cost reduction efforts, consolidated operating income decreased ¥5.8 billion year on year, to ¥5.3 billion; ordinary income was down ¥5.7 billion, to ¥5.2 billion; and net income attributable to owners of parent declined ¥3.9 billion, to ¥2.1 billion.

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

	(¥ billion)		
	Six-month period ended September 30, 2019	Six-month period ended September 30, 2020	Change
Net sales	406.7	357.0	(49.7)
Operating income	11.1	5.3	(5.8)
Ordinary income	10.9	5.2	(5.7)
Net income attributable to owners of parent	6.0	2.1	(3.9)

Results by Segment

Power Electronics Systems Energy

Net sales: ¥81.8 billion (down 17% year on year)

Operating income: ¥1.6 billion (down ¥2.0 billion year on year)

In the Power Electronics Systems Energy segment, net sales and operating income were down year on year primarily as a result of the decline in demand in the energy management and ED&C components businesses.

- In the energy management business, net sales and operating results were down year on year as a result of a decline in demand for smart meters and industrial power supply equipment.

- In the power supply and facility systems business, net sales and operating results were down year on year as a result of the rebound from large-scale projects recorded in electrical facility and switchgear and controlgear operations in the previous equivalent period.
- In the ED&C components business, net sales and operating results were down year on year due to the reduced demand from Japanese manufacturers of machine tools and switchboard manufacturers.

Power Electronics Systems Industry

Net sales: ¥128.2 billion (down 8% year on year)

Operating income: ¥0.2 billion (compared with operating loss of ¥0.7 billion in the previous equivalent period)

In the Power Electronics Systems Industry segment, net sales were down year on year largely due to the rebound from large-scale orders recorded in the IT solutions business in the previous equivalent period while operating income was recorded, compared with operating loss in the previous equivalent period, due to the benefits of cost reduction activities.

- In the automation systems business, net sales and operating results were down year on year, despite the rise in demand for ship exhaust gas cleaning systems as well as the higher demand for low-voltage inverters and factory automation components seen in China, as a result of sluggish demand in other fields in Japan.
- In the social solutions business, net sales and operating results improved year on year thanks to increases in large-scale projects for electrical equipment for railcars.
- In the equipment construction business, net sales decreased year on year due to delays in capital investment plans and the rebound from large-scale electrical equipment construction projects recorded in the previous equivalent period, but operating results improved year on year due to the benefits of cost reduction efforts.
- In the IT solutions business, net sales were down year on year due to the rebound from large-scale projects recorded in the previous equivalent period, but operating results were relatively unchanged year on year because of differences in profitability between projects.

Electronic Devices

Net sales: ¥72.4 billion (up 10% year on year)

Operating income: ¥6.3 billion (up ¥0.3 billion year on year)

- In the electronic devices business, net sales and operating results improved year on year thanks to the increased demand for power semiconductors for the new energy market and for electrified vehicles (xEVs).

Food and Beverage Distribution

Net sales: ¥37.7 billion (down 31% year on year)

Operating loss: ¥2.6 billion (compared with operating income of ¥2.9 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 capital investment curtailments and delivery delays 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 exercised in sales activities and reductions in capital investment by Japanese beverage manufacturers as well as lower 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: ¥32.7 billion (down 22% year on year)

Operating income: ¥1.1 billion (up ¥0.3 billion year on year)

- In the power generation business, net sales were down year on year due to the rebound from large-scale thermal power system projects recorded in the previous equivalent period, but operating results improved year on year because of differences in profitability between projects.

Others

Net sales: ¥25.1 billion (down 18% year on year)

Operating income: ¥0.8 billion (down ¥0.4 billion year on year)

(2) Quantitative Information regarding Consolidated Financial Position

(¥ billion)

	March 31, 2020	Breakdown (%)	September 30, 2020	Breakdown (%)	Change
Total assets	996.8	100.0	1,065.1	100.0	+68.3
Interest-bearing debt	217.4	21.8	338.0	31.7	+120.6
Shareholder's equity*1	365.6	36.7	386.8	36.3	+21.2
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 September 30, 2020, stood at ¥1,065.1 billion, an increase of ¥68.3 billion from the end of the previous fiscal year. Total current assets increased ¥46.6 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 ¥21.7 billion thanks to an increase due to an increase stemming from valuation difference on available-for-sale securities.

Interest-bearing debt as of September 30, 2020, amounted to ¥338.0 billion, up ¥120.6 billion from the previous fiscal year-end. Further, net interest-bearing debt—interest-bearing debt net of cash and cash equivalents—increased ¥29.6 billion from the previous fiscal year-end, amounting to ¥183.3 billion on September 30, 2020.

Net assets on September 30, 2020, was ¥427.6 billion, up ¥21.6 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 ¥21.2 billion from the previous fiscal year-end, standing at ¥386.8 billion on September 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.

In the six-month period ended September 30, 2020, consolidated free cash flow (net cash from operating activities + net cash from investing activities) was a negative ¥13.0 billion, an improvement of ¥9.6 billion compared with a negative free cash flow of ¥22.6 billion in the previous equivalent period.

Cash flows from operating activities

Net cash used in operating activities was ¥2.1 billion, compared with net cash provided by operating activities of ¥1.3 billion in the previous equivalent period. Major factors increasing cash included a decrease in notes and accounts receivable-trade. Major factors decreasing cash included an increase in inventories and a decrease in notes and accounts payable-trade.

This was a deterioration of ¥3.4 billion year on year

Cash flows from investing activities

Net cash used in investing activities was ¥10.8 billion, compared with ¥23.8 billion in the previous equivalent period. This was primarily related to the purchase of property, plant and equipment.

This was an improvement of ¥13.0 billion year on year.

Cash flows from financing activities

Net cash provided by financing activities was ¥104.3 billion, compared with ¥16.8 billion in the previous equivalent period. This was principally due to increases in commercial papers and proceeds from long-term loans payable.

As a result, consolidated cash and cash equivalents on September 30, 2020, amounted to ¥154.7 billion, up ¥90.9 billion from the previous fiscal year-end.

(3) Qualitative Information regarding Consolidated Forecasts and Forecast Information

In *Consolidated Financial Report for the fiscal year ending March 31, 2020*, released on May 29, 2020, the Company had left its forecast for consolidated business results in the fiscal year ending March 31, 2021, undecided. This forecast has since been decided as follows.

The forecast assumes exchange rates of US\$1 = ¥102, €1 = ¥120, and RMB1 = ¥15 for the period from October 1, 2020, onward.

(Consolidated Forecasts for the Fiscal Year Ending March 31, 2021) (¥ billion)

	Fiscal year ended March 31, 2020 Results	Fiscal year ending March 31, 2021 Forecast	Change
Net sales	900.6	870.0	(30.6)
Operating income	42.5	41.0	(1.5)
Ordinary income	44.5	42.5	(2.0)
Net income attributable to owners of parent	28.8	27.5	(1.3)

(Forecasts by Segment) (¥ billion)

	Fiscal year ended March 31, 2020 Results		Fiscal year ending March 31, 2021 Forecast		Change	
	Net sales	Operating income (loss)	Net sales	Operating income (loss)	Net sales	Operating income (loss)
Power Electronics Systems Energy	218.0	12.3	202.0	9.6	(16.0)	(2.7)
Power Electronics Systems Industry	317.5	16.5	336.0	18.5	18.5	2.0
Electronic Devices	137.4	9.7	142.0	12.9	4.6	3.2
Food and Beverage Distribution	104.4	3.8	94.0	0.6	(10.4)	(3.2)
Power Generation	109.9	2.3	87.0	3.9	(22.9)	1.6
Others	60.8	2.7	53.0	1.6	(7.8)	(1.1)
Elimination and Corporate	(47.5)	(4.9)	(44.0)	(6.1)	3.5	(1.2)
Total	900.6	42.5	870.0	41.0	(30.6)	(1.5)