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 will 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 nine-month period ended December 31, 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 during the first half of the fiscal year, and there were indications of recovery in capital investment in the manufacturing industry.

Consolidated net sales in the nine-month period ended December 31, 2020, decreased ¥50.4 billion year on year, to ¥561.3 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 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 ¥2.8 billion year on year, to ¥14.1 billion, and ordinary income was down ¥3.8 billion, to ¥14.0 billion. In addition, net loss attributable to owners of parent of ¥4.0 billion was recorded, compared with net income attributable to owners of parent of ¥10.3 billion in the previous equivalent period, as a result of ¥16.7 billion in expenses for addressing defects in power semiconductor products for specific fields recorded as extraordinary losses.

Consolidated net sales in the third quarter of the fiscal year ending March 31, 2021, were in line with the previous equivalent period as the ongoing curtailment of investment by customers seen in the Food and Beverage Distribution segment and the rebound from large-scale projects recorded in the previous equivalent period in the Power Generation segment were counteracted by the strong demand in the Power Electronics Systems Energy, Power Electronics Systems Industry, and Electronic Devices segments. Third-quarter operating income increased substantially year on year due to increased demand for power semiconductors coupled with the benefits of fixed cost reduction efforts.

Consolidated results of operations for the nine-month period ended December 31, 2020, were as follows.

(¥ billion)

	Nine-month period ended December 31, 2019	Nine-month period ended December 31, 2020	Change
Net sales	611.7	561.3	(50.4)
Operating income	16.8	14.1	(2.8)
Ordinary income	17.7	14.0	(3.8)
Net income attributable to owners of parent	10.3	(4.0)	(14.3)

Results by Segment

Power Electronics Systems Energy
Net sales: ¥136.3 billion (down 7% year on year)
Operating income: ¥5.0 billion (up ¥0.3 billion year on year)

In the Power Electronics Systems Energy segment, net sales were down year on year in all businesses, but operating income was up year on year due to the benefits of fixed cost reduction activities and differences in profitability between projects.

・In the energy management business, net sales were down year on year as a result of a decline in demand for smart meters and the absence of large-scale projects for industrial power supply equipment recorded in the previous equivalent period, but operating results were up year on year due to the differences in profitability between projects.

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

・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 other finished equipment and switchboard manufacturers.

Power Electronics Systems Industry
Net sales: ¥201.6 billion (down 1% year on year)
Operating income: ¥2.3 billion (up ¥1.2 billion year on year)

In the Power Electronics Systems Industry segment, net sales were down year on year due to reduced domestic demand in the automation systems business and the rebound from large-scale orders recorded in the equipment construction and IT solutions businesses in the previous equivalent period, which offset the increase in demand in the social solutions business. Conversely, operating income was up year on year due to the benefits of fixed cost and other cost reduction activities.

・In the automation systems business, net sales and operating results were down year on year, despite the higher demand for low-voltage inverters and factory automation components seen in China, as a result of sluggish demand in Japan.

・In the social solutions business, net sales and operating results improved year on year thanks to increases in demand for electrical equipment for railcars and in demand for ship exhaust gas cleaning systems.

・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 up year on year because of differences in profitability between projects.

Note: Effective October 1, 2020, ship exhaust gas cleaning system operations were transferred from the automation systems business to the social solutions business. Figures for the previous equivalent period have been restated to reflect this change.

Electronic Devices
Net sales: ¥112.3 billion (up 9% year on year)
Operating income: ¥11.4 billion (up ¥2.5 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 machine tools manufacturers, for the new energy market, and for electrified vehicles (xEVs).

Food and Beverage Distribution
Net sales: ¥54.1 billion (down 30% year on year)
Operating loss: ¥4.4 billion (compared with operating income of ¥3.1 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 prolongation of the global COVID-19 pandemic.

・In the vending machine business, net sales and operating results were down year on year due to the curtailment of 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.

Power Generation
Net sales: ¥50.8 billion (down 27% year on year)
Operating income: ¥1.8 billion (up ¥0.6 billion year on year)

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

Others
Net sales: ¥38.4 billion (down 16% year on year)
Operating income: ¥1.2 billion (down ¥0.6 billion year on year)

(2) Quantitative Information regarding Consolidated Financial Position

(¥ billion)

	March 31, 2020	Breakdown (%)	December 31, 2020	Breakdown (%)	Change
Total assets	996.8	100.0	1,079.0	100.0	+82.2
Interest-bearing debt	217.4	21.8	312.9	29.0	+95.5
Shareholder's equity*1	365.6	36.7	383.1	35.5	+17.4
Debt-to-equity ratio*2 (times)	0.6		0.8		+0.2

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

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

Total assets on December 31, 2020, stood at ¥1,079.0 billion, an increase of ¥82.2 billion from the end of the previous fiscal year. Total current assets increased ¥49.2 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 ¥33.0 billion thanks to an increase stemming from valuation difference on available-for-sale securities.

Interest-bearing debt as of December 31, 2020, amounted to ¥312.9 billion, up ¥95.5 billion from the previous fiscal year-end. Further, net interest-bearing debt—interest-bearing debt net of cash and cash equivalents—increased ¥54.6 billion from the previous fiscal year-end, amounting to ¥208.2 billion on December 31, 2020.

Net assets on December 31, 2020, was ¥424.9 billion, up ¥18.9 billion from the previous fiscal year-end. This outcome was because of an increase associated with valuation difference on available-for-sale securities, which outweighed a decrease in retained earnings. In addition, shareholders' equity—total net assets net of non-controlling interests—was up ¥17.4 billion from the previous fiscal year-end, standing at ¥383.1 billion on December 31, 2020. The debt-to-equity ratio (interest-bearing debt ÷ shareholders' equity) was 0.8 times, up 0.2 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 nine-month period ended December 31, 2020, Fuji Electric has chosen to revise the consolidated forecast for business results for the fiscal year ending March 31, 2021, that was announced together with financial results for the six-month period ended September 30, 2020, on October 29, 2020.

The forecast assumes exchange rates of US$1 = ¥102, €1 = ¥120, and RMB1 = ¥15 for the period from January 1, 2021, onward.

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

	Previous announcement	Today's announcement	Change
Net sales	870.0	860.0	(10.0)
Operating income	41.0	41.0	0.0
Ordinary income	42.5	42.5	0.0
Net income attributable to owners of parent	27.5	33.0	5.5

(Reference: Consolidated Forecasts for the Fiscal Year Ending March 31, 2021, by Segment)

(¥billion)

	Net sales			Operating income (loss)		
	Previous announcement	Today's announcement	Change	Previous announcement	Today's announcement	Change
Power Electronics Systems Energy	202.0	202.0	0.0	9.6	9.6	0.0
Power Electronics Systems Industry	336.0	336.0	0.0	18.5	18.5	0.0
Electronic Devices	142.0	149.0	7.0	12.9	16.4	3.5
Food and Beverage Distribution	94.0	80.0	(14.0)	0.6	(4.4)	(5.0)
Power Generation	87.0	87.0	0.0	3.9	3.9	0.0
Others	53.0	53.0	0.0	1.6	1.6	0.0
Elimination and Corporate	(44.0)	(47.0)	(3.0)	(6.1)	(4.6)	1.5
Total	870.0	860.0	(10.0)	41.0	41.0	0.0

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