Financial Performance

(1) Qualitative Information regarding Consolidated Results of Operations

1. Results of Operations in the Fiscal Year Ended March 31, 2021

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 fiscal year ended March 31, 2021, 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. Furthermore, domestic machine tool-related demand increased leading up to the second half of the fiscal year, and there was pronounced growth in domestic and overseas semiconductor demand triggered by the popularization of electrified vehicles (xEVs) and renewable energy.

Consolidated net sales in the fiscal year ended March 31, 2021, decreased ¥24.7 billion year on year, to ¥875.9 billion. Factors behind this decrease included reductions in demand in the Power Electronics Systems Energy, Food and Beverage Distribution, and Power Generation segments. These reductions in demand were the result of the capital investment curtailments and delivery postponements stemming from the global COVID-19 pandemic. Another factor was the rebound from large-scale orders recorded in the previous fiscal year.

Consolidated operating income rose ¥6.1 billion year on year, to ¥48.6 billion, and ordinary income was ¥5.9 billion, to ¥50.4 billion, as the benefits of fixed cost and other cost reduction activities offset the decline in net sales. In addition, net profit attributable to owners of parent rose to the record high of ¥41.9 billion, an increase of ¥13.1 billion. This feat was a result of recording ¥40.9 billion in extraordinary income following the sale of certain investment securities to secure funds for growth investments, which outweighed the ¥25.7 billion in expenses for addressing defects in power semiconductor products for specific fields recorded under extraordinary loss.

Consolidated results of operations for the fiscal year ended March 31, 2021, were as follows.

(¥ billion)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Change
Net sales	900.6	875.9	(24.7)
Operating income	42.5	48.6	6.1
Ordinary income	44.5	50.4	5.9
Net income attributable to owners of parent	28.8	41.9	13.1

2. Results by Segment

Power Electronics Systems Energy
Net sales: ¥209.2 billion (down 4% year on year)
Operating income: ¥14.0 billion (up ¥1.7 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 cost reduction activities.

・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 fiscal year, but operating results were up year on year due to the benefits of cost reduction activities.

・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 fiscal year, 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 decline in demand from Japanese manufacturers of machine tools and other finished equipment seen in the first half of the fiscal year. This demand later recovered in the second half of the fiscal year.

Power Electronics Systems Industry
Net sales: ¥345.9 billion (up 9% year on year)
Operating income: ¥21.8 billion (up ¥5.2 billion year on year)

In the Power Electronics Systems Industry segment, net sales and operating income were up year on year due to higher demand in the IT solutions business, the automation systems business, and the social solutions business, which offset the decline in sales in the equipment construction business that stemmed from delays in customers' capital investment plans.

・In the automation systems business, net sales and operating results improved year on year due to the higher demand seen centered on factory automation components in China, which counteracted the impacts 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 customers' capital investment plans and the rebound from large-scale electrical equipment construction projects recorded in the previous fiscal year, 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 as a result of the Company's involvement in large-scale projects related to the GIGA School Concept.

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 fiscal year have been restated to reflect this change.

Electronic Devices
Net sales: ¥157.5 billion (up 15% year on year)
Operating income: ¥17.7 billion (up ¥7.9 billion year on year)

・In the electronic devices business, net sales and operating results improved year on year thanks to the increased demand for products for xEVs as well as power semiconductors for the new energy market and for factory automation systems. The higher demand compensated for the rise in expenses associated with investments for bolstering power semiconductor production capacity.

Food and Beverage Distribution
Net sales: ¥76.6 billion (down 27% year on year)
Operating loss: ¥5.3 billion (down ¥9.1 billion year on year)

In the Food and Beverage Distribution segment, net sales and operating income decreased due to massive reductions in demand in the vending machine and store distribution businesses as a result of the capital investment curtailments and delivery postponements 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 China and other Asian markets.

・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 delivery postponements.

Power Generation
Net sales: ¥80.4 billion (down 27% year on year)
Operating income: ¥2.5 billion (up ¥0.2 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 fiscal year, but operating results improved year on year, despite increased construction costs stemming from COVID-19-related process delays, because of differences in profitability between projects.

Others
Net sales: ¥52.7 billion (down 13% year on year)
Operating income: ¥2.2 billion (down ¥0.5 billion year on year)

3. Forecasts for the Fiscal Year Ending March 31, 2022

Forecasts for consolidated business results in the fiscal year ending March 31, 2022, are as follows.

Further, forecasts for the fiscal year ending March 31, 2022, assume exchange rates of US$1 = ¥102, €1 = ¥123, RMB1 = ¥15.5.

Further, forecasts for the fiscal year ending March 31, 2020, assume exchange rates of US$1 = ¥XX, €1 = ¥XX, RMB1 = ¥XX.

(Consolidated Business Results Forecasts) (¥ billion)

	Fiscal year ended March 31, 2021 Results	Fiscal year ending March 31, 2022 Forecasts	Change
Net sales	875.9	900.0	24.1
Operating income	48.6	60.0	11.4
Ordinary income	50.4	61.0	10.6
Net income attributable to owners of parent	41.9	42.0	0.1

(Forecasts by Segment) (¥ billion)

	Fiscal year ended March 31, 2021 Results		Fiscal year ending March 31, 2022 Forecasts		Change	
	Net sales	Operating Income (Loss)	Net sales	Operating Income (Loss)	Net sales	Operating Income (Loss)
Power Electronics Systems Energy	209.2	14.0	217.0	15.2	7.8	1.2
Power Electronics Systems Industry	345.9	21.8	329.0	22.2	(16.9)	0.4
Semiconductors	157.5	17.7	174.0	21.6	16.5	3.9
Power Generation	80.4	2.5	84.0	3.3	3.6	0.8
Food and Beverage Distribution	76.6	(5.3)	87.5	2.7	10.9	8.0
Others	52.7	2.2	50.0	1.8	(2.7)	(0.4)
Elimination and Corporate	(46.3)	(4.3)	(41.5)	(6.8)	4.8	(2.5)
Total	875.9	48.6	900.0	60.0	24.1	11.4

Effective from April 1, 2021, the Electronic Devices segment was renamed the Semiconductors segment.

(2) Quantitative Information regarding Consolidated Financial Position

(¥ billion)

	March 31, 2020	Breakdown (%)	March 31, 2021	Breakdown (%)	Change
Total assets	996.8	100.0	1,052.0	100.0	+55.1
Interest-bearing debt	217.4	21.8	216.2	20.6	(1.2)
Equity*1	365.6	36.7	417.0	39.6	+51.4
Debt-to-equity ratio*2 (times)	0.6		0.5		(0.1)

*1 Equity = Total net assets － Non-controlling interests
*2 Debt-to-equity ratio = Interest-bearing debt/ Equity

Total assets on March 31, 2021, stood at ¥1,052.0 billion, an increase of ¥55.1 billion from the end of the previous fiscal year. Total current assets increased ¥33.5 billion primarily as a result of rises in cash and deposits and notes and accounts receivable-trade, which offset a decline in inventories. Total noncurrent assets were up ¥21.6 billion due to higher property, plant and equipment, an increase stemming from valuation difference on available-for-sale securities, and a rise in net defined benefit asset.

Interest-bearing debt as of March 31, 2021, amounted to ¥216.2 billion, down ¥1.2 billion from the previous fiscal year-end following a decline in commercial paper and the redemption of bonds, the effects of which counteracted an increase in long-term loans payable. Further, net interest-bearing debt—interest-bearing debt net of cash and cash equivalents—decreased ¥12.7 billion from the previous fiscal year-end, amounting to ¥140.9 billion on March 31, 2021.

Net assets on March 31, 2021, were ¥461.3 billion, up ¥55.3 billion from the previous fiscal year-end. This outcome was because of an increase in retained earnings as well an increase stemming from valuation difference on available-for-sale securities. In addition, equity— total net assets net of non-controlling interests—was up ¥51.4 billion from the previous fiscal yearend, standing at ¥417.0 billion on March 31, 2021. The debt-to-equity ratio (interest-bearing debt ÷ equity) was 0.5 times, down 0.1 times from the previous fiscal year. Also, the net debt-to-equity ratio (net interest-bearing debt ÷ equity) was 0.3 times, down 0.1 times from the previous fiscal year.

(¥ billion)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Change
Net cash provided by (used in) operating activities	46.1	26.9	(19.2)
Net cash provided by (used in) investing activities	(27.6)	23.5	51.1
Free cash flow	18.5	50.4	31.9
Net cash provided by (used in) financing activities	16.9	(39.5)	(56.4)
Cash and cash equivalents at the end of period	63.7	75.3	11.6

In the fiscal year ended March 31, 2021, consolidated free cash flow (net cash from operating activities + net cash from investing activities) was a positive ¥50.4 billion, an increase of ¥31.9 billion compared with positive free cash flow of ¥18.5 billion in the previous fiscal year.

Cash flows from operating activities

Net cash provided by operating activities was ¥26.9 billion, compared with ¥46.1 billion in the previous fiscal year. Major factors increasing cash included income before income taxes and a decrease in inventories. Major factors decreasing cash included an increase in notes and accounts receivable-trade and a decrease in notes and accounts payable-trade.

This was a decrease of ¥19.2 billion year on year.

Cash flows from investing activities
Net cash provided by investing activities was ¥23.5 billion, compared with net cash used in investing activities of ¥27.6 billion in the previous fiscal year. This was primarily related to proceeds from sales of investment securities, which offset the purchase of property, plant and equipment.

This was an improvement of ¥51.1 billion year on year.

Cash flows from financing activities
Net cash used in financing activities was ¥39.5 billion, compared with net cash provided by financing activities of ¥16.9 billion in the previous fiscal year. This was principally due to a decrease in commercial paper and the repayments of lease obligations, which counteracted the increase in proceeds from long-term loans payable.

As a result, consolidated cash and cash equivalents on March 31, 2021, amounted to ¥75.3 billion, up ¥11.6 billion from the previous fiscal year-end.

(3) Basic Policy Regarding Distribution of Earnings and Dividends for the Fiscal Year Ended March 31, 2021, and the Fiscal Year Ending March 31, 2022

We intend to return profit gained through business activities to shareholders. At the same time—while strengthening our management foundation—we intend to appropriate profit for consolidated shareholders' equity in order to secure internal reserves for research and development, capital investment, development of human resources, and other uses reflecting a medium- to long-term viewpoint.

We will determine the amount of dividends to be paid from retained earnings in light of the above medium-to-long term business cycle; our policy of paying stable and continuous dividends; and a comprehensive evaluation of the business results from the relevant fiscal year, research and development and capital investment plans for future growth, and the operating environment.

We regard the acquisition of treasury stock as a flexible mechanism to supplement dividends from retained earnings when warranted by the cash flow position.

Based on a rigorous evaluation of performance during the fiscal year ended March 31, 2021, forecasted performance for the fiscal year ending March 31, 2022, and our financial position, we plan to pay a year-end dividend of ¥45 per share for the fiscal year ended March 31, 2021, which will make for an annual dividend of ¥85 per share when including the interim dividend.

We have not yet decided the dividend to be paid for the fiscal year ending March 31, 2022.

###