Financial Performance

(1) Qualitative Information regarding Consolidated Results of Operations

The fiscal year ending March 31, 2023, will be an important year for working toward the targets of the Reiwa Prosperity 2023, the five-year medium-term management plan slated to conclude with the fiscal year ending March 31, 2024. In the fiscal year ended March 31, 2022, an operating margin of 8.2% was achieved. In pursuit of greater improvements with this regard, the Company is moving forward with the promotion of growth strategies centered on expanding its power electronics and power semiconductor businesses, the further improvement of profitability through the strengthening of global manufacturing capabilities, and the ongoing reinforcement of operating foundations focused on environmental, social, and governance (ESG) factors, with a particular focus on human resources in regard to social factors. These efforts are aimed at accomplishing our target of net sales of ¥1 trillion in the fiscal year ending March 31, 2024.

In the six-month period ended September 30, 2022, high levels of capital investment by manufacturers and data center business operators were seen amid growing needs related to vehicle electrification, energy saving, and digital infrastructure. These needs were sparked by the global movement toward decarbonization and the accelerated digitalization trend. Meanwhile, China failed to see a full recovery, despite the improvements witnessed with regard to the impacts of supply chain disruptions on shipments of products to customers following the cancellation of lockdowns implemented in Shanghai in response to the COVID-19 pandemic. The outlook remains opaque as a result of the impacts on global supply chains of factors such as rising energy costs, high material prices, and material shortages due to the rapid depreciation of the Japanese yen.

In this environment, production capacity increases for power semiconductors were carried out in response to robust demand while ongoing steps were taken to optimize supply chains, including forming relationships with multiple suppliers and altering designs to use alternative parts in order to address the difficulties in procuring certain parts.

Due to these factors, increases were seen in the sales of all segments, despite the limitation on production from parts shortages, resulting in consolidated net sales in the six-month period ended September 30, 2022, rising ¥49.5 billion year on year, to ¥447.1 billion.

Although high material prices impacted income, overall income was buoyed by sales volume growth coupled with the benefits of increases to product selling prices, cost reduction activities centered on augmentations to factories, and foreign exchange influences. As a result, consolidated operating income rose ¥10.4 billion year on year, to ¥26.7 billion; ordinary income was up ¥12.0 billion, to ¥28.9 billion; and net income attributable to owners of parent increased ¥6.3 billion, to ¥20.3 billion. New record highs were posted for operating income, ordinary income, and net income attributable to owners of parent.

Consolidated results of operations for the six-month period ended September 30, 2022, were as follows.

(¥ billion)

	Six-month period ended September 30, 2021	Six-month period ended September 30, 2022	Change
Net sales	397.7	447.1	49.5
Operating income	16.3	26.7	10.4
Ordinary income	16.9	28.9	12.0
Net income attributable to owners of parent	14.0	20.3	6.3

Results by Segment
Power Electronics Energy
Net sales: ¥115.6 billion (up 17% year on year)
Operating income: ¥9.6 billion (up ¥5.4 billion year on year)

In the Power Electronics Energy segment, net sales and operating income were up year on year primarily as a result of higher demand in the power supply and facility systems business and the ED&C components business.

・In the energy management business, net sales were down year on year as a result of the absence of large-scale orders for substation equipment for industrial applications recorded in the previous equivalent period. Meanwhile, operating results improved year on year due to the benefits of cost reduction activities.

・In the power supply and facility systems business, net sales and operating results improved year on year as a result of substantially higher demand for projects from data centers and semiconductor manufacturers in Japan and overseas.

・In the ED&C components business, net sales and operating results improved year on year due to higher demand from domestic manufacturers of machine tools and other finished equipment.

Power Electronics Industry
Net sales: ¥150.2 billion (up 7% year on year)
Operating income: ¥1.1 billion (down ¥1.3 billion year on year)

In the Power Electronics Industry segment, net sales were up year on year as a result of higher demand in the IT solutions business coupled with the benefits of foreign exchange influences. Meanwhile, operating results were down year on year due to high material prices and reductions in production following difficulties in procuring parts.

・In the automation systems business, net sales were up year on year as the benefits of foreign exchange influences outweighed the impacts of lockdowns in China. Operating results, however, were down year on year due to the high prices for materials and the effects on production from difficulties in procuring parts felt centered on low-voltage inverters.

・In the social solutions business, net sales were down year on year due to a decrease in ship-related orders while operating results improved following the benefits of cost reduction activities.

・In the equipment construction business, net sales and operating results were down year on year due to the absence of large-scale orders for air-conditioning equipment recorded in the previous fiscal year.

・In the IT solutions business, net sales and operating results were up year on year due to large-scale academic- and private-sector projects.

Semiconductor
Net sales: ¥97.0 billion (up 14% year on year)
Operating income: ¥14.9 billion (up ¥3.1 billion year on year)

・In the semiconductor business, net sales increased year on year, despite the repercussions of withdrawing from magnetic disk operations, due to growth in demand for power semiconductors for electrified vehicles (xEVs) and for industrial applications as well as to the benefits of foreign exchange influences. As a result, high operating ratios were able to be maintained, leading to improvements in operating results, regardless of the rise in expenses for bolstering power semiconductor production capacity and the increases in material and energy costs.

Power Generation
Net sales: ¥34.8 billion (up 31% year on year)
Operating loss: ¥0.5 billion (up ¥0.6 billion year on year)

・In the power generation business, net sales and operating results were up year on year due to the benefits of large-scale renewable energy projects.

Food and Beverage Distribution
Net sales: ¥44.8 billion (up 1% year on year)
Operating income: ¥3.2 billion (up ¥2.4 billion year on year)

・In the vending machine business, net sales and operating results improved year on year because of growth in demand in Japan and the benefits of cost reduction activities.

・In the store distribution business, net sales were down year on year due to the absence of large-scale orders for automatic change dispensers recorded in the previous equivalent period, but operating results were relatively unchanged year on year because of the benefits of cost reduction activities.

Others
Net sales: ¥28.6 billion (up 12% year on year)
Operating income: ¥1.5 billion (up ¥0.5 billion year on year)

Note: Effective April 1, 2022, the businesses included in the Power Electronics Energy segment and the Power Electronics Industry segment were reorganized in conjunction with changes to organizational structures.
Figures for the six-month period ended September 30, 2021, have been restated to reflect this change.

(2) Quantitative Information regarding Consolidated Financial Position

(¥ billion)

	March 31, 2022	Breakdown (%)	September 30, 2022	Breakdown (%)	Change
Total assets	1,117.1	100.0	1,125.7	100.0	+8.6
Interest-bearing debt	208.4	18.7	197.2	17.5	(11.2)
Equity*1	472.9	42.3	489.2	43.5	+16.3
Debt-to-equity ratio*2 (times)	0.4		0.4		0.0

*1 Equity = Total net assets − Non-controlling interests

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

Total assets on September 30, 2022, stood at ¥1,125.7 billion, an increase of ¥8.6 billion from the end of the previous fiscal year. Total current assets were up ¥12.6 billion primarily as a result of increases in cash and deposits and inventories, which offset the decrease notes and accounts receivable-trade. Total noncurrent assets were down ¥4.0 billion due to sales of investment securities and a decrease resulted from valuation difference on available-for-sale securities, which outweighed the increase in property, plant and equipment.

Interest-bearing debt as of September 30, 2022, amounted to ¥197.2 billion, down ¥11.2 billion from the previous fiscal year-end. Further, net interest-bearing debt—interest-bearing debt net of cash and cash equivalents—decreased ¥30.8 billion from the previous fiscal year-end, amounting to ¥86.2 billion on September 30, 2022.

Net assets on September 30, 2022, were ¥540.7 billion, up ¥16.9 billion from the previous fiscal year-end. This outcome was because of higher retained earnings and an increase associated with foreign currency translation adjustments, which offset a decrease resulted from valuation difference on available-for-sale securities. In addition, equity—total net assets net of non-controlling interests—was up ¥16.3 billion from the previous fiscal year-end, standing at ¥489.2 billion on September 30, 2022. The debt-to-equity ratio (interest-bearing debt ÷ equity) was 0.4 times, unchanged from the previous fiscal year-end. Also, the net debt-to-equity ratio (net interest-bearing debt ÷ equity) was 0.2 times, unchanged from the previous fiscal year-end.

In the six-month period ended September 30, 2022, consolidated free cash flow (net cash from operating activities + net cash from investing activities) was a positive ¥49.2 billion, an improvement of ¥9.2 billion compared with a positive free cash flow of ¥40.0 billion in the previous equivalent period.

Cash flows from operating activities

Net cash provided by operating activities was ¥59.9 billion, compared with net cash provided by operating activities of ¥39.8 billion in the previous equivalent period. Major factors increasing cash included the recording of income before income taxes, a decrease in notes and accounts receivable-trade, and a decrease in contract assets. Major factors decreasing cash included an increase in inventories.

This was an improvement of ¥20.0 billion year on year.

Cash flows from investing activities

Net cash used in investing activities was ¥10.7 billion, compared with net cash used in investing activities of ¥0.2 billion in the previous equivalent period. This outcome was primarily a result of outflows for the purchase of property, plant and equipment, which offset proceeds from sales of investment securities.

This was a deterioration of ¥10.8 billion year on year.

Cash flows from financing activities

Net cash used in financing activities was ¥35.7 billion, compared with net cash used in financing activities of ¥19.2 billion in the previous equivalent period. This was principally due to repayments of long-term borrowings and repayments of lease obligations and cash dividends paid.

As a result, consolidated cash and cash equivalents on September 30, 2022, amounted to ¥110.9 billion, up ¥19.6 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, 2022, Fuji Electric has chosen to revise the consolidated forecast for business results for the fiscal year ending March 31, 2023, that was announced together with financial results for three-month period ended June 30, 2022, on July 28, 2022.

The forecast assumes exchange rates of US$1 = ¥135, €1 = ¥135, and RMB1 = ¥19.5 for the period from October 1, 2022, onward.

(Consolidated Forecasts for the Fiscal Year Ending March 31, 2023) (¥ billion)

	Previous announcement	New announcement	Change
Net sales	960.0	985.0	25.0
Operating income	82.0	87.0	5.0
Ordinary income	83.0	88.0	5.0
Net income attributable to owners of parent	59.0	59.5	0.5

(Reference: Consolidated Forecasts for the Fiscal Year Ending March 31, 2023, by Segment)

(¥billion)

	Previous announcement		New announcement		Change	
	Net sales	Operating income (loss)	Net sales	Operating income (loss)	Net sales	Operating income (loss)
Power Electronics Energy	236.0	22.1	252.0	26.6	16.0	4.5
Power Electronics Industry	349.0	26.8	355.0	25.6	6.0	(1.2)
Semiconductor	200.0	30.5	204.0	31.3	4.0	0.8
Power Generation	82.0	4.1	82.0	4.1	0.0	0.0
Food and Beverage Distribution	92.0	5.1	93.0	4.2	1.0	(0.9)
Others	54.0	2.6	55.0	3.3	1.0	0.7
Elimination and Corporate	(53.0)	(9.2)	(56.0)	(8.1)	(3.0)	1.1
Total	960.0	82.0	985.0	87.0	25.0	5.0

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