Financial Performance

(1) Qualitative Information regarding Consolidated Results of Operations

1. Results of Operations in the Fiscal Year Ended March 31, 2023

The fiscal year ended March 31, 2023, was positioned as an important year for working toward the targets of Fuji Electric's Reiwa Prosperity 2023 medium-term management plan, namely the targets of net sales of ¥1 trillion and an operating margin of more than 8.0% in the fiscal year ending March 31, 2024. In working toward these goals, the Company moved 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 emphasis on human resources in regard to social factors.

In the fiscal year ended March 31, 2023, brisk capital investment by manufacturers and data center business operators was seen amid constantly growing needs related to vehicle electrification, energy saving, and digital infrastructure. These needs were sparked by the global movement toward carbon neutrality and the accelerated digitalization trend. Meanwhile, capital investment in China was sluggish due to the impacts of 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 stemming, material shortages, and rapid fluctuations in foreign exchange rates.

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 to combat procurement difficulties and build flexible production systems to better cater to demand.

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 fiscal year ended March 31, 2023, rising ¥99.2 billion, or 11%, year on year, to ¥1,009.4 billion

Although high material and energy prices impacted income, overall income was buoyed by sales volume growth coupled with the benefits of increases to product selling prices, cost reduction activities, and foreign exchange influences. As a result, consolidated operating income rose ¥14.0 billion year on year, to ¥88.9 billion, making for an operating margin of 8.8%; ordinary income was up ¥8.5 billion, to ¥87.8 billion; and net income attributable to owners of parent increased 2.7 billion, to ¥61.3 billion. New record highs were posted for net sales, operating income, ordinary income, and net income attributable to owners of parent. In addition, the target of net sales of ¥1 trillion set out in Reiwa Prosperity 2023 was accomplished a year ahead of schedule.

Consolidated results of operations for the fiscal year ended March 31, 2023, were as follows.

(¥ billion)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Change
Net sales	910.2	1,009.4	99.2
Operating income	74.8	88.9	14.0
Ordinary income	79.3	87.8	8.5
Net income attributable to owners of parent	58.7	61.3	2.7

2. Results by Segment

Power Electronics Energy
Net sales: ¥264.1 billion (up 14% year on year)
Operating income: ¥26.9 billion (up ¥5.7 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 and operating results 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 fiscal year.

・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 manufacturers of machine tools, semiconductor production equipment, and other finished equipment. Such demand was particularly notable among manufacturers in Japan.

Power Electronics Industry
Net sales: ¥353.4 billion (up 9% year on year)
Operating income: ¥24.9 billion (up ¥1.1 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 automation systems business and the IT solutions business. In addition, operating income was up year on year as increased demand centered on the IT solutions business counteracted the impacts of high material prices and difficulties in procuring parts.

・In the automation systems business, net sales and operating results were up year on year as the impacts of the COVID-19 pandemic seen in China were outweighed by the benefits of demand growth and foreign exchange influences in other areas.

・In the social solutions business, net sales and operating results were down year on year due to decreases in ship- and railcar-related orders.

・In the equipment construction business, net sales and operating results were up year on year as a result of higher demand for electrical equipment construction.

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

Semiconductor
Net sales: ¥206.2 billion (up 15% year on year)
Operating income: ¥32.2 billion (up ¥5.1 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. The growth in sales and increased production levels resulted from high operating ratios led to improvements in operating results, despite the rise in expenses for bolstering power semiconductor production capacity and the increases in material and energy costs.

Power Generation
Net sales: ¥87.3 billion (up 11% year on year)
Operating income: ¥3.6 billion (up ¥0.4 billion year on year)

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

Food and Beverage Distribution
Net sales: ¥95.3 billion (up 5% year on year)
Operating income: ¥4.4 billion (up ¥1.3 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, which counteracted the negative impacts of factors including a Chinese subsidiary recording an allowance for doubtful accounts.

・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 fiscal year. Meanwhile, operating results were up year on year because of the benefits of cost reduction activities.

Others
Net sales: ¥59.8 billion (up 9% year on year)
Operating income: ¥3.7 billion (up ¥0.9 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 fiscal year ended March 31, 2022, have been restated to reflect this change.

3. Forecasts for the Fiscal Year Ending March 31, 2024

Forecasts for consolidated business results in the fiscal year ending March 31, 2024, are as follows.

Furthermore, forecasts for the fiscal year ending March 31, 2024, assume exchange rates of US$1 = ¥125, €1 = ¥135, RMB1 = ¥18.5.

Consolidated Business Results Forecasts (¥ billion)

	Fiscal year ended March 31, 2023 Results	Fiscal year ending March 31, 2024 Forecasts	Change
Net sales	1,009.4	1,050.0	40.6
Operating income	88.9	94.0	5.1
Ordinary income	87.8	92.0	4.2
Net income attributable to owners of parent	61.3	62.5	1.2

Forecasts by Segment (¥ billion)

	Fiscal year ended March 31, 2023 Results		Fiscal year ending March 31, 2024 Forecasts		Change	
	Net sales	Operating income (loss)	Net sales	Operating income (loss)	Net sales	Operating income (loss)
Power Electronics Energy	264.1	26.9	275.0	27.0	10.9	0.1
Power Electronics Industry	353.4	24.9	378.0	29.5	24.6	4.6
Semiconductor	206.2	32.2	221.0	32.8	14.8	0.6
Power Generation	87.3	3.6	83.0	4.2	(4.3)	0.6
Food and Beverage Distribution	95.3	4.4	96.0	5.0	0.7	0.6
Others	59.8	3.7	60.0	3.4	0.2	(0.3)
Elimination and Corporate	(56.7)	(6.7)	(63.0)	(7.9)	(6.3)	(1.2)
Total	1,009.4	88.9	1,050.0	94.0	40.6	5.1

(2) Quantitative Information regarding Consolidated Financial Position

(¥ billion)

	March 31, 2022	Breakdown (%)	March 31, 2023	Breakdown (%)	Change
Total assets	1,117.1	100.0	1,181.6	100.0	+64.4
Interest-bearing debt	208.4	18.7	183.3	15.5	(25.1)
Equity*1	472.9	42.3	517.1	43.8	+44.2
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 March 31, 2023, stood at ¥1,181.6 billion, an increase of ¥64.4 billion from the end of the previous fiscal year. Total current assets were up ¥31.6 billion primarily as a result of increases in notes and accounts receivable-trade, contract assets, and inventories. Total noncurrent assets were up ¥32.9 billion due to an increase in property, plant and equipment.

Interest-bearing debt as of March 31, 2023, amounted to ¥183.3 billion, down ¥25.1 billion from the previous fiscal year-end, as a result of a decrease in long-term borrowings. Furthermore, net interest-bearing debt—interest-bearing debt net of cash and cash equivalents—decreased ¥17.9 billion from the previous fiscal year-end, amounting to ¥99.1 billion on March 31, 2023.

Net assets on March 31, 2023, were ¥572.1 billion, up ¥48.3 billion from the previous fiscal year-end. This outcome was because of higher retained earnings. In addition, equity—total net assets net of non-controlling interests—was up ¥44.2 billion from the previous fiscal year-end, standing at ¥517.1 billion on March 31, 2023. 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.

(¥ billion)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Change
Net cash provided by (used in) operating activities	76.8	116.2	39.4
Net cash provided by (used in) investing activities	(22.4)	(49.5)	(27.1)
Free cash flow	54.5	66.7	12.2
Net cash provided by (used in) financing activities	(42.9)	(77.2)	(34.3)
Cash and cash equivalents at end of period	91.4	84.2	(7.2)

In the fiscal year ended March 31, 2023, consolidated free cash flow (net cash from operating activities + net cash from investing activities) was a positive ¥12.2 billion, an increase of ¥66.7 billion compared with positive free cash flow of ¥54.5 billion in the previous fiscal year.

Cash flows from operating activities
Net cash provided by operating activities was ¥116.2 billion, compared with net cash provided by operating activities of ¥76.8 billion in the previous fiscal year. Major factors increasing cash included the recording of income before income taxes and a rise notes and accounts payable-trade. Major factors decreasing cash included increases in notes and accounts receivable-trade, contract assets, and inventories

This was an increase of ¥39.4 billion year on year.

Cash flows from investing activities
Net cash used in investing activities was ¥49.5 billion, compared with net cash used in investing activities of ¥22.4 billion in the previous fiscal year. This outcome was primarily a result of the purchase

of property, plant and equipment, which offset proceeds from sales of investment securities.

This was a deterioration of ¥27.1 billion year on year.

Cash flows from financing activities
Net cash used in financing activities was ¥77.2 billion, compared with net cash used in financing activities of ¥42.9 billion in the previous fiscal year. This was principally due to repayments of long-term borrowings and repayments of lease obligations.

As a result, consolidated cash and cash equivalents on March 31, 2023, amounted to ¥84.2 billion, down ¥7.2 billion from the previous fiscal year-end.

(3) Basic Policy Regarding Distribution of Earnings and Dividends for the Fiscal Year Ended March 31, 2023, and the Fiscal Year Ending March 31, 2024

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, 2023, forecasted performance for the fiscal year ending March 31, 2024, and our financial position, we plan to pay a year-end dividend of ¥60 per share for the fiscal year ended March 31, 2023, which will make for an annual dividend of ¥115 per share, when including the interim dividend.

We have not yet decided the dividend to be paid for the fiscal year ending March 31, 2024

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