Financial Performance

(1) Qualitative Information regarding Consolidated Results of Operations

The targets of Fuji Electric's Reiwa Prosperity 2023 medium-term management plan, which concludes with the fiscal year ending March 31, 2024, were accomplished a year ahead of schedule in the fiscal year ended March 31, 2023. Specifically, these targets were net sales of ¥1 trillion and an operating profit ratio of more than 8.0%. To achieve further growth in the fiscal year ending March 31, 2024, the year of the centennial anniversary of Fuji Electric's founding, the Company will move 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 addition, adaptiveness toward operating environment changes will be heightened with the goal of growing sales and profit.

In the six-month period ended September 30, 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 growth in investments for achieving carbon neutrality and promoting digitalization. Meanwhile, the outlook remains opaque as a result of the continuation of sluggish capital investment trends in China as well as global monetary tightening.

In this environment, production capacity increases for power semiconductors were carried out in response to growing demand while ongoing steps were taken to optimize production systems to accommodate demand and to minimize the impacts on part procurement from geopolitical risks and supply chain disruptions.

Due to these factors, increases were seen in the sales of all segments, with the exception of the Power Generation segment, resulting in consolidated net sales in the six-month period ended September 30, 2023, rising ¥44.6 billion, or 10%, year on year, to ¥491.7 billion.

Although profit was impacted by high material and energy prices as well as by rising expenses for research and development and production capacity augmentations, overall profit 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 profit rose ¥8.3 billion year on year, to ¥35.0 billion; ordinary profit was up ¥5.7 billion, to ¥34.6 billion; and profit attributable to owners of parent increased ¥4.1 billion, to ¥24.3 billion. New record highs were posted for net sales, operating profit, ordinary profit, and profit attributable to owners of parent.

Consolidated results of operations for the six-month period ended September 30, 2023, were as follows.

(¥ billion)

	Six-month period ended September 30, 2022	Six-month period ended September 30, 2023	Change
Net sales	447.1	491.7	44.6
Operating profit	26.7	35.0	8.3
Ordinary profit	28.9	34.6	5.7
Profit attributable to owners of parent	20.3	24.3	4.1

Results by Segment

Power Electronics Energy
Net sales: ¥122.8 billion (up 6% year on year)
Operating profit: ¥8.7 billion (down ¥0.9 billion year on year)

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

・In the energy management business, net sales were up year on year as a result of increases in large-scale orders for substation equipment for industrial applications and for power supply equipment. However, operating results were down year on year due to differences in profitability between projects.

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

・In the ED&C components business, net sales and operating results were down year on year due to reductions in demand from finished equipment manufacturers and for semiconductor production equipment.

Power Electronics Industry
Net sales: ¥171.2 billion (up 14% year on year)
Operating profit: ¥5.0 billion (up ¥3.9 billion year on year)

In the Power Electronics Industry segment, net sales and operating profit were up year on year as a result of higher demand in the automation systems business, the equipment construction business, and the IT solutions business.

・In the automation systems business, net sales and operating results were up year on year largely as a result of increased production of factory automation components.

・In the social solutions business, net sales and operating results were up year on year due to increases in orders for radiation-related equipment.

・In the equipment construction business, net sales and operating results were up year on year as a result of the recording of large-scale orders for air-conditioning equipment construction.

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

Semiconductor
Net sales: ¥108.5 billion (up 12% year on year)
Operating profit: ¥16.8 billion (up ¥1.8 billion year on year)

・In the semiconductor business, net sales increased year on year due to growth in demand for power semiconductors for electrified vehicles (xEVs). The growth in sales led to operating results improving year on year, despite the rise in expenses for bolstering power semiconductor production capacity and the increases in material costs.

Power Generation
Net sales: ¥32.5 billion (down 6% year on year)
Operating profit: ¥0.1 billion (compared with operating loss of ¥0.5 billion in the previous equivalent period)

・In the power generation business, net sales were down year on year due to the absence of large-scale renewable energy projects recorded in the previous equivalent period while operating results were up as a result of differences in profitability between projects and the benefits of cost reduction activities.

Food and Beverage Distribution
Net sales: ¥53.2 billion (up 19% year on year)
Operating profit: ¥5.4 billion (up ¥2.2 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 and operating results were up year on year due to higher orders for counter fixtures combined with growth in demand for convenience store equipment renovations.

Others
Net sales: ¥31.3 billion (up 9% year on year)
Operating profit: ¥2.1 billion (up ¥0.5 billion year on year)

(2) Quantitative Information regarding Consolidated Financial Position

(¥ billion)

	March 31, 2023	Breakdown (%)	September 30, 2023	Breakdown (%)	Change
Total assets	1,181.6	100.0	1,172.9	100.0	(8.6)
Interest-bearing debt	183.3	15.5	157.0	13.4	(26.3)
Equity*1	517.1	43.8	541.1	46.1	+24.0
Debt-to-equity ratio*2 (times)	0.4		0.3		(0.1)

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

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

Total assets on September 30, 2023, stood at ¥1,172.9 billion, a decrease of ¥8.6 billion from the end of the previous fiscal year. Total current assets were down ¥11.5 billion primarily as a result of decreases in cash and deposits and notes and accounts receivable-trade, which offset the increases in contract assets and inventories. Total noncurrent assets were up ¥2.9 billion due to an increase in property, plant and equipment, which outweighed the impacts of sales of investment securities and a decrease resulted from valuation difference on available-for-sale securities.

Interest-bearing debt as of September 30, 2023, amounted to ¥157.0 billion, down ¥26.3 billion from the previous fiscal year-end. Furthermore, net interest-bearing debt—interest-bearing debt net of cash and cash equivalents—decreased ¥1.7 billion from the previous fiscal year-end, amounting to ¥97.4 billion on September 30, 2023.

Net assets on September 30, 2023, were ¥595.8 billion, up ¥23.7 billion from the previous fiscal year-end. This outcome was because of higher retained earnings and an increase attributable to foreign currency translation adjustments. In addition, equity—total net assets net of non-controlling interests—was up ¥24.0 billion from the previous fiscal year-end, standing at ¥541.1 billion on September 30, 2023. The debt-to-equity ratio (interest-bearing debt ÷ equity) was 0.3 times, down 0.1 times 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, 2023, consolidated free cash flow (net cash from operating activities + net cash from investing activities) was a positive ¥13.2 billion, a decrease of ¥36.0 billion compared with a positive free cash flow of ¥49.2 billion in the previous equivalent period.

Cash flows from operating activities

Net cash provided by operating activities was ¥34.8 billion, compared with net cash provided by operating activities of ¥59.9 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 a decrease in cash generated of ¥25.0 billion year on year.

Cash flows from investing activities

Net cash used in investing activities was ¥21.6 billion, compared with net cash used in investing activities of ¥10.7 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 an increase in cash outflow of ¥10.9 billion year on year.

Cash flows from financing activities

Net cash used in financing activities was ¥41.9 billion, compared with net cash used in financing activities of ¥35.7 billion in the previous equivalent period. This was principally due to repayments of long-term borrowings and the redemption of bonds.

As a result, consolidated cash and cash equivalents on September 30, 2023, amounted to ¥59.6 billion, down ¥24.6 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, 2023, Fuji Electric has chosen not to revise the consolidated forecast for business results for the fiscal year ending March 31, 2024, that was announced together with financial results for three-month period ended June 30, 2023, on July 27, 2023. This decision was made despite the following disparities between the performance and forecasts for individual segments.

The forecast assumes exchange rates of US$1 = ¥140, €1 = ¥150, and RMB1 = ¥19.5 for the period from October 1, 2023, onward.

(Consolidated Forecasts for the Fiscal Year Ending March 31, 2024)

(¥ billion)

	Previous announcement	Today's announcement	Change
Net sales	1,060.0	1,060.0	0.0
Operating profit	96.0	96.0	0.0
Ordinary profit	94.5	94.5	0.0
Profit attributable to owners of parent	64.5	64.5	0.0

(Reference: Consolidated Forecasts for the Fiscal Year Ending March 31, 2024, by Segment)

(¥billion)

	Previous announcement		Today's announcement		Change	
	Sales	Operating profit	Sales	Operating profit	Sales	Operating profit
Energy	337.0	29.2	332.0	27.0	(5.0)	(2.2)
Industry	403.0	32.5	406.0	32.6	3.0	0.1
Semiconductor	225.0	33.8	223.0	34.3	(2.0)	0.5
Food and Beverage Distribution	96.0	5.0	99.0	6.5	3.0	1.5
Others	60.0	3.4	60.0	3.8	0.0	0.4
Elimination and Corporate	(61.0)	(7.9)	(60.0)	(8.2)	1.0	(0.3)
Total	1,060.0	96.0	1,060.0	96.0	0.0	0.0

Effective October 1, 2023, the Power Electronics Energy, Power Electronics Industry, and Power Generation segments were reorganized to form the Energy and Industry segments. Accordingly, the Company now has five reportable segments—Energy, Industry, Semiconductor, Food and Beverage Distribution, and Others. Previously announced figures have been restated to reflect this change in reportable segments.

###