## Financial Performance

### (1) Qualitative Information regarding Consolidated Results of Operations

In the six-month period ended September 30, 2019, 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 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.

Overseas, the operating environment for the six-month period ended September 30, 2019, saw an increased trend toward the curtailing of investments centered on China and other parts of Asia as a result of the prolongation of the trade friction between the United States and China that continued on from the previously fiscal year. In Japan, the slowdown in the overseas market resulted in bearish exports of machine tools. Regardless, demand for investments in replacements of aged equipment remained firm.

Consolidated net sales in the six-month period ended September 30, 2019, decreased ¥12.8 billion year on year, to ¥406.7 billion. Factors behind this decrease included the rebound from large-scale projects recorded in the previous equivalent period as well as the fact that demand was down in the four segments other than the Power Electronics Systems Energy and Others segments occurred as forecast. The reduction in demand was a result of the trends toward production adjustment and curtailed capital investment triggered by the trade friction between the United States and China.

As a result of the lower sales and the impacts of foreign exchange influences, which offset the benefits of cost reduction efforts, consolidated operating income decreased ¥7.4 billion year on year, to ¥11.1 billion; ordinary income was down ¥8.6 billion, to ¥10.9 billion; and net income attributable to owners of parent declined ¥6.6 billion, to ¥6.0 billion.

Consolidated results of operations for the six-month period were as follows.

(¥ billion)

| | Six-month period ended September 30, 2018 | Six-month period ended September 30, 2019 | Change |
|---|---|---|---|
| Net sales | 419.4 | 406.7 | (12.8) |
| Operating income | 18.5 | 11.1 | (7.4) |
| Ordinary income | 19.4 | 10.9 | (8.6) |
| Net income attributable to owners of parent | 12.5 | 6.0 | (6.6) |

Results by Segment

**Power Electronics Systems Energy**
**Net sales: ¥98.1 billion (up 5% year on year)**
**Operating income: ¥3.6 billion (down ¥1.3 billion year on year)**

In the Power Electronics Systems Energy segment, net sales were up year on year following strong demand in the power supply and facility systems business, but operating income was down as a result of lower demand in the ED&C components business.

・In the energy management business, net sales decreased year on year primarily as a result of the rebound from large-scale projects undertaken overseas during the previous equivalent period. However, operating results improved year on year due to the benefits of cost reduction efforts.

・In the power supply and facility systems business, net sales and operating results improved year on year, despite the absence of a large-scale order recorded in the previous equivalent period in Japan, as a result of a rise in large-scale overseas orders in switchgear and controlgear operations.

・In the ED&C components business, net sales and operating results worsened year on year due to reduced demand from machine tool and other equipment manufacturers.

**Power Electronics Systems Industry**
**Net sales: ¥138.7 billion (down 2% year on year)**
**Operating loss: ¥0.7 billion (compared with operating income of ¥1.9 billion in the previous equivalent period)**

In the Power Electronics Systems Industry segment, net sales decreased and an operating loss was posted, despite operating income being recorded in the previous equivalent period. Factors behind this outcome included lower demand in the automation systems business and the absence of large-scale projects recorded in the previous equivalent period in the social solutions business.

・In the automation systems business, net sales and operating results worsened year on year following reduced demand for low-voltage inverters and factory automation components in Japan and overseas.

・In the social solutions business, net sales and operating results worsened year on year due to the absence of large-scale projects for electrical equipment for railcars recorded in the previous equivalent period.

・In the equipment construction business, net sales decreased year on year following declines in electrical and air-conditioning equipment construction projects. However, 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 because of a rise in large-scale orders in the private sector.

**Electronic Devices**
**Net sales: ¥65.8 billion (down 8% year on year)**
**Operating income: ¥6.0 billion (down ¥2.6 billion year on year)**

・In the electronic devices business, net sales and operating income worsened year on year as the benefits of higher demand for automotive power semiconductors for electrified vehicles (xEVs) were outweighed by the impacts of lower demand in the industrial field centered on the Japanese and

Chinese markets as well as the impacts of foreign exchange influences.

**Food and Beverage Distribution**
**Net sales: ¥54.7 billion (down 3% year on year)**
**Operating income: ¥2.9 billion (up ¥0.3 billion year on year)**

・In the vending machine business, net sales and operating results worsened year on year due to reduced demand in the Japanese and Chinese markets.

・In the store distribution business, net sales and operating results improved year on year thanks to an increase in demand for store equipment for convenience stores.

**Power Generation**
**Net sales: ¥41.8 billion (down 15% year on year)**
**Operating income: ¥0.8 billion (down ¥1.1 billion year on year)**

・In the power generation business, net sales and operating results worsened year on year as the decline in large-scale solar power generation system projects outweighed the increase in large-scale thermal and geothermal power generation system projects.

**Others**
**Net sales: ¥30.7 billion (up 1% year on year)**
**Operating income: ¥1.2 billion (unchanged year on year)**

Note: Effective April 1, 2019, the Power Electronics Systems—Energy Solutions and Power Electronics Systems—Industry Solutions reporting segments were changed to form the Power Electronics Systems Energy and Power Electronics Systems Industry segments. In addition, the Power and New Energy segment was renamed the Power Generation segment. Year-on-year comparisons have been calculated using figures for the six-month period ended September 30, 2018, that have been restated to reflect these changes.

## (2) Quantitative Information regarding Consolidated Financial Position

(¥ billion)

| | March 31, 2019 | Breakdown (%) | September 30, 2019 | Breakdown (%) | Change |
|---|---|---|---|---|---|
| Total assets | 952.7 | 100.0 | 950.4 | 100.0 | (2.2) |
| Interest-bearing debt | 154.0 | 16.2 | 185.9 | 19.6 | +31.9 |
| Shareholder's equity*1 | 352.9 | 37.0 | 352.5 | 37.1 | (0.4) |
| Debt-to-equity ratio*2 (times) | 0.4 | | 0.5 | | +0.1 |

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

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

Total assets on September 30, 2019, stood at ¥950.4 billion, a decrease of ¥2.2 billion from the end of the previous fiscal year. Total current assets decreased ¥12.3 billion primarily as a result of a decline in notes and accounts receivable-trade, which offset a rise in inventories. Total noncurrent assets were up ¥10.1 billion due to higher intangible assets and an increase stemming from valuation difference on available-for-sale securities.

Interest-bearing debt as of September 30, 2019, amounted to ¥185.9 billion, up ¥31.9 billion from the previous fiscal year-end. Further, net interest-bearing debt—interest-bearing debt net of cash and cash equivalents—increased ¥38.4 billion from the previous fiscal year-end, amounting to ¥163.2 billion on September 30, 2019.

Net assets on September 30, 2019, stood at ¥390.6 billion, down ¥1.5 billion from the previous fiscal year-end. This outcome was because of a decrease stemming from foreign currency translation adjustments, which counteracted an increase associated with valuation difference on available-for-sale securities. In addition, shareholders' equity—total net assets net of non-controlling interests—was down ¥0.4 billion from the previous fiscal year-end, standing at ¥352.5 billion on September 30, 2019. The debt-to-equity ratio (interest-bearing debt ÷ shareholders' equity) was 0.5 times, up 0.1 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.

In the six-month period ended September 30, 2019, consolidated free cash flow (net cash from operating activities + net cash from investing activities) was a negative ¥22.6 billion, a deterioration of ¥31.8 billion compared with a positive free cash flow of ¥9.2 billion in the previous equivalent.

**Cash flows from operating activities**

Net cash provided by operating activities was ¥1.3 billion, compared with ¥18.0 billion in the previous equivalent period. Major factors increasing cash included a decrease in notes and accounts receivable-trade, a result of efforts to collect receivables. Major factors decreasing cash included an increase in inventories.

This was a deterioration of ¥16.7 billion year on year.

**Cash flows from investing activities**

Net cash used in investing activities was ¥23.8 billion, compared with ¥8.7 billion in the previous equivalent period. This was primarily related to the purchase of property, plant and equipment and of shares of subsidiaries.

This was a deterioration of ¥15.1 billion year on year.

**Cash flows from financing activities**

Net cash provided by financing activities was ¥16.8 billion, compared with net cash used in financing activities of ¥15.1 billion in the previous equivalent period. This was principally due to an increase in commercial papers.

As a result, consolidated cash and cash equivalents on September 30, 2019, amounted to ¥22.7 billion, down ¥6.5 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, 2019, Fuji Electric has chosen to revise the consolidated forecast for business results for the fiscal year ending March 31, 2019, that was announced together with financial results for the three-month period ended June 30, 2019, on July 25, 2019.

The forecast assumes exchange rates of US$1 = ¥105, €1 = ¥123, and RMB1 = ¥15 for the period from October 1, 2019, onward.

(Consolidated Forecasts for the Fiscal Year Ending March 31, 2020) (¥ billion)

| | Previous announcement | Revised announcement | Change |
|---|---|---|---|
| Net sales | 930.0 | 915.0 | (15.0) |
| Operating income | 62.0 | 50.0 | (12.0) |
| Ordinary income | 63.6 | 51.6 | (12.0) |
| Net income attributable to owners of parent | 40.4 | 33.0 | (7.4) |

(Reference: Consolidated Forecasts for the Fiscal Year Ending March 31, 2020, by Segment)

(¥billion)

| | Net sales | | | Operating income (loss) | | |
|---|---|---|---|---|---|---|
| | Previous announcement | Revised announcement | Change | Previous announcement | Revised announcement | Change |
| Power Electronics Systems Energy | 220.0 | 217.0 | (3.0) | 16.8 | 13.8 | (3.0) |
| Power Electronics Systems Industry | 332.0 | 337.0 | 5.0 | 21.9 | 19.4 | (2.5) |
| Electronic Devices | 150.3 | 136.0 | (14.3) | 17.5 | 11.6 | (5.9) |
| Food and Beverage Distribution | 113.6 | 112.0 | (1.6) | 6.6 | 5.8 | (0.8) |
| Power Generation | 116.0 | 116.0 | 0.0 | 4.3 | 4.3 | 0.0 |
| Others | 60.0 | 60.0 | 0.0 | 2.2 | 2.4 | 0.2 |
| Elimination and Corporate | (61.9) | (63.0) | (1.1) | (7.4) | (7.3) | 0.1 |
| Total | 930.0 | 915.0 | (15.0) | 62.0 | 50.0 | (12.0) |

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