

Review of Operations

Fiscal 2018 Performance

Seeking to complete the FY2018 Medium-Term Management Plan, Fuji Electric strengthened the power electronics systems business and aggressively invested in the expansion of its power semiconductor operations while also pursuing increased profitability by further enhancing manufacturing capabilities and re-energizing the Companywide Pro-7 Activities that are aimed at improving work quality.

Consolidated net sales in fiscal 2018 increased ¥21.5 billion year on year, to ¥914.9 billion, due to higher demand centered on the Power Electronics Systems—Energy Solutions segment, the Electronic Devices segment, and the Power and New Energy segment. Despite the impacts of slowdown in demand seen in the second half of the fiscal year as well as increased costs associated with a large-scale project in the Power and New Energy segment, operating income rose ¥4.0 billion year on year, to ¥60.0 billion.

As a result, we achieved the targets of the FY2018 Medium-Term Management Plan for net sales, operating income, and net income attributable to owners of parent as well as for all relevant financial indicators.

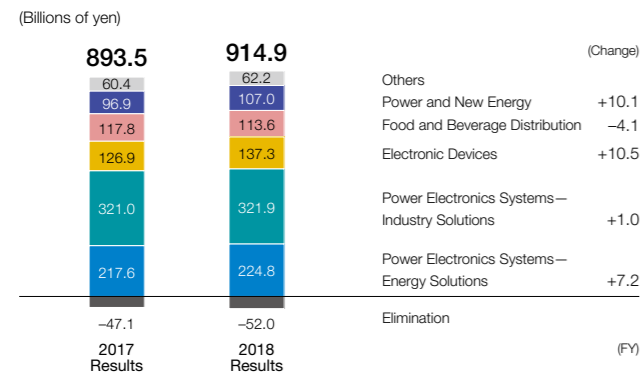
(Billions of yen)	FY2017 Results	FY2018 Results	Change	FY2018 Medium-Term Management Plan (Target)
Net Sales	893.5	914.9	+21.5	900.0
Operating Income	56.0	60.0	+4.0	54.0
Operating Margin	6.3%	6.6%	+0.3pt	6.0%
Net Income Attributable to Owners of Parent	37.8	40.3	+2.5	34.0

Financial Indicators

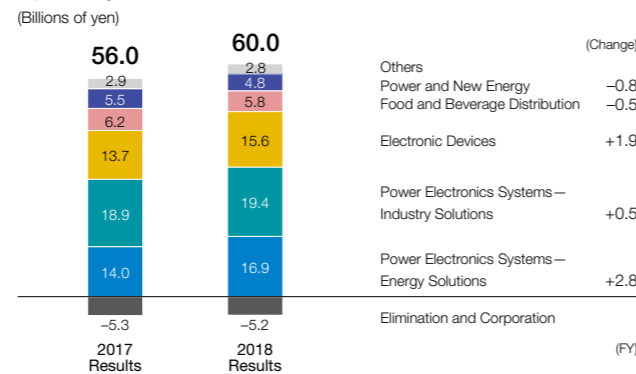
Net Debt-to-Equity Ratio*	0.4 times	0.4 times	—	0.7 times
Equity Ratio	36%	37%	+1pt	32%
ROA	4%	4%	—	4%
ROE	12%	12%	—	12%

*Net interest-bearing debt / Shareholders' equity

Net Sales



Operating Income



Major Initiatives by Segment

Segment	Major Initiatives
Power Electronics Systems—Energy Solutions	<ul style="list-style-type: none"> Expanded comprehensive electrical equipment supply operations (semiconductor factories, data centers, oil depots, etc.) Aggressively capitalized on substation replacement demand Commercialized new storage battery systems using reused electric vehicle storage batteries
Power Electronics Systems—Industry Solutions	<ul style="list-style-type: none"> Developed ship exhaust gas cleaning systems and delivered first unit Established joint venture company with Dalian Bingshan Group Co., Ltd., to strengthen system operations in China Commenced production of low-voltage inverters in India and France Developed and launched OnePackEdge package bundling everything from production floor data collection to analysis Developed inverters for railcars
Electronic Devices	<ul style="list-style-type: none"> Invested in power semiconductor production capacity increases Advanced development of 4th-generation direct liquid-cooling automotive modules
Food and Beverage Distribution	<ul style="list-style-type: none"> Expanded lineup of vending machines (IoT-powered, beverage, food and other items) for the Chinese market Commenced production of vending machines for the Southeast Asia market (P.T. Fuji Metec Semarang) Developed and deployed store fixtures and equipment for addressing labor shortages
Power and New Energy	<ul style="list-style-type: none"> Commenced on-site construction in Kenya for first geothermal power generation plant order received in Africa Received several scrap and build* orders pertaining to hydro power generation systems

* Projects in which aged, inefficient facilities are decommissioned and replaced with new facilities to improve efficiency

Fiscal 2019 Management Plan

In fiscal 2019, the first year of the FY2023 Medium-Term Management Plan, Fuji Electric will strengthen the power electronics systems business, aggressively invest in and expand its power semiconductor operations, and pursue improvements in operational efficiency and work quality through Pro-7 Activities.

We will target net sales of ¥930.0 billion in fiscal 2019, a year-on-year increase of ¥15.1 billion, while working toward a record-breaking ¥62.0 billion in operating income, an increase of ¥2.0 billion. Companywide performance is expected to be driven by higher sales volumes of inverters, other components, and ship exhaust gas cleaning systems in the Power Electronics Systems Industry segment and of automotive and other power semiconductors in the Electronic Devices segment. During fiscal 2019, capital expenditures and R&D activities will be primarily aimed at the Power Electronics Systems segment and the Electronic Devices segment (namely power semiconductors), both areas where we anticipate growth.

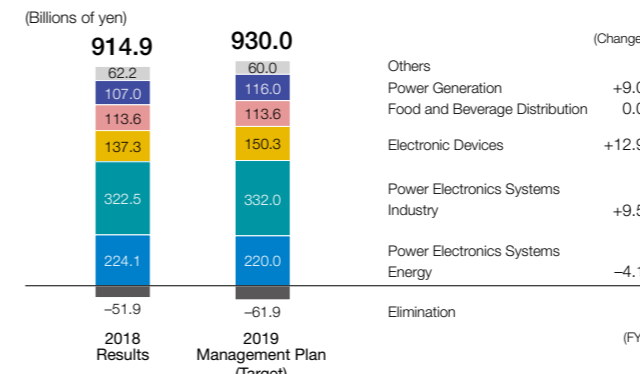
(Billions of yen)	FY2018 Results	FY2019 Management Plan (Target)	Change
Net Sales	914.9	930.0	+15.1
Operating Income	60.0	62.0	+2.0
Operating Margin	6.6%	6.7%	+0.1pt
Net Income Attributable to Owners of Parent	40.3	40.4	+0.1

Financial Indicators

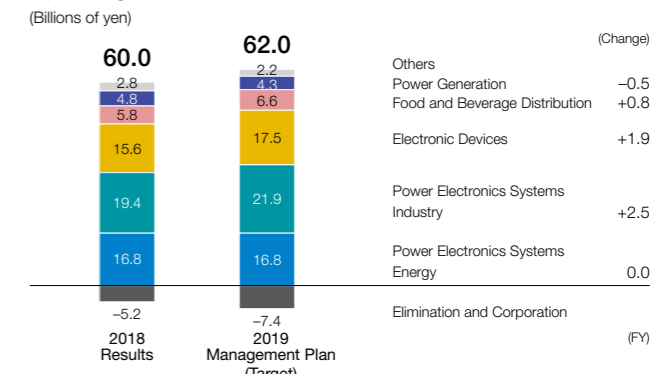
Net Debt-to-Equity Ratio	0.4 times	0.4 times	—
Equity Ratio	37%	40%	+3pt
ROA	4%	4%	—
ROE	12%	11%	-1pt

Note: Assumed exchange rates for fiscal 2019: ¥105 to the U.S. dollar; ¥123 to the Euro; ¥16 to the RMB

Net Sales

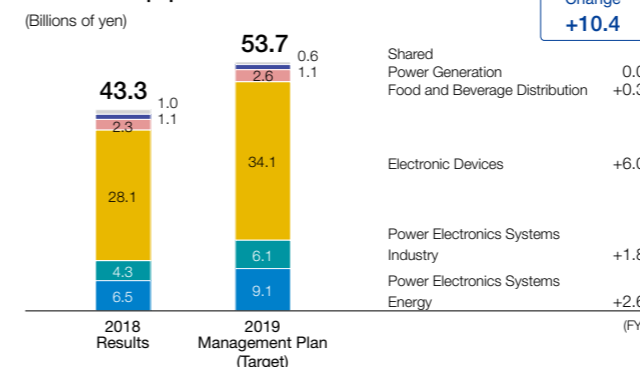


Operating Income

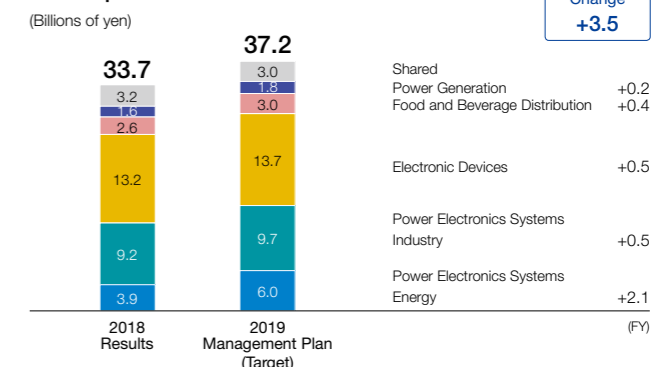


Note: The Power Electronics Systems—Energy Solutions and Power Electronics Systems—Industry Solutions segments have been reorganized to form the Power Electronics Systems Energy and Power Electronics Systems Industry segments from fiscal 2019. In addition, the Power and New Energy segment has been renamed the Power Generation segment. Figures for fiscal 2018 have been restated to reflect these changes.

Plant and Equipment Investment



R&D Expenditures



Note: Figures for R&D expenditures above have been divided by segment based on theme and may therefore differ from the figures contained in the consolidated financial report for the fiscal year ended March 31, 2019.

Segment	Major Plant and Equipment Investment	Major R&D Expenditures
Power Electronics Systems Energy	Construction of switchgear and controlgear system factories (Thailand)	Global products (transformers, switchgears, etc.)
Power Electronics Systems Industry	Ship exhaust gas cleaning systems, etc.	SiC-equipped power electronics devices, factory automation systems, servo systems, etc.
Electronic Devices	Increased power semiconductor production capacity	IGBTs for electric vehicles, 7th-generation IGBTs (large-capacity series), etc.
Food and Beverage Distribution	—	Vending machines for Chinese and Asian markets, energy-saving and labor-saving store distribution products
Power Generation	—	Service technologies and products