

Financial Performance

(1) Qualitative Information regarding Consolidated Results of Operations

In the nine-month period ended December 31, 2018, the outlook for the Company's operating environment overseas grew increasingly opaque due factors including the trade friction between the United States and China. In addition, a trend toward limited investment emerged in the Chinese market during the second half of the fiscal year. In Japan, meanwhile, robust demand was seen for investments in replacements of aged equipment, production equipment automation aimed at productivity improvements, labor saving, and energy conservation, although there was slowdown in certain sectors of the domestic economy.

In this environment, we seek to complete the measures put forth in the FY2018 Medium-Term Management Plan, Renovation 2018, which is scheduled to conclude with the fiscal year ending March 31, 2019. To this end, we are aggressively investing in the strengthening of the power electronics systems business and in the expansion of our power semiconductors 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 the nine-month period ended December 31, 2018, increased ¥21.1 billion year on year, to ¥622.3 billion, despite the slowdown seen in the Electronic Devices segment, Food and Beverage Distribution segment and other segments.

Performance was impacted by sluggish demand as well as increased costs associated with a large-scale project in the Power and New Energy segment, both occurrences seen in the third quarter of the fiscal year. Regardless, consolidated operating income in the nine-month period ended December 31, 2018, rose ¥2.1 billion year on year, to ¥24.5 billion due to the benefits of higher sales and cost reduction efforts. In addition, ordinary income was up ¥4.6 billion, to ¥26.5 billion, and net income attributable to owners of parent increased ¥3.0 billion, to ¥16.4 billion. All of these figures represented new nine-month highs.

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

	(¥ billion)		
	Nine-month period ended December 31, 2017	Nine-month period ended December 31, 2018	Change
Net sales	601.2	622.3	21.1
Operating income	22.4	24.5	2.1
Ordinary income	21.8	26.5	4.6
Net income attributable to owners of parent	13.4	16.4	3.0

Results by Segment

Power Electronics Systems—Energy Solutions

Net sales: ¥144.3 billion (up 1% year on year)

Operating income: ¥7.9 billion (up ¥3.2 billion year on year)

In the Power Electronics Systems—Energy Solutions segment, net sales and operating income were up year on year due to strong performance in the power supply and facility systems business and the ED&C components business.

- In the energy management business, net sales decreased year on year primarily as a result of reduced demand for smart meters and industrial power supply equipment. 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 due to an increase in large-scale orders.
- In the ED&C components business, net sales and operating results improved year on year because of higher demand seen from distribution panel manufacturers.

Power Electronics Systems—Industry Solutions

Net sales: ¥212.4 billion (up 3% year on year)

Operating income: ¥4.3 billion (up ¥1.5 billion year on year)

In the Power Electronics Systems—Industry Solutions segment, net sales and operating income increased year on year. Performance was driven by the factory automation business as well as by the equipment construction business and the IT solutions business.

- In the factory automation business, net sales and operating results improved year on year due to increased domestic demand centered on low-voltage inverters, motors, and factory automation systems, the benefits of which outweighed the impacts of the bearish trends seen overseas during the second half of the fiscal year.
- In the process automation business, net sales and operating results worsened year on year due to the absence of large-scale orders recorded in the previous equivalent period.
- In the social solutions business, net sales decreased year on year following lower demand for electrical equipment for railcars while operating results improved year on year due to the benefits of cost reduction efforts.
- In the equipment construction business, net sales and operating results improved year on year following an increase in orders for factory power distribution equipment and other electrical equipment construction.
- In the IT solutions business, net sales and operating results improved year on year due to an increase in orders centered on the public sector.

Power and New Energy

Net sales: ¥71.1 billion (up 27% year on year)

Operating loss: ¥0.5 billion (compared with operating income of ¥1.4 billion in the previous equivalent period)

- In the power and new energy business, net sales increased year on year following growth in orders for thermal and geothermal power generation systems as well as for solar power generation systems, but operating results worsened year on year due to higher costs associated with a large-scale order.

Electronic Devices

Net sales: ¥103.8 billion (up 5% year on year)

Operating income: ¥11.7 billion (up ¥0.8 billion year on year)

- In the electronic devices business, net sales and operating results improved year on year thanks to the robust demand for power semiconductors for automotive applications as well as higher demand for magnetic disks. These factors offset the impacts of the slowdown in the industrial power semiconductor market that emerged during the second half of the fiscal year.

Food and Beverage Distribution

Net sales: ¥81.7 billion (down 5% year on year)

Operating income: ¥3.2 billion (down ¥1.3 billion year on year)

- In the vending machine business, net sales and operating results improved year on year largely thanks to increased demand from domestic customers.
- In the store distribution business, net sales and operating results worsened year on year because of a decline in demand for store equipment for convenience stores.

Others

Net sales: ¥45.9 billion (up 1% year on year)

Operating income: ¥1.8 billion (down ¥0.5 billion year on year)

Note: Effective April 1, 2018, the businesses contained within the Power Electronics Systems—Energy Solutions and the Power Electronics Systems—Industry Solutions reporting segments were changed to reflect a structural reorganization. Year-on-year comparisons have been calculated using figures for the nine-month period ended December 31, 2017, that have been restated to reflect this change.

(2) Quantitative Information regarding Consolidated Financial Position

(¥ billion)

	March 31, 2018	Breakdown (%)	Dec. 31, 2018	Breakdown (%)	Change
Total assets	914.7	100.0	938.5	100.0	23.8
Interest-bearing debt	163.5	17.9	200.1	21.3	36.6
Shareholder's equity*1	330.6	36.1	322.2	34.3	(8.4)
Debt-to-equity ratio*2 (times)	0.5		0.6		0.1

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

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

Total assets on December 31, 2018, stood at ¥938.5 billion, an increase of ¥23.8 billion from the end of the previous fiscal year. Total current assets increased ¥54.0 billion primarily as a result of the rise in inventories. Total noncurrent assets were down ¥30.3 billion due to a decrease in net defined benefit asset as well as a decrease stemming from valuation difference on available-for-sale securities.

Interest-bearing debt as of December 31, 2018, amounted to ¥200.1 billion, up ¥36.6 billion from the previous fiscal year-end. Further, net interest-bearing debt—interest-bearing debt net of cash and cash equivalents—increased ¥42.2 billion from the previous fiscal year-end, amounting to ¥174.4 billion on December 31, 2018.

Net assets on December 31, 2018, stood at ¥359.6 billion, down ¥7.0 billion from the previous fiscal year-end. This outcome was because a decrease stemming from valuation difference on available-for-sale securities offset an increase in retained earnings. In addition, shareholders' equity—total net assets net of non-controlling interests—was down ¥8.4 billion from the previous fiscal year-end, standing at ¥322.2 billion on December 31, 2018. The debt-to-equity ratio (interest-bearing debt ÷ shareholders' equity) was 0.6 times, up 0.1 times from the previous fiscal year-end. 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.

(3) Qualitative Information regarding Consolidated Forecasts and Forecast Information

In light of the business result trends seen in the nine-month period ended December 31, 2018, 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 six-month period ended September 30, 2018, on October 25, 2018.

The forecast assumes exchange rates of US\$1 = ¥105 and € 1 = ¥125 for the period from January 1, 2019, onward.

(Consolidated Forecasts for the Fiscal Year Ending March 31, 2019) (¥ billion)

	Previous announcement	Revised announcement	Change
Net sales	910.0	905.0	(5.0)
Operating income (loss)	61.0	58.0	(3.0)
Ordinary income (loss)	62.5	60.0	(2.5)
Net income attributable to owners of parent	41.5	38.0	(3.5)

(Reference: Consolidated Forecasts for the Fiscal Year Ending March 31, 2019, by Segment) (¥ billion)

	Net sales			Operating income (loss)		
	Previous announcement	Revised announcement	Change	Previous announcement	Revised announcement	Change
Power Electronics Systems—Energy Solutions	225.0	225.0	0.0	17.4	17.4	0.0
Power Electronics Systems—Industry Solutions	323.0	323.0	0.0	19.2	19.2	0.0
Power and New Energy	102.0	102.0	0.0	6.2	4.2	(2.0)
Electronic Devices	140.0	134.0	(6.0)	15.9	15.0	(0.9)
Food and Beverage Distribution	113.0	113.0	0.0	6.2	6.2	0.0
Others	62.1	62.1	0.0	2.4	2.4	0.0
Elimination and Corporate	(55.1)	(54.1)	1.0	(6.4)	(6.5)	(0.1)
Total	910.0	905.0	(5.0)	61.0	58.0	(3.0)