

Financial Performance

(1) Qualitative Information regarding Consolidated Results of Operations

In the fiscal year ended March 31, 2020, Fuji Electric launched Reiwa Prosperity 2023, a five-year medium-term management plan slated to conclude with the fiscal year ending March 31, 2024, the year in which we will 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 and power semiconductor businesses, and the expansion of overseas businesses.

In the six-month period ended September 30, 2021, the operating environment continued to recover from the impacts of the global COVID-19 pandemic, and capital investment was strong in the manufacturing industry. Amid these trends, high levels of demand were seen for machine tools while the rising needs for automobile electrification and energy saving stimulated substantial growth in ED&C component, automation systems, and semiconductor demand.

Against this backdrop, consolidated net sales in the six-month period ended September 30, 2021, increased ¥40.7 billion year on year, to ¥397.7 billion, despite the impacts of difficulties procuring components on production, as a result of higher sales in all segments, except Power Generation, achieved by optimizing supply chains and taking other steps to cater to the robust demand.

Although high material prices impacted income, overall income benefited from sales growth coupled with cost reduction activities and increases to product sales prices. As a result, consolidated operating income rose ¥11.0 billion year on year, to ¥16.3 billion; ordinary income was up ¥11.7 billion, to ¥16.9 billion; and net income attributable to owners of parent increased ¥11.9 billion, to a record high of ¥14.0 billion.

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

(¥ billion)

	Six-month period ended September 30, 2020	Six-month period ended September 30, 2021	Change
Net sales	357.0	397.7	40.7
Operating income	5.3	16.3	11.0
Ordinary income	5.2	16.9	11.7
Net income attributable to owners of parent	2.1	14.0	11.9

Results by Segment

Power Electronics Energy

Net sales: ¥104.1 billion (up 27% year on year)

Operating income: ¥4.2 billion (up ¥2.6 billion year on year)

In the Power Electronics Energy segment, net sales and operating income were up year on year due to higher demand in all businesses centered on the ED&C components business.

- In the energy management business, net sales were up year on year as a result of large-scale projects for substation equipment for the power distribution and industrial fields, but operating results were down year on year because of 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 large-scale data center- and semiconductor-related projects.
- In the ED&C components business, net sales and operating results improved year on year due to significantly higher demand from domestic and overseas manufacturers of machine tools and other finished equipment

Power Electronics Industry

Net sales: ¥134.4 billion (up 5% year on year)

Operating income: ¥2.4 billion (up ¥2.2 billion year on year)

In the Power Electronics Industry segment, net sales and operating income were up year on year due to higher demand seen primarily in the automation systems business, which offset the decline in sales in the IT solutions business.

- In the automation systems business, net sales and operating results improved year on year due to the higher demand seen centered on low-voltage inverters and factory automation components in Japan and overseas.
- In the social solutions business, net sales and operating results improved year on year thanks to large-scale projects for electrical equipment for railcars.
- In the equipment construction business, net sales and operating results improved year on year due to higher demand for electrical equipment construction.
- In the IT solutions business, net sales and operating results decreased year on year due to the absence of the large-scale public- and academic-sector projects recorded in the previous equivalent period.

Note: Effective October 1, 2020, ship exhaust gas cleaning system operations were transferred from the automation systems business to the social solutions business. Figures for the previous fiscal year have been restated to reflect this change.

Semiconductor

Net sales: ¥85.0 billion (up 17% year on year)

Operating income: ¥11.8 billion (up ¥5.5 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 substantial growth in demand for power semiconductors for electrified vehicles (xEVs) and for industrial applications. Operating results improved year on year as the large increase in net sales offset the rise in expenses for bolstering power

semiconductor production capacity and for conducting research and development.

Power Generation

Net sales: ¥26.6 billion (down 19% year on year)

Operating loss: ¥1.1 billion (compared with operating income of ¥1.1 billion in the previous equivalent period)

• In the power generation business, net sales were down year on year due to the rebound from a large-scale renewable energy project recorded in the previous equivalent period. Operating results were down year on year because of the lower net sales and differences in profitability between projects.

Food and Beverage Distribution

Net sales: ¥44.3 billion (up 18% year on year)

Operating income: ¥0.9 billion (compared with operating loss of ¥2.6 billion in the previous equivalent period)

• In the vending machine business, net sales were up year on year while operating results improved due to the benefits of cost reduction activities.

• In the store distribution business, net sales and operating results were up year on year because of an increase in demand for store equipment for convenience stores.

Others

Net sales: ¥25.5 billion (up 2% year on year)

Operating income: ¥1.0 billion (up ¥0.3 billion year on year)

Notes:

1. Effective April 1, 2021, the Electronic Devices segment was renamed the Semiconductor segment.
2. Effective July 1, 2021, the Power Electronics Systems Energy segment was renamed the Power Electronics Energy segment and the Power Electronics Systems Industry segment was renamed the Power Electronics Industry segment.

(2) Quantitative Information regarding Consolidated Financial Position

(¥ billion)

	March 31, 2021	Breakdown (%)	September 30, 2021	Breakdown (%)	Change
Total assets	1,052.0	100.0	1,029.8	100.0	(22.2)
Interest-bearing debt	216.2	20.6	211.6	20.5	(4.6)
Equity*1	417.0	39.6	430.2	41.8	+13.2
Debt-to-equity ratio*2 (times)	0.5		0.5		0.0

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

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

Total assets on September 30, 2021, stood at ¥1,029.8 billion, a decrease of ¥22.2 billion from the end of the previous fiscal year. Total current assets decreased ¥26.5 billion primarily as a result of decreases in notes and accounts receivable-trade, contract assets, and inventories, which offset an increase in cash and deposits. Total noncurrent assets were up ¥4.3 billion due to an increase in property, plant and equipment.

Interest-bearing debt as of September 30, 2021, amounted to ¥211.6 billion, down ¥4.6 billion from the previous fiscal year-end. Further, net interest-bearing debt—interest-bearing debt net of cash and cash equivalents—decreased ¥26.4 billion from the previous fiscal year-end, amounting to ¥114.5 billion on September 30, 2021.

Net assets on September 30, 2021, were ¥476.0 billion, up ¥14.7 billion from the previous fiscal year-end. This outcome was because of higher retained earnings and an increase associated with valuation difference on available-for-sale securities. In addition, equity—total net assets net of non-controlling interests—was up ¥13.2 billion from the previous fiscal year-end, standing at ¥430.2 billion on September 30, 2021. The debt-to-equity ratio (interest-bearing debt ÷ equity) was 0.5 times, unchanged from the previous fiscal year-end. Also, the net debt-to-equity ratio (net interest-bearing debt ÷ Equity) was 0.3 times, unchanged from the previous fiscal year-end.

In the six-month period ended September 30, 2021, consolidated free cash flow (net cash from operating activities + net cash from investing activities) was a positive ¥53.0 billion, an improvement of ¥40.0 billion compared with a negative free cash flow of ¥13.0 billion in the previous equivalent period.

Cash flows from operating activities

Net cash provided by operating activities was ¥39.8 billion, compared with net cash used in operating activities of ¥2.1 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 a decrease in notes and accounts payable-trade.

This was an improvement of ¥42.0 billion year on year

Cash flows from investing activities

Net cash provided by investing activities was ¥0.2 billion, compared with net cash used in investing activities of ¥10.8 billion in the previous equivalent period. This outcome was primarily a result of proceeds from sales of investment securities, which offset the purchase of property, plant and equipment.

This was an improvement of ¥11.0 billion year on year

Cash flows from financing activities

Net cash used in financing activities was ¥19.2 billion, compared with net cash provided by financing activities of ¥104.3 billion in the previous equivalent period. This was principally due to repayments of lease obligations and cash dividends paid.

As a result, consolidated cash and cash equivalents on September 30, 2021, amounted to ¥97.1 billion, up ¥21.8 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, 2021, Fuji Electric has chosen to revise the consolidated forecast for business results for the fiscal year ending March 31, 2022, that was announced together with financial results for the fiscal year ended March 31, 2021, on April 27, 2021.

The forecast assumes exchange rates of US\$1 = ¥107, €1 = ¥127, and RMB1 = ¥16.5 for the period from October 1, 2021, onward.

(Consolidated Forecasts for the Fiscal Year Ending March 31, 2022) (¥ billion)

	Previous announcement	Today's announcement	Change
Net sales	900.0	900.0	0.0
Operating income	60.0	67.0	7.0
Ordinary income	61.0	68.0	7.0
Net income attributable to owners of parent	42.0	50.0	8.0

(Reference: Consolidated Forecasts for the Fiscal Year Ending March 31, 2022, by Segment)

(¥billion)

	Previous announcement		Today's announcement		Change	
	Net sales	Operating income (loss)	Net sales	Operating income (loss)	Net sales	Operating income (loss)
Power Electronics Energy	217.0	15.2	225.0	18.0	8.0	2.8
Power Electronics Industry	329.0	22.2	333.0	25.0	4.0	2.8
Semiconductor	174.0	21.6	170.0	25.0	(4.0)	3.4
Power Generation	84.0	3.3	84.0	3.3	0.0	0.0
Food and Beverage Distribution	87.5	2.7	87.5	2.7	0.0	0.0
Others	50.0	1.8	50.0	1.8	0.0	0.0
Elimination and Corporate	(41.5)	(6.8)	(49.5)	(8.8)	(8.0)	(2.0)
Total	900.0	60.0	900.0	67.0	0.0	7.0