Financial Performance

(1) Qualitative Information regarding Consolidated Results of Operations

1. Results of Operations in the Fiscal Year Ended March 31, 2022

In the fiscal year ended March 31, 2020, 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 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 fiscal year ended March 31, 2022, an ongoing recovery trend was seen in capital investment in the manufacturing industry that was stimulated by the global decarbonization movement and the resumption of economic activities. Against this backdrop, a consistently high level of demand was seen for machine tools while demand for other articles rose rapidly in response to the growing needs for automobile electrification and energy saving. Nevertheless, the outlook for the operating environment remains opaque due to rising material prices and shortages as well as other global supply chain issues resulted from the COVID-19 pandemic and changes in the international political climate.

In this environment, production capacity increases for power semiconductors were instituted ahead of schedule in response to robust demand while steps were taken to optimize supply chains, including forming relationships with multiple suppliers and altering designs to use alternative parts in order to address the difficulties in procuring certain parts. Due to these factors, large increases were seen in the sales of the Power Electronics Energy, Semiconductor, and Food and Beverage Distribution segments, resulting in consolidated net sales in the fiscal year ended March 31, 2022, rising ¥34.3 billion year on year, to ¥910.2 billion.

Although high material prices impacted income, overall income benefited from sales volume growth coupled with the benefits of increases to product sales prices and cost reduction activities centered on augmentations to factories. As a result, consolidated operating income rose ¥26.2 billion year on year, to ¥74.8 billion; ordinary income was up ¥28.9 billion, to ¥79.3 billion; and net income attributable to owners of parent increased ¥16.7 billion, to ¥58.7 billion. All three figures represented record highs.

In addition, an operating margin of 8.2% was posted, accomplishing the target of 8% or more put forth in the medium-term management plan two years ahead of schedule.

Consolidated results of operations for the fiscal year ended March 31, 2022, were as follows.

(¥ billion)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Change
Net sales	875.9	910.2	34.3
Operating income	48.6	74.8	26.2
Ordinary income	50.4	79.3	28.9
Net income attributable to owners of parent	41.9	58.7	16.7

2. Results by Segment

Power Electronics Energy
Net sales: ¥240.6 billion (up 15% year on year)
Operating income: ¥21.4 billion (up ¥7.3 billion year on year)

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

・In the energy management business, net sales and operating results were down year on year as a result of the absence of large-scale orders for substation equipment for industrial and railway applications recorded in the previous fiscal year.

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

・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: ¥314.3 billion (down 9% year on year)
Operating income: ¥23.7 billion (up ¥1.9 billion year on year)

In the Power Electronics Industry segment, net sales were down year on year, despite demand growth in the automation systems business and other areas, due to the absence of large-scale orders recorded in the IT solutions business in the previous fiscal year. Conversely, operating income was up year on year as the reduction to the income of the IT solutions business was outweighed by the benefits of cost reduction activities and alterations to designs to use alternative parts in order to address the difficulties in procuring certain parts.

・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 the social solutions business, net sales were down year on year, despite an increase in large-scale projects for electrical equipment for railcars, because of a reduction in orders for exhaust gas cleaning systems for ships. Operating results, meanwhile, improved year on year due to differences in profitability between projects.

・In the equipment construction business, net sales and operating results improved year on year due to higher demand for electrical and air-conditioning 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 fiscal year.

Semiconductor
Net sales: ¥178.8 billion (up 14% year on year)
Operating income: ¥27.1 billion (up ¥9.5 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 production capacity increases undertaken in response to substantial growth in demand for power semiconductors for electrified vehicles (xEVs) and for industrial applications. As a result, high operating ratios were able to be maintained leading to massive increases in sales volumes and subsequently improvements in operating results, regardless of the rise in expenses for bolstering power semiconductor production capacity and for conducting research and development.

Power Generation
Net sales: ¥78.6 billion (down 2% year on year)
Operating income: ¥3.1 billion (up ¥0.6 billion year on year)

・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 fiscal year. Operating results were up year on year because of differences in profitability between projects and the benefits of cost reductions activities.

Food and Beverage Distribution
Net sales: ¥90.8 billion (up 19% year on year)
Operating income: ¥3.0 billion (compared with operating loss of ¥5.3 billion in the previous equivalent period)

・In the vending machine business, net sales were up year on year following growth in demand in Japan and overseas while operating results improved due to the higher sales and 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: ¥54.7 billion (up 4% year on year)
Operating income: ¥2.8 billion (up ¥0.6 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.

3. Forecasts for the Fiscal Year Ending March 31, 2023

Forecasts for consolidated business results in the fiscal year ending March 31, 2023, are as follows.

Furthermore, forecasts for the fiscal year ending March 31, 2023, assume exchange rates of US$1 = ¥120, €1 = ¥133, RMB1 = ¥19.

Consolidated Business Results Forecasts (¥ billion)

	Fiscal year ended March 31, 2022 Results	Fiscal year ending March 31, 2023 Forecasts	Change
Net sales	910.2	960.0	49.8
Operating income	74.8	82.0	7.2
Ordinary income	79.3	83.0	3.7
Net income attributable to owners of parent	58.7	59.0	0.3

Forecasts by Segment (¥ billion)

	Fiscal year ended March 31, 2022 Results		Fiscal year ending March 31, 2023 Forecasts		Change	
	Net sales	Operating income (loss)	Net sales	Operating income (loss)	Net sales	Operating income (loss)
Power Electronics Energy	231.0	21.2	236.0	22.1	5.0	0.9
Power Electronics Industry	324.1	23.8	349.0	26.8	24.9	3.0
Semiconductor	178.8	27.1	200.0	30.5	21.2	3.4
Power Generation	78.6	3.1	82.0	4.1	3.4	1.0
Food and Beverage Distribution	90.8	3.0	92.0	5.1	1.2	2.1
Others	54.7	2.8	54.0	2.6	(0.7)	(0.2)
Elimination and Corporate	(47.8)	(6.3)	(53.0)	(9.2)	(5.2)	(2.9)
Total	910.2	74.8	960.0	82.0	49.8	7.2

Effective April 1, 2022, the smart meter operations previous contained within the Power Electronics Energy segment were transferred to the Power Electronics Industry segment while the power conditioning system operations contained within the Power Electronics Industry segment were transferred to the Power Electronics Energy segment. Figures for the fiscal year ended March 31, 2022, have been restated to reflect this change.

(2) Quantitative Information regarding Consolidated Financial Position

(¥ billion)

	March 31, 2021	Breakdown (%)	March 31, 2021	Breakdown (%)	Change
Total assets	1,052.0	100.0	1,117.1	100.0	+65.2
Interest-bearing debt	216.2	20.6	208.4	18.7	(7.8)
Equity*1	417.0	39.6	472.9	42.3	+55.9
Debt-to-equity ratio*2 (times)	0.5		0.4		(0.1)

*1 Equity = Total net assets － Non-controlling interests
*2 Debt-to-equity ratio = Interest-bearing debt/ Equity

Total assets on March 31, 2022, stood at ¥1,117.1 billion, an increase of ¥65.2 billion from the end of the previous fiscal year. Total current assets were up ¥52.8 billion primarily as a result of increases in cash and deposits and notes and accounts receivable-trade, and contract assets, which offset a decrease in inventories. Total noncurrent assets were up ¥12.4 billion due to an increase in property, plant and equipment.

Interest-bearing debt as of March 31, 2022, amounted to ¥208.4 billion, down ¥7.8 billion from the previous fiscal year-end, as the decrease in long-term loans payable outweighed the increase in short-term loans payable. Further, net interest-bearing debt—interest-bearing debt net of cash and cash equivalents—decreased ¥23.8 billion from the previous fiscal year-end, amounting to ¥117.0 billion on March 31, 2022.

Net assets on March 31, 2022, were ¥523.7 billion, up ¥62.5 billion from the previous fiscal year-end. This outcome was because of higher retained earnings and an increase associated with foreign currency translation adjustments. In addition, equity—total net assets net of non-controlling interests—was up ¥55.9 billion from the previous fiscal year-end, standing at ¥472.9 billion on March 31, 2022. The debt-to-equity ratio (interest-bearing debt ÷ equity) was 0.4 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, down 0.1 times from the previous fiscal year-end.

(¥ billion)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Change
Net cash provided by (used in) operating activities	26.9	76.8	49.9
Net cash provided by (used in) investing activities	23.5	(22.4)	(45.8)
Free cash flow	50.4	54.5	4.1
Net cash provided by (used in) financing activities	(39.5)	(42.9)	(3.4)
Cash and cash equivalents at the end of period	75.3	91.4	16.0

In the fiscal year ended March 31, 2022, consolidated free cash flow (net cash from operating activities + net cash from investing activities) was a positive ¥4.1 billion, an increase of ¥54.5 billion compared with positive free cash flow of ¥50.4 billion in the previous fiscal year.

Cash flows from operating activities
Net cash provided by operating activities was ¥76.8 billion, compared with ¥26.9 billion in the previous fiscal year. Major factors increasing cash included income before income taxes and a decrease in contract liabilities. Major factors decreasing cash included an increase in inventories and a decrease in notes and accounts payable-trade.

This was an increase of ¥49.9 billion year on year.

Cash flows from investing activities
Net cash used in investing activities was ¥22.4 billion, compared with net cash provided by investing activities of ¥23.5 billion in the previous fiscal year. This outcome was primarily a result of the purchase of property, plant and equipment, which offset proceeds from sales of investment securities.

This was a deterioration of ¥45.8 billion year on year.

Cash flows from financing activities
Net cash used in financing activities was ¥42.9 billion, compared with net cash used in financing activities of ¥39.5 billion in the previous fiscal year. This result was principally due to repayments of lease obligations and cash dividends paid.

As a result, consolidated cash and cash equivalents on March 31, 2022, amounted to ¥91.4 billion, up ¥16.0 billion from the previous fiscal year-end.

(3) Basic Policy Regarding Distribution of Earnings and Dividends for the Fiscal Year Ended March 31, 2022, and the Fiscal Year Ending March 31, 2023

We intend to return profit gained through business activities to shareholders. At the same time—while strengthening our management foundation—we intend to appropriate profit for consolidated shareholders' equity in order to secure internal reserves for research and development, capital investment, development of human resources, and other uses reflecting a medium- to long-term viewpoint.

We will determine the amount of dividends to be paid from retained earnings in light of the above medium-to-long term business cycle; our policy of paying stable and continuous dividends; and a comprehensive evaluation of the business results from the relevant fiscal year, research and development and capital investment plans for future growth, and the operating environment.

We regard the acquisition of treasury stock as a flexible mechanism to supplement dividends from retained earnings when warranted by the cash flow position.

Based on a rigorous evaluation of performance during the fiscal year ended March 31, 2022, forecasted performance for the fiscal year ending March 31, 2023, and our financial position, we plan to pay a year-end dividend of ¥55 per share for the fiscal year ended March 31, 2022, which will make for an annual dividend of ¥100 per share when including the interim dividend.

We have not yet decided the dividend to be paid for the fiscal year ending March 31, 2023.

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