

## Financial Performance

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

In the nine-month period ended December 31, 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 nine-month period ended December 31, 2019, saw the ongoing curtailment of investments centered on China 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 nine-month period ended December 31, 2019, decreased ¥10.5 billion year on year, to ¥611.7 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 segment. The reduction in demand was a result of the trends toward production adjustment and curtailed capital investment in Japan and overseas 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 ¥7.6 billion year on year, to ¥16.8 billion; ordinary income was down ¥8.7 billion, to ¥17.7 billion; and net income attributable to owners of parent declined ¥6.1 billion, to ¥10.3 billion.

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

	(¥ billion)		
	Nine-month period ended December 31, 2018	Nine-month period ended December 31, 2019	Change
Net sales	622.3	611.7	(10.5)
Operating income	24.5	16.8	(7.6)
Ordinary income	26.5	17.7	(8.7)
Net income attributable to owners of parent	16.4	10.3	(6.1)

## Results by Segment

### Power Electronics Systems Energy

**Net sales: ¥146.3 billion (up 2% year on year)**

**Operating income: ¥4.7 billion (down ¥3.2 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 manufacturers, including those of machine tools.

### Power Electronics Systems Industry

**Net sales: ¥204.4 billion (down 4% year on year)**

**Operating income: ¥1.1 billion (down ¥3.2 billion year on year)**

In the Power Electronics Systems Industry segment, net sales and operating income decreased year on year. Factors behind this outcome included lower demand in the automation systems business and the absence of large-scale orders 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 centered on the domestic and Chinese markets.
- In the social solutions business, net sales and operating results worsened year on year due to the absence of large-scale orders 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: ¥102.6 billion (down 1% year on year)**

**Operating income: ¥8.9 billion (down ¥2.8 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 Chinese market as well as the impacts of foreign exchange influences.

### **Food and Beverage Distribution**

**Net sales: ¥77.7 billion (down 5% year on year)**

**Operating income: ¥3.1 billion (unchanged 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: ¥69.6 billion (down 2% year on year)**

**Operating income: ¥1.1 billion (up ¥1.6 billion year on year)**

- In the power generation business, net sales were down year on year, despite an increase in large-scale thermal and geothermal power generation system projects, due to a decline in large-scale solar power generation system projects. However, operating results improved year on year as a result of the rebound from the higher costs associated with a large-scale project incurred in the previous equivalent period.

### **Others**

**Net sales: ¥45.7 billion (unchanged year on year)**

**Operating income: ¥1.7 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 nine-month period ended December 31, 2018, that have been restated to reflect these changes.

## (2) Quantitative Information regarding Consolidated Financial Position

(¥ billion)

	March 31, 2019	Breakdown (%)	December 31, 2019	Breakdown (%)	Change
Total assets	952.7	100.0	981.7	100.0	+29.1
Interest-bearing debt	154.0	16.2	207.9	21.2	+53.9
Shareholder's equity <sup>*1</sup>	352.9	37.0	362.6	36.9	+9.7
Debt-to-equity ratio <sup>*2</sup> (times)	0.4		0.6		+0.2

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

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

Total assets on December 31, 2019, stood at ¥981.7 billion, an increase of ¥29.1 billion from the end of the previous fiscal year. Total current assets increased ¥5.9 billion primarily as a result of a rise in inventories, which offset a decline in notes and accounts receivable-trade. Total noncurrent assets were up ¥23.2 billion due to higher property, plant and equipment and an increase stemming from valuation difference on available-for-sale securities.

Interest-bearing debt as of December 31, 2019, amounted to ¥207.9 billion, up ¥53.9 billion from the previous fiscal year-end. Further, net interest-bearing debt—interest-bearing debt net of cash and cash equivalents—increased ¥52.3 billion from the previous fiscal year-end, amounting to ¥177.2 billion on December 31, 2019.

Net assets on December 31, 2019, was ¥401.9 billion, up ¥9.8 billion from the previous fiscal year-end. This outcome was because of an increase associated with valuation difference on available-for-sale securities. In addition, shareholders' equity—total net assets net of non-controlling interests—was up ¥9.7 billion from the previous fiscal year-end, standing at ¥362.6 billion on December 31, 2019. The debt-to-equity ratio (interest-bearing debt ÷ shareholders' equity) was 0.6 times, up 0.2 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.

### (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, 2019, Fuji Electric has chosen not to revise the consolidated forecast for business results for the fiscal year ending March 31, 2020, that was announced together with financial results for the six-month period ended September 30, 2019, on October 31, 2019.

The forecast assumes exchange rates of US\$1 = ¥105, €1 = ¥123, and RMB1 = ¥15 for the period from January 1, 2020, onward.

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

	Previous announcement	Today's announcement	Change
Net sales	915.0	915.0	0.0
Operating income	50.0	50.0	0.0
Ordinary income	51.6	51.6	0.0
Net income attributable to owners of parent	33.0	33.0	0.0

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

(¥billion)

	Net sales			Operating income (loss)		
	Previous announcement	Today's announcement	Change	Previous announcement	Today's announcement	Change
Power Electronics Systems Energy	217.0	217.0	0.0	13.8	13.8	0.0
Power Electronics Systems Industry	337.0	337.0	0.0	19.4	19.4	0.0
Electronic Devices	136.0	136.0	0.0	11.6	11.6	0.0
Food and Beverage Distribution	112.0	112.0	0.0	5.8	5.8	0.0
Power Generation	116.0	116.0	0.0	4.3	4.3	0.0
Others	60.0	60.0	0.0	2.4	2.4	0.0
Elimination and Corporate	(63.0)	(63.0)	0.0	(7.3)	(7.3)	0.0
Total	915.0	915.0	0.0	50.0	50.0	0.0