Fiscal 2019 Review of Operations

In fiscal 2019, ended March 31, 2020, Fuji Electric posted year-on-year declines in consolidated net sales and operating income amid curtailment of economic activities stemming from the spread of COVID-19, as well as slowdown in markets outside Japan, centered on China, due to the trade friction between the United States and China. Nevertheless, we continued actively investing in production facilities for our power electronics systems and power semiconductors and in R&D aimed at expanding our business.

Fiscal 2019 Performance

For the year, consolidated net sales amounted to ¥900.6 billion, down by ¥14.3 billion year on year. Factors in the decline included delays in deliveries and curtailment of plant and equipment investments stemming from restrictions placed on business activities to combat the spread of COVID-19, as well as the absence of large-scale orders recorded in the previous fiscal year and the impact of the trade friction between the United States and China. However, we benefited from strong demand in Japan to upgrade or replace aging equipment.

Despite the efforts to reduce costs, earnings were affected by lower sales and production volumes for major components*, as well as foreign exchange factors, upfront investments, and increased costs related to product defects. As a result, operating income declined by ¥17.5 billion, to ¥42.5 billion. Sales in substation equipment, switchgears and controlgears in the power electronics systems for energy, and plant system projects such as power plants increased, but demand for major components declined.

* Major components: ED&C components (Power Electronics Systems Energy); low-voltage inverters, rotating machines, FA components, measuring instruments (Power Electronics Systems Industry); semiconductors (Electronic Devices); and vending machines (Food and Beverage Distribution).

<Reasons for decrease in sales of major components>
From the first quarter through the third quarter of fiscal 2019, economic slowdown in China due to the trade friction between the United States and China led to ongoing investment restraint. Meanwhile, demand for machine tools and industrial equipment declined in Japan and overseas, and sales of ED&C components and low-voltage inverters also decreased. In addition, worsening the Chinese economy caused closure of factories, and demand for new vending machines decreased because the vending machines which had been installed in closed factories are reused. From the fourth quarter, demand for machine tools and industrial equipment declined in Japan and overseas due to the spread of COVID-19, while ED&C components, low-voltage inverters, FA components, and the like were also down. In addition, sales of vending machines for the Japanese and Chinese markets declined, as did sales of semiconductors for the Chinese market.

Sales outside Japan

Sales outside Japan declined by ¥11.5 billion year on year, to ¥220.9 billion. This was due to falling demand in China for major components, such as vending machines, semiconductors, and low-voltage inverters. By contrast, we enjoyed an increase in sales elsewhere in Asia thanks to large-scale projects for switchgears and controlgears, as well as higher sales in the industrial semiconductor sector in Europe. The overseas sales ratio was 25%, unchanged from the previous year.

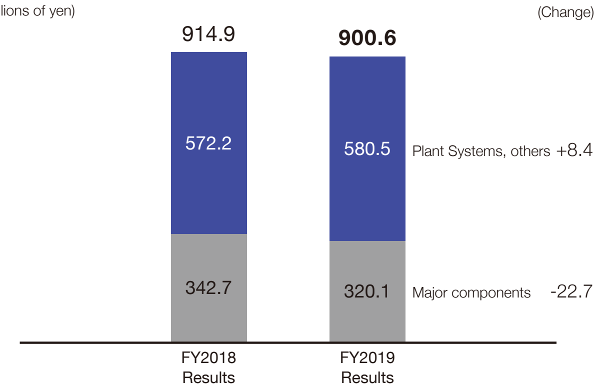
(Billions of yen)	FY2018 Results	FY2019 Results	Change
Net Sales	914.9	900.6	-14.3
Operating Income	60.0	42.5	-17.5
Operating Margin	6.6%	4.7%	-1.8%
Net Income Attributable to Owners of Parent	40.3	28.8	-11.5

Financial Indicators

Net Debt-Equity Ratio	0.4 times	0.4 times	+0.1 times
Equity Ratio	37%	37%	-0%
ROA	4%	3%	-1%
ROE	12%	8%	-4%

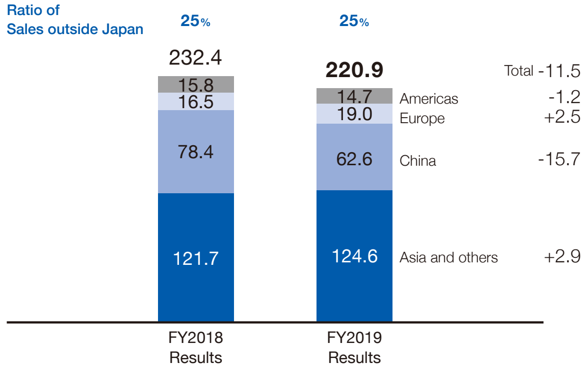
Sales by Major Components and Plant Systems

(Billions of yen)



Sales Outside Japan

(Billions of yen)

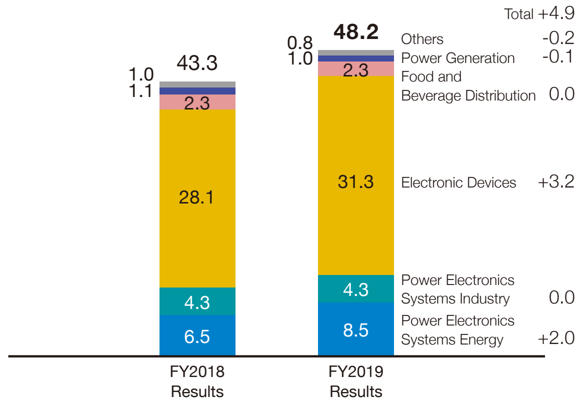


Plant and Equipment Investment

Approximately 90% of total plant and equipment investment was allocated to our businesses in power electronics systems and electronic devices, such as expanding production capacity and streamlining production lines. During the year, in the Power Electronics Systems segment, we completed the third facility at the Thai Factory for the manufacture of switchgear and controlgear systems. We also started construction of an engineering facility at the Chiba Factory to strengthen energy-related products. In addition, we invested to streamline production lines at the Suzuka Factory and Tokyo Factory in order to expand in-house production and strengthen the competitiveness of our inverters and measuring instruments. In the Electronic Devices segment, we increased the capacity of the 8-inch chip production line (front-end process) at our Yamanashi Factory in order to expand our power semiconductor business for electrified vehicles. In back-end processes, at our bases in Japan and overseas, we invested to increase production of large-capacity IGBT modules for automotive pressure sensors and power converters.

Plant and Equipment Investment

(Billions of yen)



Research and Development

Seeking to advance product development and strengthen global competitiveness, we allocated around 80% of R&D expenditures to power electronics systems and electronic devices.

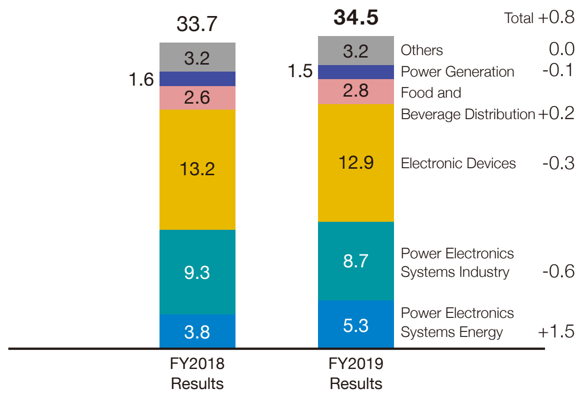
In the Power Electronics Systems segment, we developed some of the world's most compact substation equipment, which enables significant cost reductions. Other developments included an uninterruptible power system for large data centers, an induction furnace that delivers energy savings in the casting process, and an exhaust gas cleaning system for large ships. We also developed SignAiEdge, on-site diagnostic equipment that utilizes IoT to visualize problems at production sites, as well as analytics and AI (MSPC*) technology to contribute to productivity improvements.

In the Electronic Devices segment, we focused on developing power semiconductors for electrified vehicles. Fiscal 2019 developments include RC-IGBTs that reduce power loss compared with conventional devices to achieve smaller, lighter, and more efficient electrified vehicles.

* Abbreviation for "multivariate statistical process control"

R&D Expenditures

(Billions of yen)



Note: Figures for R&D expenditures are allocated by research theme and therefore differ from those in the consolidated financial report

Fiscal 2020 Outlook

The Company has chosen not to release consolidated performance forecasts the fiscal year ending March 31, 2021, as it is currently difficult to project future trends in capital investment and production by customers amid restrained economic activity in Japan and other countries stemming from the global COVID-19 pandemic. We will disclose our forecasts promptly when we are able to estimate the impacts of this situation on economic activities with a sufficient degree of accuracy.