

Consolidated Financial Report for the fiscal year ending March 31, 2020 (April 1, 2019 — March 31, 2020)

Summary of Consolidated Financial Results

1. Summary of consolidated statements of operations

	Millions of yen		Change(%) (A)/(B)	Millions of U.S. dollars
	FY2019 (A)	FY2018 (B)		FY2019
Net sales	900,604	914,915	98.4%	8,339
Operating income	42,515	59,972	70.9%	394
Ordinary income	44,513	63,479	70.1%	412
Net income attributable to owners of parent	28,793	40,267	71.5%	267
	Yen			U.S. dollars
Net income per share (*)	201.57	281.89		1.87

(*) Fuji Electric conducted an 1-for-5 common stock consolidation effective October 1, 2018. Net income per share is calculated assuming that the share consolidation was executed at the beginning of the previous consolidated fiscal year.

2. Summary of consolidated financial position

	Millions of yen		Millions of U.S. dollars
	3/31/2020	3/31/2019	3/31/2020
Total assets	996,827	952,659	9,230
Net assets	406,002	392,061	3,759
Equity ratio (%)	36.7%	37.0%	-

Note: U.S. dollar amounts in this financial report are translated, for convenience only, at the rate of ¥ 108=U.S.\$1

3. Forecast of consolidated earnings for the fiscal year ending March 31, 2021 (April 1, 2020 - March 31, 2021)

We have not yet determined the forecast of consolidated earnings for the fiscal year ending March 31, 2021 because it is difficult to estimate the impact of the novel coronavirus disease (COVID-19) properly and reasonably at present. We will promptly disclose consolidated forecasts once we can.

< Cautionary Statements With Respect to Forward-Looking Statements >

Statements made in this financial report with respect to Fuji Electric's future performance are forward-looking statements based on management's assumptions and beliefs in light of the information currently available to it. Accordingly, actual results could differ from those contained in any forward-looking statements. Potential risks and uncertainties include :

- Sudden changes in general economic conditions in Fuji Electric's markets and changes in its operating environment such as those resulting from changes in trade regulations
- Exchange rate, particularly between the yen and the U.S. dollar and Asian and European currencies
- The ability of Fuji Electric and its subsidiaries to develop and introduce products that incorporate new technology in a timely manner and to manufacture them in a cost-effective way
- The rapid pace of technological innovation, especially in the field of electronics
- Sudden changes in the supply and demand balance in the markets Fuji Electric serves
- Problems involving the intellectual property of Fuji Electric and other companies
- Stock market conditions in Japan

Consolidated Segment Information

Information on net sales, and profit or loss by each reporting segment

As of April 1, 2019, reflecting change of organization structure, the reporting segments were reclassified from "Power Electronics Systems - Energy Solutions" and "Power Electronics Systems - Industry Solutions", to "Power Electronics Systems Energy" and "Power Electronics Systems Industry".

Additionally, the name of reporting segment was changed from "Power and New Energy" to "Power Generation".

This name change of reporting segment do not effect the contents of information.

The reporting segment information for the fiscal year ended March 31, 2019 has been reclassified to reflect these changes.

FY2019

Millions of yen

	Power Electronics Systems Energy	Power Electronics Systems Industry	Electronic Devices	Food and Beverage Distribution	Power Generation	Others	Total	Adjustments	Consolidated
Net Sales									
Sales to third parties	214,851	307,013	134,384	104,052	109,278	31,024	900,604	-	900,604
Inter-segment sales and transfers	3,162	10,469	3,037	361	612	29,819	47,462	(47,462)	-
Total sales	218,013	317,482	137,421	104,413	109,891	60,843	948,066	(47,462)	900,604
Segment profits (losses)	12,322	16,547	9,718	3,842	2,298	2,694	47,424	(4,909)	42,515

FY2018

Millions of yen

	Power Electronics Systems Energy	Power Electronics Systems Industry	Electronic Devices	Food and Beverage Distribution	Power Generation	Others	Total	Adjustments	Consolidated
Net Sales									
Sales to third parties	219,758	309,572	133,828	113,345	106,921	31,488	914,915	-	914,915
Inter-segment sales and transfers	4,377	12,910	3,506	260	90	30,740	51,885	(51,885)	-
Total sales	224,136	322,482	137,334	113,606	107,012	62,228	966,801	(51,885)	914,915
Segment profits (losses)	16,829	19,417	15,623	5,756	4,750	2,765	65,143	(5,170)	59,972

FY2019

Millions of U.S. dollars

	Power Electronics Systems Energy	Power Electronics Systems Industry	Electronic Devices	Food and Beverage Distribution	Power Generation	Others	Total	Adjustments	Consolidated
Net Sales									
Sales to third parties	1,989	2,843	1,244	963	1,012	287	8,339	-	8,339
Inter-segment sales and transfers	29	97	28	3	6	276	439	(439)	-
Total sales	2,019	2,940	1,272	967	1,018	563	8,778	(439)	8,339
Segment profits (losses)	114	153	90	36	21	25	439	(45)	394

Supplemental Consolidated Financial Materials

1. Financial summary

	Billions of yen	
	FY2019	FY2018
Net sales	900.6	914.9
Operating income	42.5	60.0
Ordinary income	44.5	63.5
Net income attributable to owners of parent	28.8	40.3

2. Number of consolidated subsidiaries

	FY2019	FY2018
Number of consolidated subsidiaries	73	72
Japan	23	23
Overseas	50	49
Number of equity-method associates	4	4

3. Net income per share

	Yen	
	FY2019	FY2018
Net income per share(*)	201.57	281.89

(*) Fuji Electric conducted an 1-for-5 common stock consolidation effective October 1, 2018.
Net income per share is calculated assuming that the share consolidation was executed at the beginning of the previous consolidated fiscal year.

4. Average exchange rates (Yen)

	Yen	
	FY2019	FY2018
US\$	108.74	110.91
EURO	120.82	128.41
RMB	15.60	16.54

5. Net sales by reporting segment

	Billions of yen	
	FY2019	FY2018
Power Electronics Systems Energy	218.0	224.1
Power Electronics Systems Industry	317.5	322.5
Electronic Devices	137.4	137.3
Food and Beverage Distribution	104.4	113.6
Power Generation	109.9	107.0
Others	60.8	62.2
Subtotal	948.1	966.8
Elimination	(47.5)	(51.9)
Total	900.6	914.9

6. Operating income by reporting segment

	Billions of yen	
	FY2019	FY2018
Power Electronics Systems Energy	12.3	16.8
Power Electronics Systems Industry	16.5	19.4
Electronic Devices	9.7	15.6
Food and Beverage Distribution	3.8	5.8
Power Generation	2.3	4.8
Others	2.7	2.8
Subtotal	47.4	65.1
Elimination	(4.9)	(5.2)
Total	42.5	60.0

7. Net overseas sales

	Billions of yen	
	FY2019	FY2018
Asia (except for China)	124.6	121.7
China	62.6	78.4
Europe	19.0	16.5
America	14.7	15.8
Total	220.9	232.4

8. R&D expenditures

	Billions of yen	
	FY2019	FY2018
Power Electronics Systems Energy	7.1	5.6
Power Electronics Systems Industry	8.7	9.3
Electronic Devices	10.9	11.1
Food and Beverage Distribution	4.4	4.4
Power Generation	3.3	3.3
Others	0.1	0.1
Total	34.5	33.7
Ratio to net sales (%)	3.8%	3.7%

9. Plant and equipment investment (including leases)

	Billions of yen	
	FY2019	FY2018
Power Electronics Systems Energy	8.5	6.5
Power Electronics Systems Industry	4.3	4.3
Electronic Devices	31.3	28.1
Food and Beverage Distribution	2.3	2.3
Power Generation	1.0	1.1
Others	0.8	1.0
Total	48.2	43.3
(Leases)	29.1	20.6

Note: Leases are included in total plant and equipment investment.

10. Depreciation, Leases paid

	Billions of yen	
	FY2019	FY2018
Power Electronics Systems Energy	5.1	5.0
Power Electronics Systems Industry	4.2	4.3
Electronic Devices	15.4	13.5
Food and Beverage Distribution	2.2	2.3
Power Generation	1.2	1.2
Others	1.1	1.1
Total	29.1	27.5
(Leases)	1.0	1.0

11. Number of employees

	FY2019	FY2018
Power Electronics Systems Energy	6,676	6,574
Power Electronics Systems Industry	9,129	8,329
Electronic Devices	6,621	6,782
Food and Beverage Distribution	2,346	2,522
Power Generation	1,224	1,295
Others	1,964	1,914
Total	27,960	27,416
Japan	17,681	17,647
Overseas	10,279	9,769

Financial Performance

(1) Qualitative Information regarding Consolidated Results of Operations

1. Results of Operations in the Fiscal Year Ended March 31, 2020

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 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 fiscal year ended March 31, 2020, 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, and the slowdown in the overseas market resulted in bearish exports of machine tools from Japan. Against this backdrop, the global COVID-19 pandemic that struck during the fourth quarter of the fiscal year greatly restricted economic activities, due to factors such as the factory closures and movement limitations seen in countries around the world, and thus resulted in a challenging operating environment characterized by a growing sense of opaqueness.

As part of its efforts to prevent the global COVID-19 pandemic, the Company requested that employees working at the head office, divisions, branches, and other business sites in Japan engage in teleworking whenever possible. Employees that cannot telework, such as those working in production sites, were asked to take steps to prevent the spread of the virus through measures like staggered work hours and efforts to avoid confined spaces, crowds, and close interactions. Overseas, operations at certain factories were halted based on the instructions of local governments.

Consolidated net sales in the fiscal year ended March 31, 2020, decreased ¥14.3 billion year on year, to ¥900.6 billion. The Company did benefit from strong upgrade demand for replacing aged equipment in Japan. However, these benefits were outweighed by the absence of large-scale orders recorded in the previous fiscal year and the impacts of the trade friction between the United States and China as well as delivery delays and capital investment curtailments stemming from the restrictions placed on business activities for the purpose of combating the global COVID-19 pandemic.

As a result of the lower sales and production volumes, the impacts of foreign exchange influences, and upfront investments in the power semiconductor business, which offset the benefits of cost reduction efforts, consolidated operating income decreased ¥17.5 billion year on year, to ¥42.5 billion; ordinary income was down ¥19.0 billion, to ¥44.5 billion; and net income attributable to owners of parent declined ¥11.5 billion, to ¥28.8 billion.

Consolidated results of operations for the fiscal year ended March 31, 2020, were as follows.
(¥ billion)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Change
Net sales	914.9	900.6	(14.3)
Operating income	60.0	42.5	(17.5)
Ordinary income	63.5	44.5	(19.0)
Net income attributable to owners of parent	40.3	28.8	(11.5)

2. Results by Segment

Power Electronics Systems Energy

Net sales: ¥218.0 billion (down 3% year on year)

Operating income: ¥12.3 billion (down ¥4.5 billion year on year)

In the Power Electronics Systems Energy segment, net sales and operating income were down year on year as lower demand in the ED&C components business counteracted the strong demand in the power supply and facility systems business.

- In the energy management business, net sales and operating results worsened year on year, due to lower demand for smart meters and the rebound from large-scale projects undertaken overseas during the previous fiscal year, the impacts of which offset the benefits of strong demand for power supply equipment for industrial and railcar applications.
- In the power supply and facility systems business, net sales and operating results improved year on year, despite the absence of large-scale orders recorded in the previous fiscal year 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 decreased year on year due to reduced demand from machine manufacturers, including those of machine tools, and operating results worsened year on year following lower demand and higher expenses incurred as a result of product defects.

Power Electronics Systems Industry

Net sales: ¥317.5 billion (down 2% year on year)

Operating income: ¥16.5 billion (down ¥2.9 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, a result of the trade friction between the United States and China and the impacts of the global COVID-19 pandemic, and the absence of large-scale orders recorded in the previous fiscal year in the equipment construction business. These factors outweighed the benefits of firm demand in the IT solutions business.

- In the automation systems business, net sales and operating results worsened year on year. Factors behind this outcome included the reduced demand for low-voltage inverters and factory automation components centered on the domestic and Chinese markets that stemmed from the trade friction between the United States and China as well as the ceased operations at bases in China and lower demand seen by bases in Asia, Europe, and the United States that was a result of the global COVID-19 pandemic.
- In the social solutions business, net sales were down year on year due to the absence of large-scale orders for electrical equipment for railcars recorded in the previous fiscal year, but operating results improved year on year as a result of the benefits of cost reductions.
- In the equipment construction business, net sales decreased year on year due to the absence of large-scale orders recorded in the previous fiscal year. However, operating results improved year on year because of 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 and the academic sector.

Electronic Devices

Net sales: ¥137.4 billion (relatively unchanged year on year)

Operating income: ¥9.7 billion (down ¥5.9 billion year on year)

- In the electronic devices business, net sales were relatively unchanged year on year as the benefits of higher demand for automotive power semiconductors for electrified vehicles (xEVs) were outweighed by the impacts of negative foreign exchange influences and lower demand in the industrial field centered on the Chinese market attributable to the trade friction between the United States and China and the global COVID-19 pandemic. Operating income was down year on year as a result higher expenses associated with upfront investments for bolstering capacity for producing power semiconductors for use in xEVs as well as negative foreign exchange influences and increased product repair costs.

Food and Beverage Distribution

Net sales: ¥104.4 billion (down 8% year on year)

Operating income: ¥3.8 billion (down ¥1.9 billion 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 and delays in customers' vending machine installation plans in Japan and China as a result of the global COVID-19 pandemic.
- In the store distribution business, net sales were down year on year following lower demand for store equipment for convenience stores as a result of the global COVID-19 pandemic, but operating results improved year on year thanks to the benefits of cost reduction activities.

Power Generation

Net sales: ¥109.9 billion (up 3% year on year)

Operating income: ¥2.3 billion (down ¥2.5 billion year on year)

- In the power generation business, net sales were up year on year, due to an increase in large-scale thermal power generation system projects, which offset the decline in large-scale solar power generation system projects. Conversely, operating results worsened year on year because of disparities in profitability between projects and increased expenses associated with a large-scale overseas project.

Others

Net sales: ¥60.8 billion (down 2% year on year)

Operating income: ¥2.7 billion (down ¥0.1 billion 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 fiscal year ended March 31, 2020, that have been restated to reflect these changes.

3. Measures for Preventing Reoccurrence of Fictitious Transactions

The Company has included clear stipulations in Group regulations prohibiting participation in transactions for which actual existence cannot be confirmed in order to prevent reoccurrence of fictitious transactions such as those described in the news release entitled “Statement Regarding Allegations of Fictitious Transactions Against Subsidiary” that was issued on January 30, 2020. In addition, the risk management frameworks pertaining to the order receipt and receiving inspection processes of the involved a subsidiary have been revised (confirmation and verification of sales channels, Company roles, existence of transaction, etc.), education programs aimed at entrenching risk awareness in sales divisions have been conducted, and other measures have been implemented to prevent reoccurrence.

4. Forecasts for the Fiscal Year Ending March 31, 2021

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

The Company has secured sufficient on-hand liquidity to safeguard against the impacts of further economic decline. As of March 31, 2020, consolidated cash and cash equivalents amounted to ¥63.7 billion, and an additional ¥116.5 billion in funds was procured prior to May 2020.