

Financial Results for the Year Ended January 31, 2018

Company: **FUJI ELECTRIC INDUSTRY CO., LTD.**
 Code Number: 6654
 Coordinator: Noriko Shimomura
 Executive Officer and General Manager

Stock: Tokyo Stock Exchange
 URL: <http://www.fujidk.co.jp/>
 Head Office: Kyoto, JAPAN
 Telephone: (075) 221-7978

Date of the board meeting for this period: March 8, 2018

Date of the general meeting of shareholders: April 24, 2018

1.Results of fiscal year 2018 (February 1, 2017 through January 31, 2018)

(1) Operating Results

(Unit: Millions of Yen)

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY 2018	3,899	3.4	290	(34.6)	311	(33.3)
FY 2017	3,769	(5.8)	444	(26.5)	467	(25.9)

	Net income		Net income per share		Return on equity	Ratio of Ordinary income to Total assets	Ratio of Operating income to Net sales
			—basic	—diluted			
	Millions of yen	%	Yen	Yen	%	%	%
FY 2018	242	(20.1)	41.18	41.01	2.4	2.9	7.5
FY 2017	304	(23.8)	50.37	50.22	2.9	4.2	11.8

Note 1: Percentages for net sales, operating income etc. show increase (decrease) from the previous year.

Note 2: Equity in earnings of affiliates: No

(2) Financial Condition

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY 2018	10,986	10,295	93.5	1,741.34
FY 2017	10,835	10,246	94.4	1,733.82

(3) Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY 2018	516	(345)	(218)	714
FY 2017	485	323	(760)	763

2.Dividends

	Dividends per share			Total dividends	Payout ratio	Dividends to shareholders' equity ratio
	Interim	Year-end	Annual			
	Yen	Yen	Yen	Millions of yen	%	%
FY 2017	16.00	16.00	32.00	188	63.5	1.8
FY 2018	16.00	16.00	32.00	188	77.7	1.8
FY 2019 (forecast)	16.00	16.00	32.00	—	60.9	—

3.Forecast of operating results for Fiscal Year 2019(February 1, 2018 through January 31, 2019)

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Interim	2,170	14.4	209	72.3	218	64.1
FY 2019	4,300	10.3	430	48.1	447	43.6

	Net income		Net income per share
	Millions of yen	%	Yen
Interim	151	30.5	25.65
FY 2019	309	27.6	52.56

Note: Percentages for net sales, operating income etc. for the FY 2019 show increase (decrease) from the previous year, respectively.

4.Others

- (1) Changes in accounting policy : No
(2) Changes except (1) : No

※ Note with respect to “Forecast of operating results for Fiscal Year 2019”

Forecasts announced by the company referred to above be prepared based on management’s assumptions with information available at this time and therefore involve known and unknown risks and uncertainties.

Please note such risks and uncertainties may cause the actual results to be materially different from the forecasts (earnings forecast, dividend forecast, and other forecasts).

Business performance and Financial circumstances

1. Analysis of operating results

(1) General situation

During the fiscal year ending January 31, 2018, Japan's economy slowly recovering due to factors like improvements in consumer spending and production activities and high stock prices caused by strong corporate performance.

With regard to business prospects going forward, the future of the economy is expected to maintain a gradual recovery trend with favorable corporate profits and the improvement in labor and income conditions, but it remains uncertain because of such factors as concerns about an economic recession due to the effect of easy monetary policy on the financial market and risk of strong yen.

Under these circumstances, we focused our sales activity on the domestic market of electric power, general industries, electric railway and overseas market of Southeast Asia and the Near and Middle East. As a result of this performance, the sales of Indicator light for rolling stock cars and Breaker auxiliary switch for domestic/overseas substation increased. The cumulative sales amount of this fiscal year was 3,899 million yen (increased by 3.4% compared with the previous year).

Regarding the cumulative profit, the net sales exceeded last year, although the expenses such as depreciation increased by the extension of Minami-kusatsu Factory, the operating income was 290 million yen (decreased by 34.6% compared with the previous year), the ordinary income was 311 million yen (decreased by 33.3% compared with the previous year), and the net income was 242 million yen (decreased by 20.1% compared with the previous year).

(2) Operating results by segment

Control switches

The sales of Breaker auxiliary switch for domestic/overseas substation facilities increased, however, the sales of Cam switch for rolling stock cars and Automatic power distribution switch decreased.

The sales amount was 1,032 million yen (decreased by 1.5% compared with the previous year).

Connecting devices

The sales of Test terminal for substation facilities increased, Terminal block which is our main product, Rectangular connector and Surge absorber terminal block were selling well.

The sales amount was 1,527 million yen (increased by 1.0% compared with the previous year).

Pilot lamps and Indicators

The sales of Car side pilot lamp for rolling stock and LED indication lamp for substation facilities were good, but Flag drop type fault indicator for overseas substation facilities and Semaphore indicator were sluggish.

The sales amount was 588 million yen (decreased by 4.7% compared with the previous year).

Electronic devices

The sales of Interface unit for substation devices of railway increased, the sales of Annunciator relay for substation facilities and Keep relay also decreased.

The sales amount was 559 million yen (decreased by 2.7% compared with the previous year).

Third party sales

The sales of Connection box for photovoltaic generation increased, the sales amount of this category reached 192 million yen (increased by 1,095.6% compared with the previous year).

2. Forecast for the fiscal year ending January 31, 2019

The economic outlook for the next financial year, it showing signs of modest improvement although there are some concerns about the impact on financial market caused by the Bank of Japan to embrace negative rate and risk of strong yen.

With our three business strategies: (i) More development of heavy electric machinery market; (ii) Development of general industry market; (iii) Exploration of overseas market, we make efforts to strengthen the sales activity and expansion of sales.

For completing a tri-factory specialization system in an aim at further strengthening productivity and streamlining distribution system, we make efforts to effectively reduce costs and increase profit margins.

The prospects of our business performances of next financial year are as follows.

The net sales is 4,300 million yen (increased by 10.3% compared with the previous year), the operating income is 430 million yen (increased by 48.1% compared with the previous year), the ordinary income is 447million yen (increased by 43.6% compared with the previous year), and the net profit is 309 million yen (increased by 27.6% compared with the previous year).

Financial statements
1. Balance Sheets

Thousands of Yen,%

	As of January 31, 2017		As of January 31, 2018	
	Amount	%	Amount	%
(Assets)				
I Current assets				
1.Cash and deposits	3,463,313		3,914,637	
2.Notes and accounts receivable-trade	1,192,109		1,250,781	
3.Electronically recorded monetary claims	277,037		288,485	
4.Short-term investment securities	501,187		—	
5.Inventories	940,102		893,801	
6.Others	75,634		123,030	
Total current assets	6,449,385	59.5	6,470,736	58.9
II Noncurrent assets				
1.Property, plant and equipment	3,537,345		3,687,468	
2.Intangible assets	29,667		23,182	
3.Investments and other assets	818,890		804,812	
Total noncurrent assets	4,385,903	40.5	4,515,464	41.1
Total assets	10,835,289	100.0	10,986,200	100.0
(Liabilities)				
I Current liabilities				
1.Notes and accounts payable-trade	93,241		137,301	
2.Short-term loans payable	150,000		120,000	
3.Other current liabilities	208,299		260,126	
Total current liabilities	451,540	4.2	517,427	4.7
II Noncurrent liabilities				
1.Deferred tax liabilities	60,238		37,372	
2.Other noncurrent liabilities	77,372		136,168	
Total noncurrent liabilities	137,610	1.2	173,541	1.6
Total liabilities	589,151	5.4	690,968	6.3
(Net assets)				
I Shareholders' equity				
1.Capital stock	1,087,250		1,087,250	
2.Capital surplus	1,704,240		1,704,240	
3.Retained earnings	8,029,062		8,083,179	
4.Treasury stock	(816,477)		(816,477)	
Total shareholders' equity	10,004,075	92.3	10,058,192	91.6
II Valuation and translation adjustments				
Valuation difference on available-for-sale securities	222,116		212,365	
Total valuation and translation adjustments	222,116	2.1	212,365	1.9
III Share option	19,946	0.2	24,673	0.2
Total net assets	10,246,138	94.6	10,295,232	93.7
Total liabilities and net assets	10,835,289	100.0	10,986,200	100.0

2. Statements of Income

Thousands of Yen,%

	As of January 31, 2017		As of January 31, 2018	
	Amount	%	Amount	%
I Net sales	3,769,932	100.0	3,899,612	100.0
II Cost of sales	2,347,908	62.3	2,581,326	66.2
Gross profit	1,422,024	37.7	1,318,285	33.8
III Selling, general, and administrative expenses	977,336	25.9	1,027,545	26.3
Operating income	444,687	11.8	290,740	7.5
IV Non-operating income	25,584	0.7	25,116	0.6
V Non-operating expenses	2,832	0.1	3,981	0.1
Ordinary income	467,440	12.4	311,874	8.0
VI Extraordinary income	—	—	83,355	2.1
VII Extraordinary loss	27,555	0.7	48,509	1.2
Income before income taxes	439,885	11.7	346,720	8.9
Income taxes	135,776	3.6	103,864	2.7
Net income	304,108	8.1	242,855	6.2

3. Statements of Changes in Net Assets

(Unit: Thousands of Yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	1,087,250	1,704,240	8,029,062	(816,477)	10,004,075
Changes of items during period					
Dividends of surplus			(188,738)		(188,738)
Net income			242,855		242,855
Provision of general reserve			—		—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	54,117	—	54,117
Balance at end of current period	1,087,250	1,704,240	8,083,179	(816,477)	10,058,192

	Valuation and translation adjustments		Share option	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of current period	222,116	222,116	19,946	10,246,138
Changes of items during period				
Dividends of surplus				(188,738)
Net income				242,855
Provision of general reserve				—
Net changes of items other than shareholders' equity	(9,751)	(9,751)	4,727	(5,023)
Total changes of items during period	(9,751)	(9,751)	4,727	49,093
Balance at end of current period	212,365	212,365	24,673	10,295,232

4. Statements of Cash Flows

Thousands of Yen

	Year ended January 31, 2017	Year ended January 31, 2018
Description	Amount	Amount
I . Net cash provided by (used in) operating activities		
Income before income taxes	439,885	346,720
Depreciation and amortization	243,906	300,460
Increase (decrease) in provision for directors' bonuses	(10,560)	1,810
Increase (decrease) in provision for retirement benefits	33,441	3,636
Interest and dividends income	(14,629)	(13,776)
Interest expenses	1,930	1,214
Increase (decrease) in provision for loss on dissolution of the employees' pension fund	—	48,140
Loss (gain) on sales of investment securities	—	(63,155)
Loss (gain) on sales of land	—	(20,200)
Loss (gain) on investments in partnership	—	2,092
Subsidy income	(4,828)	(4,197)
Loss on retirement of property, plant and equipment	116	368
Decrease (increase) in notes and accounts receivable-trade	147,277	(70,119)
Decrease (increase) in inventories	(41,252)	46,301
Increase (decrease) in notes and accounts payable-trade	(18,700)	44,060
Others	(84,175)	(31,886)
Subtotal	692,410	591,470
Interest and dividends received	16,198	14,559
Interest expenses paid	(2,024)	(1,146)
Proceeds from subsidy income	4,828	4,197
Income taxes paid	(225,748)	(92,629)
Net cash provided by (used in) operating activities	485,664	516,451
II .		
Payment for time deposits	(6,200,000)	(5,300,000)
Proceeds from time deposits	7,800,000	4,800,000
Proceeds from sales of short-term investment securities	—	500,000
Purchase of property, plant and equipment	(1,166,039)	(438,496)
Proceeds from sales of tangible assets	—	30,000
Purchase of intangible assets	(9,560)	(5,960)
Purchase of investment securities	(100,639)	(554)
Proceeds from sales of investment securities	—	69,843
Net cash provided by (used in) investing activities	323,760	(345,168)
III .		
Payment for short-term loans	—	(30,000)
Cash dividends paid	(200,920)	(188,498)
Purchase of treasury shares	(559,228)	—
Net cash provided by (used in) financing activities	(760,149)	(218,498)
IV . Effect of exchange rate change on cash and cash equivalents	(980)	(1,460)
V . Net increase (decrease) in cash and cash equivalents	48,295	(48,676)
VI . Cash and cash equivalents-Beginning	715,018	763,313
VII . Cash and cash equivalents-Ending	763,313	714,637

5. Others

(1) Actual of orders

Thousands of Yen

	Year ended January 31, 2017	Year ended January 31, 2018
Products category	Amount	Amount
Control switches	1,037,581	1,044,946
Connecting devices	1,519,157	1,548,070
Pilot lamps and Indicators	635,131	565,765
Electronic devices	569,868	567,192
Third party sales	16,082	308,008
Total	3,777,821	4,033,983

(2) Backlog of orders

Thousands of Yen

	Year ended January 31, 2017	Year ended January 31, 2018
Products category	Amount	Amount
Control switches	160,464	173,111
Connecting devices	129,064	149,736
Pilot lamps and Indicators	91,859	69,262
Electronic devices	88,910	96,835
Third party sales	—	115,724
Total	470,299	604,671

(3) Sales

Thousands of Yen

	Year ended January 31, 2017	Year ended January 31, 2018
Products category	Amount	Amount
Control switches	1,048,294	1,032,299
Connecting devices	1,512,953	1,527,398
Pilot lamps and Indicators	617,668	588,362
Electronic devices	574,933	559,267
Third party sales	16,082	192,283
Total	3,769,932	3,899,612

① Distribution channel

Thousands of Yen

	Year ended January 31, 2017	Year ended January 31, 2018
	Amount	Amount
Domestic sales	3,303,382	3,504,177
Overseas sales	466,550	395,435
Total	3,769,932	3,899,612

② Foreign market for trading company (overseas sales)

Thousands of Yen

	Year ended January 31, 2017	Year ended January 31, 2018
	Amount	Amount
Southeast Asia	197,003	205,418
Middle East	176,509	113,152
China	69,934	48,438
Europe	7,388	9,114
U.S.A.	15,715	19,310
Total	466,550	395,435