

Financial Performance

(1) Qualitative Information regarding Consolidated Results of Operations

In the nine-month period ended December 31, 2013, Fuji Electric's operating environment saw a gradual recovery trend in the domestic market spurred on by the government's fiscal and financial policies. In particular, areas related to renewable energy and energy saving performed solidly. Overseas, we saw recovery from the slump in the European economy and some improvement in China's decelerated growth rate, but overall recovery was weak in overseas markets. Nevertheless, conditions in the power electronics and semiconductors areas proved strong.

In response to these conditions, Fuji Electric concentrated on advancing the management policies of expanding energy-related businesses and globalizing operations. At the same time, having positioned the current fiscal year as the first year for aggressive management, we established foundations for growth to facilitate future business expansion and promoted business management with a strong focus on earnings in order to further strengthen profitability.

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

Net sales rose ¥1.8 billion year on year, to ¥502.6 billion. By business segment, Power Electronics, Electronic Devices, and Food and Beverage Distribution saw increased net sales, while Power and Social Infrastructure, Industrial Infrastructure, and Others saw net sales decline.

Operating loss improved ¥10.0 billion year on year, making for operating income of ¥5.9 billion. This reflected improved profitability stemming from the rigorous reduction of costs and expenses. Further, ordinary loss improved ¥11.2 billion, making for ordinary income of ¥6.6 billion. Similarly, net loss improved ¥5.8 billion, and net income was ¥2.3 billion accordingly.

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

(¥ billion)

	Nine-month period ended December 31, 2012	Nine-month period ended December 31, 2013	Change
Net sales	500.8	502.6	1.8
Operating income/loss	-4.2	5.9	10.0
Ordinary income/loss	-4.6	6.6	11.2
Net income/loss	-3.4	2.3	5.8

Results by Segment

[Power and Social Infrastructure]

YoY: Net sales decreased 12%, operating results worsened ¥0.6 billion

Net sales decreased 1.2% year on year, to ¥87.3 billion, while operating loss worsened ¥0.6 billion year on year, to ¥0.9 billion.

In the power plant business, net sales were down year on year due to rebound from large-scale orders for thermal power generation facilities recorded in the previous equivalent period, which offset rises in orders for hydropower generation facilities and solar power generation systems. In the social engineering systems business, net sales were down year on year due to lower demand for watt-hour meters in light of the ensuing switch to smart meters. In the social information business, net sales were up year on year following a rise in large-scale orders. Overall, the segment saw a worsening in operating results because lower net sales counteracted cost reductions.

[Industrial Infrastructure]

YoY: Net sales decreased 11%, operating results worsened ¥1.7 billion

Net sales decreased 11% year on year, to ¥108.7 billion, while operating income worsened ¥1.7 billion year on year, and operating loss of ¥1.3 billion was recorded accordingly.

In the transmission and distribution business, net sales were down year on year, reflecting the absence of the previous fiscal year's large overseas orders. In the machinery and electronics systems business, net sales decreased following a year-on-year decline in order backlog seen at the beginning of the fiscal year. In the instrumentation and control systems business, net sales were up due to a rise in orders for measurement instruments. In the equipment construction business, net sales were down year on year due to the absence of large orders recognized in the previous fiscal year. In the business segment overall, operating results worsened year on year because lower net sales and counteracted cost reductions.

[Power Electronics]

YoY: Net sales increased 15%, operating results improved ¥3.6 billion

Net sales rose 15% year on year, to ¥118.6 billion, while operating loss improved ¥3.6 billion year on year, and operating income of ¥1.7 billion was recorded accordingly.

In the drive business, net sales improved year on year thanks to higher demand for inverters and servos in Japan and overseas and the sales contributions from large overseas orders for electric equipment for railcars. Likewise, operating results also showed a year-on-year improvement due to the higher sales and the benefits of the business restructuring conducted in the previous fiscal year. As for the power supply business, net sales and operating results improved year on year as a result of increased demand for power conditioners for mega solar facilities and power supply equipment for

data centers. In the ED&C components business, net sales and operating results improved year on year due to increased demand in the renewable energy field and recovery in domestic demand in the machine tool and semiconductor fields.

[Electronic Devices]

YoY: Net sales increased 17%, operating results improved ¥7.9 billion

Net sales rose 17% year on year, to ¥93.5 billion, while operating loss improved ¥7.9 billion year on year, and operating income of ¥4.0 billion was recorded accordingly.

In the semiconductors business, net sales were up year on year due to strong demand in the automotive electronics business; a recovery trend in demand for inverters, servos, and other industrial machinery in the industrial business; and recovered demand for products for telecommunications equipment in the power supply application business. As a result of higher earnings and the benefits of the business restructuring conducted in relation to power semiconductors in the previous fiscal year, the business was able to realize substantially improved operating results. As for the magnetic disks business, net sales declined and operating results deteriorated due to lower demand from customers.

[Food and Beverage Distribution]

YoY: Net sales increased 9%, operating results improved ¥1.4 billion

Net sales rose 9% year on year, to ¥87.5 billion, and operating income improved ¥1.4 billion year on year, to ¥5.2 billion.

In the vending machines business, net sales were up year on year because steady sales of energy-saving environment-friendly vending machines and coffee machines for convenience stores compensated for the stoppage of sales of certain food and beverage items through vending machines. Operating results improved following higher revenues and lower costs. The store distribution business recorded a year-on-year increase in net sales due to higher orders for construction and renovation of convenience stores and super markets, but operating results deteriorated as a result of the impacts of higher upfront investments for the expansion of new businesses.

[Others]

YoY: Net sales decreased 3%, operating results improved ¥0.2 billion

Net sales declined 3% year on year, to ¥44.0 billion, and operating income improved ¥0.2 billion year on year, to ¥1.6 billion.

(2) Quantitative Information regarding Consolidated Financial Position

(¥ billion)

	March 31, 2013	Breakdown (%)	December 31, 2013	Breakdown (%)	Change
Total assets	765.6	100.0	786.8	100.0	+21.2
Interest-bearing debt	226.7	29.6	218.7	27.8	-8.1
Shareholders' equity*1	194.6	25.4	217.7	27.7	+23.1
Debt-equity ratio*2 (times)	1.2		1.0		-0.2

*1 Shareholders' equity = Total net assets – Minority interests

*2 D/E ratio = Interest-bearing debt / Shareholders' equity

Total assets stood at ¥786.8 billion on December 31, 2013, up ¥21.2 billion from the previous fiscal year-end. Total current assets declined ¥8.3 billion principally because the decrease in notes and accounts receivable-trade counteracted the rise in inventories. Total noncurrent assets were up ¥29.4 billion due to a higher valuation difference on available-for-sale securities.

Interest-bearing debt as of December 31, 2013, amounted to ¥218.7 billion, down ¥8.1 billion from the previous fiscal year-end. Further, net interest-bearing debt—interest-bearing debt net of cash and cash equivalents—increased ¥4.5 billion from the previous fiscal year-end, amounting to ¥191.6 billion on December 31, 2013.

Net assets on December 31, 2013, stood at ¥241.6 billion, up ¥25.9 billion from the previous fiscal year-end, which was mainly due to increases in valuation difference on available-for-sale securities and foreign currency translation adjustments. In addition, shareholders' equity—total net assets net of minority interests—was up ¥23.1 billion from the previous fiscal year-end, standing at ¥217.7 billion on December 31, 2013. The debt-to-equity ratio (interest-bearing debt ÷ shareholders' equity) declined 0.2 times from the previous fiscal year-end, to 1.0 time. Also, the net debt-to-equity ratio (net interest-bearing debt ÷ shareholders' equity) was 0.9 times, down 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 of the nine-month period ended December 31, 2013, Fuji Electric has chosen not to revise its consolidated forecast for business results for the fiscal year ending March 31, 2014, which was announced on October 24, 2013, regardless of the disparities between forecasts and performance of business segments explained below.

The forecast for the fiscal year ending March 31, 2014, assumes exchange rates of US\$1 = ¥100 and € 1 = ¥135.

Consolidated Forecasts for the Fiscal Year Ending March 31, 2014 (¥billion)

	Previous forecasts	Forecasts (as of Jan. 30, 2014)	Change
Net sales	755.0	755.0	0.0
Operating income	30.0	30.0	0.0
Ordinary income	30.0	30.0	0.0
Net income	16.0	16.0	0.0

Reference: Consolidated Forecasts for the Fiscal Year Ending March 31, 2014, by Segment (¥billion)

	Net sales			Operating income/loss		
	Previous forecasts	Revised forecasts	Change	Previous forecasts	Revised forecasts	Change
Power and Social Infrastructure	147.1	147.1	0.0	8.0	8.0	0.0
Industrial Infrastructure	200.0	194.0	-6.0	11.0	9.7	-1.3
Power Electronics	166.5	166.5	0.0	4.8	4.8	0.0
Electronic Devices	117.7	121.7	4.0	4.5	5.5	1.0
Food and Beverage Distribution	116.4	118.4	2.0	6.7	7.0	0.3
Others	56.9	56.9	0.0	1.5	1.5	0.0
Elimination and Corporate	-49.4	-49.4	0.0	-6.6	-6.6	0.0
Total	755.0	755.0	0.0	30.0	30.0	0.0

For net sales by segment, the Industrial Infrastructure segment are expected to fall below previously released forecasts due to certain delays in capital investment by customers. However, net sales in the Electronic Devices and Food and Beverage Distribution segments are projected to be higher than the prior forecasts. As a result, overall net sales will be in line with the previously released forecasts.

As for operating results, the Industrial Infrastructure segment is expected to record operating results that fall below previously forecasted figures due to the projected drop in net sales. However, the operating results of the Electronic Devices and Food and Beverage Distribution segments are projected to be higher than the prior forecasts. As a result, overall operating income will be in line with the previously released forecasts.