Financial Performance

* Figures for year-on-year changes are provided for reference.

1. Qualitative Information Regarding Consolidated Results

In the first half of fiscal 2009, the six-month period from April 1 to September 30, 2009, the Fuji Electric Group's operating environment saw a trend toward recovery in Asian markets, centered on China, and signs that the economic recession, which started from the second half of the previous year, was bottoming out. Nonetheless, the future course of business conditions remains difficult to forecast, and moving forward, the operating environment is expected to remain challenging.

Against this backdrop, the Group has positioned fiscal 2009 as a year for the completion of business restructuring, targeting a return to profitability in fiscal 2010. Specifically, to rebuild its earnings base the Group is working to lower the break-even levels at several businesses, while at the same time strengthening solutions businesses, with a focus on the fields of "energy and the environment."

Consolidated results for the first six months of fiscal 2009 were as follows.

Net sales were down ¥81.8 billion year on year, to ¥291.2 billion. By segment, the Energy & Electric Systems Group had solid plant-related sales, primarily from large overseas projects, but overall sales declined year on year due to lower demand for component products.

In the Electronic Devices Group, despite signs of recovery in certain sectors, a full-scale recovery did not develop and sales were down substantially year on year. In the Retail Systems Group, sales declined year on year as a result of lower demand for vending machines.

Despite a reduction in total expenses achieved through business restructuring measures, all groups recorded year-on-year declines in operating income, ordinary income, and net income due to such factors as lower demand stemming from deteriorating market conditions and exchange rate fluctuations.

Operating results for the first six months of fiscal 2009 were as follows.

(¥ billion)

	1H Fiscal 2008	1H Fiscal 2009	Change
Net sales	373.0	291.2	-81.8
Operating income/loss	-6.7	-20.5	-13.8
Ordinary income/loss	-7.5	-23.8	-16.3
Net income/loss	-10.8	-16.3	-5.5

Results by Segment

[Energy & Electric Systems Group]

YoY: Net sales declined 16.0%; operating results worsened ¥3.4 billion

Net sales declined 16.0% year on year, to ¥179.4 billion, and operating results worsened ¥3.4 billion year on year, for an operating loss of ¥4.7 billion.

In this segment, sales and earnings are impacted by seasonal demand concentrated in the fourth quarter of the fiscal year, particularly in the plant-related business.

The drive business experienced lower demand year on year for general-purpose inverters, small motors, and other component products, and sales and operating results both declined year on year.

In the automation business, demand for measuring instruments and other component products decreased, and sales and operating income both declined year on year.

In the industrial plant engineering business, orders were received for major projects, such as large-scale rectifier facilities overseas, but sales decreased year on year. Operating results improved year on year due to the effects of cost reductions and other measures.

In the electric power systems business, there was an increase in large thermal power plant projects overseas, resulting in year-on-year growth in both sales and operating income.

In the plant facility construction business, there was an increase in projects, resulting in year-on-year growth in both sales and operating income.

In the Electric Distribution & Control (ED&C) components business, due to such factors as the restriction or postponement of capital investment and a fall in demand from manufacturers of machinery, a key field for the Company, sales and operating results both declined substantially year on year.

[Electronic Devices Group]

YoY: Net sales declined 39.9%; operating results worsened ¥7.0 billion

Net sales declined 39.9% year on year, to ¥53.3 billion, and operating results worsened ¥7.0 billion year on year, for an operating loss of ¥13.5 billion.

In the semiconductor business, there were increases in demand, principally for environmentally friendly vehicles, and a trend toward recovery in demand in Asian markets. However, the recovery in Japan, Europe, and the United States was extremely slow. A full-fledged recovery was not reached, and consequently, sales and operating results were both down substantially year on year.

In the magnetic disk business, we shipped models to meet the need for higher capacities in the HDD market, but shipment volumes did not recover to the previous year's level, and sales and operating results were both down year on year.

The photoconductor business recorded growth in sales volume, but with product price declines and a stronger yen, sales were down from the previous year. Operating results were about the same as in the previous year.

[Retail Systems Group]

YoY: Net sales declined 21.1%; operating results worsened ¥2.9 billion

Net sales declined 21.1% year on year, to ¥57.0 billion, and operating results worsened ¥2.9 billion year on year, for an operating loss of ¥2.4 billion.

In the vending machine and food equipment business, we worked to increase sales, centered on environmentally friendly vending machines, but due to limited investment in vending machines from the second half of the previous fiscal year, sales declined substantially year on year. Operating results were down year on year due to a slight decline in sales volume.

In the currency-handling equipment business, due to the influence of sluggish retail market conditions, there were declines in automated change dispensers and electronic money-related equipment, and sales and operating results were both down year on year.

In the cold-chain equipment business, solid results were recorded in products for convenience stores, but due to intensified price competition in products for supermarkets, sales were down year on year. However, due to strengthened project management and fixed cost reduction initiatives, operating results improved year on year.

[Others]

YoY: Net sales declined 10.7%; operating results worsened ¥0.1 billion

Net sales declined 10.7% year on year, to ¥20.7 billion, and operating results worsened ¥0.1 billion year on year, for an operating loss of ¥1.1 billion.

Quantitative Information Regarding Consolidated Financial Position

(¥ billion)

	March 31, 2009	Breakdown (%)	September 30, 2009	Breakdown (%)	Change
Total assets	908.9	100.0	825.7	100.0	-83.2
Interest-bearing debt	416.1	45.8	366.9	44.4	-49.2
Shareholder's equity*1	130.3	14.3	140.2	17.0	+9.9
Debt-equity ratio*2 (times)	3.2		2.6		-0.6

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

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

As of September 30, 2009, total assets were ¥825.7 billion, a decline of ¥83.2 billion from March 31, 2009, the end of the previous fiscal year. Current assets were down ¥109.7 billion, primarily because of declines in cash and deposits, inventories, and trade receivables. Although tangible fixed assets declined, long-term assets rose ¥26.6 billion due to such factors as an increase in the market value of other marketable securities.

Due primarily to the redemption of bonds, interest-bearing debt declined ¥49.2 billion, to ¥366.9 billion as of the end of the six-month period. Net financial obligations, which are calculated by subtracting cash and cash equivalents from interest-bearing debt, declined ¥2.5 billion, to ¥328.2 billion.

Net assets increased ¥7.9 billion, to ¥154.0 billion as of the end of the six-month period, as a result of an increase in the valuation difference on other marketable securities, which offset a decline in retained earnings. Shareholders' equity (total net assets less minority interests) was up ¥9.9 billion from the end of the previous fiscal year, to ¥140.2 billion. The debt-equity ratio was 2.6 times, compared with 3.2 times at the end of the previous fiscal year. The net debt-equity ratio (net financial obligations / shareholders' equity) was 2.3 times, compared with 2.5 times at the end of the previous fiscal year.

(¥ billion)

	1H Fiscal 2008	1H Fiscal 2009	YoY Change
Cash flow from operating activities	10.8	-2.8	-13.7
Cash flow from investing activities	-11.0	3.6	14.5
Free cash flow	-0.1	0.7	0.9
Cash flow from financing activities	-7.5	-47.1	-39.7
Cash and cash equivalents	14.3	38.7	24.3

Free cash flow (cash flow from operating activities + cash flow from investing activities) was a positive ¥0.7 billion on a consolidated basis for the six-month period under review (compared with a negative ¥0.1 billion in the same period of the previous fiscal year), a year-on-year improvement of ¥0.9 billion.

Cash flow from operating activities

Net cash used in operating activities was ¥2.8 billion, compared with net cash provided by operating activities of ¥10.8 billion in the same period of the previous fiscal year. Although inventories were reduced and collections of trade receivables were accelerated, the recording of a loss before income taxes and declines in trade payables were the principal factors leading to this result. This represented a year-on-year decline of ¥13.7 billion.

Cash flow from investing activities

Net cash provided by investing activities was ¥3.6 billion, compared with net cash used in investing activities of ¥11.0 billion a year earlier. Proceeds from sales of fixed assets was a key factor behind this result, which constituted a year-on-year improvement of ¥14.5 billion.

Cash flow from financing activities

Net cash used in financing activities was ¥47.1 billion, compared with ¥7.5 billion in the same period of the previous fiscal year. This result was primarily attributable to the redemption of bonds.

As a result, cash and cash equivalents at the end of the six-month period stood at ¥38.7 billion on a consolidated basis, marking a decline of ¥46.7 billion from the end of March 2009.

3. Qualitative Information Regarding Consolidated Forecasts

Consolidated results in the first six months of the fiscal year exceeded forecasts, but the future course of business conditions remains extremely difficult to predict, and accordingly Fuji Electric Holdings has not revised its consolidated forecasts for the fiscal year ending March 2010 that were released on May 15, 2009.

4. Other Items

(1)Changes in significant subsidiaries associated with changes in the scope of consolidation during the period under review.

None

(2) Adoption of simplified accounting methods or special accounting methods for the preparation of consolidated quarterly statements

(a) Simplified accounting methods

Depreciation of property, plant and equipment is calculated on a pro-rata basis for the period based on expected depreciation for the year according to the budget for the fiscal year.

(b) Special accounting methods for the preparation of consolidated quarterly statements

Tax expenses have been calculated by rationally estimating the effective tax rate after applying tax effect accounting to consolidated net income before taxes for the current fiscal year, and multiplying this estimated effective tax rate by net income before taxes for the three quarters. For certain consolidated subsidiaries where the estimated effective tax rate could not be used, tax expenses have been calculated using the statutory effective tax rate. Income taxes include the value of deferred income taxes.

(3) Changes in accounting principles, methods or presentation related to the preparation of consolidated quarterly statements

• Changes in accounting standards

In regard to accounting standards for the recognition of revenues from construction contracts, in the past the Company used the completed-contract method, but from the first quarter under review, the Company has applied Accounting Standard for Construction Contracts (ASBJ Statement No. 15, December 27, 2007) and Guidance on Accounting Standard for Construction Contracts (ASBJ Guidance No. 18, December 27, 2007). For all construction contracts, including those construction contracts existing at the beginning of the first quarter under review, the percent-of-completion method has been applied to those projects for which the degree of completion as of the end of the second quarter could be reasonably estimated (the percentage of completion shall be estimated based on the cost method). The completed-contract method has been applied to other construction contracts.

This change had the effect of increasing sales by ¥15,043 million, reducing operating loss and ordinary loss by ¥2,968 million each, and reducing loss before income taxes and minority interests by ¥8,822 million.

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