Financial Performance

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

1. Qualitative Information Regarding Consolidated Results

In the first quarter of fiscal 2009, the three-month period from April 1 to June 30, 2009, the Fuji Electric Group’s operating environment was especially challenging due to the deterioration in global economic conditions that resulted from the increasing severity of the financial crisis from the second half of the previous year. Although certain sectors appear to have bottomed out following inventory reductions and production cutbacks, it seems that severe economic situation still continues due to strong uncertainty in the business environment

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 quarter of fiscal 2009 were as follows.

Net sales were down ¥39.3 billion year on year, to ¥132.3 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 sales of component products as a result of the continued deterioration in market conditions. In the Electronic Devices Group, despite signs of recovery in certain sectors, sales were down year on year due to the sluggish market. In the Retail Systems Group, sales declined year on year as a result of lower demand for vending machines.

In all groups, operating income, ordinary income, and net income declined year on year due to lower demand stemming from deteriorating market conditions and to exchange rate fluctuations. The Company recorded extraordinary income accompanying the application of the percent-of-completion method.

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

Summary of 1Q Results

(¥ billion)

	1Q Fiscal 2008	1Q Fiscal 2009	Change
Net sales	171.6	132.3	-39.3
Operating income/loss	-5.6	-14.6	-9.0
Ordinary income/loss	-5.0	-15.5	-10.5
Net income/loss	-6.6	-8.3	-1.7

Results by Segment

[Energy & Electric Systems Group]

YoY: Net sales declined 15.1%; operating results worsened ¥2.1 billion

Net sales declined by15.1% to ¥79.2 billion, and operating results worsened by ¥2.1 billion, for an operating loss of ¥4.9 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 substantially as a result.

In the automation business, there was a decrease in large orders for information systems to meet government demand, and sales and operating income both declined.

In the industrial plant engineering business, we recorded solid results from major projects, such as high-capacity rectification equipment overseas, but due to a drop-off in facility construction projects, net sales and operating income both decreased.

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

In the plant facility construction business, sales and operating results were both about the same year on year.

In the ED&C components business, due to a fall in demand from manufacturers of machinery, a key field, sales and operating results both declined substantially year on year.

[Electronic Device Group]

YoY: Net sales declined 41.3%; operating results worsened ¥4.9 billion

Net sales declined by 41.3% to ¥24.3 billion, and operating results worsened by ¥4.9 billion, for an operating loss of ¥9.2 billion.

In the semiconductor business, there were signs of year-on-year recovery in certain industries, but global economic conditions remained sluggish, and demand declined as capital investment was reduced and customers adjusted inventories and production. Consequently, sales and operating results both were down substantially year on year.

In the magnetic disk business, hard disk drive (HDD) production volumes turned toward recovery following a sharp reduction in production from the second half of the previous fiscal year, but volumes did not return to the level seen prior to the production cutbacks. Sales were down year on year. However, due to the effects of business restructuring measures, operating results improved year on year.

In the photoconductor business, sales decreased year on year as a result of a fall in market prices and of the appreciation of the yen. However, due to production rationalization measures, operating results were about the same year on year.

[Retail Systems Group]

YoY: Net sales declined 24.8%; operating results worsened ¥1.6 billion

Net sales declined by 24.8% to ¥28.1 billion, and operating results worsened by ¥1.6 billion, for an operating loss of ¥0.5 billion.

In the vending machines and food service equipment business, sales and operating results declined year on year as customers limited investment in vending machines due to the economic slowdown from the second half of the year.

In the currency-handling systems business, favorable results were recorded by automated change dispensers, but due to investment cutbacks amidst the worsening market conditions, sales and operating results both declined year on year.

In the cold-chain equipment business, solid results were recorded in products for convenience stores, but due to such factors as delayed store openings by supermarkets, sales were down year on year. However, due to thorough-going initiatives in such areas as project management, operating results were about the same year on year.

[Others]

YoY: Net sales declined 21.2%; operating results worsened ¥0.2 billion

Net sales declined by 21.2% to ¥8.2 billion, and operating results worsened by ¥0.2 billion, to a ¥0.3 billion operating loss.

Quantitative Information Regarding Consolidated Financial Position

(¥ billion)

	March 31, 2008	Breakdown (%)	June 30, 2008	Breakdown (%)	Change
Total assets	908.9	100.0	853.0	100.0	-55.9
Interest-bearing debt	416.1	45.8	386.7	43.3	-29.4
Shareholder's equity*1	130.3	14.3	143.6	16.8	+13.3
Debt-equity ratio*2 (times)	3.2		2.7		-0.5

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

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

As of June 30, 2009, total assets were ¥853.0 billion, a decline of ¥55.9 billion from March 31, 2009, the end of the previous fiscal year. Current assets were down by ¥88.0 billion, primarily because of declines in trade receivables, inventories and in cash and time deposits. Although tangible fixed assets declined, long-term assets rose ¥32.1 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 by ¥29.4 billion, to ¥386.7 billion as of the end of the quarter. Net financial obligations, which are calculated by subtracting cash and cash equivalents from interest-bearing debt, declined by ¥2.9 billion, to ¥327.7 billion.

Net assets increased by ¥12.4 billion, to ¥158.5 billion as of the end of the quarter, 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 ¥13.3 billion from the end of the previous fiscal year, to ¥143.6 billion. The debt-equity ratio declined by 0.5 percentage points from the end of the previous fiscal year, to 2.7 times. The net debt-equity ratio (net financial obligations / shareholders' equity) declined by 0.2 percentage points from the end of the previous fiscal year, to 2.3 times.

(¥ billion)

	1Q FY2008	1Q FY2009	YoY Change
Cash flow from operating activities	21.6	7.8	-13.8
Cash flow from investing activities	-2.3	-4.9	-2.6
Free cash flow	19.3	2.9	-16.4
Cash flow from financing activities	-26.9	-29.5	-2.6
Cash and cash equivalents	15.4	58.9	43.5

Free cash flow (cash flow from operating activities + cash flow from investing activities) was a positive ¥2.9 billion on a consolidated basis for the quarter under review (compared to a positive ¥19.3 billion in the same period of the previous fiscal year), a year-on-year worsening of ¥16.4 billion.

Cash flow from operating activities

Net cash provided by operating activities was ¥7.8 billion, compared with ¥21.6 billion in the first quarter of the previous fiscal year. Key factors behind this result included accelerated collections of trade receivables and inventory reductions, which more than offset the recording of a net loss before income taxes and minority interests and a decrease in trade payables.

This represented a year-on-year decline of ¥13.8 billion.

Cash flow from investing activities

Net cash used in investing activities was ¥4.9 billion, compared with ¥2.3 billion a year earlier. Purchase of fixed assets was a key factor behind this result, which constituted a year-on-year decline of ¥2.6 billion.

Cash flow from financing activities

Net cash used in financing activities was ¥29.5 billion, compared with ¥26.9 billion in the first quarter 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 period stood at ¥58.9 billion on a consolidated basis, marking a decline of ¥26.4 billion from the end of March 2009.

3. Qualitative Information Regarding Consolidated Forecasts

In consideration of consolidated results in the first quarter, Fuji Electric Holdings has revised the consolidated forecasts for the fiscal 2009 interim period that were published with the earnings announcement on May 15, 2009. The fiscal 2009 full-year forecasts have not been revised due to the continued uncertainty of the outlook for economic conditions in the second half of the fiscal year.

The forecasts for the interim period are based on foreign exchange rate assumptions of ¥90/USD and ¥115/euro.

Consolidated Forecasts for Interim Fiscal 2009 (¥ billion)

	Initial forecast	Revised forecast	Change
Net sales	303.0	301.0	-2.0
Operating income/loss	-29.0	-23.0	6.0
Ordinary income/loss	-33.0	-27.0	6.0
Net income/loss	-23.0	-21.5	1.5

(¥ billion)

	Net Sales			Operating Income/Loss		
	Previous Forecasts	Revised Forecasts	Difference	Previous Forecasts	Revised Forecasts	Difference
Energy & Electric Systems	192.0	189.0	-3.0	-9.0	-6.0	3.0
Electronic Devices	47.5	52.0	4.5	-17.0	-14.0	3.0
Retail Systems	61.5	58.0	-3.5	-1.5	-2.0	-0.5
Others	20.5	20.0	-0.5	0	0.5	0.5
Eliminations/ Corporate	-18.5	-18.0	0.5	-1.5	-1.5	0
Total	303.0	301.0	-2.0	-29.0	-23.0	6.0

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

(a) 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 first 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 ¥10,214 million, reducing operating loss and ordinary loss by ¥1,825 million each, and reducing loss before income taxes and minority interests by ¥7,679 million.

(b) For certain overseas consolidated subsidiaries, due to worksite reorganization, a settlement system conforming to Group policy was established and applied from the second quarter of the previous fiscal year. As a result, the Company’s application of the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ Practical Issues Task Force No. 18, May 17, 2006) is different for the first quarter of the previous fiscal year and the first quarter under review.

The effect of this change on the Company’s results was minor.

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