Financial Performance

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

1. Qualitative Information Regarding Consolidated Results

In the first three quarters of fiscal 2009, the nine-month period from April 1 to December 31, 2009, the Fuji Electric Group saw an upturn in the business climate that was centered on Asian markets, due to economic stimulus measures in Japan and overseas. However, the outlook remains uncertain, and the Group is likely to continue facing tough conditions.

Amid those conditions, targeting a return to profitability in fiscal 2010, the Group has positioned fiscal 2009 as a year for the completion of business restructuring. Specifically, in order to rebuild its earnings base, the Group is working to lower the break-even points of several businesses. At the same time, the Group is strengthening solutions businesses, with a focus on the fields of "energy and the environment."

Consolidated results for the first three quarters of fiscal 2009 were as follows.

Net sales were down ¥93.7 billion year on year, to ¥446.6 billion. By segment, the Energy & Electric Systems Group saw sales decline year on year because lower demand for component products counteracted solid plant-related sales, primarily for large overseas projects. Although the Electronic Devices Group is trending toward recovery, it did not reach a full-scale recovery, with sales decreasing 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 deterioration in operating loss and ordinary loss due to such factors as lower demand stemming from lackluster market conditions.

Net loss decreased year on year due to the effect of adopting the accounting standard for construction contracts as well as the reversal of deferred tax assets in the same period of the previous fiscal year.

Further, for the third quarter (three months), although net sales were down year on year, centered on the Energy & Electric Systems Group, operating results improved year on year mainly thanks to improvements in the semiconductor business and the magnetic disk business.

(Nine months cumulative)

(¥ billion)

	FY2008 3Q, cumulative period, consolidated	FY2009 3Q, cumulative period, consolidated	Change
Net sales	540.3	446.6	-93.7
Operating income/loss	-16.8	-23.3	-6.5
Ordinary income/loss	-21.0	-27.3	-6.3
Net income/loss	-50.0	-22.5	27.5

(Three months)

(¥ billion)

	FY2008 3Q, cumulative period, consolidated	FY2009 3Q, cumulative period, consolidated	Change
Net sales	167.3	155.5	-11.9
Operating income/loss	-10.1	-2.8	7.3
Ordinary income/loss	-13.5	-3.5	10.0
Net income/loss	-39.3	-6.3	33.0

Results by Segment

[Energy & Electric Systems Group]

(Nine months) YoY: Net sales declined 14.7%, operating results deteriorated ¥1.9 billion

(Three months) YoY: Net sales declined 12.1%, operating results improved ¥1.5 billion

Year on year, this segment saw net sales decline 14.7%, to ¥274.1 billion, and operating results deteriorate ¥1.9 billion, to an operating loss of ¥5.0 billion.

In the drive business, sales and operating results deteriorated year on year because lower demand for such component products as general-purpose inverters and small motors offset a recovery in order volumes for some product categories in China and other overseas markets.

The automation business recorded year-on-year decreases in net sales and operating results due to lower demand for such component products as measuring instruments.

In the industrial plant engineering business, there were orders for major projects, such as large-scale rectifier facilities overseas, and there was an increase in sales. Operating results were up year on year thanks to cost reductions and other measures.

In the electric power systems business, sales and operating results were up year on year as a result of increased orders for thermal power equipment for large overseas projects.

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

In the ED&C components business, year on year there were significant deteriorations in sales and operating results due to slumping demand from machinery manufacturers—the Company's mainstay business—and the curbing or postponement of capital investment.

Further, for the third quarter (three months), year-on-year net sales decreased 12.1%, to ¥94.7 billion, and operating results improved ¥1.5 billion, to an operating loss of ¥0.3 billion.

[Electronic Devices Group]

(Nine months) YoY: Net sales declined 25.5%, operating results deteriorated ¥0.9 billion
(Three months) YoY: Net sales increased 16.6%, operating results improved ¥6.1 billion

Year on year, this segment saw net sales decline 25.5%, to ¥88.8 billion, and operating results deteriorate ¥0.9 billion, to an operating loss of ¥14.6 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, a full-fledged recovery did not materialize because recovery in Japan, Europe, and the United States was extremely modest. As a result, net sales and operating results were down year on year.

In the magnetic disk business, amid continuing favorable conditions in the HDD market, the Company posted steady sales of 500 GB 3.5-inch aluminum media and 160 GB, 250 GB 2.5-inch glass substrate disks as mainstays. However, sales did not recover to the level reached in the same period of the previous fiscal year, decreasing year on year. Operating results were higher year on year thanks to the benefits of structural reform, such as the transfer of production bases overseas and the reduction of total expenses.

In the photoconductor business, sales declined year on year as lower product prices and contraction of the peripheral devices business counteracted higher sales volumes for photoconductors. Meanwhile, operating results increased year on year due to the advancement of rationalization and cost reductions.

Further, for the third quarter (three months), due to the recovery in demand for the semiconductor business, the magnetic disk business, and the photoconductor business, year-on-year net sales increased 16.6%, to ¥35.5 billion, and operating results improved ¥6.1 billion, to an operating loss of ¥1.1 billion.

[Retail Systems Group]

(Nine months) YoY: Net sales declined 19.7%, operating results deteriorated ¥3.1 billion
(Three months) YoY: Net sales declined 16.2%, operating results deteriorated ¥0.2 billion

Due to curbed investment resulting from a slumping retail market, this segment saw net sales decline 19.7% year on year, to ¥81.7 billion, and operating results deteriorate ¥3.1 billion year on year, to an operating loss of ¥3.6 billion.

In the vending machine and food equipment business, sales were down significantly year on year due to curbed investment in vending machines that reflected the economic downturn and unseasonable summer weather. The decrease in sales and the accompanying work adjustments resulted in a year-on-year decrease in operating results.

In the currency-handling equipment business, due to curbed investment stemming from a sluggish retail market, automated change dispensers and electronic money-related equipment revenues were down, which resulted in decreases in sales and operating results.

In the cold-chain equipment business, a decrease in new store openings and intensified price competition resulted in decreases in sales and operating results year on year.

Further, for the third quarter (three months), year-on-year net sales decreased 16.2%, to ¥24.7 billion, and operating results deteriorated ¥0.2 billion, to an operating loss of ¥1.3 billion.

[Others]

(Nine months) YoY: Net sales declined 11.4%, operating results improved ¥0.1 billion

(Three months) YoY: Net sales declined 13.0%, operating results improved ¥0.2 billion

This segment posted a 11.4% decline in net sales year on year, to ¥29.5 billion, and a ¥0.1 billion year-on-year improvement in operating results, to an operating income of ¥1.7 billion. Further, for the third quarter (three months), net sales decreased 13.0% year on year, to ¥8.9 billion, and operating results improved ¥0.2 billion year on year, to an operating income of ¥0.6 billion.

Quantitative Information Regarding Consolidated Financial Position

(¥ billion)

	March 31, 2009	Breakdown (%)	December 31, 2009	Breakdown (%)	Change
Total assets	908.9	100.0	853.5	100.0	-55.5
Interest-bearing debt	416.1	45.8	369.7	43.3	-46.4
Shareholder's equity*1	130.3	14.3	137.9	16.2	+7.6
Debt-equity ratio*2	3.2		2.7		-0.5

*1 Shareholders' equity = Total net assets — Minority interests
*2 D/E ratio = Interest-bearing debt/ Shareholders' equity

Total assets as of December 31, 2009, stood at ¥853.5 billion, a decline of ¥55.5 billion from March 31, 2009, the end of the previous fiscal year. Total current assets were down ¥86.8 billion, primarily because of declines in cash and deposits, inventories, and trade notes and accounts receivable. Total noncurrent assets rose ¥31.5 billion because an increase in the market value of other investment securities offset a decrease in property, plant and equipment.

Interest-bearing debt amounted to ¥369.7 billion at the end of the third quarter, a decrease of ¥46.4 billion from the end of the previous fiscal year, which was mainly due to decreases in short-term loans payable and commercial papers and the redemption of bonds. Further, net financial obligations, which are calculated by subtracting cash and cash equivalents from interest-bearing debt, stood at ¥325.7 billion at the end of the third quarter, down ¥5.1 billion from the end of the previous fiscal year.

Total net assets were ¥154.4 billion at the end of the third quarter, an increase of ¥8.3 billion from the end of the previous fiscal year, principally associated with the higher market value of other investment securities, which absorbed a decline in retained earnings. In addition, shareholders' equity, which is calculated by subtracting minority interests in consolidated subsidiaries from total net assets, amounted to ¥137.9 billion at the end of the third quarter, up ¥7.6 billion from the end of the previous fiscal year. The debt-equity ratio declined 0.5 points from the end of the previous fiscal year, to 2.7 times. Also, the net debt-equity ratio (net financial obligations ÷ shareholders' equity) rose 0.1 point, to 2.4 times.

(¥ billion)

	FY 2008 3Q	FY 2009 3Q	Change
Cash flow from operating activities	-8.5	4.4	12.9
Cash flow from investing activities	-14.0	1.6	15.6
Free cash flow	-22.5	6.0	28.5
Cash flow from financing activities	47.3	-49.7	-97.1
Cash and cash equivalents	44.8	44.0	-0.8

In consolidated free cash flow (cash flows from operating activities + cash flows from investing activities) for the third quarter (nine months), the Company recorded positive free cash flow of ¥6.0 billion, an improvement of ¥28.5 billion from the negative free cash flow of ¥22.5 billion in the same period of the previous fiscal year.

Cash flow from operating activities

Net cash provided by operating activities was ¥4.4 billion, compared with net cash used in operating activities of ¥8.5 billion in the same period of the previous fiscal year. That was primarily the result of inventory reductions and stepped-up collection of trade receivables, which more than offset the recording of a net loss before income taxes and minority interests and decreases in trade payables and advances from customers.

This represented a ¥12.9 billion improvement from the same period of the previous fiscal year.

Cash flow from investing activities

Net cash provided by investing activities was ¥1.6 billion, compared with net cash used in investing activities of ¥14.0 billion in the same period of the previous fiscal year. This was principally attributable to proceeds from sales of property, plant and equipment.

This represented a ¥15.6 billion improvement from the same period of the previous fiscal year.

Cash flow from financing activities

Net cash used in financing activities was ¥49.7 billion, compared with net cash provided by financing activities of ¥47.3 billion in the same period of the previous fiscal year. This mainly stemmed from a decrease in short-term debt, a reduction in commercial papers, and the redemption of bonds.

As a result, cash and cash equivalents at the end of the nine-month period totaled ¥44.0 billion on a consolidated basis, a decrease of ¥41.3 billion from the end of the previous fiscal year.

3. Qualitative Information Regarding Consolidated Forecasts

Fuji Electric Holdings has revised its consolidated results forecast for the fiscal 2009 full-year period, ending March 2010, which it announced on May 15, 2009, based on the Group's consolidated results in the first three quarters.

Further, the revised forecast assumes foreign currency exchange rates of US$1=90 yen and €1=115 yen in the fourth quarter.

Consolidated financial result forecasts

(¥ billion)

	Previous forecasts	Revised forecasts	Change
Sales	690.0	690.0	0
Operating Income/Loss	-12.0	0	12.0
Ordinary Income/Loss	-17.0	-3.0	14.0
Net Income/Loss	-17.0	-9.0	8.0

Net sales and operating income/loss forecasts by segment

(¥ billion)

	Sales			Operating Income/Loss		
	Previous Forecasts	Revised Forecasts	Change	Previous Forecasts	Revised Forecasts	Change
Energy & Electric Systems	440.0	441.0	1.0	9.0	14.0	5.0
Electronic Devices	118.0	129.0	11.0	-19.5	-12.0	7.5
Retail Systems	129.0	119.0	-10.0	1.0	-1.0	-2.0
Others	43.0	40.0	-3.0	1.5	2.0	0.5
Eliminations/ Corporate	-40.0	-39.0	1.0	-4.0	-3.0	1.0
Total	690.0	690.0	0	-12.0	0	12.0

Having positioned fiscal 2009 as a year for the completion of business restructuring, the Group is actively pursuing such initiatives as lowering break-even points, reducing total expenses rigorously, reforming the structure of sales operations and other areas to create optimal structures for business advancement, and reforming supply chains. By moving forward with such initiatives, the Group was able to steadily strengthen its profit-earning capabilities and achieve results in the nine-month period under review that were above projections.

In the fourth quarter, although tough conditions are likely to continue in Japan's market, some business areas, centered on China and other Asian markets, are seeing a pickup in the business climate, and some business areas are trending toward recovery.

Given those conditions, full-year net sales are expected to be at the same level as those stated in the previous announcement. However, operating results are expected to be significantly higher than stated in the previous announcement due to an upturn in market conditions for the Electronic Devices Group and the effect of such structural reforms as reductions of total expenses.

The Energy & Electric Systems Group, facing challenging business conditions, will likely post sales higher than those stated in the previous announcement. Continuing efforts to strengthen the component business—advancing the shift of production overseas and rigorously reducing inventories and costs—are expected to result in operating results that are higher than stated in the previous announcement.

The Electronic Devices Group is witnessing recovery trends in all business areas, centered on China and other Asian markets. As a result, the segment is expected to significantly outperform the figures stated for sales and operating results in the previous announcement.

The Retail Systems Group is likely to post figures for sales significantly lower than stated in the previous announcement, and operating results are expected to be significantly lower than stated in the previous announcement, as retail market sluggishness becomes long term. The Company will make the utmost effort to further reduce selling, general and administrative expenses and other costs.

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 ¥16,872 million, reducing operating loss and ordinary loss by ¥3,466 million each, and reducing loss before income taxes and minority interests by ¥9,320 million.

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