

## Qualitative Information Regarding Consolidated Results in the First Half under Review

### (1) Qualitative Information Regarding Consolidated Results of Operations

In the nine-month period ended December 31, 2010, the Fuji Electric Holdings Group's operating environment was characterized by appreciation of the yen as well as by recovery in businesses targeting domestic and overseas markets, which were supported by expansion in Asian markets, centered on China. Looking ahead, a sense of uncertainty is likely to persist due to such factors as concerns about slowdowns in overseas markets, particularly the United States and Europe, and further appreciation of the yen.

In this environment, the Group has positioned fiscal 2010, which is an intermediate year in the medium-term management plan that went into effect in fiscal 2009, as a year for "Building a Base for Sustained Growth." Targeting future growth, the Group plans to concentrate its management resources on businesses in the fields of "energy and the environment." At the same time, in product fields the Group plans to secure stable earnings while limiting investment. In addition, the Group is working to strengthen its overseas business.

Consolidated business results under review were as follows.

In the three-month period (October to December), net sales increased year on year in the Energy Solutions, Semiconductors, ED&C Components, and Vending Machines segments. In earnings, due to increases in sales volumes and to the effects of restructuring measures, the Group recorded improvement in operating, ordinary, and net results, enabling the Group to return to the black.

In the nine-month period (April to December), net sales rose ¥9.8 billion year on year, to ¥456.5 billion. Due to growth in Asian markets, the Semiconductors and ED&C Components segments, centered on component products, recorded favorable performances. However, performance was down in the Energy Solutions and Environmental Solutions segments as a result of a decline in orders in the previous fiscal year. The Vending Machines segment registered a sluggish performance due to capital investment cutbacks by domestic retailers.

In earnings, sales volumes for component parts increased and the restructuring measures implemented in the previous fiscal year took effect. As a result, the Group recorded significant year-on-year improvements in both operating loss and ordinary loss. The Group also generated extraordinary income through the sale of investment securities, which led to a significant improvement in net income, bringing the Group back into the black.

#### (Three months)

(¥ billion)

|                       | 3Q Fiscal 2009<br>consolidated | 3Q Fiscal 2010<br>consolidated | Change |
|-----------------------|--------------------------------|--------------------------------|--------|
| Net sales             | 155.5                          | 159.0                          | 3.5    |
| Operating income/loss | -2.8                           | 1.7                            | 4.5    |
| Ordinary income/loss  | -3.5                           | 0.4                            | 3.9    |
| Net income/loss       | -6.3                           | 0.4                            | 6.6    |

#### (Nine months cumulative)

(¥ billion)

|                       | 3Q Fiscal 2009<br>cumulative period,<br>consolidated | 3Q Fiscal 2010<br>cumulative period,<br>consolidated | Change |
|-----------------------|--|--|--------|
| Net sales             | 446.6  | 456.5  | 9.8    |
| Operating income/loss | -23.3  | -9.3   | 14.0   |
| Ordinary income/loss  | -27.3  | -16.3  | 11.0   |
| Net income/loss       | -22.5  | 2.0  | 24.6   |

## Results by Segment

### [ Energy Solutions ]

**Three-month period: Net sales up year on year, earnings improve**

**Nine-month period: Net sales down year on year, earnings worsen**

For the three-month period (October to December), the segment recorded a 22.2% year-on-year increase in net sales, to ¥16.4 billion, and operating results improved ¥1.4 billion, to operating income of ¥1.2 billion.

For the nine-month period (April to December), net sales decreased 16.6% year-on-year, to ¥40.1 billion. Operating results fell ¥2.2 billion, resulting in operating loss of ¥1.5 billion. In this segment, sales and operating results—particularly in the plant business—are generally concentrated in the fourth quarter.

Sales in this segment were down year on year, owing to a substantial decline in orders due to the delay or suspension of new projects in the previous term. The Group worked to reduce material costs and other expenses, but the lower sales led to a decline in operating results.

Further, there was a substantial year-on-year increase in orders during the nine-month period, centered on overseas projects for the thermal power facilities market.

### [ Environmental Solutions ]

**Three-month period: Net sales down year on year, earnings worsen**

**Nine-month period: Net sales down year on year, earnings worsen**

For the three-month period (October to December), the segment recorded a 3.9% year-on-year decline in net sales, to ¥61.3 billion. Operating results worsen ¥0.3 billion, to operating income of ¥0.4 billion.

For the nine-month period (April to December), net sales decreased 3.6% year-on-year, to ¥176.3 billion. Operating results fell ¥3.0 billion, resulting in operating loss of ¥4.1 billion. In this segment, sales and operating results—particularly in the plant business—are generally concentrated in the fourth quarter.

In the Industrial Solutions subsegment, orders increased year on year due to the recovery in market conditions. However, the between-season timing of large orders caused net sales to fall year on year. The Group worked to reduce costs, but due to the influence of the lower sales and the appreciation of the yen, operating results declined year on year.

In the Social Solutions subsegment, investment in the retail/distribution fields remained limited, but nonetheless sales increased as a result of the effects of an acquisition in the power supply business. Operating results were down year on year due to the lower sales in the retail/distribution field.

In the Transportation Solutions subsegment, vigorous industrial demand from China and other Asian markets bolstered sales of transportation systems—primarily inverter-based systems. As a result, net sales and operating performance rose year on year.

## [ Semiconductors ]

**Three-month period: Net sales up year on year, earnings improve**

**Nine-month period: Net sales up year on year, earnings improve**

For the three-month period (October to December), net sales in this segment increased 8.5% year-on-year, to ¥20.6 billion, and operating results improved ¥1.3 billion, to operating income of ¥1.9 billion.

For the nine-month period (April to December), net sales increased 26.1% year on year, to ¥62.6 billion, while operating results improved ¥9.7 billion year on year, resulting in operating income of ¥3.8 billion.

In power supplies, there were signs of weakening demand for LCD TVs and PCs from the third quarter, but for the nine-month period, demand was about level year on year. In industrial products, results remained favorable due to strong performances in inverters and machine tool products. In automotive electronics, demand in Japan slowed for certain products but remained strong overall. Consequently, net sales and operating results were both up substantially year on year.

In photoconductive drums, sales volume increased, but the Group faced falling product prices and the effects of ongoing yen appreciation. As a result, net sales and operating results were down slightly year on year.

## [ ED&C Components ]

**Three-month period: Net sales up year on year, earnings improve**

**Nine-month period: Net sales up year on year, earnings improve**

For the three-month period (October to December), net sales in this segment increased 32.1% year-on-year, to ¥16.5 billion, and operating results improved ¥1.5 billion, to operating income of ¥0.9 billion.

For the three-month period (October to December), net sales increased 54.8% year on year, to ¥48.0 billion, while operating results improved ¥6.2 billion year on year, resulting in operating income of ¥1.9 billion.

In this segment, the Japanese market benefited from Asia-bound external demand, with demand from equipment manufacturers expanding substantially. Overseas, Asian markets, centered on China, demonstrated the ability to sustain high levels of growth, with demand recording substantial gains. Segment sales consequently increased substantially year on year. Operating results improved significantly, bolstered by the rise in net sales and by the effects of the restructuring measures implemented during the previous year, which resulted in reductions in fixed costs.

## [ Vending Machines ]

**Three-month period: Net sales up year on year, earnings improve**

**Nine-month period: Net sales down year on year, earnings improve**

For the three-month period (October to December), net sales in this segment increased 6.4% year-on-year, to ¥20.6 billion, and operating results improved ¥1.5 billion, to operating income of ¥0.5 billion.

For the nine-month period (April to December), net sales declined 4.8% year on year, to ¥60.4 billion. Operating results improved ¥1.3 billion, to operating loss of ¥1.9 billion.

Unusually warm summer weather led some customers to increase investment in vending machines, but this gain was not enough to offset the decline in sales volume in the first six months of the fiscal year, and sales were down year on year. Operating results improved year on year due to cuts in fixed costs.

In currency handling systems, sales and operating results improved year on year due to an increase in the installation of automatic change dispensers by retail companies, centered on chain stores.

## [ Magnetic Disks ]

**Three-month period: Net sales down year on year, earnings worsen**

**Nine-month period: Net sales up year on year, earnings improve**

For the three-month period (October to December), net sales in this segment declined 14.0% year-on-year, to ¥10.5 billion, and operating results worsened ¥0.6 billion, to operating loss of ¥2.6 billion.

For the nine-month period (April to December), net sales rose 7.5% year on year, to ¥30.3 billion, operating results improved ¥3.9 billion, to operating loss of ¥4.9 billion.

On a year-on-year basis, the HDD market recovered significantly in the first quarter, but from the second quarter the market was flat year on year. Key products for the segment were the 500GB and 667GB 3.5-inch aluminum media and the 320GB 2.5-inch aluminum/glass media, and sales were up year on year. As a result of the increased sales and the effects of restructuring initiatives, such as cost-cutting measures, operating results improved year on year.

## [ Others ]

**Three-month period: Net sales down year on year, earnings worsen**

**Nine-month period: Net sales up year on year, earnings worsen**

For the three-month period (October to December), in this segment, net sales were down 0.3% year on year, to ¥26.5 billion. Operating results worsened ¥0.2 billion, to operating income of ¥0.3 billion. For the nine-month period (April to December), net sales increased 0.4% year-on-year, to ¥77.8 billion, and operating results worsen ¥1.1 billion, to operating loss of ¥0.1 billion.

## (2) Quantitative Information regarding Consolidated Financial Position

(¥ billion)

|                             | March 31,<br>2010 | Breakdown<br>(%) | December 31,<br>2010 | Breakdown<br>(%) | Change |
|-----------------------------|-------------------|------------------|----------------------|------------------|--------|
| Total assets                | 908.9             | 100.0            | 783.5                | 100.0            | -125.4 |
| Interest-bearing debt       | 359.8             | 39.6             | 283.7                | 36.2             | -76.1  |
| Shareholder's equity*1      | 178.9             | 19.7             | 147.9                | 18.9             | -30.9  |
| Debt-equity ratio*2 (times) | 2.0               |                  | 1.9                  |                  | -0.1   |

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

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

Total assets stood at ¥783.5 billion as of December 31, 2010, down ¥125.4 billion from March 31, 2010. Although inventories were up, notes and accounts receivable-trade fell, and as a result current assets were down ¥5.5 billion. Total noncurrent assets were down ¥119.8 billion during the period, due principally to the sale of investment securities.

Interest-bearing debt stood at ¥283.7 billion on December 31, 2010, down ¥76.1 billion from the previous fiscal year-end. This drop was primarily attributable to reductions in short-term loans payable and commercial paper and the redemption of bonds. Further, net interest-bearing debt—interest-bearing debt net of cash and cash equivalents—declined ¥98.7 billion from the previous fiscal year-end, to ¥223.8 billion at the end of the period.

Net assets were ¥165.6 billion at the end of the period under review, down ¥30.5 billion compared with March 31, 2010. This decline was primarily attributable to a drop in the valuation difference on available-for-sale securities. In addition, shareholders' equity, which is calculated by subtracting minority interests in consolidated subsidiaries from total net assets, amounted to ¥147.9 billion, down ¥30.9 billion from fiscal year-end. The debt-equity ratio at the end of the period was 1.9 times, down 0.1 compared with March 31, 2010. The net debt-equity ratio (net financial obligations ÷ shareholders' equity) was 1.5 times, down 0.3.

(¥ billion)

|                                     | 3Q FY2009 | 3Q FY2010 | YoY<br>Change |
|-------------------------------------|-----------|-----------|---------------|
| Cash flow from operating activities | 4.4       | 19.7      | 15.3          |
| Cash flow from investing activities | 1.6       | 84.1      | 82.5          |
| Free cash flow                      | 6.0       | 103.8     | 97.8          |
| Cash flow from financing activities | -49.7     | -80.8     | -31.0         |
| Cash and cash equivalents           | 44.0      | 59.9      | 15.9          |

On a consolidated basis, in the nine-month period, free cash flow (cash flows from operating activities + cash flows from investing activities) amounted to ¥103.8 billion, compared with free cash flow of ¥6.0 billion in the same period of the previous fiscal year. This represented a ¥97.8 billion improvement year on year.

### **Cash flows from operating activities**

Net cash provided by operating activities during the period under review was ¥19.7 billion, compared with ¥4.4 billion in the same period of the previous fiscal year. Although inventories increased, accelerated collection of notes and accounts receivable—trade resulted in an increase in cash provided.

This represented a ¥15.3 billion improvement from the same period of the previous fiscal year.

### **Cash flows from investing activities**

Net cash provided by investing activities came to ¥84.1 billion, compared with ¥1.6 billion in the same period of the previous fiscal year. The sale of investment securities was the principal reason for the change.

This represented an ¥82.5 billion improvement from the same period of the previous fiscal year.

### **Cash flows from financing activities**

Net cash used in financing activities amounted to ¥80.8 billion, compared with ¥49.7 billion in the same period of previous year. This change was due primarily to decreases in short-term loans payable and commercial paper as well as the redemption of bonds.

As a result, on a consolidated basis, cash and cash equivalents at the end of the period under review amounted to ¥59.9 billion, up ¥22.6 billion from the end of the previous fiscal year.

## **(3) Qualitative Information Regarding Consolidated Forecasts**

The Group has not revised the consolidated results forecast for the full fiscal year that was announced on October 29, 2010, when the results were released.

The forecasts for the fourth quarter assume exchange rates of US\$1 = ¥85 and €1 = ¥105.