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

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

The economic climate in which the Fuji Electric Holdings Group operated during the six-month period ended September 30, 2010, was characterized by ongoing appreciation of the yen. However, businesses targeting domestic and overseas markets recovered, boosted by expansion in Asian markets, centered on China. Difficult conditions are likely to persist, however, owing to concerns about slowdowns in overseas markets, particularly the United States and Europe, further yen appreciation and other uncertainties.

In this environment, the Group has positioned fiscal 2010 as its year for “Building a Base for Sustained Growth,” as described in its medium-term management plan, which went into effect in fiscal 2009. To achieve 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 for the period under review were as follows.

Net sales rose ¥6.3 billion year on year, to ¥297.5 billion. Owing to Asian market expansion, performance was favorable—particularly for component products—in the Semiconductors and ED&C Components segments. However, performance was down in the Energy Solutions and Environmental Solutions segments, owing to lower orders from the previous fiscal year. Vending Machines segment performance was sluggish, owing to capital investment cutbacks by domestic retailers.

In earnings, higher sales volumes for component parts, plus the effects of the business restructuring commenced during the previous fiscal year prompted year-on-year improvements in both operating loss and ordinary loss. The Group also generated extraordinary income through the sale of investment securities, which stimulated a significant improvement in net income, bringing the Group back into the black.

(¥ billion)

| | 1H Fiscal 2009 | 1H Fiscal 2010 | Change |
|---|---|---|---|
| Net sales | 291.2 | 297.5 | 6.3 |
| Operating income/loss | -20.5 | -11.0 | 9.5 |
| Ordinary income/loss | -23.8 | -16.7 | 7.1 |
| Net income/loss | -16.3 | 1.7 | 17.9 |

## Results by Segment

### [ Energy Solutions ] Net sales down, operating results worsen

The segment saw a 31.7% year-on-year decline in net sales, to ¥23.7 billion. Operating results fell 3.6 billion, resulting in an operating loss of ¥2.7 billion. In this segment, sales and operating results—particularly in the plant business—have tended to concentrate in the fourth quarter.

Sales in this segment were down substantially, owing to order delays and the suspension of new projects in the previous term. Under these circumstances, the Group endeavored to boost operating results by reducing material costs and other expenses. Ultimately, however, lower sales translated to a decline in segment operating results.

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

### [ Environmental Solutions ] Net sales down, operating results worsen

In this segment, year-on-year net sales declined 3.4%, to ¥115.0 billion. Operating results worsened, falling ¥2.8 billion, to an operating loss of ¥4.5 billion. Sales and operating results—particularly in the plant business—have tended to concentrate in the fourth quarter.

In the Industrial Solutions subsegment, the curbing of large-scale capital investment in Japan and the between-season timing of large overseas orders caused both net sales and operating results to fall year on year.

In the Social Solutions subsegment, despite a falloff in large-scale orders sales remained essentially unchanged year on year, thanks to the effects of integrating the power supply business. However, the reduction in large-scale orders did cause operating results to worsen.

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

### [ Semiconductors ] Net sales surge, operating results improve significantly (move to the black)

Net sales in this segment jumped 37.0% year on year, to ¥42.0 billion, while operating results improved ¥8.4 billion year on year, resulting in operating income of ¥1.8 billion.

Within the Semiconductors, the tight supply–demand balance in the market for power supplies eased somewhat, but sales remained buoyant, particularly in Asian markets. Demand for industrial products was brisk, owing to robust capital investment in China spanning nearly all industry categories, as well as investment in the new energy sector in Europe and other markets. Demand for semiconductors used in automotive electronics remained strong, in Japan and overseas markets alike. Consequently, net sales and operating results were both up substantially year on year.

In photoconductive drums, the Group faced falling product prices and the effects of ongoing yen appreciation. Even so, a higher sales volume and ongoing cost reductions resulted in net sales and operating results in line with last year's results.

**[ ED&C Components ] Net sales up strongly, operating results jump (return to profitability)**
Net sales in this segment gained 70.0% year on year, to ¥31.5 billion, while operating results improved ¥4.7 billion year on year, resulting in operating income of ¥1.0 billion.

In this segment, the Japanese market benefited from Asia-bound external demand, with demand from equipment manufacturers expanding substantially. In overseas markets, robust ongoing demand growth in Asia, centered on China, continued. Segment sales consequently soared year on year. Operating results improved significantly, bolstered by the rise in net sales and the effects of the business restructuring commenced during the previous year, and the segment returned to the black.

**[ Vending Machines ] Net sales down, operating results worsen**
Vending Machine segment sales declined 9.8% year on year, to ¥39.8 billion. The operating results also worsened ¥0.2 billion, to an operating loss of ¥2.4 billion.

Unusually warm summer caused beverage consumption to rebound, but because of sluggish retail market conditions this failed to translate to a recovery in capital investment by beverage manufacturers. Sector sales and operating results showed a year-on-year decline accordingly.

On the other hand, sales and operating results from currency handling systems were up year on year, as capital investment increases by certain customers led to a rise in sales of automatic change dispensers.

**[ Magnetic Disks ] Net sales up, operating results improve sharply**
Year on year, net sales in this segment rose 24.0%, to ¥19.8 billion. Performance, likewise, improved on an operating basis, with operating loss of ¥2.3 billion, a ¥4.4 billion improvement.

Although the HDD market was in recovery during the first quarter, inventory adjustments prevailed from the beginning of the second quarter. Segment sales reflected these demand trends by falling off in the second quarter. Net sales in the period, however, were up year on year despite the effects of customers conducting inventory adjustments. Driven by this sales increase, as well as through successful efforts to hold down overheads and cut costs—the effects of business restructuring—operating results improved markedly, bringing the segment back into positive territory.

**[ Others ] Net sales up, operating results worsen**
In this segment, year-on-year net sales in this segment were up 0.8%, to ¥51.4 billion. Operating results dropped ¥0.9 billion, to an operating loss of ¥0.4 billion.

## (2) Quantitative Information regarding Consolidated Financial Position

(¥ billion)

| | March 31, 2010 | Breakdown (%) | September 30, 2010 | Breakdown (%) | Change |
|---|---|---|---|---|---|
| Total assets | 908.9 | 100.0 | 780.6 | 100.0 | -128.3 |
| Interest-bearing debt | 359.8 | 39.6 | 283.6 | 36.3 | -76.1 |
| Shareholder's equity*1 | 178.9 | 19.7 | 148.7 | 19.1 | -30.1 |
| 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 ¥780.6 billion as of September 30, 2010, down ¥128.3 billion from March 31, 2010. Although cash and cash equivalents were up, trade notes and accounts receivable fell, causing a ¥10.7 billion drop in current assets. Total noncurrent assets were down ¥117.5 billion during the period, owing to the sale of investment securities.

Interest-bearing debt stood at ¥283.6 billion on September 30, 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 ¥108.6 billion from the previous fiscal year-end, to ¥213.9 billion at the end of the period.

Net assets were ¥166.2 at the end of the period under review, down ¥30.0 billion compared with March 31, 2010, mainly owing 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 ¥148.7 billion, down ¥30.1 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 1.4 times, down 0.4.

(¥ billion)

| | 1H FY2009 | 1H FY2010 | YoY Change |
|---|---|---|---|
| Cash flow from operating activities | -2.8 | 24.1 | 26.9 |
| Cash flow from investing activities | 3.6 | 86.7 | 83.1 |
| Free cash flow | 0.7 | 110.8 | 110.1 |
| Cash flow from financing activities | -47.1 | -78.4 | -31.3 |
| Cash and cash equivalents | 38.7 | 69.7 | 31.0 |

In the period under review on a consolidated basis, free cash flow (cash flows from operating activities + cash flows from investing activities) amounted to ¥110.8 billion, compared with free cash flow of ¥0.7 billion in the first half of the previous fiscal year. This represented a ¥110.1 billion improvement year on year.

**Cash flows from operating activities**

Net cash provided by operating activities during the period under review was ¥24.1 billion, compared with ¥2.8 billion used in these activities in the first half 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 ¥26.9 billion improvement from the same period of the previous fiscal year.

**Cash flows from investing activities**

Net cash provided by investing activities came to ¥86.7 billion, compared with ¥3.6 billion provided by these activities in the first half of the previous fiscal year. The sale of investment securities was the principal reason for the change.

This represented an ¥83.1 billion improvement from the same period of the previous fiscal year.

**Cash flows from financing activities**

Net cash used in financing activities amounted to ¥78.4 billion, compared with ¥47.1 billion used in these activities in the first half of the previous fiscal 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 ¥69.7 billion, up ¥32.4 billion from the end of the previous fiscal year.

## (3) Qualitative Information Regarding Consolidated Forecasts

Based on its changes in consolidated business results for the period under review, on an individual segment basis the Group now anticipates certain differences, described below, from its previously stated forecast, but the Group's consolidated forecasts for the full fiscal year ending March 31, 2011, announced on July 30, 2010, remain unchanged.

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

**Consolidated Forecasts for Fiscal 2010** (¥ billion)

| | Initial forecast | Revised forecast | Change |
|---|---|---|---|
| Net sales | 720.0 | 720.0 | 0 |
| Operating income | 16.0 | 16.0 | 0 |
| Ordinary income | 13.5 | 13.5 | 0 |
| Net income | 26.0 | 26.0 | 0 |

**Consolidated Forecasts for Fiscal 2010 by Segment** (¥ billion)

| | Net Sales | | | Operating Income/Loss | | |
|---|---|---|---|---|---|---|
| | Previous Forecasts | Revised Forecasts | Difference | Previous Forecasts | Revised Forecasts | Difference |
| Energy Solutions | 73.0 | 71.5 | -1.5 | 1.0 | 2.0 | 1.0 |
| Environmental Solutions | 300.0 | 302.0 | 2.0 | 8.5 | 10.5 | 2.0 |
| Semiconductors | 88.0 | 86.5 | -1.5 | 6.0 | 6.5 | 0.5 |
| ED&C Components | 58.0 | 62.5 | 4.5 | 1.0 | 2.5 | 1.5 |
| Vending Machines | 81.5 | 88.0 | 6.5 | 1.0 | 1.5 | 0.5 |
| Magnetic Disks | 55.0 | 44.5 | -10.5 | 1.0 | -4.5 | -5.5 |
| Others such as Plant Facility Construction | 122.5 | 117.0 | -5.5 | 2.0 | -1.5 | -0.5 |
| Elimination and Corporate | -58.0 | -52.0 | 6.0 | -4.5 | -4.0 | 0.5 |
| Total | 720.0 | 720.0 | 0 | 16.0 | 16.0 | 0 |

Looking at net sales by segment, the Group now expects net sales in Magnetic Disks and Semiconductors to be lower than previously announced. The lower sales in Magnetic Disks will be a result of the effects of inventory adjustments, which commenced in the second quarter, whereas sales in Semiconductors will suffer due to the impact of yen appreciation. On the other hand, the Group anticipates higher net sales in the Environmental Solutions, ED&C Components and Vending Machines segments, benefiting from burgeoning demand in Asian markets. As a result, the Group believes that overall net sales will be in line with previously announced forecast.

On an operating basis, lower net sales from the Magnetic Disks segment are likely to cause income to underperform the Group's previous forecast. Conversely, higher net sales in Environmental Solutions, ED&C Components and Vending Machines should prompt these segments to outperform. Consequently, the Group's forecast for total operating income remains unchanged.

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