

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

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

The economic climate in which the Fuji Electric Holdings Group operated in during the first quarter ended June 30, 2010, was characterized by caution toward large-scale capital investment in Japan. 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.

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, we are working to “expand Fuji Electric from Japan to the world.” This phrase calls for Group initiatives to strengthen overseas business, boosting the Group’s overseas sales to 40% as a percentage of net sales.

Consolidated business results for the first quarter were as follows.

Net sales rose ¥10.1 billion year on year, to ¥142.4 billion. Owing to Asian market expansion, performance was favorable—particularly for component products—in the Environmental Solutions, Semiconductors, ED&C Components and Magnetic Disks segments. However, performance was down in the Energy Solutions segment, owing to lower orders from the previous fiscal year. Vending Machines segment performance suffered from lackluster beverage consumption in Japan.

In earnings, substantial increases in sales volumes plus the results of business reforms implemented in the previous fiscal year prompted major 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.

Consolidated results of operations for the first quarter were as follows.

	(¥ billion)		
	1Q Fiscal 2008	1Q Fiscal 2009	Change
Net sales	132.3	142.4	10.1
Operating income/loss	-14.6	-5.6	9.0
Ordinary income/loss	-15.5	-7.8	7.7
Net income/loss	-8.3	10.0	18.3

Note: With regard to changes in consolidated subsidiaries, three new companies were included and six companies were excluded from the scope of consolidation in the first quarter. Accordingly, 50 consolidated subsidiaries were included as of June 30, 2010.

## Results by Segment

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

Compared with the first quarter of the previous fiscal year, the segment saw a 32.8% decline in net sales, to ¥11.9 billion. Operating results fell ¥1.2 billion, resulting in an operating loss of ¥1.1 billion. In this segment, sales and operating results—particularly in the plant business—have tended to concentrate in the fourth quarter.

With regard to sales, order delays and the suspension of new projects involving overseas thermal power and geothermal power facilities in the previous term caused orders to fall substantially, resulting in a year-on-year decline in sales. Faced by the major downturn in plant production, the Group endeavored to boost operating results from facility repairs and other after-sales services, as well as to reduce material costs and other expenses. Operating results declined despite these efforts.

### **[ Environmental Solutions ] Net sales up, operating results level**

In this segment, year-on-year net sales rose 5.5%, to ¥53.4 billion, while operating results worsened slightly, falling ¥0.1 billion, to an operating loss of ¥2.8 billion. Sales and operating results—particularly in the plant business—have tended to concentrate in the fourth quarter.

In the Industrial Solutions subsegment, demand for component parts trended upward as private-sector capital investment rebounded. With regard to plant products, however, 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, the effects of integrating the power supply business and demand for school ICT environmental facilities in the information systems related business prompted year-on-year increases in net sales and operating results.

In the Transportation Solutions subsegment, Japanese customers continued to curb large-scale capital investment, but business was helped by increased demand for solutions for markets in China and other parts of Asia, combined with robust sales of transportation systems—primarily inverter-based. In addition, Japanese demand for pumps, air conditioning equipment and machine tools was robust. These factors resulted in year-on-year increases in net sales and operating results. In this subsegment, during the quarter the Group began preparing to enter the business of providing systems for the automotive industry.

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

Net sales in this sector jumped 56.1% year on year, to ¥20.9 billion, while operating results improved ¥6.8 billion year on year, resulting in operating income of ¥0.8 billion.

The Semiconductor segment benefited from a recovery in demand throughout Asia, including Japan, for power semiconductors for use primarily in PCs and flat-screen TVs. A full-fledged recovery in capital investment, which had been delayed, caused a surge in worldwide demand for semiconductors for industrial products.

Demand for semiconductors used in automotive electronics benefited from Japanese government incentives to promote environment-friendly automobiles. Consequently, net sales and operating results were both up substantially year on year.

The sales volume for photoconductive drums increased during the quarter. This rise, coupled with ongoing cost reductions, culminated in year-on-year increases in net sales and operating results.

**[ ED&C Components ] Net sales up strongly, operating results jump (return to profitability)**

Net sales in this segment gained 80.7% year on year, to ¥14.9 billion, while operating results improved ¥2.0 billion year on year, resulting in operating income of ¥0.1 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 structural reforms introduced in the previous year, and the segment returned to the black.

**[ Vending Machines ] Net sales up, operating results worsen**

Vending Machine segment sales declined 17.5% year on year, to ¥18.1 billion. The operating results also worsened ¥1.3 billion, to an operating loss of ¥1.5 billion.

Although the vending machine business was characterized by products offering an expanded variety of foods and other products, lackluster beverage consumption prompted beverage manufacturers to curtail capital investment in mainstay beverage vending machines, sapping sector sales and operating results. On the other hand, sales and operating results from currency handling systems was up year on year.

**[ Magnetic Disks ] Net sales up sharply, operating results improve (return to the black)**

Year on year net sales in this sector bounced 51.8%, to ¥11.9 billion. Performance, likewise, improved on an operating basis, with operating income of ¥0.1 billion, a ¥3.1 billion improvement.

HDD market demand was firm, particularly for 2.5-inch hard disk drives. This segment, which ships 3.5-inch media for 500GB drives, 2.5-inch aluminum and glass media for 250GB and 320GB drives, experienced a surge in net sales. Driven by this sales increase, as well as through successful efforts to hold down overheads and cut costs—the effects of structural reforms—operating results improved markedly, bringing the segment back into positive territory.

**[ Others ] Net sales and operating results flat**

In this segment, year-on-year net sales in this segment were up 9.8%, to ¥23.2 billion. The operating results were essentially unchanged, to an operating loss of ¥0.6 billion.

## (2) Quantitative Information regarding Consolidated Financial Position

(¥ billion)

	March 31, 2010	Breakdown (%)	June 30, 2010	Breakdown (%)	Change
Total assets	908.9	100.0	790.1	100.0	-118.9
Interest-bearing debt	359.8	39.6	296.9	37.6	-62.9
Shareholder's equity*1	178.9	19.7	157.4	19.9	-21.5
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 ¥790.1 billion as of June 30, 2010, down ¥118.9 billion from March 31, 2010. Although cash and cash equivalents were up, trade notes and accounts receivable fell, causing a ¥2.2 billion drop in current assets. Total noncurrent assets were down ¥116.7 billion during the period, owing to the sale of investment securities.

Interest-bearing debt stood at ¥296.9 billion on June 30, 2010, down ¥62.9 billion from three months earlier. 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 ¥111.4 billion from the previous fiscal year-end, to ¥211.2 billion at the end of the first quarter.

Net assets were ¥174.8 at the end of the first quarter, down ¥21.3 billion compared with March 31, 2010. Although retained earnings increased, the valuation difference on available-for-sale securities fell, prompting the decline. In addition, shareholders' equity, which is calculated by subtracting minority interests in consolidated subsidiaries from total net assets, amounted to ¥157.4 billion, down ¥21.5 billion from fiscal year-end. The debt-equity ratio at the end of the first quarter was 1.9 times, down 0.1 compared with March 31. The net debt-equity ratio (net financial obligations ÷ shareholders' equity) 1.3 times, down 0.5.

(¥ billion)

	1Q FY2009	1Q FY2010	YoY Change
Cash flow from operating activities	7.8	24.7	16.9
Cash flow from investing activities	-4.9	88.2	93.2
Free cash flow	2.9	113.0	110.1
Cash flow from financing activities	-29.5	-64.8	-35.3
Cash and cash equivalents	58.9	85.8	26.8

In the first quarter on a consolidated basis, free cash flow (cash flows from operating activities + cash flows from investing activities) amounted to ¥113.0 billion, compared with free cash flow of ¥2.9 billion in the first quarter 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 first quarter was ¥24.7 billion, compared with ¥7.8 provided by these activities in the first quarter of the previous fiscal year. Although trade payables decreased, accelerated collection of notes and accounts receivable—trade resulted in an increase in cash provided.

This represented a ¥16.9 billion improvement from the same period of the previous fiscal year.

### Cash flows from investing activities

Net cash provided by investing activities came to ¥88.2 billion, compared with ¥4.9 billion used in these activities in the first quarter of the previous fiscal year. The sale of investment securities was the principal reason for the change.

This represented a ¥93.2 billion improvement from the same period of the previous fiscal year.

### Cash flows from financing activities

Net cash used in financing activities amounted to ¥64.8 billion, compared with ¥29.5 billion in the first quarter 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 first quarter amounted to ¥85.8 billion, up ¥48.5 billion compared with the end of the previous fiscal year.

## (3) Qualitative Information Regarding Consolidated Forecasts

Based on its changes in consolidated business results for the first quarter, on May 11, 2010, at the same time as it announced its consolidated business results for the fiscal year ended March 31, 2010, the Group announced revisions to its consolidated forecasts for the first half of the fiscal year ending March 31, 2011, as well as for the full fiscal year.

The forecast for the second quarter assume exchange rates of US\$1 = ¥90 and €1 = ¥115.

### Consolidated Forecasts for Interim Fiscal 2010 (¥ billion)

	Initial forecast	Revised forecast	Change
Net sales	313.0	313.0	0
Operating income/loss	-12.5	-11.0	1.5
Ordinary income/loss	-16.0	-15.0	1.0
Net income/loss	8.0	3.5	-4.5

**Consolidated Forecasts for Interim Fiscal 2010 by Segment**

(¥ billion)

	Net Sales			Operating Income/Loss		
	Previous Forecasts	Revised Forecasts	Difference	Previous Forecasts	Revised Forecasts	Difference
Energy Solutions	24.5	23.5	-1.0	-4.0	-4.0	0.0
Environmental Solutions	115.0	121.5	6.5	-6.0	-4.5	1.5
Semiconductors	41.0	44.0	3.0	2.0	2.5	0.5
ED&C Components	25.0	29.0	4.0	-0.5	0.5	1.0
Vending Machines	39.5	39.0	-0.5	-2.0	-2.5	-0.5
Magnetic Disks	30.0	25.0	-5.0	1.0	-0.5	-1.5
Others such as Plant Facility Construction	56.5	53.0	-3.5	-0.5	-0.5	0.0
Elimination and Corporate	-18.5	-22.0	-3.5	-2.5	-2.0	-0.5
<b>Total</b>	<b>313.0</b>	<b>313.0</b>	<b>0.0</b>	<b>-12.5</b>	<b>-11.0</b>	<b>1.5</b>

**Consolidated Forecasts for Fiscal 2010**

(¥ billion)

	Initial forecast	Revised forecast	Change
Net sales	720.0	720.0	0.0
Operating income/loss	16.0	16.0	0.0
Ordinary income/loss	13.5	13.5	0.0
Net income/loss	26.0	26.0	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	73.0	0.0	1.0	1.0	0.0
Environmental Solutions	290.0	300.0	10.0	8.0	8.5	0.5
Semiconductors	83.0	88.0	5.0	5.0	6.0	1.0
ED&C Components	50.0	58.0	8.0	0.0	1.0	1.0
Vending Machines	86.0	81.5	-4.5	2.0	1.0	-1.0
Magnetic Disks	60.0	55.0	-5.0	2.0	1.0	-1.0
Others such as Plant Facility Construction	126.0	122.5	-3.5	2.0	2.0	0.0
Elimination and Corporate	-48.0	-58.0	-10.0	-4.0	-4.5	-0.5
<b>Total</b>	<b>720.0</b>	<b>720.0</b>	<b>0.0</b>	<b>16.0</b>	<b>16.0</b>	<b>0.0</b>