Financial Performance

(1) Qualitative Information regarding Consolidated Results of Operations

In the nine-month period ended December 31, 2011, the Fuji Electric Group's operating environment was characterized by a worsening of the economic environment stemming from fiscal and monetary crises in Europe and by a slowdown in the growth of China's economy, which led to an increased sense of uncertainty.

Amid these conditions, in accordance with its management strategy, the Company focused on two areas: Expand business development with a focus on energy and environment, and Expand our business on a global scale. At the same time, aiming to enable long-term perspectives and quick responses to market changes, the Company advanced reforms that base business management on markets and customers

Conslidated business results for the nine-month period under review were as follows.

Net sales rose ¥4.1 billion year on year, to ¥460.6 billion. By business segment, net sales were up year on year in the Energy, Industrial Systems, Social Systems, Power Electronics, and ED&C Components segments, while net sales in the Electronic Devices and Vending Machine segments decreased year on year.

In operating results, operating loss improved ¥4.1 billion year on year, to ¥5.1 billion, due to higher net sales and to reductions in cost and fixed cost as a result of business restructuring. Ordinary loss improved ¥7.4 billion year on year, to ¥8.9 billion.

Net loss was ¥6.0 billion, a deterioration of ¥8.0 billion year on year. This reflected a gain on sales of investment securities that was recorded in the corresponding period of the previous fiscal year.

Consolidated business results for the nine-month period under review were as follows.

(¥ billion)

	3Q Fiscal 2010 cumulative period	3Q Fiscal 2011 cumulative period	Change
Net sales	456.5	460.6	4.1
Operating income/loss	-9.3	-5.1	4.2
Ordinary income/loss	-16.3	-8.9	7.4
Net income/loss	2.0	-6.0	-8.0

Results by Segment

[Energy] YoY: Net sales increased 23.1%, operating results improved ¥1.6 billion

Net sales rose 23.1% year on year, to ¥34.2 billion, and operating income improved ¥1.6 billion year on year, to ¥3.9 billion.

In the power plant business, net sales increased year on year as a result of contributions to net sales made by new-project orders that had been received in the previous period. However, due to the appreciation of the yen, operating results were down slightly year on year. In the nuclear power-related equipment and radiation control systems business, net sales and operating results were up significantly year on year due to higher demand for radiation dosimeters.

[Industrial Systems] YoY: Net sales increased 1.3%, operating results improved ¥1.6 billion

Net sales rose 1.3% year on year, to ¥50.7 billion, and operating loss improved ¥1.6 billion year on year, to ¥0.4 billion.

The industrial plant business was basically unchanged year on year, but the facilities business recorded an increase in large-scale orders, and as a result, net sales increased year on year. Operating results improved year on year due to lower costs and expenses.

[Social Systems] YoY: Net sales rose 3.0%, operating results improved ¥0.5 billion

Net sales rose 3.0% year on year, to ¥81.3 billion, and operating loss improved ¥0.5 billion year on year, to ¥3.8 billion.

In the energy distribution business, net sales rose year on year due to higher capital investment in substations, and in the retail stores business, net sales were up as result of increased convenience store refurbishment projects. The energy distribution business and the retail stores business both recorded improved operating results due to higher net sales as well as lower costs and expenses.

[Power Electronics] YoY: Net sales increased 2.7%, operating results worsened ¥3.1 billion

Net sales rose 2.7% year on year, to ¥62.6 billion, while operating loss worsened ¥3.1 billion year on year, to ¥2.7 billion.

In the drive business, net sales were up year on year because of higher demand for products for China and other Asian markets. However, from the third quarter, overseas markets increasingly showed signs of slowing down. Operating results declined year on year as a consequence of the continued appreciation of the yen and production adjustments in China. In the power supply business, net sales and operating results rose year on year due to an increase in demand for uninterruptible power supply systems (UPSs) for data centers and to an increase in exports to Asian markets.

[Electronic Devices] YoY: Net sales decreased 9.6%, operating results improved ¥2.6 billion

Net sales declined 9.6% year on year, to ¥83.9 billion, and operating loss improved ¥2.6 billion year on year, to ¥0.6 billion.

In the semiconductor business, net sales rose year on year, reflecting stronger demand in the industrial field as well as higher demand in the automotive electronics business, which recovered rapidly following the Great East Japan Earthquake. However, from the third quarter, the markets in the industrial field increasingly showed signs of slowing down. Operating results declined year on year as consequence of the continued appreciation of the yen and the influence of production adjustments in such markets as China and Europe. In the magnetic disk business, net sales were down year on year due to a decrease in demand stemming from a slowdown in the PC market and from flooding in Thailand. However, operating results were up year on year as a result of reductions in cost and other cost achieved through business restructuring.

[ED&C Components] YoY: Net sales rose 6.7%, operating results improved ¥0.5 billion

Net sales rose 6.7% year on year, to ¥51.2 billion, and operating income improved ¥0.5 billion year on year, to ¥2.5 billion.

The domestic market was supported by external demand from China and other parts of Asia, and there was an increase in demand from manufacturers of machine tools and other machinery. There was also demand related to the disaster recovery efforts, and orders for receiving panels and switchboards increased.

[Vending Machines] YoY: Net sales decreased 2.2%, operating results improved ¥1.3 billion

Net sales declined 2.2% year on year, to ¥59.1 billion, and operating loss improved ¥1.3 billion year on year, to ¥0.7 billion.

In the vending machine business, power-saving initiatives after the earthquake led to higher demand for energy-saving, environment-friendly vending machines. In addition, new types of vending machines with cold storage and peak shift functions were launched. As a result, unit sales increased. However, declines in market prices had an adverse influence, and net sales were down year on year. Operating results improved year on year because of reductions in costs and fixed expenses achieved through business restructuring. In the currency-handling equipment business, net sales and operating income were up year on year thanks to stronger demand for automated change dispensers in the retail market.

[Other] YoY: Net sales decreased 2.8%, operating results improved ¥0.7 billion

Net sales declined 2.8% year on year, to ¥76.2 billion, and operating income improved ¥0.7 billion year on year, to ¥0.6 billion.

(2) Quantitative Information regarding Consolidated Financial Position

(¥ billion)

	March 31, 2011	Breakdown (%)	December 31, 2011	Breakdown (%)	Change
Total assets	805.8	100.0	739.6	100.0	-66.2
Interest-bearing debt	274.0	34.0	248.5	33.6	-25.5
Shareholder's equity*1	155.4	19.3	136.7	18.5	-18.7
Debt-equity ratio*2 (times)	1.8		1.8		0.0

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

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

Total assets stood at ¥739.6 billion at the end of the third quarter, down ¥66.2 billion from the previous fiscal year-end. Total current assets declined ¥32.3 billion, principally because an increase in inventories was offset by lower cash and deposits accompanying redemption of bonds and by a decrease in notes and accounts receivable-trade. Total noncurrent assets were down ¥34.0 billion due to a lower valuation difference on available-for-sale securities.

Interest-bearing debt at the end of the third quarter amounted to ¥248.5 billion, down ¥25.5 billion from the previous fiscal year-end. This decrease was primarily attributable to a decline in long-term loans payable and to redemption of bonds, which offset an increase in short-term loans payable. Further, net interest-bearing debt—interest-bearing debt net of cash and cash equivalents—increased ¥25.2 billion from the previous fiscal year-end, amounting to ¥217.4 billion at the end of the third quarter.

Net assets at the end of the third quarter stood at ¥156.6 billion, down ¥18.4 billion from the previous fiscal year-end. This decline was mainly due to decreases in retained earnings and in valuation difference on available-for-sale securities. In addition, shareholders' equity—net assets less minority interests and other comprehensive income—was down ¥18.7 billion from the previous fiscal year-end, standing at ¥136.7 billion at the end of the third quarter. The debt-equity ratio (interest-bearing debt ÷ shareholders' equity) at the end of the third quarter was 1.8 times, unchanged from the previous fiscal year-end. The net debt-equity ratio (net interest-bearing debt ÷ shareholders' equity) at the end of the third quarter was up 0.4 times from the previous fiscal year-end, to 1.6 times.

(3) Qualitative Information Regarding Consolidated Forecasts

In light of the business result trends of the third quarter of the fiscal year ending March 31, 2012, the Company has revised its consolidated forecast of business results for the full fiscal year ending March 31, 2012, announced on October 27, 2011. Please refer to the Announcement of Revised Financial Result Forecasts, which was released on January 25, 2012.

The forecasts for the forth quarter assume exchange rates of US$1 = ¥77 and €1 = ¥100

Consolidated Forecasts for Fiscal 2011 (¥ billion)

	Initial Forecast	Revised forecast	Change
Net sales	720.0	700.0	-20.0
Operating income	22.0	15.0	-7.0
Ordinary income	20.0	13.0	-7.0
Net income	12.0	7.0	-5.0

Consolidated Forecasts for Fiscal 2011 by Segment (¥ billion)

	Net Sales			Operating Income/Loss		
	Previous Forecasts	Revised Forecasts	Difference	Previous Forecasts	Revised Forecasts	Difference
Energy	65.6	65.6	0	8.1	8.1	0
Industrial Systems	82.5	82.5	0	3.0	3.0	0
Social Systems	141.7	140.0	-1.7	5.4	4.5	-0.9
Power Electronics	96.2	89.5	-6.7	3.3	-1.0	-4.3
Electronic Devices	118.1	112.0	-6.1	0.7	-1.0	-1.7
ED&C Components	68.6	68.6	0	3.4	3.4	0
Vending Machines	81.5	81.5	0	1.9	1.9	0
Others	115.9	114.0	-1.9	2.3	2.2	-0.1
Elimination and Corporate	-50.1	-53.7	-3.6	-6.1	-6.1	0
Total	720.0	700.0	-20.0	22.0	15.0	-7.0

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