Financial Performance

(1) Qualitative Information regarding Consolidated Results of Operations

Regarding the business conditions that the Fuji Electric Group faced in fiscal 2011, ended March 31, 2012, Japan's market recovered modestly as a result of demand stemming from restoration following the Great East Japan Earthquake. Overseas markets saw a further increase in uncertainty due to the deterioration of the global economy that Europe's financial crisis triggered, floods in Thailand, and a softening of China's economic growth.

Amid these conditions, in accordance with its management strategy, the Group 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 Group advanced reforms that base business management on markets and customers.

Consolidated business results for fiscal 2011 were as follows.

Net sales increased ¥14.5 billion year on year, to ¥703.5 billion. By business segment, year-on-year increases in the net sales of the Energy, Industrial Systems, Social Systems, Power Electronics, and ED&C Components segments counteracted year-on-year decreases in the net sales of the Electronic Devices and Vending Machine segments.

In operating results, operating loss improved ¥7.3 billion year on year, to ¥19.3 billion, due to higher net sales and reductions in cost and fixed cost as a result of business restructuring. Ordinary loss improved ¥11.3 billion year on year, to ¥18.6 billion.

Net loss was ¥11.8 billion, a deterioration of ¥3.3 billion year on year. This reflected the recognition of a gain on sales of investment securities in the previous fiscal year and extraordinary loss arising from loss on pension assets in fiscal 2011.

Operating results for fiscal 2011 were as follows.

(¥ billion)

	Fiscal 2010	Fiscal 2011	Change
Net sales	689.1	703.5	14.5
Operating income/loss	11.9	19.3	7.3
Ordinary income/loss	7.2	18.6	11.3
Net income/loss	15.1	11.8	-3.3

Results by Segment

[Energy] YoY: Net sales increased 36%, operating results improved ¥5.3 billion

Net sales rose 36% year on year, to ¥67.1 billion, and operating results improved ¥5.3 billion year on year, to ¥10.8 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 received in the previous period. In the nuclear power-related equipment and radiation control systems business, net sales were up year on year due to higher demand for radiation dosimeters. Operating results grew year on year thanks to higher revenues, cost reductions, and curbed expenses.

[Industrial Systems] YoY: Net sales increased 1%, operating results improved ¥1.8 billion

Net sales rose 1% year on year, to ¥82.0 billion, and operating results improved ¥1.8 billion year on year, to ¥3.3 billion.

In the industrial plant business, net sales rose year on year due to an increase in overseas orders. In the facilities business, net sales were down year on year because of a decline in large orders. Operating results improved year on year due to lower costs and expenses.

[Social Systems] YoY: Net sales rose 4%, operating results improved ¥1.3 billion

Net sales rose 4% year on year, to ¥139.7 billion, and operating loss improved ¥1.3 billion year on year, to ¥4.0 billion.

Net sales rose year on year because, although net sales in the energy distribution business were unchanged year on year, net sales in the retail stores business were up as result of increased refurbishment projects and new projects for convenience stores. Operating results were up year on year thanks to higher revenues, cost reductions, and curbed expenses.

[Power Electronics] YoY: Net sales increased 6%, operating results worsened ¥3.1 billion

Net sales rose 6% year on year, to ¥93.0 billion, while operating loss worsened ¥3.1 billion year on year, to ¥1.0 billion.

In the drive business, net sales increased year on year because of higher demand for products for China and other Asian markets. Operating results declined year on year as a consequence of lower market prices and the effect of foreign exchange rates. 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 power supply equipment for communications infrastructure.

[Electronic Devices] YoY: Net sales decreased 12%, operating results improved ¥1.8 billion

Net sales declined 12% year on year, to ¥110.9 billion, and operating loss improved ¥1.8 billion year on year, to ¥0.2 billion.

In the semiconductor business, net sales were unchanged year on year because the automotive electronics business offset a decrease in the net sales of the power supply application business that reflected a slumping PC market. Operating results declined year on year due to the effect of foreign exchange rates and an increase in fixed cost, which accompanied advance investment. In the magnetic disk business, net sales were down year on year because of a slowdown in the HDD market from the third quarter onward due to flooding in Thailand. Operating results rose significantly year on year and moved into the black thanks to business restructuring.

[ED&C Components] YoY: Net sales rose 7%, operating results improved ¥0.5 billion

Net sales rose 7% year on year, to ¥69.9 billion, and operating results improved ¥0.5 billion year on year, to ¥3.4 billion.

Net sales were up year on year due to solid demand from machinery manufacturers in Japan's market. In overseas markets, net sales were unchanged year on year because, although flooding in Thailand generated restoration demand, there was a downturn in investment in China and Asia due to concern over economic recession in North America and Europe. As a result, net sales and operating results increased year on year.

[Vending Machines] YoY: Net sales decreased 3%, operating results improved ¥1.4 billion

Net sales declined 3% year on year, to ¥83.0 billion, and operating results improved ¥1.4 billion year on year, to ¥1.8 billion.

In the vending machine business, net sales were lower year on year as decreases in market prices and sales of goods sold in vending machines counteracted higher unit sales of vending machines due to replacement demand for energy-saving, environment-friendly vending machines that resulted from power-saving initiatives after the earthquake. Operating results rose year on year and moved into the black due to 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 and curbed expenses.

[Other] YoY: Net sales decreased 3%, operating results improved ¥0.6 billion

Net sales declined 3% year on year, to ¥112.6 billion, and operating results improved ¥0.6 billion year on year, to ¥2.6 billion.

Outlook for Fiscal 2012

The outlook for consolidated business results for fiscal 2012, ending March 31, 2013, is as follows.

Further, this outlook assumes foreign exchange rates of US$1=¥80 and €1=¥105.

Consolidated Business Results Forecasts (¥ billion)

	Fiscal 2011	Fiscal 2012	Change
Net sales	703.5	750.0	46.5
Operating income	19.3	23.0	3.7
Ordinary income	18.6	22.0	3.4
Net income	11.8	13.0	1.2

Forecasts by Segment (¥ billion)

	Forecasts for Fiscal 2012	
	Net Sales	Operating Income/Loss
Power Generation / Social Infrastructure	193.1	9.5
Industrial Infrastructure	111.0	5.5
Power Electronics	158.7	5.9
Electronic Devices	127.6	4.0
Food and Beverage distribution	105.4	3.5
Others	113.2	2.0
Elimination and Corporate	-59.0	-7.4
Total	750.0	23.0

Effective from fiscal 2012, the Fuji Electric has reclassified its business segments into six categories: Power Generation / Social Infrastructure, Industrial Infrastructure, Power Electronics, Electronic Devices, Food and Beverage distribution, and Other.

In the Power Generation / Social Infrastructure segment, the power plant business will make a full-fledged entry into Japan's market for high-efficiency combined cycle power generation, which combines gas turbines and steam turbines. At the same time, this business will increase sales through capital participation in power generation companies in the field of geothermal power generation, an area where the Fuji Electric boasts a leading market share. The social infrastructure business will take measures to create businesses in the smart community area.

In the Industrial Infrastructure segment, the Fuji Electric will work to increase orders from overseas for plant systems while expanding and improving local engineering bases in Asia. Further, the Company will create synergies among its existing businesses and the substation business that it has assumed as a result of the dissolution of a joint venture with Hitachi, Ltd., and Meidensha Corporation in April 2012.

In the Power Electronics segment, as its core business, the Fuji Electric will, with a view to expanding overseas businesses, develop businesses through local product design and local manufacturing that caters to local quality and pricing requirements. At the same time, the Company will improve profitability by rigorously reducing cost. Also, in the drive business the Company will rebuild the inverter business and motor business, which are mainstay businesses.

In the Electronic Devices segment, the power semiconductors business will work to increase sales by advancing local design and local manufacturing in China. In addition, the Group will expand its automotive application business through the acquisition of the Tsugaru Factory of Renesas Northern Japan Semiconductor, Inc., which is scheduled for July 2012. At the same time, the Group will start up full-fledged mass production of next-generation power devices that use SiC (silicon carbide) for application in Fuji Electric's power electronics products.

In the Food and Beverage distribution segment, the retail stores business will develop heating and cooling technology horizontally and create new businesses that contribute to safe, reliable food distribution from production regions through to consumers. The vending machine business will work to increase sales of hybrid-heat-pump vending machines while developing business in China in earnest.

(2) Quantitative Information regarding Consolidated Financial Position

(¥ billion)

	March 31, 2011	Breakdown (%)	March 31, 2012	Breakdown (%)	Change
Total assets	805.8	100.0	792.8	100.0	-12.9
Interest-bearing debt	274.0	34.0	255.9	32.3	-18.2
Shareholder's equity*1	155.4	19.3	163.6	20.6	+8.2
Debt-equity ratio*2 (times)	1.8		1.6		-0.2

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

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

Total assets at the end of fiscal 2011 stood at ¥792.8 billion, a decrease of ¥12.9 billion from the end of the previous fiscal year. Total current assets increased ¥10.2 billion principally because higher notes and accounts receivable-trade and inventories offset a decrease in cash and deposits. Total noncurrent assets were down ¥23.1 billion mainly due to a decrease in prepaid pension cost.

Interest-bearing debt at fiscal year-end amounted to ¥255.9 billion, down ¥18.2 billion from the previous fiscal year-end, which was primarily attributable to decreases in bonds payable and long-term loans payable. Further, net interest-bearing debt—interest-bearing debt net of cash and cash equivalents—amounted to ¥191.6 billion at fiscal year-end, a decline of ¥0.6 billion from the previous fiscal year-end.

Net assets at fiscal year-end stood at ¥183.2 billion, an increase of ¥8.3 billion from the previous fiscal year-end, which was mainly due to higher retained earnings. In addition, shareholders' equity—net assets net of minority interests—was up ¥8.2 billion from the previous fiscal year-end, standing at ¥163.6 billion at fiscal year-end. The debt-to-equity ratio (interest-bearing debt ÷ shareholders' equity) declined 0.2 percentage points from the previous fiscal year-end, to 1.6 times. Also, the net debt-to-equity ratio (net interest-bearing debt ÷ shareholders' equity) was 1.2 times percentage points, the same as at the previous fiscal year-end.

	FY2010	FY2011	YoY Change
Cash flow from operating activities	53.9	28.3	.25.5
Cash flow from investing activities	84.2	-13.5	-97.7
Free cash flow	138.1	14.8	-123.3
Cash flow from financing activities	-93.5	-32.6	60.9
Cash and cash equivalents	81.8	64.3	-17.5

In fiscal 2011, consolidated free cash flow (net cash provided by operating activities + net cash provided by investment activities) was ¥14.8 billion, a deterioration of ¥123.3 billion compared with free cash flow of ¥138.1 billion in the previous fiscal year.

Cash flows from operating activities

Net cash provided by operating activities was ¥28.3 billion, compared with ¥53.9 billion for the previous fiscal year. This was mainly due to stepped-up efforts to collect advances.

This was a deterioration of ¥25.5 billion year on year.

Cash flows from investing activities

Net cash used in investment activities was ¥13.5 billion, compared with net cash provided by investment activities of ¥84.2 billion in the previous fiscal year. This was primarily related to purchase of property, plant and equipment.

This was a deterioration of ¥97.7 billion year on year.

Cash flows from financing activities

Net cash used in financing activities was ¥32.6 billion, compared with net cash used in financing activities of ¥93.5 billion in the previous fiscal year. This was principally due to decreases in bonds payable and long-term loans payable.

As a result, consolidated cash and cash equivalents at fiscal year-end amounted to ¥64.3 billion, down ¥17.5 billion from the previous fiscal year-end.

(3) Basic Policy Regarding Distribution of Earnings; Dividends for Fiscal 2011 and Fiscal 2012

We intend to return profit gained through business activities to shareholders. At the same time—while maintaining and strengthening our management foundation—we intend to appropriate profit for consolidated shareholders' equity in order to secure internal reserves for research and development, capital investment, human resources, and other investments reflecting a medium-to-long-term viewpoint.

We will determine the amount of dividends to be paid from retained earnings in light of the above medium-to-long-term business cycle; our policy of paying stable and continuous dividends; and comprehensive consideration of the business results of the relevant fiscal year, research and development and capital investment plans for future growth, and business conditions.

We regard the acquisition of treasury stock as a flexible mechanism to supplement dividends when warranted by the cash flow position.

In light of comprehensive consideration of our financial position, we plan to pay a year-end dividend of ¥2 per share for fiscal 2011. Together with the interim dividend of ¥2 per share, this will give a full-year dividend of ¥4 per share for fiscal 2011.

We have not yet determined the dividend to be paid for fiscal 2012.

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