1. Financial Performance

(1) Qualitative Information Regarding Consolidated Results of Operations in the First Quarter under Review

The economic climate in which the Fuji Electric Holdings Group operated in during the first quarter ended June 30, 2011, was harsh domestically due to the effects of the Great East Japan Earthquake, which occurred on March 11, 2011, including the disruption of supply chains and restriction of electricity supplies. These factors subsequently resulted in declines in the capital investment in Japan. The overseas market trended toward recovery supported by the economic growth of markets in China and other parts of Asia.

Amid these conditions, based on its management strategy the Group focused efforts on two areas: "Concentrate efforts on business in the field of energy and the environment" and "Expand Fuji Electric from Japan to the world." At the same time, in response to dramatic changes in market conditions, the Group moved forward with business restructuring aimed at strengthening the management of its hard disks and vending machines business to make these businesses more resilient to such changes.

Consolidated business results for the first quarter were as follows.

Net sales decreased ¥2.3 billion year on year, to ¥140.1 billion. By segments, net sales in the Power Electronics, ED&C Components, and Vending Machines segments showed year-on-year increases, while net sales in the Energy, Industrial Systems, Social Systems, and Electronic Devices segments decreased year on year.

In earnings, while net sales were down, this was offset by the effects of cost reductions stemming from business reform efforts. As a result, operating loss improved ¥0.2 billion year on year, to ¥5.5 billion, and ordinary loss improved ¥0.7 billion, ¥7.1 billion.

Net loss for the quarter decreased ¥15.3 billion, to ¥5.4 billion. This was primarily due to the recording of gain on sales of investment securities in the first quarter of the previous fiscal year.

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

(¥ billion)

	1Q Fiscal 2010	1Q Fiscal 2011	Change
Net sales	142.4	140.1	-2.3
Operating income/loss	-5.6	-5.5	0.2
Ordinary income/loss	-7.8	-7.1	0.7
Net income/loss	10.0	-5.4	-15.3

Results by Segment

[Energy] YoY: Net sales decreased 5.1%, operating results improved ¥0.3 billion

Net sales decreased 5.1% year on year, to ¥8.6 billion, and operating results improved ¥0.3 billion, to ¥1.2 billion.

In power facilities, while we actively conducted repairs of thermal power facilities and performed other after-sales services to help support the recovery effort following the Great East Japan Earthquake, these efforts were not able to offset the year-on-year decreases in large-scale orders and both net sales and operating results deteriorated.

In the nuclear power-related equipment and radiation control systems, net sales and operating results improved due to strong demand for radiation dosimeters.

[Industrial Systems] YoY: Net sales decreased 10.2%, operating results improved ¥0.4 billion

Net sales decreased 10.2% year on year, to ¥14.2 billion, and operating results improved ¥0.4 billion, making for an operating loss of ¥0.6 billion.

Net sales decreased following the delaying of large-scale orders, primarily those for facilities. Operating results improved due to reductions in expenses and other costs.

[Social Systems] YoY: Net sales decreased 9.0%, operating results worsened ¥0.2 billion

Net sales decreased 9.0% year on year, to ¥20.3 billion, and operating results deteriorated ¥0.2 billion, making for an operating loss of ¥2.6 billion.

In smart communities, large-scale orders were delayed, resulting in a year-on-year decrease in net sales. Operating results were relatively unchanged.

In social information systems, orders for education systems declined, and both net sales and operating results declined accordingly.

[Power Electronics] YoY: Net sales increased 20.0%, operating results worsened ¥0.3 billion

Net sales increased 20.0% year on year, to ¥20.9 billion, and operating results deteriorated ¥0.3 billion, making for an operating loss of ¥0.9 billion.

In drives, net sales increased due to the strong demand for inverters in Japan and overseas. Operating results, however, worsened due to the effects of the strong yen on foreign exchange and increased expenses due to up-front investments in systems for electric vehicles (EVs) and other purposes.

In power supplies, the rising concern for safety and security in Japan created strong domestic demand for emergency power generators and uninterruptible power supply systems (UPSs) for domestic data centers, resulting in improvements in both net sales and operating results.

[Electronic Devices] YoY: Net sales decreased 11.9%, operating results worsened ¥1.6 billion

Net sales decreased 11.9% year on year, to ¥29.0 billion, and operating results worsened ¥1.6 billion, making for an operating loss of ¥1.5 billion.

In power semiconductors, sales of products for power supplies continued to slump and the sales of products for automotive electronics applications fell due to the effects of the Great East Japan Earthquake. In industrial products, however, increased demand for inverters and industrial equipment in Japan as well as in China and other Asian markets drove sales up. These sales increases compensated for the declines in products for power supplies and automotive electronics applications, resulting in year-on-year improvements in net sales and operating results.

In hard disks, while we worked to reduce expenses and other costs to compensate for the effects of decreased demand and unfavorable foreign exchange conditions, we were not able to avoid the worsening of net sales and operating results.

[ED&C Components] YoY: Net sales increased 20.0%, operating results improved ¥1.2 billion

Net sales increased 20.0% year on year, to ¥17.9 billion, and operating results improved ¥1.2 billion, to ¥1.4 billion.

In the domestic market, the demand from manufacturers of machine tools and other machinery remained strong supported by the continued robust demand from China and other parts of Asia. Conditions in overseas markets were also favorable due to the strong demand from Asia. As a result, net sales increased significantly. The higher net sales also resulted in notable improvements in operating results.

[Vending Machines] YoY: Net sales increased 5.7%, operating results improved ¥0. 5 billion

Net sales increased 5.7% year on year, to ¥19.1 billion, and operating results improved ¥0.5 billion, making for an operating loss of ¥1.0 billion.

In vending machines, net sales increased due to the strong demand from food and beverage makers for energy-saving vending machines to replace existing vending machines in response to the electricity shortages following the Great East Japan Earthquake. Operating results also improved due to the effects of higher net sales as well as the reductions in costs of sales and fixed costs as a result of business restructuring efforts.

In currency handling machines, net sales were down, but operating results improved due to lower fixed costs.

[Other] YoY: Net sales decreased 2.5%, operating results improved ¥0.3 billion

Net sales decreased 2.5% year on year, to ¥22.6 billion, and operating results improved ¥0.3 billion, making for an operating loss of ¥0.2 billion.

(2) Quantitative Information regarding Consolidated Financial Position

(¥ billion)

	March 31, 2011	Breakdown (%)	June 30, 2011	Breakdown (%)	Change
Total assets	805.8	100.0	755.3	100.0	-50.5
Interest-bearing debt	274.0	34.0	259.0	34.3	-15.0
Shareholder's equity*1	155.4	19.3	146.9	19.4	-8.5
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 ¥755.3 billion as of June 30, 2011, down ¥50.5 billion from March 31, 2011. Inventories rose, but trade notes and accounts receivable fell, causing a ¥39.0 billion decline in current assets. Total noncurrent assets were down ¥11.4 billion during the period, primarily due to decreases in property, plant and equipment and investment securities.

Interest-bearing debt stood at ¥259.0 billion on June 30, 2011, down ¥15.0 billion from March 31, 2011. This decline was largely attributable to the redemption of bonds, which offset the increase in short-term loans payable. Further, net interest-bearing debt―interest-bearing debt net of cash and cash equivalents—declined ¥0.9 billion from March 31, 2011, to ¥191.3 billion at the end of the first quarter.

Net assets were ¥166.7 billion at the end of the first quarter, down ¥8.3 billion from March 31, 2011. This was the result of decreases in retained earnings and 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 ¥146.9 billion, down ¥8.5 billion from March 31, 2011. The debt-equity ratio at the end of the first quarter was 1.8 times, the same as on March 31, 2011. The net debt-equity ratio (net interest-bearing debt ÷ shareholders' equity) was 1.3 times, up 0.1 times.

(3) Qualitative Information Regarding Consolidated Forecasts

For information regarding the Company's consolidated forecasts for the fiscal year ending March 31, 2012, please refer to the Announcement Regarding Consolidated Forecasts for the Fiscal Year Ending March 31, 2012, which was released on July 28, 2011.

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