Financial Performance

(1) Qualitative Information regarding Consolidated Results of Operations

In the six-month period ended September 30, 2012, the operating environment for Fuji Electric proved to be difficult for its power electronics and semiconductor operations overseas due to the market stagnation that stemmed from the sovereign debt crisis in Europe and the particularly prominent economic slowdown in China. Domestically, conditions were steady for the most part, despite the fact that economic recovery started to decelerate in the summer as a result of sluggish conditions in the global economy.

In this environment, the Company pushed forward with initiatives geared toward advancing the management policies of "expand energy-related businesses" and "globalize." At the same time, we worked to reinforce management foundations by pursuing improved profitability through thorough cost reductions, strengthening manufacturing capabilities, improving cash flows by reducing inventories, and developing sales and production foundations to expand overseas operations.

Consolidated business results for the six-month period ended September 30, 2012, were as follows.

Net sales increased ¥28.5 billion year on year, to ¥333.8 billion, largely due to the contributions of large-scale contracts in the power generation business. By business segment, year-on-year increases in the net sales of the Power and Social Infrastructure, Industrial Infrastructure, Food and Beverage Distribution, and Other segments counteracted year-on-year decreases in the net sales of the Power Electronics and Electronic Devices segments.

In operating results, operating loss improved ¥0.2 billion year on year, to ¥5.4 billion. Likewise, ordinary loss improved ¥2.0 billion year on year, to ¥7.9 billion.Net loss worsened ¥2.2 billion year on year, to ¥7.6 billion.

Operating results for the six-month period ended September 30, 2012, were as follows.

(¥ billion)

	1H Fiscal 2011	1H Fiscal 2012	Change
Net sales	305.3	333.8	28.5
Operating income/loss	-5.6	-5.4	0.2
Ordinary income/loss	-9.8	-7.9	2.0
Net income/loss	-5.4	-7.6	-2.2

Results by Segment

[Power Generation / Social Infrastructure]

YoY: Net sales increased 56%, operating results worsened ¥0.3 billion

Net sales rose 56% year on year, to ¥81.7 billion, and operating loss worsened ¥0.3 billion year on year, to ¥1.3 billion.

Sales in the power generation business were up year on year due to large scale orders for thermal power plants. However, operating results in this business dropped significantly because of the impacts of intensified price competition, which offset the benefits of efforts to lower costs and general expenses. In the social infrastructure business, sales increased as a result of the ongoing strong demand for radiation measurement equipment. Operating results were also up due to the higher sales and lower costs.

[Industrial Infrastructure]

YoY: Net sales increased 15%, operating results improved ¥0.2 billion

Net sales rose 15% year on year, to ¥49.6 billion, and operating loss improved ¥0.2 billion year on year, to ¥0.8 billion.

Sales in the industrial plant business and the facilities business increased year on year following firm replacement demand. This demand was particularly robust in Japan. While operating results in both businesses were impacted by intensified cost competition, these impacts were outweighed by the benefits of the higher sales and lower costs, and operating results improved year on year for both business businesses accordingly.

[Power Electronics]

YoY: Net sales decreased 10%, operating results worsened ¥2.4 billion

Net sales decreased 10% year on year, to ¥63.6 billion, and operating loss worsened ¥2.4 billion year on year, to ¥1.3 billion.

In the drive business, sales decreased substantially year on year due to sluggish overseas demand, particularly in China, and a slump in exports in Japan. Regardless of the relatively steady demand for power supplies to be used in telecommunications infrastructure, sales in the power supply business declined due to lower demand for products for use in IT equipment. In the ED&C components business, the domestic market saw decreased demand in the machine tool and semiconductor fields and there was a drop in investment in Taiwan, Korea, and other parts of Asia. These factors resulted in sales declines in this business. Operating results for the entire segment were down following the lower sales.

[Electronic Devices]

YoY: Net sales decreased 12%, operating results worsened ¥2.2 billion

Net sales decreased 12% year on year, to ¥51.5 billion, and operating loss worsened ¥2.2 billion year on year, to ¥2.9 billion.

In the semiconductor business, demand in the automotive electronics business was up, while demand in the industrial and power supply application businesses was down. As a result, both sales and operating results worsened. In the magnetic disk business, sluggish conditions in the HDD market and lower selling prices drove sales down. However, operating results improved year on year due to the benefits of the business restructuring initiatives implemented in the previous fiscal year.

[Food and Beverage Distribution]
YoY: Net sales increased 4%, operating results improved ¥4.0 billion

Net sales rose 4% year on year, to ¥56.7 billion, and operating income improved ¥4.0 billion year on year, to ¥2.4 billion.

In the vending machine business, sales increased year on year due to strong replacement demand from beverage manufacturers for energy-saving environmentally friendly vending machines, particularly hybrid heat pump vending machines. In the store distribution business, sales rose as a result of increased orders for the establishment of new convenience stores and the renovation of existing stores as well as automatic change dispenser replacement demand. Operating results improved for both businesses due to higher sales, cost reductions, and the benefits from the business restructuring initiatives implemented in the previous fiscal year.

[Others]
YoY: Net sales increased 7%, operating results improved ¥0.7 billion

Net sales rose 7% year on year, to ¥54.2 billion, and operating results improved ¥0.7 billion year on year, to ¥0.9 billion.

(2) Quantitative Information regarding Consolidated Financial Position

(¥ billion)

	March 31, 2012	Breakdown (%)	September 30, 2012	Breakdown (%)	Change
Total assets	792.8	100.0	720.4	100.0	-72.5
Interest-bearing debt	255.9	32.3	234.7	32.6	-21.2
Shareholder's equity*1	163.6	20.6	139.2	19.3	-24.3
Debt-equity ratio*2 (times)	1.6		1.7		+0.1

*1 Shareholders' equity = Total net assets ― Minority interests
*2 D/E ratio = Interest-bearing debt/ Shareholders' equity

Total assets stood at ¥720.4 billion on September 30, 2012, down ¥72.5 billion from the end of the previous fiscal year. Total current assets decreased ¥49.0 billion principally because of lower cash and cash and deposits following the redemption of bonds and a decline in notes and accounts receivable-trade. Total noncurrent assets decreased ¥23.5 billion due to declines in the value of investment securities following differences in mark-to-market valuation.

Interest-bearing debt on September 30, 2012, amounted to ¥234.7 billion, a decrease of ¥21.2 billion from the previous fiscal year-end that was primarily attributable to the redemption of bonds. Further, net interest-bearing debt—interest-bearing debt net of cash and cash equivalents—amounted to ¥197.4 billion on September 30, 2012, an increase of ¥5.8 billion from the previous fiscal year-end.

Net assets stood at ¥158.3 billion on September 30, 2012, ¥25.0 billion lower than in the previous fiscal year. This was primarily due to lower retained earnings and valuation difference on available-for-sale securities. In addition, shareholders' equity—net assets net of minority interests—was down ¥24.3 billion from the previous fiscal year-end, standing at ¥139.2 billion on September 30, 2012. The debt-to-equity ratio (interest-bearing debt ÷ shareholders' equity) rose 0.1 times from the previous fiscal year-end, to 1.7 times. Also, the net debt-to-equity ratio (net interest-bearing debt ÷ shareholders' equity) was 1.4 times, up 0.2 times from the previous fiscal year-end.

In the six-month period ended September 30, 2012, consolidated free cash flow (net cash provided by operating activities + net cash used in investment activities) was ¥7.2 billion, an improvement of ¥12.0 billion compared with negative free cash flow of ¥4.8 billion a year earlier.

Cash flows from operating activities

Net cash provided by operating activities was ¥23.9 billion, compared with ¥4.4 billion a year earlier. This was mainly due to our efforts to collect notes and accounts receivable-trade as well as a decrease in inventories, which offset a decrease in notes and accounts payable-trade.

This was an improvement of ¥19.6 billion year on year.

Cash flows from investing activities

Net cash used in investment activities was ¥16.7 billion, compared with ¥9.2 billion a year earlier. This was primarily related to the purchase of property, plant and equipment and the purchase of investments in subsidiaries.

This was a deterioration of ¥7.5 billion year on year.

Cash flows from financing activities

Net cash used in financing activities was ¥33.5 billion, compared with ¥47.9 billion a year earlier. This was principally due to the redemption of bonds.

As a result, consolidated cash and cash equivalents on September 30, 2012, amounted to ¥37.3 billion, down ¥27.0 billion from the previous fiscal year-end.

(3) Qualitative Information Regarding Consolidated Forecasts

In light of the business result trends seen in the six-month period ended September 30, 2012, the Company has chosen not to revise its consolidated forecasts for business results for the full fiscal year ending March 31, 2013, announced on April 26, 2012, despite the following disparities between forecasted and actual segment results.

The forecasts for the remainder of the fiscal year assume exchange rates of US$1 = ¥78 and €1 = ¥98.

Consolidated Forecasts for Fiscal 2012 (¥ billion)

	Initial Forecast	Revised forecast	Change
Net sales	750.0	750.0	0
Operating income	23.0	23.0	0
Ordinary income	22.0	22.0	0
Net income	13.0	13.0	0

Consolidated Forecasts for Fiscal 2012 by Segment (¥ billion)

	Net Sales			Operating Income/Loss		
	Previous Forecasts	Revised Forecasts	Difference	Previous Forecasts	Revised Forecasts	Difference
Power and Social Infrastructure	193.1	197.6	4.5	9.5	11.2	1.7
Industrial Infrastructure	111.0	120.9	9.9	5.5	5.7	0.2
Power Electronics	158.7	145.8	-12.9	5.9	3.1	-2.8
Electronic Devices	127.6	112.4	-15.2	4.0	0.5	-3.5
Food and Beverage Distribution	105.4	111.1	5.7	3.5	5.8	2.3
Others	113.2	116.2	3.0	2.0	2.8	0.8
Elimination and Corporate	-59.0	-54.1	4.9	-7.4	-6.0	1.4
Total	750.0	750.0	0	23.0	23.0	0

For net sales by segment, the net sales in the Power Electronics and Electronic Devices segments are expected to fall below previously released forecasts due to reduced demand for products for China. However, net sales in the Power and Social Infrastructure, Industrial Infrastructure, Food and Beverage Distribution, and Other segments are projected to be higher than the prior forecasts. As a result, overall net sales will be generally in line with the previously released forecasts.

As for operating results, operating results for the Power Electronics and Electronic Devices segments are expected to fall below previously released forecasts due to lower net sales. Meanwhile, operating results in the Power and Social Infrastructure, Industrial Infrastructure, Food and Beverage Distribution, and Other segments will likely be higher than forecasted. As a result, overall operating results will be generally in line with the previously released forecasts.

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