Financial Performance

(1) Qualitative Information regarding Consolidated Results of Operations

In the six-month period ended September 30, 2014, the domestic economy experienced a modest recovery trend. While the rebound was felt from the demand rush that preceded the April 2014 consumption tax hike, this was offset by positive factors including a rise in capital investment. Overseas, activity was weak in certain markets, but the overall trend was that of gradual improvement supported by the recovery of the United States and other major developed nations.

In response to these conditions, Fuji Electric concentrated on advancing the management policies of expanding energy-related businesses and globalizing operations. At the same time, we positioned the current fiscal year as a year for aggressive management expansion, a step forward from the previous year, which was designated as the first year for aggressive management. As such, the fiscal year ending March 31, 2015, will be one in which we boost profitability focused on businesses in the Industrial Infrastructure and Power Electronics segments while strengthening overseas operations.

Consolidated business results for the six-month period were as follows.

Net sales rose ¥16.9 billion year on year, to ¥345.3 billion, following increased demand and beneficial foreign exchange translations. By business segment, Power and Social Infrastructure, Industrial Infrastructure, Power Electronics, Electronic Devices, and Others saw increased net sales, while Food and Beverage Distribution saw net sales decline.

Operating income improved ¥2.9 billion year on year, to ¥5.9 billion. This reflected higher net sales and improved profitability stemming from cost reductions. Further, ordinary income increased ¥3.6 billion, to ¥6.1 billion. Net income rose ¥1.6 billion, to ¥2.0 billion. In this manner, all three income figures increased substantially over the six-month period ended September 30, 2013.

Consolidated results of operations for the six-month period were as follows.

(¥ billion)

	1H Fiscal 2013	1H Fiscal 2014	Change
Net sales	328.5	345.3	16.9
Operating income	3.0	5.9	2.9
Ordinary income	2.5	6.1	3.6
Net income	0.3	2.0	1.6

Results by Segment

[Power and Social Infrastructure]
YoY: Net sales increased 9%, operating results improved ¥0.4 billion

Net sales rose 0.9% year on year, to ¥62.4 billion, and operating loss improved ¥0.4 billion year on year, to ¥0.4 billion.

In the power plant business, net sales were up year on year due to a rise in orders for solar power generation systems, which offset the lower orders for thermal power generation facilities and hydropower generation facilities. In the social engineering systems business, net sales were up due to higher sales centered on power systems and other items in the power grid field as well as smart meters. In the social information business, net sales increased following a rise in small to medium-scale orders. Overall, the segment saw improved operating results due to higher net sales and the benefits of cost reduction efforts.

[Industrial Infrastructure]
YoY: Net sales increased 6%, operating results were unchanged year on year

Net sales rose 6% year on year, to ¥73.9 billion, and operating loss were unchanged year on year at ¥1.7 billion.

In the transmission and distribution business, net sales were up year on year, reflecting a rise in large-scale orders in Japan. In the industrial plant business, net sales increased following strong domestic replacement demand. In the industrial and instrumentation equipment business, net sales were relatively unchanged year on year. In the equipment construction business, net sales increased due to a rise in orders for air-conditioning facility construction and solar power generation facility construction. Regardless of the higher net sales, the segment's overall operating results were unchanged year on year due to the impacts of intensified cost competition.

[Power Electronics]
YoY: Net sales increased 3%, operating results improved ¥0.6 billion

Net sales rose 3% year on year, to ¥82.0 billion, and operating income improved ¥0.6 billion year on year, to ¥1.1 billion.

In the drive business, net sales and operating results worsened year on year as the absence of the large-scale overseas orders for electric equipment for railcars recorded in the previous equivalent period offset the rise in demand for mainstay inverters and servos in Japan and overseas. In the power supply business, net sales and operating results were relatively unchanged year on year. In the ED&C components business, net sales and operating results improved year on year due to strong demand for machine tools and power distribution equipment.

[Electronic Devices]

YoY: Net sales increased 10%, operating results improved ¥1.6 billion

Net sales rose 10% year on year, to ¥65.1 billion, and operating income improved ¥1.6 billion year on year, to ¥3.7 billion.

In the semiconductors business, net sales were up year on year due to strong demand for inverters, servos, and other industrial machinery in the industrial field and recovered demand for products for telecommunications equipment in the power supply application field, factors that outweighed the decrease in demand in the automotive field following the consumption tax hike in Japan. Operating results improved due to higher net sales and the benefits of cost reduction efforts. In the magnetic disks business, net sales increased, but operating results worsened due to the negative impacts of changes in prices and the ratios of sales for specific models.

[Food and Beverage Distribution]

YoY: Net sales decreased 2%, operating results improved ¥0.3 billion

Net sales decreased 2% year on year, to ¥61.0 billion, and operating income improved ¥0.3 billion year on year, to ¥5.0 billion.

In the vending machines business, net sales were down year on year due to a decrease in vending machine demand following the impacts of unseasonable weather and the consumption tax hike in Japan. These factors in the domestic market offset the sales increases that accompanied business expansion in the Chinese market. Operating results worsened as the lower net sales counteracted the benefits of cost reduction efforts. In the store distribution business, net sales were relatively unchanged year on year, but operating results improved due to the benefits of cost reduction efforts.

[Others]

YoY: Net sales increased 3%, operating results were unchanged year on year

Net sales rose 3% year on year, to ¥29.7 billion, and operating income were unchanged year on year at ¥1.0 billion.

(2) Quantitative Information regarding Consolidated Financial Position

(¥ billion)

	March 31, 2014	Breakdown (%)	September 30, 2014	Breakdown (%)	Change
Total assets	810.8	100.0	793.3	100.0	(17.5)
Interest-bearing debt	199.5	24.6	187.5	23.6	(12.0)
Shareholder's equity*1	227.2	28.0	221.8	28.0	(5.4)
Debt-equity ratio*2 (times)	0.9		0.8		(0.1)

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

Total assets on September 30, 2014, stood at ¥793.3 billion, a decrease of ¥17.5 billion from the end of the previous fiscal year. Total current assets declined ¥8.6 billion, due mainly to decreases in notes and accounts receivable-trade, which offset a rise in inventories. Total noncurrent assets were down ¥8.8 billion, due to decreases in net defined benefit asset and property, plant and equipment, which counteracted an increase in investment securities as a result of higher value for available-for-sale securities following differences in mark-to-market valuation.

Interest-bearing debt as of September 30, 2014, amounted to ¥187.5 billion, down ¥12.0 billion from the previous fiscal year-end. Further, net interest-bearing debt—interest-bearing debt net of cash and cash equivalents—decreased ¥10.1 billion from the previous fiscal year-end, amounting to ¥155.9 billion on September 30, 2014.

Net assets on September 30, 2014, stood at ¥247.7 billion, down ¥3.5 billion from the previous fiscal year-end. While there was an increase in valuation difference on available-for-sale securities and foreign currency translation adjustments, this was outweighed by a decrease in retained earnings mainly due to the adoption of the Accounting Standard for Retirement Benefits. In addition, shareholders' equity—total net assets net of minority interests—was down ¥5.4 billion from the previous fiscal year-end, standing at ¥221.8 billion on September 30, 2014. The debt-to-equity ratio (interest-bearing debt ÷ shareholders' equity) was 0.8 time, down 0.1 time from the previous fiscal year-end. Also, the net debt-to-equity ratio (net interest-bearing debt ÷ shareholders' equity) was unchanged from the previous fiscal year-end, at 0.7 time.

In the six-month period ended September 30, 2014, consolidated free cash flow (net cash from operating activities + net cash from investing activities) was ¥20.4 billion, an improvement of ¥6.3 billion compared with free cash flow of ¥14.1 billion in the six-month period ended September 30, 2013.

Cash flows from operating activities

Net cash provided by operating activities was ¥26.8 billion, compared with ¥21.7 billion in the six-month period ended September 30, 2013. Major factors increasing cash included decrease in notes and accounts receivable-trade, a result of efforts to collected receivables, and increase in advances received. Major factors decreasing cash included increase in inventories and decrease in notes and accounts payable-trade.

This was an improvement of ¥5.1 billion year on year.

Cash flows from investing activities

Net cash used in investing activities was ¥6.4 billion, compared with ¥7.6 billion in the six-month period ended September 30, 2013. This was primarily related to the purchase of property, plant and equipment.

This was an improvement of ¥1.2 billion year on year.

Cash flows from financing activities

Net cash used in financing activities was ¥24.9 billion, compared with ¥30.5 billion in the six-month period ended September 30, 2013. This was principally due to a decrease in loans payable.

As a result, consolidated cash and cash equivalents at September 30, 2014, amounted to ¥31.5 billion, down ¥1.9 billion from the previous fiscal year-end.

(3) Qualitative Information regarding Consolidated Forecasts and Forecast Information

In light of the business result trends of the six-month period ended September 30, 2014, Fuji Electric has revised its consolidated forecast for business results for the fiscal year ending March 31, 2015, which was announced together with financial results for the fiscal year ending March 31, 2015, on April 24, 2014.

The forecast for the remainder of the fiscal year ending March 31, 2015, assumes exchange rates of US$1 = ¥100 and € 1 = ¥135.

(Consolidated Forecasts for the Fiscal Year Ending March 31, 2015) (¥ billion)

	Previous announcement	Revised announcement	Change
Net sales	780.0	790.0	10.0
Operating income	38.0	40.0	2.0
Ordinary income	39.0	41.0	2.0
Net income	23.0	24.0	1.0

Reference: Consolidated Forecasts for the Fiscal Year Ending March 31, 2015, by Segment (¥billion)

	Net sales			Operating income (loss)		
	Previous announcement	Revised announcement	Change	Previous announcement	Revised announcement	Change
Power and Social Infrastructure	165.1	165.1	0.0	8.3	8.3	0.0
Industrial Infrastructure	202.7	204.7	2.0	11.6	12.6	1.0
Power Electronics	179.7	181.7	2.0	8.3	8.7	0.4
Electronic Devices	118.4	126.9	8.5	7.6	7.7	0.1
Food and Beverage Distribution	118.6	118.7	0.1	7.1	7.3	0.2
Others	57.1	57.1	0.0	1.7	1.7	0.0
Elimination and Corporate	(61.6)	(64.2)	(2.6)	(6.6)	(6.3)	0.3
Total	780.0	790.0	10.0	38.0	40.0	2.0

Net sales are expected to be ¥10.0 billion higher the initial forecasts due to increased demand in the Industrial Infrastructure, Power Electronics, Electronic Devices, and Food and Beverage Distribution segments. Operating results are expected to be ¥2.0 billion higher the initial forecasts due to the more substantial net sales as well as to reductions in costs.

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