## Financial Performance

### (1) Qualitative Information regarding Consolidated Results of Operations

**Results of Operations in the Fiscal Year Ended March 31, 2015**

In the fiscal year ended March 31, 2015, 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 the recovery of corporate performance. 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, we worked to boost profitability focused on businesses in the Industrial Infrastructure and Power Electronics segments while strengthening overseas operations.

Consolidated business results for the fiscal year ended March 31, 2015, were as follows.

Net sales rose ¥50.8 billion year on year, to ¥810.7 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 ¥6.2 billion year on year, to ¥39.3 billion. This reflected higher net sales and improved profitability stemming from cost reductions. Further, ordinary income increased ¥6.4 billion, to ¥43.1 billion. At the same time, Net income rose ¥8.4 billion and reached a new record high of ¥28.0 billion due in part to the recording of gain on change in equity as a result of an affiliate becoming listed on the stock exchange.

Consolidated results of operations for the fiscal year ended March 31, 2015, were as follows.

(¥ billion)

| | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 | Change |
|---|---|---|---|
| Net sales | 759.9 | 810.7 | 50.8 |
| Operating income | 33.1 | 39.3 | 6.2 |
| Ordinary income | 36.7 | 43.1 | 6.4 |
| Net income | 19.6 | 28.0 | 8.4 |

Results by Segment

[Power and Social Infrastructure]

**YoY: Net sales increased 15%, operating results improved ¥0.6 billion**

Net sales rose 15% year on year, to ¥175.2 billion, and operating income increased ¥0.6 billion year on year, to ¥8.3 billion yen.

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 decline in large-scale orders for 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 as a result of the rise in activities targeting small- to medium-scale orders. Overall, the segment saw improved operating results due to higher net sales.

[Industrial Infrastructure]

**YoY: Net sales increased 4%, operating results improved ¥1.8 billion**

Net sales rose 4% year on year, to ¥198.0 billion, and operating income increased ¥1.8 billion year on year, to ¥11.4 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. The segment's overall operating results improved year on year due to the higher net sales and the benefits of cost reduction efforts.

[Power Electronics]

**YoY: Net sales increased 5%, operating results improved ¥1.5 billion**

Net sales rose 5% year on year, to ¥184.1 billion, and operating results improved ¥1.5 billion year on year, to ¥6.8 billion.

In the drive business, net sales and operating results improved year on year following a rise in demand for mainstay inverters and servos. In the power supply business, net sales and operating results were up year on year as a result of increased overseas demand for power supply equipment coupled with the robust demand for power conditioners for mega solar power generation projects in Japan. In the ED&C components business, net sales and operating results improved year on year due to strong demand for machine tools and solar power generation-related equipment.

- more -

[Electronic Devices]

**YoY: Net sales increased 11%, operating results improved ¥1.6 billion**

Net sales rose 11% year on year, to ¥137.2 billion, and operating income improved ¥1.6 billion year on year, to ¥8.1 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 were unchanged year on year 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 1%, operating results improved ¥0.5 billion**

Net sales decreased 1% year on year, to ¥119.1 billion, and operating results improved ¥0.5 billion year on year, to ¥8.5 billion.

In the vending machines business, net sales decreased year on year as the sales increases in China and other overseas markets were offset by the impacts of detracting factors in the domestic market, namely the unseasonable weather, the decrease in vending machine demand following the consumption tax hike, and the fact that demand for convenience store coffee machines returned to normal levels. In the store distribution business, net sales were down year on year as customer demand for automatic change dispensers declined, counteracting the benefits of higher sales of freezing and refrigerating facilities for convenience stores, refrigeration facilities for the distribution sector, and equipment and systems for crop production facilities. Despite the decrease in net sales, the segment's overall operating results improved year on year due to the benefits of cost reduction efforts.

[Others]

**YoY: Net sales increased 2%, operating results were unchanged year on year**

Net sales rose 2% year on year, to ¥61.2 billion, and operating income were unchanged year on year at ¥1.9 billion.

**Forecasts for the Fiscal Year Ending March 31, 2016**

Forecasts for consolidated business results in the fiscal year ending March 31, 2016, are as follows.

Further, forecasts for the fiscal year ending March 31, 2016, assume exchange rates of US$1 = ¥115 and €1 = ¥125.

**Consolidated Business Results Forecasts** (¥ billion)

| | Fiscal year ended March 31, 2015 Results | Fiscal year ending March 31, 2016 Forecasts | Change |
|---|---|---|---|
| Net sales | 810.7 | 850.0 | 39.3 |
| Operating income | 39.3 | 45.0 | 5.7 |
| Ordinary income | 43.1 | 45.0 | 1.9 |
| Net income | 28.0 | 29.0 | 1.0 |

**Forecasts by Segment** (¥ billion)

| | Fiscal year ending March 31, 2016 Forecasts | |
|---|---|---|
| | Net Sales | Operating Income/Loss |
| Power and Social Infrastructure | 176.6 | 8.4 |
| Industrial Infrastructure | 208.6 | 12.5 |
| Power Electronics | 219.5 | 9.6 |
| Electronic Devices | 137.3 | 10.3 |
| Food and Beverage Distribution | 120.0 | 8.5 |
| Others | 61.4 | 1.9 |
| Elimination and Corporate | -73.4 | -6.1 |
| Total | 850.0 | 45.0 |

In the fiscal year ending March 31, 2016, the Power and Social Infrastructure business segment will work to increase orders for high-efficiency thermal power generation facilities and geothermal power generation facilities. It will also endeavor to expand operations in the new energy field such as solar power generation systems and fuel cells. At the same time, the segment will work to boost earnings from domestic smart meter operations while accelerating the expansion of its power grid operations, which deal with power transmission and distribution systems and energy management systems.

In the Industrial Infrastructure business segment, the focus of domestic operations will be steadily capturing demand for energy-saving equipment as well as replacement demand in fields where investment is expected to be brisk. At the same time, local production and engineering systems will be strengthened centered on the rapidly growing Asia region in order to boost competitiveness and further expand overseas operations.

The Power Electronics business segment will quickly launch new productions, including those employing next-generation power semiconductors, while working to boost competitiveness by reorganizing domestic mother factories and expanding its systems for promoting the local production and consumption of products overseas. At the same time, it will utilize the Singaporean low-voltage switchboard manufacturer acquired during the fiscal year ended March 31, 2015 (Fuji SMBE Pte. Ltd.), to expand sales channels centered on Asia and reinforce its engineering capabilities.

The Electronic Devices business segment will pursue higher sales in the semiconductor field by accelerating product development ventures, including those for next-generation power semiconductors, and then launching these new products. In addition, it will continue the drive to expand overseas production that began in the fiscal year ended March 31, 2014, in order to optimize production systems on a global basis.

The Food and Beverage Distribution business segment will expand its vending machine business in China and other Asian markets while boosting cost competitiveness by pursuing further reductions in vending machine costs. Increased orders for equipment for convenience stores and other stores will also be targeted, and new products will be developed in this area. In the store distribution field, we will grow new businesses that fuse heating and cooling technologies with solutions.

### (2) Quantitative Information regarding Consolidated Financial Position

(¥ billion)

| | March 31, 2014 | Breakdown (%) | March 31, 2015 | Breakdown (%) | Change |
|---|---|---|---|---|---|
| Total assets | 810.8 | 100.0 | 904.5 | 100.0 | +93.7 |
| Interest-bearing debt | 199.5 | 24.6 | 191.2 | 21.1 | -8.3 |
| Shareholder's equity[*1] | 227.2 | 28.0 | 290.3 | 32.1 | +63.2 |
| Debt-equity ratio[*2] (times) | 0.9 | | 0.7 | | -0.2 |

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

Total assets on March 31, 2015, stood at ¥904.5 billion, an increase of ¥93.7 billion from the end of the previous fiscal year. Total current assets increased ¥33.6 billion, due mainly to a rise in inventories and notes and accounts receivable-trade. Total noncurrent assets were up ¥60.2 billion, due to a higher valuation difference on available-for-sale securities.

Interest-bearing debt as of March 31, 2015, amounted to ¥191.2 billion, down ¥8.3 billion from the previous fiscal year-end. This decrease was largely due to a decline in long-term loans payable. Further, net interest-bearing debt—interest-bearing debt net of cash and cash equivalents—decreased ¥6.8 billion from the previous fiscal year-end, amounting to ¥159.3 billion on March 31, 2015.

Net assets on March 31, 2015, stood at ¥319.6 billion, up ¥68.4 billion from the previous fiscal year-end. This was because of increases stemming from valuation difference on available-for-sale securities and remeasurements of defined benefit plans. In addition, shareholders' equity—total net assets net of minority interests—was up ¥63.2 billion from the previous fiscal year-end, standing at ¥290.3 billion on March 31, 2015. The debt-to-equity ratio (interest-bearing debt ÷ shareholders' equity) was 0.7 times, down 0.2 times from the previous fiscal year-end. Also, the net debt-to-equity ratio (net interest-bearing debt ÷ shareholders' equity) was 0.5 times, down 0.2 times.

(¥ billion)

| | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 | Change |
|---|---|---|---|
| Cash flow from operating activities | 53.7 | 51.5 | -2.2 |
| Cash flow from investing activities | -9.6 | -22.8 | -13.1 |
| Free cash flow | 44.0 | 28.7 | -15.3 |
| Cash flow from financing activities | -50.6 | -33.8 | 16.7 |
| Cash and cash equivalents | 33.4 | 31.9 | -1.5 |

In the fiscal year ended March 31, 2015, consolidated free cash flow (net cash from operating activities + net cash from investing activities) was ¥28.7 billion, a deterioration of ¥15.3 billion compared with free cash flow of ¥44.0 billion in the previous fiscal year

**Cash flows from operating activities**

Net cash provided by operating activities was ¥51.5 billion, compared with ¥53.7 billion for the previous fiscal year. Major factors increasing cash included the recording of income before income taxes and minority interests and increase in advances received. Major factors decreasing cash included increase in inventories and increase in notes and accounts receivable-trade.

This was a deterioration of ¥2.2 billion year on year.

**Cash flows from investing activities**

Net cash used in investing activities was ¥22.8 billion, compared with ¥9.6 billion in the previous fiscal year. This was primarily related to the purchase of property, plant and equipment and the purchase of investment securities.

This was a deterioration of ¥13.1 billion year on year.

**Cash flows from financing activities**

Net cash used in financing activities was ¥33.8 billion, compared with ¥50.6 billion in the previous fiscal year. This was principally due to repayment of long-term loans payable.

As a result, consolidated cash and cash equivalents at fiscal year-end amounted to ¥31.9 billion, down ¥1.5 billion from the previous fiscal year-end.

### (3) Basic Policy Regarding Distribution of Earnings; Dividends for Fiscal 2014 and Fiscal 2015

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 performance, forecasted performance for fiscal 2015, and our financial position, we plan to pay a year-end dividend of ¥5 per share for fiscal 2014. Together with the interim dividend of ¥4 per share, this will give an annual dividend of ¥9 per share for fiscal 2014.

We have not yet determined the dividend to be paid for fiscal 2015.

###