Financial Performance

(1) Qualitative Information regarding Consolidated Results of Operations

In the three-month period ended June 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 signs of a potential improvement in capital investment among private corporations. Overseas, activity was weak in certain markets, but the overall trend was that of gradual improvement supported by the recovery of major developed nations, such as the United States and those nations in Europe.

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 three-month period were as follows.

Net sales rose 7.4 billion year on year, to ¥159.1 billion. 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 ¥1.4 billion year on year, to ¥1.9 billion. This reflected higher net sales and improved profitability stemming from cost reductions. Further, ordinary income increased ¥0.6 billion, to ¥1.6 billion. Net income rose ¥0.2 billion, to ¥0.2 billion. In this manner, profits were recorded on all three income levels, a trend that continued from the three-month period ended June 30, 2013.

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

(¥ billion)

	1Q Fiscal 2013	1Q Fiscal 2014	Change
Net sales	151.7	159.1	7.4
Operating income	0.5	1.9	1.4
Ordinary income	1.0	1.6	0.6
Net income	0.1	0.2	0.2

Results by Segment

[Power and Social Infrastructure]

YoY: Net sales increased 10%, operating results improved ¥0.4 billion

Net sales rose 10% year on year, to ¥26.6 billion, and operating loss improved ¥0.4 billion year on year, to ¥0.2 billion.

In the power plant business, net sales were down year on year due to lower orders for thermal power generation facilities and hydropower generation facilities, which offset a rise in orders for solar power generation systems. 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. In the social information business, net sales increased following a rise in large-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 12%, operating results improved ¥0.1 billion

Net sales rose 12% year on year, to ¥32.2 billion, and operating loss improved ¥0.1 billion year on year, to ¥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 and overseas. In the industrial plant business, net sales increased due to higher orders primarily from steel plant markets in Japan and overseas. 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 large-scale orders for solar power generation facility construction. Overall, the segment saw improved operating results due to higher net sales.

[Power Electronics]

YoY: Net sales increased 3%, operating results improved ¥0.3 billion

Net sales rose 3% year on year, to ¥37.1 billion, and operating loss improved ¥0.3 billion year on year, and operating income of ¥0.2 billion was recorded accordingly.

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 domestic demand in the machine tool and semiconductor fields as well as solid demand overseas.

[Electronic Devices]

YoY: Net sales increased 8%, operating results improved ¥1.2 billion

Net sales rose 8% year on year, to ¥31.4 billion, and operating income improved ¥1.2 billion year on year, to ¥2.0 billion.

In the semiconductors business, net sales were up year on year due to performance that was consistent with the previous equivalent period in the automotive field; 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 field. 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 6%, operating results worsened ¥0.6 billion

Net sales decreased 6% year on year, to ¥30.1 billion, and operating income worsened ¥0.6 billion year on year, to ¥2.6 billion.

In the vending machines business, net sales were down year on year due to lower demand for coffee machines for convenience stores as well as a decrease in vending machine demand following the consumption tax hike. These factors 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 and operating results both improved due to higher sales of freezing and refrigerating equipment for convenience stores as well as refrigeration facilities for the distribution field.

[Others]

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

Net sales rose 2% year on year, to ¥14.5 billion, and operating income were unchanged year on year at ¥0.5 billion.

Note: Effective April 1, 2014, the Company underwent an organizational restructuring, resulting in changes in the business segments contained within the following reportable segments: Power and Social Infrastructure, Industrial Infrastructure, Power Electronics, and Electronic Devices. In addition, the divisions and names of business segments contained within the Industrial Infrastructure reportable segment were changed. Year on year comparisons are based on figures recalculated for performance in the three-month period ended June 30, 2013, based on the new business segments.

(2) Quantitative Information regarding Consolidated Financial Position

(¥ billion)

	March 31, 2014	Breakdown (%)	June 30, 2014	Breakdown (%)	Change
Total assets	810.8	100.0	788.4	100.0	(22.3)
Interest-bearing debt	199.5	24.6	191.6	24.3	(7.9)
Shareholder's equity*1	227.2	28.0	217.8	27.6	(9.4)
Debt-equity ratio*2 (times)	0.9		0.9		0.0

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

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

Total assets on June 30, 2014, stood at ¥788.4 billion, a decrease of ¥22.3 billion from the end of the previous fiscal year. Total current assets declined ¥17.6 billion, due mainly to decreases in notes and accounts receivable-trade and in cash and deposits, which offset a rise in inventories. Total noncurrent assets were down ¥4.7 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 June 30, 2014, amounted to ¥191.6 billion, down ¥7.9 billion from the previous fiscal year-end. Further, net interest-bearing debt—interest-bearing debt net of cash and cash equivalents—increased ¥2.0 billion from the previous fiscal year-end, amounting to ¥168.1 billion on June 30, 2014.

Net assets on June 30, 2014, stood at ¥242.7 billion, down ¥8.6 billion from the previous fiscal year-end. While there was an increase in valuation difference on available-for-sale securities, 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 ¥9.4 billion from the previous fiscal year-end, standing at ¥217.8 billion on June 30, 2014. The debt-to-equity ratio (interest-bearing debt ÷ shareholders' equity) was unchanged from the previous fiscal year-end, at 0.9 time. Also, the net debt-to-equity ratio (net interest-bearing debt ÷ shareholders' equity) was 0.8 time, up 0.1 time from the previous fiscal year-end.

(3) Qualitative Information regarding Consolidated Forecasts and Forecast Information

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

The forecast for the six-month period ending September 30, 2014, assumes exchange rates of US$1 = ¥100 and € 1 = ¥135.

(Six-month period ended September 30, 2014) (¥ billion)

	Previous announcement	Revised announcement	Change
Net sales	329.5	340.0	10.5
Operating income	2.5	4.5	2.0
Ordinary income	0.4	3.0	2.6
Net income (loss)	(2.0)	0.3	2.3

###