Financial Performance

(1) Qualitative Information regarding Consolidated Results of Operations

In the six-month period ended September 30, 2015, the domestic economy experienced a modest recovery trend, as evidenced by such factors as overall improvements in capital investment levels witnessed despite sluggish investment in certain sectors. Overseas, economic slowdown was seen in Asian countries, most notably China, but the overall trend was that of gradual improvement supported by the recovery of the United States and major European developed nations.

In this environment, the Company defined the basic policies of complete the FY2015 Medium-Term Management Plan and advanced growth strategies in preparation for the next medium-term management plan. We also pushed forward with measures to expand the power plant business as well as operations in the Industrial Infrastructure and Power Electronics segments and overseas businesses while also pursuing improvements in overall profitability.

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

Net sales rose ¥9.0 billion year on year, to ¥354.3 billion, following increased demand and beneficial foreign exchange translations. By business segment, Power and Social Infrastructure, Power Electronics, and Others saw increased net sales, while Industrial Infrastructure, Electronic Devices, and Food and Beverage Distribution saw net sales decline.

Operating income improved ¥1.0 billion year on year, to ¥6.9 billion. This improvement was largely attributable to increased profitability stemming from cost reductions. Furthermore, ordinary income increased ¥0.9 billion, to ¥7.0 billion. At the same time, profit attributable to owners of parent rose ¥2.2 billion, to ¥4.2 billion, due in part to the recording of gain on sales of investment securities. In this manner, operating income, ordinary income, and profit attributable to owners of parent all showed year-on-year increases.

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

(¥ billion)

	1H Fiscal 2014	1H Fiscal 2015	Change
Net sales	345.3	354.3	9.0
Operating income	5.9	6.9	1.0
Ordinary income	6.1	7.0	0.9
Profit attributable to owners of parent	2.0	4.2	2.2

Results by Segment

[Power and Social Infrastructure]

YoY: Net sales increased 15%, operating results improved ¥1.5 billion

Net sales increased 15% year on year, to ¥70.7 billion, and operating income improved ¥1.5 billion, to ¥1.4 billion.

In the power plant business, net sales were up year on year as the increase in orders for thermal power, geothermal power, and hydropower generation facilities outweighed the decrease in orders for solar power generation systems. In the social engineering systems business, net sales were up year on year due to higher sales of smart meters. In the social information business, net sales rose year on year following increased orders from the academic sector. Overall, the segment saw improved operating results due to higher net sales and the benefits of cost reduction efforts.

[Industrial Infrastructure]

YoY: Net sales decreased 2%, operating results worsened 0.8 billion

Net sales decreased 2% year on year, to ¥67.7 billion, and operating loss worsened ¥0.8 billion year on year, to ¥3.1 billion.

In the transmission and distribution business, net sales were down year on year, reflecting a decrease in large-scale orders in Japan. Net sales in the industrial plant business were up year on year due to strong energy saving and replacement demand in Japan. In the industrial and instrumentation equipment business, net sales were relatively unchanged year on year. The equipment construction business saw a year-on-year increase in net sales following higher orders for installation of electrical equipment and building equipment. Overall, the segment saw operating results worsen due to the decrease in net sales and the negative impacts of changes in the ratios of sales for specific models.

[Power Electronics]

YoY: Net sales increased 7%, operating results improved ¥0.9 billion

Net sales increased 7% year on year, to ¥95.2 billion, and operating income improved ¥0.9 billion year on year, to ¥2.1 billion.

In the drive business, net sales and operating results improved year on year as the benefits of strong domestic demand for inverters, servos, and industrial motors and large overseas orders for electric equipment for railcars offset the impacts of a decline in demand due to the bearish state of the Chinese market. In the power supply business, net sales and operating results improved year on year due to the robust demand for power supply equipment in Japan as well as the benefits of the consolidation of Fuji SMBE Pte. Ltd. and its subsidiaries. In the ED&C components business, net sales were down year on year as a result of the decline in demand from machinery equipment manufacturers for machine tools and other articles, but operating results were relatively unchanged year on year as the benefits of cost reduction efforts counteracted the lower net sales.

[Electronic Devices]

YoY: Net sales decreased 3%, operating results improved ¥1.2 billion

Net sales decreased 3% year on year, to ¥63.2 billion, and operating income improved ¥1.2 billion year on year, to ¥4.9 billion.

In the semiconductors business, net sales and operating results worsened year on year due to the impacts of sluggish demand resulted from the bearish state of the Chinese market in the industrial field and the power supply application field, lower demand from major domestic customers centered on machine tools in the industrial field, and reduced sales of certain vehicles equipped with the Company's products in the automotive field. In the magnetic disks business, net sales were up year on year due to increased demand from a customer. Overall, the segment saw improved operating results due to higher net sales and the benefits of cost reduction efforts.

[Food and Beverage Distribution]

YoY: Net sales decreased 8%, operating results worsened ¥1.7 billion

Net sales decreased 8% year on year, to ¥56.1 billion, and operating income worsened ¥1.7 billion year on year, to ¥3.3 billion.

In the vending machine business, net sales and operating results worsened year on year because the impacts of the reduced vending machine demand in Japan stemming from limited investment among domestic beverage manufacturers outweighed the benefits of increased sales following the expansion of operations in the Chinese market. In the store distribution business, net sales and operating results worsened year on year as a result of lower sales of freezing and refrigerating facilities for convenience stores.

[Others]

YoY: Net sales increased 6%, operating results improved ¥0.1 billion

Net sales increased 6% year on year, to ¥31.4 billion, and operating income improved ¥0.1 billion year on year, to ¥1.1 billion.

(2) Quantitative Information regarding Consolidated Financial Position

(¥ billion)

	March 31, 2015	Breakdown (%)	September 30, 2015	Breakdown (%)	Change
Total assets	904.5	100.0	841.2	100.0	(63.4)
Interest-bearing debt	191.2	21.1	196.2	23.3	5.0
Shareholder's equity[*1]	290.3	32.1	260.0	30.9	(30.3)
Debt-equity ratio[*2] (time)	0.7		0.8		0.1

*1 Shareholders' equity = Total net assets − non-controlling interests

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

Total assets on September 30, 2015, stood at ¥841.2 billion, a decrease of ¥63.4 billion from the end of the previous fiscal year. Total current assets decreased ¥23.6 billion, as the decline in notes and accounts receivable-trade counteracted the rise in inventories. Total noncurrent assets were down ¥39.8 billion, due to a decrease stemming from valuation difference on available-for-sale securities.

Interest-bearing debt as of September 30, 2015, amounted to ¥196.2 billion, up ¥5.0 billion from the previous fiscal year-end. Further, net interest-bearing debt—interest-bearing debt net of cash and cash equivalents—increased ¥8.4 billion from the previous fiscal year-end, amounting to ¥167.7 billion on September 30, 2015.

Net assets on September 30, 2015, stood at ¥289.5 billion, down ¥30.1 billion from the previous fiscal year-end. This was because of a decrease stemming from valuation difference on available-for-sale securities. In addition, shareholders' equity—total net assets net of non-controlling interests—was down ¥30.3 billion from the previous fiscal year-end, standing at ¥260.0 billion on September 30, 2015. The debt-to-equity ratio (interest-bearing debt ÷ shareholders' equity) was 0.8 time, up 0.1 time from the previous fiscal year-end. Also, the net debt-to-equity ratio (net interest-bearing debt ÷ shareholders' equity) was 0.6 time, up 0.1 time.

In the six-month period ended September 30, 2015, consolidated free cash flow (net cash from operating activities + net cash from investing activities) was ¥4.7 billion, a deterioration of ¥15.7 billion compared with free cash flow of ¥20.4 billion in the previous fiscal year.

Cash flows from operating activities

Net cash provided by operating activities was ¥17.2 billion, compared with ¥26.8 billion for the previous fiscal year. Major factors increasing cash included a decrease in notes and accounts receivable-trade, a resulted from efforts to collect receivables. Major factors decreasing cash included an increase in inventories and a decrease in notes and accounts payable-trade.

This was a deterioration of ¥9.6 billion year on year.

Cash flows from investing activities

Net cash used in investing activities was ¥12.5 billion, compared with ¥6.4 billion in the previous fiscal year. This was primarily related to the purchase of property, plant and equipment.

This was a deterioration of ¥6.1 billion year on year.

Cash flows from financing activities

Net cash used in financing activities was ¥11.3 billion, compared with ¥24.9 billion in the previous fiscal year. This was principally due to repayment of lease obligations.

As a result, consolidated cash and cash equivalents on September 30, 2015, amounted to ¥28.5 billion, down ¥3.4 billion from the previous fiscal year-end.

(3) Qualitative Information regarding Consolidated Forecasts and Forecast Information

In light of the business result trends seen in the six-month period ended September 30, 2015, Fuji Electric has chosen to not revise the consolidated forecast for financial results for the fiscal year ending March 31, 2016, that was announced together with financial results for the fiscal year ended March 31, 2015, on April 27, 2015. Forecasts for performance by segment have been changed as follows.

The forecast for the fiscal year ending March 31, 2016, assumes exchange rates of US$1 = ¥115 and € 1 = ¥125 for the period from October 1, 2015, onward.

(Consolidated Forecasts for the Fiscal Year Ending March 31, 2016) (¥ billion)

	Previous forecasts	Current forecasts	Change
Net sales	850.0	850.0	0.0
Operating income	45.0	45.0	0.0
Ordinary income	45.0	45.0	0.0
Profit attributable to owners of parent	29.0	29.0	0.0

Reference: Consolidated Forecasts for the Fiscal Year Ending March 31, 2016, by Segment (¥billion)

	Net sales			Operating income (loss)		
	Previous forecasts	Revised forecasts	Change	Previous forecasts	Revised forecasts	Change
Power and Social Infrastructure	178.1	178.8	0.7	8.9	9.4	0.5
Industrial Infrastructure	209.1	212.7	3.6	13.0	13.0	0.0
Power Electronics	219.5	218.5	(1.0)	9.6	9.6	0.0
Electronic Devices	135.3	124.1	(11.2)	9.3	8.6	(0.7)
Food and Beverage Distribution	120.0	123.6	3.6	8.5	8.5	0.0
Others	61.4	61.5	0.1	1.9	2.1	0.2
Elimination and Corporate	(73.4)	(69.1)	4.3	(6.1)	(6.1)	0.0
Total	850.0	850.0	0.0	45.0	45.0	0.0

Net sales are anticipated to fall below the previously released forecasts in the Power Electronics and Electronic Devices segments due to reduced demand resulted from the bearish state of the Chinese market. However, net sales are expected to exceed the previously released forecasts in the Power and Social Infrastructure, Industrial Infrastructure, Food and Beverage Distribution, and Others segments following higher demand. Accordingly, overall net sales will be in line with the previously released forecasts.

Meanwhile, operating results are projected to be worse than previously forecast in the Electronic Devices segment following lower net sales, while the benefits of higher net sales and the benefits of reduced costs will lead operating results in the Power and Social Infrastructure and Others segments to be better than anticipated. Accordingly, overall operating results will be in line with the previously released forecasts.

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