Financial Performance

(1) Qualitative Information regarding Consolidated Results of Operations

In the six-month period ended September 30, 2016, an overall recovery trend was seen overseas driven by principal developed countries, including the United States and European countries. However, a rising sense of uncertainty remained due to factors such as economic downturn in Asia, largely seen in China. In the domestic economy, the general trend was that of recovery, despite the sluggish conditions seen in certain sectors due to the progressive appreciation of the yen.

In this environment, we unveiled the FY2018 Medium-Term Management Plan, Renovation 2018. Acting in accordance with the plan's basic policy of "further renovation of Fuji Electric," we are implementing growth strategies including reforming operating processes in social engineering system, industrial infrastructure, and power electronics businesses; expanding overseas operations; and creating high-value-added products while also improving profitability.

During the six-month period ended September 30, 2016, we advanced the various measures of our growth strategies, and demand grew. However, net sales decreased ¥2.8 billion year on year, to ¥351.6 billion, due to the heavy impacts of foreign exchange rate fluctuations. By business segment, Industrial Infrastructure saw increased net sales, while Power and Social Infrastructure, Power Electronics, Electronic Devices, Food and Beverage Distribution, and Others saw net sales decline. Operating income decreased ¥1.0 billion year on year, to ¥5.9 billion, and ordinary income declined ¥4.3 billion, to ¥2.7 billion, as the heavy impacts of foreign exchange rate fluctuations outweighed the benefits of cost reduction efforts. At the same time, profit attributable to owners of parent was down ¥4.1 billion.

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

(¥ billion)

	Six-month period ended September 30, 2015	Six-month period ended September 30, 2016	Change
Net sales	354.3	351.6	(2.8)
Operating income	6.9	5.9	(1.0)
Ordinary income	7.0	2.7	(4.3)
Profit (loss) attributable to owners of parent	4.2	0.0	(4.1)

Results by Segment

[Power and Social Infrastructure]
YoY: Net sales relatively unchanged, operating income increased ¥1.1 billion

Net sales were relatively unchanged year on year at ¥70.5 billion, and operating income increased ¥1.1 billion year on year, to ¥2.5 billion.

In the power plant business, net sales were down and operating results worsened year on year as the increase in orders for hydraulic power generation facilities was outweighed by the decrease in orders for solar power generation systems. In the social engineering systems business, net sales were up and operating results improved year on year due to higher sales of smart meters. In the social information business, net sales were up and operating results improved year on year following higher sales targeting the academic field.

[Industrial Infrastructure]
YoY: Net sales increased 23%, operating loss decreased ¥3.7 billion

Net sales increased 23% year on year, to ¥80.6 billion, and operating loss decreased ¥3.7 billion year on year, to ¥0.6 billion.

In the transmission and distribution business, net sales were up and operating results improved year on year due to contributions from large-scale orders from domestic industries. In the industrial plant business, net sales were up and operating results improved year on year as a result of strong energy saving and replacement demand in Japan as well as increased sales in new solutions businesses targeting data centers. Net sales were down year on year in the industrial and instrumentation equipment business following a decline in overseas demand, but operating results improved year on year due to the benefits of cost reduction efforts. The equipment construction business saw a year-on-year increase in net sales and improved operating results following contributions from large-scale domestic orders for installation of electrical equipment.

[Power Electronics]
YoY: Net sales decreased 6%, operating income decreased ¥2.4 billion

Net sales decreased 6% year on year, to ¥91.5 billion, and operating income decreased ¥2.4 billion year on year, to ¥0.4 billion.

In the drive business, nets sales decreased year on year due to lower demand for inverters overseas, particularly in China, and the impacts of unfavorable foreign exchange rates, and operating results worsened due to the lower sales and adverse foreign exchange influences as well as increased upfront investment and R&D expenditures at overseas bases. In the power supply business, net sales were down year on year as the decline in demand for power conditioning sub-systems for megasolar power generation systems and the impacts of unfavorable foreign exchange rates offset the strong performance of switchgear and controlgear operations overseas. Regardless, operating results improved due to the benefits of cost reduction efforts. In the ED&C components business, nets sales decreased and operating results worsened year on year following reduced demand from machine tools and other machinery manufacturers and the impacts of unfavorable foreign exchange rates.

[Electronic Devices]
YoY: Net sales decreased 9%, operating income decreased ¥1.7 billion

Net sales decreased 9% year on year, to ¥57.6 billion, and operating income decreased ¥1.7 billion year on year, to ¥3.2 billion.

In the semiconductors business, net sales decreased and operating results worsened year on year as firm performance in the automotive field and the recovery of demand in the industrial and power supply application fields were counteracted by the impacts of unfavorable foreign exchange rates. In the magnetic disks business, net sales were down and operating results worsened year on year because of the declines in demand following deteriorating market conditions and the impacts of unfavorable foreign exchange rates.

[Food and Beverage Distribution]
YoY: Net sales decreased 10%, operating income decreased ¥1.7 billion

Net sales decreased 10% year on year, to ¥49.5 billion, and operating income decreased ¥1.7 billion year on year, to ¥2.0 billion.

In the vending machine business, net sales decreased and operating results worsened year on year because of the impacts of the reduced vending machine demand in Japan stemming from limited investment among domestic beverage manufacturers. In the store distribution business, net sales increased year on year due to the strong performance of automatic change dispensers and store facilities, but operating results worsened year on year as a result of a less favorable sales mix.

[Others]
YoY: Net sales decreased 10%, operating income relatively unchanged

Net sales decreased 10% year on year, to ¥28.3 billion, and operating income was relatively unchanged year on year at ¥1.1 billion.

(2) Quantitative Information regarding Consolidated Financial Position

(¥ billion)

	March 31, 2016	Breakdown (%)	September 30, 2016	Breakdown (%)	Change
Total assets	845.4	100.0	806.0	100.0	(39.4)
Interest-bearing debt	184.7	21.9	183.8	22.8	(0.9)
Shareholder's equity[*1]	230.4	27.3	227.9	28.3	(2.5)
Debt-equity ratio[*2] (time)	0.8		0.8		0.0

*1 Shareholders' equity = Total net assets — Non-controlling interests

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

Total assets on September 30, 2016, stood at ¥806.0 billion, a decrease of ¥39.4 billion from the end of the previous fiscal year. Total current assets decreased ¥48.6 billion, as the decline in notes and accounts receivable-trade counteracted the rise in inventories. Total noncurrent assets were up ¥9.2 billion, due to an increase stemming from valuation difference on available-for-sale securities.

Interest-bearing debt as of September 30, 2016, amounted to ¥183.8 billion, down ¥0.9 billion from the previous fiscal year-end. Further, net interest-bearing debt—interest-bearing debt net of cash and cash equivalents—increased ¥1.3 billion from the previous fiscal year-end, amounting to ¥155.2 billion on September 30, 2016.

Net assets on September 30, 2016, stood at ¥257.3 billion, down ¥3.7 billion from the previous fiscal year-end. This was because of a decrease resulted from foreign currency translation adjustments, which offset the increase stemming from valuation difference on available-for-sale securities. In addition, shareholders' equity—total net assets net of non-controlling interests—was down ¥2.5 billion from the previous fiscal year-end, standing at ¥227.9 billion on September 30, 2016. The debt-to-equity ratio (interest-bearing debt ÷ shareholders' equity) was 0.8 times, the same as at 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 times.

In the six-month period ended September 30, 2016, consolidated free cash flow (net cash from operating activities + net cash from investing activities) was a positive ¥11.6 billion, an increase of ¥4.7 billion compared with free cash flow of a positive ¥6.9 billion in the previous fiscal year.

Cash flows from operating activities

Net cash provided by operating activities was ¥21.2 billion, compared with ¥17.2 billion for the previous equivalent period. Major factors increasing cash included a decrease in notes and accounts receivable-trade, a result of efforts to collect receivables. Major factors decreasing cash included an increase in inventories and a decrease in notes and accounts payable-trade.

This was an increase of ¥4.1 billion year on year.

Cash flows from investing activities

Net cash used in investing activities was ¥9.6 billion, compared with ¥12.5 billion in the previous fiscal year. This was primarily related to the purchase of property, plant and equipment.

This was a decrease of ¥2.8 billion year on year.

Cash flows from financing activities

Net cash used in financing activities was ¥11.0 billion, compared with ¥11.3 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, 2016, amounted to ¥28.6 billion, down ¥2.2 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, 2016, Fuji Electric has chosen to revise the consolidated forecast for business results for the fiscal year ending March 31, 2017, that was announced together with financial results for the three-month period ended June 30, 2016, on July 28, 2016.

The forecast for the fiscal year ending March 31, 2017, assumes exchange rates of US$1 = ¥100 and € 1 = ¥ 110 for the period from October 1, 2016, onward.

(Consolidated Forecasts for the Fiscal Year Ending March 31, 2017) (¥ billion)

	Previous announcement	Revised announcement	Change
Net sales	830.0	820.0	(10.0)
Operating income	47.0	45.0	(2.0)
Ordinary income	47.0	43.0	(4.0)
Profit attributable to owners of parent	31.0	27.0	(4.0)

(Reference: Consolidated Forecasts for the Fiscal Year Ending March 31, 2017, by Segment)
(¥billion)

	Net sales			Operating income (loss)		
	Previous announcement	Revised announcement	Change	Previous announcement	Revised announcement	Change
Power and Social Infrastructure	177.9	183.5	5.6	10.5	11.1	0.5
Industrial Infrastructure	216.9	218.0	1.1	13.6	15.1	1.5
Power Electronics	214.6	204.1	(10.6)	11.6	8.9	(2.6)
Electronic Devices	120.0	111.0	(9.0)	7.5	5.9	(1.7)
Food and Beverage Distribution	113.6	112.9	0.7	8.0	8.0	0.0
Others	55.0	57.6	2.6	2.1	2.2	0.1
Elimination and Corporate	(68.2)	(67.2)	1.0	(6.2)	(6.1)	0.1
Total	830.0	820.0	(10.0)	47.0	45.0	(2.0)

While net sales are anticipated to exceed the previously released forecasts in the Power and Social Infrastructure, Industrial Infrastructure, and Others segments due to increased demand, sales in the Power Electronics, Electronic Devices, and Food and Beverage Distribution segments are expected to fall below these forecasts primarily due to unfavorable foreign exchange translations.

Meanwhile, the benefits of increased net sales and reduced costs will lead operating income in the Power and Social Infrastructure, Industrial Infrastructure, and Others segments to be higher than anticipated. However, operating income in the Power Electronics and Electronic Devices segments will be lower than expected due to reduced sales and the impacts of unfavorable foreign exchange translations. Operating income in the Food and Beverage Distribution segment will be the same as previously announced.

###