

1. Financial Performance

(1) Qualitative Information regarding Consolidated Results of Operations

In the six-month period ended September 30, 2011, although the Fuji Electric continued to face tough market conditions in Japan as a result of the Great East Japan Earthquake, conditions began bottoming out thanks to the rebuilding of supply chains. Meanwhile, in overseas markets uncertainty strengthened due to a worsening of economic conditions, which the fiscal and financial crisis in Europe triggered, and softening of growth in China's economy.

Amid these conditions, in accordance with its management strategy, the Company focused on two areas: Expand business development with a focus on energy and environment, and Expand our business on a global scale. At the same time, aiming to enable long-term perspectives and quick responses to market changes, the Company advanced reforms that base business management on markets and customers.

Consolidated business results for the period under review were as follows.

Net sales increased ¥7.8 billion year on year, to ¥305.3 billion. By business segment, net sales were up year on year in the Energy, Social Systems, Power Electronics, ED&C Components, and Vending Machines segments, while net sales in the Industrial Systems and Electronic Devices segments decreased year on year.

In operating results, operating loss improved ¥5.4 billion year on year, to ¥5.6 billion, due to higher net sales, reductions in cost and fixed cost stemming from business restructuring. Ordinary loss improved ¥6.9 billion year on year, to ¥9.8 billion.

Further, net loss was ¥5.4 billion, a deterioration of ¥7.1 billion compared to net income for the same period of the previous fiscal year. This reflected gain on sales of investment securities for the same period of the previous fiscal year.

Consolidated business results for the period under review were as follows.

(¥ billion)

	1H Fiscal 2010	1H Fiscal 2011	Change
Net sales	297.5	305.3	7.8
Operating income/loss	-11.0	-5.6	5.4
Ordinary income/loss	-16.7	-9.8	6.9
Net income/loss	1.7	-5.4	-7.1

Results by Segment

[Energy] YoY: Net sales increased 20.2%, operating results improved ¥1.7 billion

Net sales rose 20.2% year on year, to ¥20.3 billion, and operating results improved ¥1.7 billion year on year, to ¥2.0 billion.

In the electric power systems business, net sales and operating results increased significantly year on year thanks to contributions to net sales from orders for new projects received in the previous period and cost reduction. In the nuclear power-related equipment and radiation control systems business, net sales and operating results were up significantly year on year due to a rise in demand for radiation dosimeters.

[Industrial Systems] YoY: Net sales decreased 1.8%, operating results improved ¥0.8 billion

Net sales decreased 1.8% year on year, to ¥32.7 billion, and operating results improved ¥0.8 billion, to an operating loss of ¥0.5 billion.

Net sales edged down because there was approximately no change year on year in the industrial plant engineering business and fewer large-scale orders in the facilities business. Operating results improved year on year thanks to reductions of cost and expenses.

[Social Systems] YoY: Net sales rose 5.6%, operating results improved ¥0.9 billion

Net sales were up 5.6% year on year, to ¥52.9 billion, and operating results improved ¥0.9 billion, to an operating loss of ¥3.3 billion.

From the first half of the fiscal year ending March 31, 2012, the Group changed the internal classification and names of businesses in this segment from the smart communities business, the retail systems business, and the social information systems business, to the energy distribution business, the retail stores business, and the social information business.

Net sales rose year on year because the energy distribution business saw higher capital investment in substations, while for the retail stores business store refurbishment increased as a result of power-saving efforts. Operating results were up year on year thanks to both businesses' higher net sales and reductions in cost and expenses. For the social information business, although net sales were lower year on year due to restrained IT investment, operating results remained approximately unchanged year on year.

[Power Electronics] YoY: Net sales increased 6.9%, operating results worsened ¥1.2 billion

Net sales were up 6.9% year on year, to ¥41.5 billion, and operating results deteriorated ¥1.2 billion, to an operating loss of ¥1.8 billion.

In the drive business, net sales rose because of higher demand for inverters due to restoration efforts following the earthquake disaster and from Asia and China. However, operating results

declined year on year as consequence of further yen appreciation and production adjustments in China. In the power supply business, net sales and operating results rose year on year thanks to an increase in demand for uninterruptible power supply systems (UPSs) for data centers.

[Electronic Devices] YoY: Net sales decreased 5.8%, operating results improved ¥1.2 billion

Net sales were down 5.8% year on year, to ¥58.2 billion, and operating results improved ¥1.2 billion, to an operating loss of ¥0.7 billion.

In the semiconductor business, net sales rose year on year, reflecting stronger demand for inverters and industrial equipment in the industrial business in Japan and overseas centered on China and a rapid recovery in demand from the slump in the automotive electronics business that followed the Great East Japan Earthquake. Operating results increased year on year due to higher net sales in the industrial business. In the magnetic disk business, net sales declined year on year due to a decrease in demand because of a slowdown in the PC market and a worsening of exchange rates. However, operating results were up year on year as a result of reductions in cost and fixed cost achieved through business restructuring.

[ED&C Components] YoY: Net sales rose 9.8%, operating results improved ¥1.0 billion

Net sales were up 9.8% year on year, to ¥34.6 billion, and operating results improved ¥1.0 billion, to ¥2.0 billion.

In Japan's market, demand from China and other parts of Asia underpinned the continued strength of demand from manufacturers of machine tools and other machinery. In overseas markets, demand from Asia centered on China's ongoing robust growth continued the favorable demand trend of the previous period. As a result, net sales rose year on year. Operating results were up year on year due to higher earnings accompanying the rise in net sales.

[Vending Machines] YoY: Net sales rose 0.4%, operating results improved ¥1.5 billion

Net sales were up 0.4% year on year, to ¥39.9 billion, and operating results improved ¥1.5 billion, to an operating loss of ¥0.9 billion.

In the vending machine business, net sales were unchanged year on year because higher demand after the earthquake disaster for energy-saving environment-friendly vending machines as part of power-saving efforts as well as for disaster-response vending machines counteracted a decrease in market prices. Operating results improved year on year because of reductions in cost and fixed cost achieved through business restructuring. In the currency-handling equipment business, net sales and operating income were up year on year thanks to stronger demand for automated change dispensers in the retail market.

[Other] YoY: Net sales decreased 1.9%, operating results improved ¥0.6 billion

Net sales declined 1.9% year on year, to ¥50.4 billion, and operating results improved ¥0.6 billion, to ¥0.2 billion.

(2) Quantitative Information regarding Consolidated Financial Position

(¥ billion)

	March 31, 2011	Breakdown (%)	September 30, 2011	Breakdown (%)	Change
Total assets	805.8	100.0	709.0	100.0	-96.8
Interest-bearing debt	274.0	34.0	231.2	32.6	-42.8
Shareholder's equity*1	155.4	19.3	136.2	19.2	-19.1
Debt-equity ratio*2 (times)	1.8		1.7		-0.1

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

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

Total assets stood at ¥709.0 billion at the end of the second quarter, down ¥96.8 billion from the previous fiscal year-end. Total current assets declined ¥63.0 billion principally because lower cash and deposits accompanying redemption of bonds and a decrease in notes and accounts receivable-trade offset an increase in inventories. Total noncurrent assets were down ¥33.8 billion due to a lower valuation difference on available-for-sale securities.

Interest-bearing debt at the end of the second quarter, amounted to ¥231.2 billion, down ¥42.8 billion from the previous fiscal year-end, which was primarily attributable to redemption of bonds. Further, net interest-bearing debt—interest-bearing debt net of cash and cash equivalents—increased ¥10.6 billion from the previous fiscal year-end and amounted to ¥202.8 billion at the end of the second quarter.

Net assets at the end of the second quarter stood at ¥156.0 billion, down ¥19.0 billion from the previous fiscal year-end, which was mainly due to a decrease in retained earnings and a decline in valuation difference on available-for-sale securities. In addition, shareholders' equity—net assets net of minority interests—was down ¥19.1 billion from the previous fiscal year-end, standing at ¥136.2 billion at the end of the second quarter. The debt-equity ratio (interest-bearing debt ÷ shareholders' equity) at the end of the second quarter was up 0.1 times from the previous fiscal year-end, to 1.7 times. The net debt-equity ratio (net interest-bearing debt ÷ shareholders' equity) at the end of the second quarter rose 0.3 times from the previous fiscal year-end, to 1.5 times. In the first half, consolidated free cash flow (cash flows from operating activities + cash flows from investment activities) was negative free cash flow of ¥4.8 billion, a deterioration of ¥115.6 billion compared with positive free cash flow of ¥110.8 billion for the same period of the previous fiscal year.

Cash flows from operating activities

Net cash provided by operating activities during the period under review was ¥4.4 billion, compared with net cash provided by operating activities of ¥24.1 billion for the same period of the previous fiscal year. This was mainly associated with stepped-up efforts to collect notes and accounts receivable-trade, which offset higher inventories.

This was a deterioration of ¥19.7 billion year on year.

Cash flows from investment activities

Net cash used in investment activities was ¥9.2 billion, compared with net cash provided by investment activities of ¥86.7 billion for the same period of the previous fiscal year. This primarily reflected purchase of property, plant and equipment.

This was a deterioration of ¥95.9 billion year on year.

Cash flow from financing activities

Net cash used in investment activities was ¥47.9 billion, compared with net cash used in investment activities of ¥78.4 billion in the previous fiscal year.

This was mainly due to redemption of bonds.

As a result, on a consolidated basis, cash and cash equivalents at the end of the period under review amounted to ¥28.4 billion, down ¥53.4 billion from the end of the previous fiscal year.

(3) Qualitative Information Regarding Consolidated Forecasts

In light of the business result trends of the first half of the fiscal year ending March 31, 2012, the Group has revised its consolidated forecast of business results for the full fiscal year ending March 31, 2012, announced on July 28, 2011. A decrease of ¥10.0 billion compared to the previously announced forecast is expected.

The forecasts for the third quarter assume exchange rates of US\$1 = ¥77 and €1 = ¥105

Consolidated Forecasts for Fiscal 2011 (¥ billion)

	Initial Forecast	Revised forecast	Change
Net sales	730.0	720.0	-10.0
Operating income	22.0	22.0	0
Ordinary income	20.0	20.0	0
Net income	12.0	12.0	0

Consolidated Forecasts for Fiscal 2011 by Segment (¥ billion)

	Net Sales			Operating Income/Loss		
	Previous Forecasts	Revised Forecasts	Difference	Previous Forecasts	Revised Forecasts	Difference
Energy	63.0	65.6	2.6	6.3	8.1	1.8
Industrial Systems	82.0	82.5	0.5	2.2	3.0	0.8
Social Systems	140.0	141.7	1.7	5.1	5.4	0.3
Power Electronics	100.0	96.2	-3.8	4.1	3.3	-0.8
Electronic Devices	131.8	118.1	-13.7	3.3	0.7	-2.6
ED&C Components	70.0	68.6	-1.4	4.0	3.4	-0.6
Vending Machines	79.0	81.5	2.5	1.4	1.9	0.5
Others	117.5	115.9	-1.6	1.7	2.3	0.6
Elimination and Corporate	-53.3	-50.1	3.2	-6.1	-6.1	0
Total	730.0	720.0	-10.0	22.0	22.0	0

For net sales by segment, the net sales of the Power Electronics and Electronic Devices segments are likely to be below the figures of the previous forecast due to a softening of growth in China's economy, a slowdown in the PC market, and yen appreciation. As a result, overall net sales are likely to be ¥10.0 billion lower than the figure of the previous forecast.

As for operating income by segment, the Power Electronics, Electronic Devices, and ED&C Components segments are expected to record operating income below the figures of the previous forecast as a result lower net sales. However, the Energy, Industrial Systems, Social Systems, and Vending Machines segments are expected the achieve operating income above the figures of the previous forecast due to higher net sales and cost reduction. As a result, overall operating income is likely to be in accordance with the figure of the previous forecast.