Financial Performance

(1) Qualitative Information regarding Consolidated Results of Operations

In fiscal 2012, ended March 31, 2013, the operating environment for Fuji Electric proved to be difficult for its power electronics and semiconductor operations overseas due to the market stagnation that stemmed from the sovereign debt crisis in Europe and the delayed recovery in demand that was particularly prominent in China. Domestically, economic conditions started to decelerate in the summer as a result of sluggish conditions in the global economy. However, government measures implemented at the end of 2012 brought hope for economic recovery, and we are gradually seeing signs of a positive turn in conditions.

In this environment, the Company pushed forward with initiatives geared toward advancing the management policy of "expand energy-related businesses." At the same time, we worked to reinforce management foundations by pursuing improved profitability through thorough cost reductions, strengthening manufacturing capabilities, improving cash flows by reducing inventories, and developing sales and production foundations to expand overseas operations.

Consolidated business results for fiscal 2012 were as follows.

Net sales increased ¥42.2 billion year on year, to ¥745.8 billion, largely due to the contributions of large-scale contracts in the power generation business and the depreciation of the Japanese yen. By business segment, year-on-year increases in the net sales of the Power and Social Infrastructure, Industrial Infrastructure, Electronic Devices, and Other segments counteracted year-on-year decreases in the net sales of the Power Electronics and Food and Beverage Distribution segments.

In operating results, operating income improved ¥2.7 billion year on year, to ¥22.0 billion. This was because the benefits of thorough cost reduction measures as well as the business restructuring initiatives implemented in the previous fiscal year outweighed the impacts of intensified cost competition. Likewise, ordinary income improved ¥7.2 billion year on year, to ¥25.7 billion. Net income improved ¥14.6 billion year on year, to ¥26.4 billion, representing a new record high.

Operating results for fiscal 2012 were as follows.

(¥ billion)

	Fiscal 2011	Fiscal 2012	Change
Net sales	703.5	745.8	42.2
Operating income	19.3	22.0	2.7
Ordinary income	18.6	25.7	7.2
Net income/loss	11.8	26.4	14.6

Results by Segment

[Power and Social Infrastructure]
YoY: Net sales increased 27%, operating results worsened ¥0.4 billion

Net sales rose 27% year on year, to ¥198.9 billion, and operating income worsened ¥0.4 billion year on year, to ¥11.6 billion.

Sales in the power generation business were up year on year due to large scale orders for thermal power plants, but operating results worsened due to the heavy impacts of intensified cost competition. In the social infrastructure business, demand for solar power generation systems rose following the launch of the feed-in tariff scheme for renewable energy, and the energy distribution business drove year-on-year improvements in net sales and operating results accordingly.

[Industrial Infrastructure]
YoY: Net sales increased 5%, operating results improved ¥0.7 billion

Net sales rose 5% year on year, to ¥115.6 billion, and operating income improved ¥0.7 billion year on year, to ¥5.0 billion.

In the industrial plant business, sales increased year on year due to relatively firm replacement demand in Japan. Sales also increased in the facilities business, which benefited from domestic replacement demand and revenues from large-scale projects overseas. While operating results in both businesses were impacted by intensified cost competition, these impacts were outweighed by the benefits of the higher sales and lower costs, and operating results improved year on year for both businesses accordingly.

[Power Electronics]
YoY: Net sales decreased 6%, operating results worsened ¥1.2 billion

Net sales decreased 6% year on year, to ¥141.6 billion, and operating income worsened ¥1.2 billion year on year, to ¥2.6 billion.

In the drive business, sales decreased year on year following sluggish demand in China and other overseas markets. However, the benefits of lower costs and general expenses resulted in improvements in operating results. In the power supply business, sales and operating results worsened due to decreased demand for power supplies for the manufacturing industry and for use in IT equipment. Further, lower demand from machinery manufacturers in the Japanese market led to the deterioration of sales and operating results in the ED&C components business.

[Electronic Devices]

YoY: Net sales increased 1%, operating results worsened ¥1.2 billion

Net sales increased 1% year on year, to ¥113.6 billion, and operating loss worsened ¥1.2 billion year on year, to ¥1.4 billion.

In the semiconductor business, demand in the automotive electronics business was relatively firm, while demand in the industrial and power supply application businesses was down. As a result, both sales and operating results worsened. In the magnetic disk business, sales increased year on year following the depreciation of the Japanese yen and operating results improved due to the benefits of the business restructuring initiatives implemented in the previous fiscal year.

[Food and Beverage Distribution]

YoY: Net sales decreased 3%, operating results improved ¥4.2 billion

Net sales decreased 3% year on year, to ¥112.1 billion, and operating income improved ¥4.2 billion year on year, to ¥6.4 billion.

In the vending machine business, there was strong replacement demand for energy-saving environmentally friendly vending machines, and the launch of coffee machines for convenience stores contributed to sales improvements. However, sales declined year on year after sales of the food and beverage items sold in vending machines were stopped. In the store distribution business, sales rose as a result of automatic change dispenser replacement demand as well as increased orders for freezing, refrigerating, and energy-saving facilities for convenience stores and other establishments. Operating results improved for both businesses due to the benefits from the business restructuring initiatives implemented in the previous fiscal year as well as cost reductions and the introduction of new products.

[Others]

YoY: Net sales increased 4%, operating results improved ¥0.2 billion

Net sales rose 4% year on year, to ¥116.9 billion, and operating income improved ¥0.2 billion year on year, to ¥2.9 billion.

Outlook for Fiscal 2013

The outlook for consolidated business results for fiscal 2013, ending March 31, 2014, is as follows.

Further, this outlook assumes foreign exchange rates of US$1=¥90 and €1=¥115.

Consolidated Business Results Forecasts (¥ billion)

	Fiscal 2012 Results	Fiscal 2013 Forecasts	Change
Net sales	745.8	750.0	4.2
Operating income	22.0	27.0	5.0
Ordinary income	25.7	26.0	0.3
Net income	26.4	14.0	-12.4

Forecasts by Segment (¥ billion)

	Fiscal 2013 Forecasts	
	Net Sales	Operating Income/Loss
Power and Social Infrastructure	151.1	8.0
Industrial Infrastructure	200.0	11.0
Power Electronics	164.5	4.8
Electronic Devices	111.7	1.5
Food and Beverage Distribution	115.4	6.7
Others	56.9	1.5
Elimination and Corporate	-49.4	-6.6
Total	750.0	27.0

In the Power and Social Infrastructure segment, we will work to increase orders for thermal and geothermal power generation systems in Asia and other overseas markets. We will also expand orders and photovoltaic power generation systems, which are expected to continue experiencing strong demand in Japan. Further, development initiatives pertaining to next-generation smart meters will be advanced together with preparations for the mass production of these meters. At the same time, we will endeavor to commercialize smart communities.

In the Industrial Infrastructure segment, domestically, Fuji Electric will focus on reinstalling social infrastructure to revitalize Japan and on energy-saving and environmental businesses. Overseas, business expansion efforts will be focused on Asia. In addition to improving the cost competitiveness of transformers, which form the foundation of infrastructure, we will combine sensor systems and power electronics to further differentiate our measurement control systems business. Moreover, coordination between plant system and equipment construction ventures will be strengthened, and we will expand application of our expertise in these fields to new markets and fields, such as overseas markets and the air conditioning and heat management field.

In the Power Electronics segment, Fuji Electric will pursue the development of globally competitive products such as its mainstay inverters, uninterruptible power supply systems (UPSs), and power conditioners (PCSs). Developed products will be actively introduced into the market. Further, production will be expanded at our new factory in Thailand, which serves as a global production base, and we will work to make this facility more competitive. Further, the development of products employing next-generation power semiconductors (silicon carbide (SiC) devices) will be an area of focus as these semiconductors help reduce electricity usage and contribute to the miniaturization of equipment.

In the Electronic Devices segment, Fuji Electric will improve production efficiency by installing production lines for 6-inch next-generation power semiconductors and utilizing processing lines for 8-inch wafers. The Company will also expand production in Malaysia, China, the Philippines, and other overseas sites in pursuit of higher levels of competitiveness.

In the Food and Beverage Distribution segment, Fuji Electric will develop new, differentiated vending machines, such as those that include provisions for shifting the burden of peak-hour electricity usage. The Company will also expand its business in China. In the store distribution business, we will expand businesses targeting the convenience store industry, develop currency handling systems for use overseas, establish refrigerated distribution services utilizing our heating and cooling technologies, and otherwise work to develop businesses in new fields.

(2) Quantitative Information regarding Consolidated Financial Position

(¥ billion)

	March 31, 2011	Breakdown (%)	March 31, 2012	Breakdown (%)	Change
Total assets	792.8	100.0	765.6	100.0	-27.3
Interest-bearing debt	255.9	32.3	226.7	29.6	-29.1
Shareholder's equity[*1]	163.6	20.6	194.6	25.4	+31.0
Debt-equity ratio[*2] (times)	1.6		1.2		-0.4

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

Total assets at the end of fiscal 2012 stood at ¥765.6 billion, a decrease of ¥27.3 billion from the end of the previous fiscal year. Total current assets decreased ¥28.5 billion principally because lower cash and deposits and inventories offset an increase in notes and accounts receivable-trade. Total noncurrent assets were up ¥1.2 billion mainly due to an increase in property, plant and equipment, which compensated for a decline in investments and other assets.

Interest-bearing debt at fiscal year-end amounted to ¥226.7 billion, down ¥29.1 billion from the previous fiscal year-end, which was primarily attributable to the redemption of bonds. Further, net interest-bearing debt—interest-bearing debt net of cash and cash equivalents—amounted to ¥187.0 billion at fiscal year-end, a decline of ¥4.6 billion from the previous fiscal year-end.

Net assets at fiscal year-end stood at ¥215.7 billion, an increase of ¥32.5 billion from the previous fiscal year-end, which was mainly due to higher retained earnings. In addition, shareholders' equity—net assets net of minority interests—was up ¥31.0 billion from the previous fiscal year-end, standing at ¥194.6 billion at fiscal year-end. The debt-to-equity ratio (interest-bearing debt ÷ shareholders' equity) declined 0.4 times from the previous fiscal year-end, to 1.2 times. Also, the net debt-to-equity ratio (net interest-bearing debt ÷ shareholders' equity) declined 0.2 times, to 1.0 times.

	FY2011	FY2012	Change
Cash flow from operating activities	28.3	55.3	27.0
Cash flow from investing activities	-13.5	-24.3	-10.8
Free cash flow	14.8	31.1	16.2
Cash flow from financing activities	-32.6	-56.8	-24.2
Cash and cash equivalents	64.3	39.7	-24.6

In fiscal 2012, consolidated free cash flow (net cash from operating activities + net cash from investment activities) was ¥31.1 billion, an improvement of ¥16.2 billion compared with free cash flow of ¥14.8 billion in the previous fiscal year.

Cash flows from operating activities

Net cash provided by operating activities was ¥55.3 billion, compared with ¥28.3 billion for the previous fiscal year. This was mainly due to a decrease in inventories.

This was an improvement of ¥27.0 billion year on year.

Cash flows from investing activities

Net cash used in investment activities was ¥24.3 billion, compared with ¥13.5 billion in the previous fiscal year. This was primarily related to purchase of property, plant and equipment and purchase of investments in subsidiaries.

This was a deterioration of ¥10.8 billion year on year.

Cash flows from financing activities

Net cash used in financing activities was ¥56.8 billion, compared with ¥32.6 billion in the previous fiscal year. This was principally due to the redemption of bonds.

As a result, consolidated cash and cash equivalents at fiscal year-end amounted to ¥39.7 billion, down ¥24.6 billion from the previous fiscal year-end.

(3) Basic Policy Regarding Distribution of Earnings; Dividends for Fiscal 2012 and Fiscal 2013

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 2013, and our financial position, we plan to pay a year-end dividend of ¥3 per share for fiscal 2012. Together with the interim dividend of ¥2 per share, this will give a full-year dividend of ¥5 per share for fiscal 2012.

We have not yet determined the dividend to be paid for fiscal 2013.

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