Financial Performance

(1) Qualitative Information regarding Consolidated Results of Operations

In the six-month period ended September 30, 2013, Fuji Electric's operating environment saw a gradual recovery trend in the domestic market spurred on by the government's fiscal and financial policies. In particular, areas related to renewable energy and energy saving performed solidly. Overseas, there were signs suggesting the end of the slump in the European economy and decelerated growth in China, but overall recovery was weak in overseas markets. Nevertheless, conditions in the power electronics and semiconductors areas proved strong.

In response to these conditions, Fuji Electric concentrated on advancing the management policies of expanding energy-related businesses and the globalizing operations. At the same time, having positioned the current fiscal year as the new base year for aggressive management, we established foundations of growth with a view to future business expansion and promoted business management strongly focused on earnings in order to strengthen profitability further.

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

Net sales declined ¥5.3 billion year on year, to ¥328.5 billion, due to decreases in large-scale orders in the Power and Social Infrastructure and Industrial Infrastructure segments, which offset the revenue benefits from foreign exchange stemming from yen depreciation. By business segment, Power Electronics, Electronic Devices, and Food and Beverage Distribution increased net sales, while Power and Social Infrastructure, Industrial Infrastructure, and Others saw net sales decline.

Operating income was ¥3.0 billion, improving ¥8.3 billion year on year. This reflected improved profitability stemming from the rigorous reduction of costs and expenses. Further, ordinary income was ¥2.5 billion, improving ¥10.4 billion. Similarly, net income was ¥0.3 billion, improving ¥8.0 billion.

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

(¥ billion)

	1H Fiscal 2012	1H Fiscal 2013	Change
Net sales	333.8	328.5	-5.3
Operating income/loss	-5.4	3.0	8.3
Ordinary income/loss	-7.9	2.5	10.4
Net income/loss	-7.6	0.3	8.0

Results by Segment

[Power and Social Infrastructure]
YoY: Net sales decreased 17%, operating loss worsened ¥0.3 billion

Net sales decreased 17% year on year, to ¥57.3 billion, while operating loss worsened ¥0.3 billion year on year, to ¥1.0 billion.

In the power plant business, net sales were down year on year due to rebound from large-scale orders for thermal power generation facilities recorded in the previous equivalent period, which offset rises in orders for hydropower generation facilities and solar power generation systems. In the social engineering systems business, net sales were up year on year due to increased orders in the power grid field. In the social information business, net sales were up year on year following a rise in large-scale orders. Overall, the segment saw a worsening in operating loss because lower net sales counteracted cost reductions.

[Industrial Infrastructure]
YoY: Net sales decreased 13%, operating loss worsened ¥0.8 billion

Net sales decreased 13% year on year, to ¥69.5 billion, while operating loss worsened ¥0.8 billion year on year, to ¥1.5 billion.

In the transmission and distribution business, net sales were down year on year, reflecting the absence of the previous fiscal year's large overseas orders. In the machinery and electronics systems business, net sales declined year on year because the yen's strength until last year curbed customers' capital investment in Japan. In the instrumentation and control systems business, net sales were relatively unchanged year on year. In the equipment construction business, net sales were down year on year due to the absence of large orders recognized in the previous fiscal year. In the business segment overall, operating loss worsened year on year because lower net sales and counteracted cost reductions.

[Power Electronics]
YoY: Net sales increased 14%, operating loss improved ¥2.9 billion

Net sales rose 14% year on year, to ¥75.7 billion, while operating loss improved ¥2.9 billion and operating income of ¥0.9 billion was recorded.

In the drive business, net sales improved year on year thanks to higher demand for inverters and servos overseas and the contribution to sales from large overseas orders for electric equipment for railcars. Likewise, operating results also showed a year-on-year improvement due to the higher sales and the benefits of the business restructuring conducted in the previous fiscal year. As for the power supply business, net sales and operating results improved year on year as a result of increased demand for power conditioners for mega solar facilities. In the ED&C components business, net sales and operating results improved year on year because demand picked up in Japan and overseas starting in the second quarter.

[Electronic Devices]

YoY: Net sales increased 15%, operating loss improved ¥4.6 billion

Net sales rose 15% year on year, to ¥59.1 billion, while operating loss improved ¥4.6 billion and operating income of ¥1.7 billion was recorded.

In the semiconductors business, net sales were up year on year due to strong demand in the automotive electronics business, a recovery trend in demand for inverters, servos, and other industrial machinery in the industrial business, and recovered demand for products for telecommunications equipment in the power supply application business. As a result of higher earnings and the benefits of the business restructuring conducted in relation to power semiconductors in the previous fiscal year, the business was able to realize substantially improved operating results. As for the magnetic disks business, net sales declined and operating results deteriorated due to a slowdown in the HDD market.

[Food and Beverage Distribution]

YoY: Net sales increased 10%, operating income improved ¥2.2 billion

Net sales rose 10% year on year, to ¥62.3 billion, and operating income improved ¥2.2 billion, to ¥4.7 billion.

In the vending machines business, net sales were up year on year because steady sales of energy-saving environment-friendly vending machines and coffee machines for convenience stores compensated for the stoppage of sales of certain food and beverage items through vending machines. Operating results improved following higher revenues and lower costs. The store distribution business recorded a year-on-year increase in net sales and an improvement in operating results due to higher orders for construction and renovation of convenience stores and super markets.

[Others]

YoY: Net sales decreased 4%, operating income unchanged

Net sales declined 4% year on year, to ¥28.7 billion, and operating income was unchanged at ¥1.0 billion.

(2) Quantitative Information regarding Consolidated Financial Position

(¥ billion)

	March 31, 2013	Breakdown (%)	September 30, 2013	Breakdown (%)	Change
Total assets	765.6	100.0	731.3	100.0	-34.3
Interest-bearing debt	226.7	29.6	206.6	28.3	-20.1
Shareholders' equity*1	194.6	25.4	198.0	27.1	+3.4
Debt-equity ratio*2 (times)	1.2		1.0		-0.2

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

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

Total assets stood at ¥731.3 billion on September 30, 2013, down ¥34.3 billion from the previous fiscal year-end. Total current assets declined ¥37.1 billion principally because of decreases in cash and deposits and notes and accounts receivable-trade. Total noncurrent assets were up ¥2.7 billion due to a higher valuation difference on available-for-sale securities.

Interest-bearing debt as of September 30, 2013, amounted to ¥206.6 billion, down ¥20.1 billion from the previous fiscal year-end, primarily due to a decrease in commercial papers. Further, net interest-bearing debt—interest-bearing debt net of cash and cash equivalents—declined ¥4.1 billion from the previous fiscal year-end, amounting to ¥182.9 billion on September 30, 2013.

Net assets on September 30, 2013, stood at ¥220.9 billion, up ¥5.2 billion from the previous fiscal year-end, which was mainly due to increases in valuation difference on available-for-sale securities. In addition, shareholders' equity—total net assets net of minority interests—was up ¥3.4 billion from the previous fiscal year-end, standing at ¥198.0 billion on September 30, 2013. The debt-to-equity ratio (interest-bearing debt ÷ shareholders' equity) declined 0.2 times from the previous fiscal year-end, to 1.0 time. Also, the net debt-to-equity ratio (net interest-bearing debt ÷ shareholders' equity) was 0.9 times, down 0.1 times from the previous fiscal year-end.

In the six-month period ended September 30, 2013, consolidated free cash flow (net cash provided by operating activities + net cash used in investment activities) was ¥14.1 billion, an improvement of ¥6.9 billion compared with positive free cash flow of ¥7.2 billion a year earlier.

Cash flows from operating activities

Net cash provided by operating activities was ¥21.7 billion, compared with ¥23.9 billion a year earlier. This was mainly due to our efforts to collect notes and accounts receivable-trade, which offset an increase in inventories and a decrease in notes and accounts payable-trade.

This was a deterioration of ¥2.3 billion year on year.

Cash flows from investing activities

Net cash used in investment activities was ¥7.6 billion, compared with ¥16.7 billion a year earlier. This was primarily related to the purchase of property, plant and equipment.

This was an improvement of ¥9.1 billion year on year.

Cash flows from financing activities

Net cash used in financing activities was ¥30.5 billion, compared with ¥33.5 billion a year earlier. This was principally due to a decrease in commercial papers.

As a result, consolidated cash and cash equivalents on September 30, 2013, amounted to ¥23.7 billion, down ¥16.0 billion from the previous fiscal year-end.

(3) Qualitative Information regarding Consolidated Forecasts and Forecast Information

In light of the business result trends of the six-month period ending September 30, 2013, Fuji Electric has revised its consolidated forecast of business results for the fiscal year ending March 31, 2014, which was announced on April 25, 2013.

The forecast for the fiscal year ending March 31, 2014, assumes exchange rates of US$1 = ¥95 and € 1 = ¥125.

Consolidated Forecasts for the Fiscal Year Ending March 31, 2014

	Previous forecasts	Revised forecasts	Change
Net sales	750.0	755.0	5.0
Operating income	27.0	30.0	3.0
Ordinary income	26.0	30.0	4.0
Net income	14.0	16.0	2.0

Reference: Consolidated Forecasts for the Fiscal Year Ending March 31, 2014, by Segment (¥billion)

	Net sales			Operating income/loss		
	Previous forecasts	Revised forecasts	Change	Previous forecasts	Revised forecasts	Change
Power and Social Infrastructure	151.1	147.1	-4.0	8.0	8.0	0.0
Industrial Infrastructure	200.0	200.0	0.0	11.0	11.0	0.0
Power Electronics	164.5	166.5	2.0	4.8	4.8	0.0
Electronic Devices	111.7	117.7	6.0	1.5	4.5	3.0
Food and Beverage Distribution	115.4	116.4	1.0	6.7	6.7	0.0
Others	56.9	56.9	0.0	1.5	1.5	0.0
Elimination and Corporate	-49.4	-49.4	0.0	-6.6	-6.6	0.0
Total	750.0	755.0	5.0	27.0	30.0	3.0

For net sales by segment, the net sales in the Power and Social Infrastructure segment are expected to fall below previously released forecasts due to delays in recording large-scale orders. However, net sales in the Power Electronics, Electronic Devices, and Food and Beverage Distribution segments are projected to be higher than the prior forecasts due to the benefits of yen deprecation on foreign exchange as well as increased demand. As a result, overall net sales will be ¥5.0 billion higher than the previously released forecasts.

As for operating results, the Electronic Devices segment is expected to record operating income that exceeds the previously forecasted figures due to higher earnings and the benefits of the business restructuring conducted in relation to power semiconductors in the previous fiscal year. As a result, overall operating income will be ¥3.0 billion higher than the previously released forecasts.

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