Financial Performance

(1) Qualitative Information regarding Consolidated Results of Operations

Results of Operations in the Fiscal Year Ended March 31, 2014

In the fiscal year ended March 31, 2014, Fuji Electric's operating environment saw a gradual recovery 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, overall activity was weak, but there was a recovery trend supported by the gradual recovery of major developed nations, such as the United States and those nations in Europe. In particular, conditions in the power electronics and semiconductors areas were strong.

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

Consolidated business results for the fiscal year ended March 31, 2014, were as follows.

Net sales rose ¥14.1 billion year on year, to ¥759.9 billion. By business segment, Power Electronics, Electronic Devices, and Food and Beverage Distribution saw increased net sales, while Power and Social Infrastructure, Industrial Infrastructure, and Others saw net sales decline.

Operating income improved ¥11.1 billion year on year, to ¥33.1 billion. This reflected improved profitability stemming from the rigorous reduction of costs and expenses. Further, ordinary income increased ¥11.0 billion, to ¥36.7 billion. Net income, however, declined ¥6.8 billion as a result of the rebound from the recording of deferred tax assets in the previous fiscal year, and net income was ¥19.6 billion accordingly.

Consolidated results of operations for the fiscal year ended March 31, 2014, were as follows.

(¥ billion)

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Change
Net sales	745.8	759.9	14.1
Operating income	22.0	33.1	11.1
Ordinary income	25.7	36.7	11.0
Net income	26.4	19.6	-6.8

Results by Segment

[Power and Social Infrastructure]

YoY: Net sales decreased 2%, operating results worsened ¥0.3 billion

Net sales decreased 2% year on year, to ¥153.7 billion, and operating income worsened ¥0.3 billion year on year, to ¥8.1 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 fiscal year, which offset rises in orders for hydropower generation facilities and solar power generation systems. In the social engineering systems business, net sales were down due to lower demand for watt-hour meters in light of the ensuing switch to smart meters. In the social information business, net sales were up following a rise in large-scale orders and a demand rush in light of the upcoming end of support for Windows XP. Overall, the segment saw a worsening in operating results because lower net sales counteracted cost reductions.

[Industrial Infrastructure]

YoY: Net sales decreased 5%, operating results worsened ¥1.8 billion

Net sales decreased 5% year on year, to ¥188.6 billion, while operating income worsened ¥1.8 billion year on year, to ¥9.2 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 increased due to a rise in orders for energy-saving equipment from Japanese manufacturers. In the instrumentation and control systems business, net sales were down as a result of lower demand for radiation measurement equipment. In the equipment construction business, net sales were relatively unchanged from the previous fiscal year. In the business segment overall, operating results worsened year on year because lower net sales counteracted cost reductions.

[Power Electronics]

YoY: Net sales increased 12%, operating results improved ¥4.2 billion

Net sales rose 12% year on year, to ¥165.5 billion, and operating income improved ¥4.2 billion year on year, to ¥5.4 billion.

In the drive business, net sales improved year on year thanks to higher demand for inverters and servos in Japan and overseas and the sales contributions 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 and power supply equipment for data centers and other products. In the ED&C components business, net sales and operating results improved year on year due to increased demand in the renewable energy field and recovery in domestic demand in the machine tool and semiconductor fields.

[Electronic Devices]

YoY: Net sales increased 9%, operating results improved ¥7.7 billion

Net sales rose 9% year on year, to ¥123.9 billion, while operating loss improved ¥7.7 billion year on year, and operating income of ¥6.3 billion was recorded accordingly.

In the semiconductors business, net sales were up year on year due to the strong demand in the automotive electronics business, a trend that continued from the previous fiscal year, as well as a recovery trend in demand for inverters, servos, and other industrial machinery in the industrial 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 lower demand from customers.

[Food and Beverage Distribution]

YoY: Net sales increased 7%, operating results improved ¥1.6 billion

Net sales rose 7% year on year, to ¥120.1 billion, and operating income improved ¥1.6 billion year on year, to ¥8.0 billion.

In the vending machines business, net sales were up year on year as a result of steady replacement demand for energy-saving, environment-friendly vending machines coupled with solid demand for coffee machines for convenience stores. Operating results improved following higher revenues and lower costs. The store distribution business recorded a year-on-year increase in net sales due to higher orders for construction and renovation of convenience stores and other stores, but operating results deteriorated as a result of the impacts of higher upfront investments for the expansion of new businesses.

[Others]

YoY: Net sales decreased 1%, operating results improved ¥0.3 billion

Net sales declined 1% year on year, to ¥60.0 billion, and operating income improved ¥0.3 billion year on year, to ¥1.9 billion

Forecasts for the Fiscal Year Ending March 31, 2015

Forecasts for consolidated business results in the fiscal year ending March 31, 2015, are as follows.

Further, forecasts for the fiscal year ending March 31, 2015, assume exchange rates of US$1 = ¥100 and €1 = ¥135.

Consolidated Business Results Forecasts.

Consolidated Business Results Forecasts (¥ billion)

	Fiscal year ended March 31, 2014	Fiscal year ending March 31, 2015	Change
Net sales	759.9	780.0	20.1
Operating income	33.1	38.0	4.9
Ordinary income	36.7	39.0	2.3
Net income	19.6	23.0	3.4

Forecasts by Segment (¥ billion)

	Fiscal 2014 Forecasts	
	Net Sales	Operating Income/Loss
Power and Social Infrastructure	165.1	8.3
Industrial Infrastructure	202.7	11.6
Power Electronics	179.7	8.3
Electronic Devices	118.4	7.6
Food and Beverage Distribution	118.6	7.1
Others	57.1	1.7
Elimination and Corporate	-61.6	-6.6
Total	780.0	38.0

In the fiscal year ending March 31, 2015, the Power and Social Infrastructure business segment will work to increase orders for high-efficiency thermal power generation facilities and geothermal power generation facilities. It will also endeavor to expand operations in the new energy field with a particular focus on solar power generation systems, which are expected to continue seeing demand growth into the future. At the same time, manufacturing systems for smart meters will be strengthened as efforts to expand smart community operations are accelerated.

In the Industrial Infrastructure business segment, the focus of domestic operations will be steadily capturing demand for energy-saving equipment as well as replacement demand in fields where investment is expected to be brisk. Overseas, production systems will be expanded at Fuji Tusco Co., Ltd., and the new Thai Factory, and local engineering systems will be strengthened in Asia to boost competitiveness and advance operations in Asia.

The Power Electronics business segment will develop products for the global market in major product lines, including inverters, uninterruptible power supply systems (UPSs), and power conditioners, so that these products may be introduced into the market. At the same time, enhanced competitiveness will be pursued by expanding production at the new Thai Factory. In this manner, the segment will work to grow businesses overseas, particularly in Asia. Further, Chinese operations will be developed through the joint-venture companies created between Shanghai Electric Group Co., Ltd., and the Company.

The Electronic Devices business segment will pursue higher sales in the semiconductor field by accelerating product development ventures and then launching these new products. In addition, cost reductions will be targeted by increasingly shifting production of certain models overseas. The segment will also accelerate the development of next-generation power semiconductors, an endeavor that will further future business expansion.

The Food and Beverage Distribution business segment will expand its vending machine business in China and other Asian markets. Increased orders for equipment for convenience stores and other stores will also be targeted. In the store distribution field, we will grow new businesses that fuse heating and cooling technologies with solutions.

(2) Quantitative Information regarding Consolidated Financial Position

(¥ billion)

	March 31, 2013	Breakdown (%)	March 31, 2014	Breakdown (%)	Change
Total assets	765.6	100.0	810.8	100.0	+45.2
Interest-bearing debt	226.7	29.6	199.5	24.6	-27.2
Shareholder's equity[*1]	194.6	25.4	227.2	28.0	+32.6
Debt-equity ratio[*2] (times)	1.2		0.9		-0.3

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

Total assets at the end of fiscal 2013 stood at ¥810.8 billion, an increase of ¥45.2 billion from the end of the previous fiscal year. Despite a decrease in cash and deposits, total current assets expanded ¥4.6 billion, due mainly to a rise in inventories. Total noncurrent assets were up ¥40.5 billion, owing to factors such as the rise in value of available-for-sale securities following differences in mark-to-market valuation.

Interest-bearing debt at fiscal year-end amounted to ¥199.5 billion, down ¥27.2 billion from the previous fiscal year-end, which was primarily attributable to a decrease in commercial paper. Further, net interest-bearing debt—interest-bearing debt net of cash and cash equivalents—amounted to ¥166.1 billion at fiscal year-end, a decline of ¥20.9 billion from the previous fiscal year-end.

Net assets at fiscal year-end stood at ¥251.2 billion, an increase of ¥35.6 billion from the previous fiscal year-end. This rise was mainly due to the valuation difference on available-for-sale securities and an increase in retained earnings, despite decreases due to the posting of remeasurements of defined benefit plans. In addition, shareholders' equity—net assets net of minority interests—was up ¥32.6 billion from the previous fiscal year-end, standing at ¥227.2 billion at fiscal year-end. The debt-to-equity ratio (interest-bearing debt ÷ shareholders' equity) declined 0.3 time from the previous fiscal year-end, to 0.9 time. Also, the net debt-to-equity ratio (net interest-bearing debt ÷ shareholders' equity) declined 0.3 time, to 0.7 time.

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Change
Cash flow from operating activities	55.3	53.7	-1.7
Cash flow from investing activities	-24.3	-9.6	14.6
Free cash flow	31.1	44.0	12.9
Cash flow from financing activities	-56.8	-50.6	6.3
Cash and cash equivalents	39.7	33.4	-6.3

In fiscal 2013, consolidated free cash flow (net cash from operating activities + net cash from investing activities) was ¥44.0 billion, an improvement of ¥12.9 billion compared with free cash flow of ¥31.1 billion in the previous fiscal year.

Cash flows from operating activities

Net cash provided by operating activities was ¥53.7 billion, compared with ¥55.3 billion for the previous fiscal year. This was due to the recording of income before income taxes and an increase in notes and accounts payable–trade, despite an increase in inventories.

This was a deterioration of ¥1.7 billion year on year.

Cash flows from investing activities

Net cash used in investing activities was ¥9.6 billion, compared with ¥24.3 billion in the previous fiscal year. This was primarily related to the purchase of property, plant and equipment.

This was an improvement of ¥14.6 billion year on year.

Cash flows from financing activities

Net cash used in financing activities was ¥50.6 billion, compared with ¥56.8 billion in the previous fiscal year. This was principally due to a decrease in commercial paper.

As a result, consolidated cash and cash equivalents at fiscal year-end amounted to ¥33.4 billion, down ¥6.3 billion from the previous fiscal year-end.

(3) Basic Policy Regarding Distribution of Earnings; Dividends for Fiscal 2013 and Fiscal 2014

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 2014, and our financial position, we plan to pay a year-end dividend of ¥4 per share for fiscal 2013. Together with the interim dividend of ¥3 per share, this will give an annual dividend of ¥7 per share for fiscal 2013.

We have not yet determined the dividend to be paid for fiscal 2014.

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