

Financial Performance

(1) Qualitative Information regarding Consolidated Results of Operations

In the nine-month period ended December 31, 2015, in the Company's operating environment, a recovery trend was seen overseas in the United States and principal European countries, but the economic slowdown in China and other Asian countries became even more pronounced. In Japan, while the growing sense of uncertainty in China and other overseas markets resulted in sluggish conditions in certain sectors, the overall trend was that of gradual recovery. In this environment, the Company defined the basic policies of complete the FY2015 Medium-Term Management Plan, and advanced growth strategies in preparation for the next medium-term management plan. We also pushed forward with measures to expand the power plant business as well as operations in the Industrial Infrastructure and Power Electronics segments and overseas businesses while also pursuing improvements in overall profitability.

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

Net sales decreased ¥5.8 billion year on year, to ¥536.1 billion, due to lower demand as well as revenue declines stemming from less-beneficial foreign exchange translations. By business segment, Power and Social Infrastructure, Power Electronics, and Others saw increased net sales, while Industrial Infrastructure, Electronic Devices, and Food and Beverage Distribution saw net sales decline.

Operating income improved ¥0.1 billion year on year, to ¥11.5 billion. This improvement was largely attributable to increased profitability stemming from cost reductions, which effectively offset the decline in net sales. Ordinary income decreased ¥1.1 billion, to ¥12.5 billion, following lower foreign exchange income. At the same time, profit attributable to owners of parent declined ¥3.0 billion, to ¥8.2 billion, due in part to the rebound from recording gain on change in equity as a result of an affiliate becoming listed on the stock exchange in the nine-month period ended December 31, 2014.

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

(¥ billion)

	Nine-month period ended December 31, 2014	Nine-month period ended December 31, 2015	Change
Net sales	541.8	536.1	-5.8
Operating income	11.4	11.5	0.1
Ordinary income	13.6	12.5	-1.1
Profit attributable to owners of parent	11.2	8.2	-3.0

Results by Segment

[Power and Social Infrastructure]

YoY: Net sales increased 7%, operating results improved ¥2.0 billion

Net sales increased 7% year on year, to ¥106.6 billion, and operating income improved ¥2.0 billion, to ¥2.6 billion.

In the power plant business, net sales were up year on year as the increase in orders for thermal power, geothermal power, and hydropower generation facilities outweighed the decrease in orders for solar power generation systems. In the social engineering systems business, net sales were up year on year due to higher sales of smart meters. In the social information business, net sales were relatively unchanged year on year. Overall, the segment saw improved operating results due to higher net sales and the benefits of cost reduction efforts.

[Industrial Infrastructure]

YoY: Net sales decreased slightly, operating results worsened ¥1.0 billion

Net sales decreased slightly year on year, to ¥109.7 billion, and operating loss worsened ¥1.0 billion year on year, to ¥2.5 billion.

In the transmission and distribution business, net sales were relatively unchanged year on year. Net sales in the industrial plant business were down year on year as the decrease in large-scale orders offset the benefits of strong energy saving and replacement demand in Japan. Despite lower demand resulted from economic slowdown in China, net sales were up year on year in the industrial and instrumentation equipment business due to robust domestic demand. The equipment construction business saw a year-on-year increase in net sales following higher orders for installation of electrical equipment and air-conditioning equipment. Overall, the segment saw operating results worsen due to the decrease in net sales and the negative impacts of changes in the ratios of sales for specific models.

[Power Electronics]

YoY: Net sales increased 3%, operating results improved ¥0.5 billion

Net sales increased 3% year on year, to ¥145.2 billion, and operating income improved ¥0.5 billion year on year, to ¥3.2 billion.

In the drive business, net sales and operating results improved year on year as the benefits of strong domestic demand and large overseas orders for electric equipment for railcars offset the impacts of a decline in demand due to the bearish state of the Chinese market. In the power supply business, net sales were up year on year due to the robust demand for power supply equipment in Japan as well as the benefits of the consolidation of Fuji SMBE Pte. Ltd., and its subsidiaries, while operating results

were relatively unchanged year on year due to the impacts of changes in the ratios of sales for specific models. In the ED&C components business, net sales were down year on year as a result of the decline in demand from domestic machinery equipment manufacturers as well as in China and other overseas markets, but operating results were relatively unchanged year on year as the benefits of cost reduction efforts counteracted the lower net sales.

[Electronic Devices]

YoY: Net sales decreased 11%, operating results improved ¥1.5 billion

Net sales decreased 11% year on year, to ¥93.7 billion, and operating income improved ¥1.5 billion year on year, to ¥7.4 billion.

In the semiconductors business, net sales and operating results worsened year on year due to the impacts of sluggish demand resulted from the bearish state of the Chinese market in the industrial field and the power supply application field, lower demand from major domestic customers centered on machine tools in the industrial field, and reduced sales of certain vehicles equipped with the Company's products in the automotive field. In the magnetic disks business, net sales were down year on year due to the negative impacts of changes in the ratios of sales for specific models, but operating results improved as the benefits of fixed cost reduction efforts outweighed the impact of lower net sales.

[Food and Beverage Distribution]

YoY: Net sales decreased 10%, operating results worsened ¥2.9 billion

Net sales decreased 10% year on year, to ¥79.4 billion, and operating income worsened ¥2.9 billion year on year, to ¥3.2 billion.

In the vending machine business, net sales and operating results worsened year on year because the impacts of the reduced vending machine demand in Japan stemming from limited investment among domestic beverage manufacturers outweighed the benefits of increased sales following the expansion of operations in the Chinese market. In the store distribution business, net sales and operating results worsened year on year as a result of lower sales of freezing and refrigerating facilities for convenience stores.

[Others]

YoY: Net sales increased 3%, operating results improved ¥0.2 billion

Net sales increased 3% year on year, to ¥46.9 billion, and operating results improved ¥0.2 billion year on year, to ¥1.8 billion.

(2) Quantitative Information regarding Consolidated Financial Position

(¥ billion)

	March 31, 2015	Breakdown (%)	December 31, 2015	Breakdown (%)	Change
Total assets	904.5	100.0	890.2	100.0	-14.3
Interest-bearing debt	191.2	21.1	214.2	24.1	22.9
Shareholder's equity* ¹	290.3	32.1	269.3	30.3	-21.0
Debt-equity ratio* ² (times)	0.7		0.8		0.1

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

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

Total assets on December 31, 2015, stood at ¥890.2 billion, a decrease of ¥14.3 billion from the end of the previous fiscal year. Total current assets increased ¥11.8 billion, as the decrease in notes and accounts receivable-trade was counteracted primarily by the increase in inventories among other factors. Total noncurrent assets were down ¥26.1 billion, due to a decrease stemming from valuation difference on available-for-sale securities, which offset an increase in property, plant and equipment.

Interest-bearing debt as of December 31, 2015, amounted to ¥214.2 billion, up ¥22.9 billion from the previous fiscal year-end. Further, net interest-bearing debt—interest-bearing debt net of cash and cash equivalents—increased ¥23.8 billion from the previous fiscal year-end, amounting to ¥183.1 billion on December 31, 2015.

Net assets on December 31, 2015, stood at ¥299.4 billion, down ¥20.2 billion from the previous fiscal year-end. This was because of a decrease stemming from valuation difference on available-for-sale securities. In addition, shareholders' equity—total net assets net of non-controlling interests—was down ¥21.0 billion from the previous fiscal year-end, standing at ¥269.3 billion on December 31, 2015. The debt-to-equity ratio (interest-bearing debt ÷ shareholders' equity) was 0.8 time, up 0.1 time from the previous fiscal year-end. Also, the net debt-to-equity ratio (net interest-bearing debt ÷ shareholders' equity) was 0.7 time, up 0.2 time.

(3) Qualitative Information regarding Consolidated Forecasts and Forecast Information

In light of the business result trends seen in the nine-month period ended December 31, 2015, Fuji Electric has chosen to not revise the consolidated forecast for financial results for the fiscal year ending March 31, 2016, that was announced together with financial results for the fiscal year ended March 31, 2015, on April 27, 2015. Forecasts for performance by segment have been changed as follows.

The forecast for the fiscal year ending March 31, 2016, assumes exchange rates of US\$1 = ¥115 and € 1 = ¥125 for the period from January 1, 2016, onward.

Consolidated Forecasts for the Fiscal Year Ending March 31, 2016 (¥ billion)

	Previous forecasts	Current forecasts	Change
Net sales	850.0	850.0	0.0
Operating income	45.0	45.0	0.0
Ordinary income	45.0	45.0	0.0
Profit attributable to owners of parent	29.0	29.0	0.0

Reference: Consolidated Forecasts for the Fiscal Year Ending March 31, 2016, by Segment (¥billion)

	Net sales			Operating income (loss)		
	Previous forecasts	Revised forecasts	Change	Previous forecasts	Revised forecasts	Change
Power and Social Infrastructure	178.8	178.8	0.0	9.4	9.4	0.0
Industrial Infrastructure	212.7	212.7	0.0	13.0	13.0	0.0
Power Electronics	218.5	211.4	-7.1	9.6	9.2	-0.4
Electronic Devices	124.1	124.1	0.0	8.6	8.6	0.0
Food and Beverage Distribution	123.6	123.6	0.0	8.5	8.5	0.0
Others	61.5	62.7	1.3	2.1	2.1	0.0
Elimination and Corporate	-69.1	-63.3	5.8	-6.1	-5.7	0.4
Total	850.0	850.0	0.0	45.0	45.0	0.0

Net sales are anticipated to fall below the previously released forecasts in the Power Electronics segment due to reduced demand resulted from the bearish state of the Chinese market. However, net sales are expected to exceed the previously released forecasts in the Others segment. Accordingly, overall net sales will be in line with the previously released forecasts.

Overall operating results are projected to be impacted by the lower sales in the Power Electronics segment, but will still be in line with the previously released forecasts due to the benefits of reduced costs.