

Consolidated Financial Results for 3Q FY2016

January 27, 2017
Fuji Electric Co., Ltd.

Summary of Consolidated Financial Results for 3Q (Oct-Dec) FY2016 (YoY Comparison)

Net sales up in all 5 segments

Operating income up despite impacts of unfavorable foreign exchange rate fluctuations

(Billion yen)

	3Q FY2015	3Q FY2016	Change
Net Sales	181.8	203.7	22.0
Operating Income/Loss	4.6	4.8	0.2
Ordinary Income/Loss	5.5	8.3	2.8
Profit attributable to owners of parent	4.0	4.9	0.9

(Yen)

Average Exchange Rate US\$	121.50	109.30	-12.20
Average Exchange Rate EURO	132.95	117.78	-15.17

Net Sales

Gain on translation of earnings of overseas subsidiaries	7.3
Impact on the new consolidation*	0.8
Demand increase	13.8

Operating Income/Loss

Cost reduction	5.7	Exchange rate effect	-1.0
Increase in sales	2.3	Price decline	-4.6
		Increase in fixed cost	-1.2
		Decrease in production	-0.9
	8.0		-7.8

Non-operating Income/Loss

Foreign exchange income	2.3
Others	0.3

by segment

(Billion yen)

	3Q FY2015		3Q FY2016		Change	
	Net Sales	Operating Income/Loss	Net Sales	Operating Income/Loss	Net Sales	Operating Income/Loss
Power and Social Infrastructure	35.9	1.2	45.7	0.9	9.8	-0.3
Industrial Infrastructure	40.9	-0.1	45.9	1.2	5.0	1.2
Power Electronics	51.7	1.6	53.9	1.6	2.3	0.0
Electronic Devices	30.5	2.5	33.9	2.6	3.3	0.1
Food and Beverage Distribution	22.4	0.1	24.3	-0.3	1.9	-0.4
Others	15.5	0.7	15.0	0.4	-0.5	-0.3
Elimination and Corporate	-15.2	-1.4	-15.0	-1.5	0.2	-0.1
Total	181.8	4.6	203.7	4.8	22.0	0.2

*New consolidation: Reliable Turbine Services LLC and Fuji Electric Retail Service Co., Ltd.

Summary of Consolidated Financial Results for 9 months (Apr-Dec) FY2016 (YoY Comparison)

Despite impacts of unfavorable foreign exchange rate fluctuations, net sales up due to benefits of various measures of growth strategies and higher domestic demand
Operating income down as impacts of foreign exchange rate fluctuations outweighed benefits of cost reduction efforts

(Billion yen)

	9 months FY2015	9 months FY2016	Change
Net Sales	536.1	555.3	19.2
Operating Income/Loss	11.5	10.7	-0.8
Ordinary Income/Loss	12.5	11.0	-1.5
Extraordinary Income/Loss	0.9	-0.2	-1.1
Income/Loss before Income Taxes	13.4	10.9	-2.6
Income Taxes	3.3	3.4	0.0
Profit attributable to non-controlling interests	1.9	2.6	0.7
Profit attributable to owners of parent	8.2	4.9	-3.3

(Yen)

Average Exchange Rate US\$	121.70	106.63	-15.07
Average Exchange Rate EURO	134.36	118.02	-16.34

Net Sales

Loss on translation of earnings of overseas subsidiaries	-7.5
Impact on the new consolidation*	2.9
Demand increase	23.8

Operating Income/Loss

Cost reduction	15.2	Exchange rate effect	-3.0
Increase in sales	4.8	Price decline	-11.7
		Decrease in production	-2.9
		Increase in fixed cost	-3.2
	20.0		-20.8

Non-operating Income/Loss

Net interest expense	-0.1	(1.1 → 1.0)
Equity in losses in affiliates	0.2	(-1.0 → -0.8)
Foreign exchange income	-1.2	(1.3 → 0.1)
Others	0.4	(-0.4 → 0.0)
	-0.7	(1.0 → 0.3)

Extraordinary Income/Loss

Gain on sales of investment securities	-1.3	(1.4 → 0.2)
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*New consolidation:

- Reliable Turbine Services LLC
- Fuji Electric Retail Service Co., Ltd.

Net Sales and Operating Income by Segment for 9 months (Apr-Dec) FY2016 (YoY Comparison) ①

(Billion yen)

	9 months FY2015		9 months FY2016		Change	
	Net Sales	Operating Income/Loss	Net Sales	Operating Income/Loss	Net Sales	Operating Income/Loss
Power and Social Infrastructure	106.6	2.6	116.2	3.4	9.5	0.8
Industrial Infrastructure	106.7	-4.3	126.5	0.6	19.9	5.0
Power Electronics	149.3	4.4	145.4	2.0	-3.9	-2.3

* Figures for 9 months FY2015 reflect the organizational restructuring conducted in FY2016.

■ Power and Social Infrastructure

Net sales increased ¥9.5 billion, operating income increased ¥0.8 billion

- In the power plant business, net sales were down and operating results worsened as the increase in orders for large-scale hydraulic power generation facilities was outweighed by the decrease in orders for solar power generation systems.
- In the social engineering systems business, net sales were up and operating results improved due to higher sales of smart meters.
- In the social information business, net sales were up and operating results improved following a rise in large-scale orders from the public sector and higher sales in the academic sector.

■ Industrial Infrastructure

Net sales increased ¥19.9 billion; operating income of ¥0.6 billion recorded, representing improvement of ¥5.0 billion from prior operating loss of ¥4.3 billion

- In the transmission and distribution business, net sales were up and operating results improved due to contributions from large-scale orders from domestic industries.
- In the industrial plant business, net sales were up and operating results improved as a result of strong energy saving and replacement demand in Japan as well as increased sales in new solutions businesses targeting data centers in Japan and overseas.
- In the industrial and instrumentation equipment business, net sales were up and operating results improved due to the robust replacement demand seen in Japan.
- In the equipment construction business, net sales were up and operating results improved due to contributions from large-scale domestic orders for installation of electrical equipment.

■ Power Electronics

Net sales decreased ¥3.9 billion, operating income decreased ¥2.3 billion

- In the drive business, net sales decreased due to a decline in large-scale overseas orders for electrical equipment for railcars and the impacts of unfavorable foreign exchange rates, and operating results worsened as a result of the lower sales as well as increased upfront investment and R&D expenditures at overseas bases.
- In the power supply business, net sales were down year on year as the decline in demand for power conditioning sub-systems for megasolar power generation systems and the impacts of unfavorable foreign exchange rates offset the strong performance of switchgear and controlgear operations overseas. Regardless, operating results were relatively unchanged year on year due to the benefits of cost reduction efforts.
- In the ED&C components business, net sales decreased and operating results worsened, despite the benefits of cost reduction efforts, following reduced demand from machine tools and other machinery manufacturers and the impacts of unfavorable foreign exchange rates.

*Exchange rate effect

Net sales: -3.6 Operating income:-1.2

Net Sales and Operating Income by Segment for 9 months (Apr-Dec) FY2016 (YoY Comparison) ②

(Billion yen)

	9 months FY2015		9 months FY2016		Change	
	Net Sales	Operating Income/Loss	Net Sales	Operating Income/Loss	Net Sales	Operating Income/Loss
Electronic Devices	93.9	7.4	91.5	5.8	-2.4	-1.6
Food and Beverage Distribution	77.1	3.9	73.8	1.7	-3.4	-2.2
Others	46.9	1.8	43.3	1.5	-3.6	-0.3
Elimination and Corporate	-44.5	-4.2	-41.3	-4.3	3.1	-0.1
Total	536.1	11.5	555.3	10.7	19.2	-0.8

* Figures for 9 months FY2015 reflect the organizational restructuring conducted in FY2016.

■ Electronic Devices

Net sales decreased ¥2.4 billion, Operating income decreased ¥1.6 billion

*Exchange rate effect
Net sales: -2.6 Operating income: -1.8

- In the semiconductors business, net sales increased due to the continuation of firm performance in the automotive field and the recovery of demand in the industrial and power supply application fields, while operating results worsened as a result of the impacts of unfavorable foreign exchange rates.
- In the magnetic disks business, net sales were down and operating results worsened year on year because of the declines in demand following deteriorating market conditions and the impacts of unfavorable foreign exchange rates.

■ Food and Beverage Distribution

Net sales decreased ¥3.4 billion, Operating income decreased ¥2.2 billion

- In the vending machine business, net sales decreased and operating results worsened because of the impacts of the decline in demand stemming from industry reorganizations in the domestic market as well as the delayed start of anticipated growth in the Chinese market.
- In the store distribution business, net sales increased year on year due to a rise in demand for convenience store equipment, but operating results worsened year on year as a result of a less favorable sales mix.

Net Sales for 9 months (Apr-Dec) FY2016 [Japan and Overseas by Area] (YoY Comparison)

Net sales up in Japan mainly due to higher demand centered on Power and Social Infrastructure and Industrial Infrastructure

Net sales down overseas due to reduction in sales resulted from unfavorable foreign exchange translations (-¥7.4 billion)

(Billion yen)

	9 months FY2015	9 months FY2016			Change
			Sales increase/ decrease	Exchange rate effect	
Japan	376.8	404.1	27.4	-0.1	27.3
Overseas	159.2	151.1	-0.7	-7.4	-8.1
Asia and others	71.4	75.3	6.7	-2.8	3.9
China	66.1	53.2	-9.3	-3.6	-12.9
Europe	12.2	12.4	0.9	-0.7	0.2
Americas	9.5	10.2	1.0	-0.3	0.7
Total	536.1	555.3	26.7	-7.5	19.2

■ **Japan**

【**Power and Social Infrastructure**】

Sales increase in power plant and social engineering systems

【**Industrial Infrastructure**】

Sales increase in transmission and distribution, industrial plant and equipment construction

【**Power Electronics**】

Sales decrease in power supply

■ **Asia**

【**Power and Social Infrastructure**】

Sales decrease in power plant

【**Industrial Infrastructure**】

Sales increase in transmission and distribution and industrial plant

【**Power Electronics**】

Sales increase in power supply

【**Electronic Devices**】

Sales increase due to the changes in magnetic disks

■ **China**

【**Electronic Devices**】

Sales increase in semiconductors

Sales decrease due to the changes in magnetic disks

【**Food and Beverage Distribution**】

Sales decrease in vending machine

Consolidated Balance Sheet at the end of 3Q FY2016

Assets

	3/31/2016	12/31/2016	Change
Cash and time deposit	31.0	32.9	1.9
Notes and account receivables, trade receivables	258.4	216.8	-41.6
Inventories	145.1	178.3	33.2
Other current assets	59.4	62.6	3.1
Total current assets	493.9	490.5	-3.4
Tangible fixed assets	176.5	175.1	-1.4
Intangible fixed assets	20.4	21.0	0.6
Investments and other assets	154.5	191.4	36.9
Total long-term assets	351.3	387.4	36.1
Deferred assets	0.1	0.1	0.0
Total assets	845.4	878.1	32.7

Liabilities and Net Assets

(Billion yen)

	3/31/2016	12/31/2016	Change
Notes and account payables, trade payables	160.4	148.9	-11.5
Interest-bearing debts	184.7	211.3	26.6
Other liabilities	239.2	234.8	-4.4
Total liabilities	584.4	595.1	10.7
Common stock	47.6	47.6	-
Capital surplus	46.7	46.0	-0.8
Retained earnings	132.1	130.2	-1.9
Treasury stock at cost	-7.2	-7.2	-0.0
Shareholders' equity	219.2	216.6	-2.7
Accumulated other comprehensive income	11.2	35.2	24.0
Non-controlling interests	30.6	31.3	0.7
Total net assets	261.0	283.0	22.0
Total liabilities and net assets	845.4	878.1	32.7
Equity ratio (%)	27.3	28.7	1.4
Net Interest-bearing debts	153.9	178.6	24.7
Net debt-equity ratio (times)	0.7	0.7	-

Summary of Consolidated Financial Results for FY2016 (Comparison with Previous Forecasts)

Consolidated full-year forecasts unchanged Forecasts revised for Electronic Devices and Food and Beverage Distribution

(Billion yen)

	FY2016 Full-year		Change
	Forecasts (Oct 27, 2016)	Forecasts (Jan 26, 2017)	
Net Sales	820.0	820.0	0.0
Operating Income/Loss	45.0	45.0	0.0
Ordinary Income/Loss	43.0	43.0	0.0
Profit attributable to owners of parent	27.0	27.0	0.0

4Q Foreign Exchange Rate

No change to foreign exchange rate assumptions from previous released forecasts.

	US\$	EURO	RMB
Exchange rate	¥100	¥110	¥15.3
Foreign exchange sensitivity (million yen)*	40	10	50

* Impact on operating income/loss
US\$ and EURO: Impact of ¥1-fluctuations
RMB: Impact of 1% fluctuations

(Billion yen)

by segment

	FY2016 Full-year				Change	
	Forecasts (Oct 27, 2016)		Forecasts (Jan 26, 2017)		Change	
	Net Sales	Operating Income/Loss	Net Sales	Operating Income/Loss	Net Sales	Operating Income/Loss
Power and Social Infrastructure	183.5	11.1	183.5	11.1	0.0	0.0
Industrial Infrastructure	218.0	15.1	218.0	15.1	0.0	0.0
Power Electronics	204.1	8.9	204.1	8.9	0.0	0.0
Electronic Devices	111.0	5.9	111.6	6.6	0.6	0.8
Food and Beverage Distribution	112.9	8.0	110.2	7.0	-2.7	-1.0
Others	57.6	2.2	58.5	2.3	0.9	0.1
Elimination and Corporate	-67.2	-6.1	-65.9	-6.0	1.3	0.1
Total	820.0	45.0	820.0	45.0	0.0	0.0

Consolidated Forecasts for FY2016 (YoY Comparison)

(Billion yen)

	Full year		Change
	FY2015 Results	FY2016 (Jan 26, 2017)	
Net Sales	813.6	820.0	6.4
Operating Income/Loss	45.0	45.0	0.0
Ordinary Income/Loss	45.6	43.0	-2.6
Profit attributable to owners of parent	30.6	27.0	-3.6

4Q Foreign Exchange Rate

No change to foreign exchange rate assumptions from previous released forecasts.

	US\$	EURO	RMB
Exchange rate	¥100	¥110	¥15.3
Foreign exchange sensitivity (million yen)*	40	10	50

* Impact on operating income/loss
 US\$ and EURO: Impact of ¥1-fluctuations
 RMB: Impact of 1% fluctuations

(Billion yen)

by segment

	FY2015 Results		FY2016 Forecasts (Jan 26, 2017)		Change	
	Net Sales	Operating Income/Loss	Net Sales	Operating Income/Loss	Net Sales	Operating Income/Loss
Power and Social Infrastructure	175.5	9.7	183.5	11.1	8.1	1.3
Industrial Infrastructure	199.4	11.2	218.0	15.1	18.7	3.9
Power Electronics	208.8	9.4	204.1	8.9	-4.7	-0.5
Electronic Devices	120.2	9.8	111.6	6.6	-8.6	-3.1
Food and Beverage Distribution	110.0	8.0	110.2	7.0	0.2	-1.1
Others	62.6	2.3	58.5	2.3	-4.1	0.0
Elimination and Corporate	-62.9	-5.5	-65.9	-6.0	-3.0	-0.5
Total	813.6	45.0	820.0	45.0	6.4	0.0

* Figures for FY2015 reflect the organizational restructuring conducted in FY2016.

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