Financial Performance

(1) Qualitative Information regarding Consolidated Results of Operations

In the three-month period ended June 30, 2016, an overall recovery trend was seen overseas driven by principal developed countries, including the United States and major European countries. However, a rising sense of uncertainty remained due to factors such as economic downturn in Asia, largely seen in China, as well as instability in the political structure of Europe. In the domestic economy, the general trend was that of recovery as capital investment picked up regardless of the rapid appreciation of the yen.

In this environment, we unveiled the new FY2018 Medium-Term Management Plan, Renovation 2018. Acting in accordance with the plan's basic policy of "further renovation of Fuji Electric," we are implementing growth strategies including reforming operating processes in social infrastructure, industrial infrastructure, and power electronics businesses; expanding overseas operations; and creating high-value-added products while also improving profitability.

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

Net sales decreased ¥0.1 billion year on year, to ¥165.1 billion, as unfavorable foreign exchange translations resulted in reductions in sales, offsetting the benefits of increased demand. By business segment, Power and Social Infrastructure and Industrial Infrastructure saw increased net sales, while Power Electronics, Electronic Devices, Food and Beverage Distribution, and Others saw net sales decline.

Operating income decreased ¥0.1 billion year on year, to ¥2.3 billion. Ordinary income declined ¥2.7 billion, to ¥0.3 billion, as foreign exchange income was replaced with foreign exchange loss. At the same time, loss attributable to owners of parent of ¥0.7 billion was recorded, in comparison to profit attributable to owners of parent of ¥2.0 billion in the three-month period ended June 30, 2015. In this manner, operating income and ordinary income showed year-on-year decreases and loss attributable to owners of parent was recorded.

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

(¥ billion)

	Three-month period ended June 30, 2015	Three-month period ended June 30, 2016	Change
Net sales	165.2	165.1	(0.1)
Operating income	2.4	2.3	(0.1)
Ordinary income	3.0	0.3	(2.7)
Profit (loss) attributable to owners of parent	2.0	(0.7)	(2.7)

Results by Segment

[Power and Social Infrastructure]

YoY: Net sales increased 6%, operating results improved ¥0.3 billion

Net sales increased 6% year on year, to ¥28.9 billion, and operating income increased ¥0.3 billion year on year, to ¥0.4 billion.

In the power plant business, net sales were down year on year as the increase in orders for thermal power, geothermal power, and 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 year on year due to higher sales centered on smart meters. In the social information business, net sales were down year on year following lower private-sector demand. Overall, the segment saw improved operating results due to higher net sales and the benefits of cost reduction efforts.

[Industrial Infrastructure]

YoY: Net sales increased 30%, operating results improved ¥2.3 billion

Net sales increased 30% year on year, to ¥36.6 billion, and operating loss decreased ¥2.3 billion year on year, to ¥0.9 billion.

In the transmission and distribution business, net sales were up year on year due to contributions from large-scale orders from domestic industries. Net sales in the industrial plant business were up year on year as a result of strong energy saving and replacement demand in Japan as well as increased data center-related orders. Net sales were down year on year in the industrial and instrumentation equipment business following a decline in overseas demand. The equipment construction business saw a year-on-year increase in net sales following contributions from large-scale domestic orders for installation of electrical equipment. Overall, the segment saw improved operating results due to higher net sales and the benefits of cost reduction efforts.

[Power Electronics]

YoY: Net sales decreased 7%, operating results worsened ¥1.2 billion

Net sales decreased 7% year on year, to ¥43.4 billion, and operating income decreased ¥1.2 billion year on year, to ¥0.2 billion.

In the drive business, nets sales decreased and operating results worsened year on year due to lower demand for inverters overseas, particularly in China, and reductions in sales resulted from unfavorable foreign exchange translations. In the power supply business, net sales were up year on year as strong performance of switchgear and controlgear operations overseas compensated for the decline in demand for power conditioning sub-systems for megasolar power generation systems. Operating results improved due to higher net sales and the benefits of cost reduction efforts. In the ED&C components business, nets sales decreased and operating results worsened year on year following reduced demand from machine tools and other machinery manufacturers and lower overseas demand, especially in China.

[Electronic Devices]

YoY: Net sales decreased 11%, operating results worsened ¥0.8 billion

Net sales decreased 11% year on year, to ¥28.5 billion, and operating income decreased ¥0.8 billion year on year, to ¥1.6 billion.

In the semiconductors business, net sales decreased and operating results worsened year on year as firm performance in the automotive field was outweighed by the impacts of sluggish demand resulted from the bearish state of the Chinese market in the industrial field and the reductions in sales resulted from unfavorable foreign exchange translations in the industrial and power supply application fields. In the magnetic disks business, net sales were down year on year because of reductions in sales resulted from unfavorable foreign exchange translations, but operating results were relatively unchanged year on year due to the benefits of cost reduction efforts.

[Food and Beverage Distribution]

YoY: Net sales decreased 12%, operating results worsened ¥0.8 billion

Net sales decreased 12% year on year, to ¥25.7 billion, and operating income decreased ¥0.8 billion year on year, to ¥1.7 billion.

In the vending machine business, net sales decreased and operating results worsened year on year because of the impacts of the reduced vending machine demand in Japan stemming from limited investment among domestic beverage manufacturers. In the store distribution business, net sales increased and operating results improved year on year as a result of higher sales of freezing and refrigerating facilities and automatic change dispensers for convenience stores.

[Others]

YoY: Net sales decreased 9%, operating results improved ¥0.1 billion

Net sales decreased 9% year on year, to ¥14.1 billion, and operating income increased ¥0.1 billion year on year, to ¥0.6 billion.

Note: Effective from the three-month period ended June 30, 2016, the business segments contained within the Industrial Infrastructure, Power Electronics, Electronic Devices, and Food and Beverage Distribution reportable segments were changed in conjunction with an organizational restructuring.

Figures from the three-month period ended June 30, 2015, have been restated to reflect the new reportable segment divisions.

(2) Quantitative Information regarding Consolidated Financial Position

	March 31, 2016	Breakdown (%)	June 30, 2016	Breakdown (%)	Change
Total assets	845.4	100.0	805.7	100.0	(39.7)
Interest-bearing debt	184.7	21.9	195.6	24.3	10.8
Shareholder's equity*1	230.4	27.3	213.0	26.4	(17.4)
Debt-equity ratio*2 (times)	0.8		0.9		0.1

*1 Shareholders' equity = Total net assets — Non-controlling interests
*2 D/E ratio = Interest-bearing debt/ Shareholders' equity

Total assets on June 30, 2016, stood at ¥805.7 billion, a decrease of ¥39.7 billion from the end of the previous fiscal year. Total current assets decreased ¥28.0 billion, as the decline in notes and accounts receivable-trade counteracted the rise in inventories. Total noncurrent assets were down ¥11.6 billion, due to decreases stemming from valuation difference on available-for-sale securities.

Interest-bearing debt as of June 30, 2016, amounted to ¥195.6 billion, up ¥10.8 billion from the previous fiscal year-end. Further, net interest-bearing debt—interest-bearing debt net of cash and cash equivalents—increased ¥14.0 billion from the previous fiscal year-end, amounting to ¥167.9 billion on June 30, 2016.

Net assets on June 30, 2016, stood at ¥242.8 billion, down ¥18.2 billion from the previous fiscal year-end. This was because of decreases stemming from foreign currency translation adjustments and valuation difference on available-for-sale securities. In addition, shareholders' equity—total net assets net of non-controlling interests—was down ¥17.4 billion from the previous fiscal year-end, standing at ¥213.0 billion on June 30, 2016. The debt-to-equity ratio (interest-bearing debt ÷ shareholders' equity) was 0.9 times, up 0.1 times from the previous fiscal year-end. Also, the net debt-to-equity ratio (net interest-bearing debt ÷ shareholders' equity) was 0.8 times, up 0.1 times.

(3) Qualitative Information regarding Consolidated Forecasts and Forecast Information

In light of the business result trends seen in the three-month period ended June 30, 2016, Fuji Electric has chosen not to revise the consolidated forecast for business results for the fiscal year ending March 31, 2017, that was announced together with financial results for the fiscal year ended March 31, 2016, on April 27, 2016. This decision was made despite the following disparity between the performance and forecasts for individual segments.

The forecast for the fiscal year ending March 31, 2017, assumes exchange rates of US$1 = ¥110 and € 1 = ¥120 for the period from July 1, 2016, onward.

(Consolidated Forecasts for the Fiscal Year Ending March 31, 2017) (¥ billion)

	Previous announcement	Revised announcement	Change
Net sales	830.0	830.0	0.0
Operating income	47.0	47.0	0.0
Ordinary income	47.0	47.0	0.0
Profit attributable to owners of parent	31.0	31.0	0.0

(Reference: Consolidated Forecasts for the Fiscal Year Ending March 31, 2017, by Segment(¥billion)

	Net sales			Operating income (loss)		
	Previous announcement	Revised announcement	Change	Previous announcement	Revised announcement	Change
Power and Social Infrastructure	177.9	177.9	0.0	10.5	10.5	0.0
Industrial Infrastructure	214.5	216.9	2.4	13.1	13.6	0.5
Power Electronics	214.6	214.6	0.0	11.6	11.6	0.0
Electronic Devices	120.0	120.0	0.0	7.5	7.5	0.0
Food and Beverage Distribution	116.0	113.6	(2.4)	8.8	8.0	(0.8)
Others	55.0	55.0	0.0	2.0	2.1	0.1
Elimination and Corporate	(68.2)	(68.2)	0.0	(6.4)	(6.2)	0.2
Total	830.0	830.0	0.0	47.0	47.0	0.0

Net sales are expected to fall below the previously released forecasts in the Food and Beverage Distribution segment due to reduced vending machine demand in Japan stemming from limited investment among domestic beverage manufacturers, while sales in the Industrial Infrastructure segment are anticipated to exceed these forecasts due to higher demand for domestic industries. As a result, overall net sales will be in line with the previously released forecasts.

Meanwhile, operating income is projected to be lower than previously forecast in the Food and Beverage Distribution segment following lower net sales, while the benefits of increased net sales and reduced costs will lead operating income in the Industrial Infrastructure and Others segments to be higher than anticipated. As a result, overall operating income will be in line with the previously released forecasts.

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