

Financial Results for the Second Quarter of the Year 2018

(Six months ended on July 31, 2017)

Company: **FUJI ELECTRIC INDUSTRY CO., LTD.** Stock: Tokyo Stock Exchange
 Code Number: 6654 URL: <http://www.fujidk.co.jp>
 Coordinator: Noriko Shimomura Head Office: Kyoto, JAPAN
 Executive Officer and General Manager Telephone: (075) 221-7978

Date of the board meeting for this period: September 4, 2017

1. Second quarter financial results for the six months ended on July 31 (February 1, 2017 through July 31, 2017)

(1) Operating Results

(Unit: Millions of Yen)

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
2nd Q.FY 2018	1,896	0.3	121	(41.1)	133	(38.9)
2nd Q.FY 2017	1,890	(2.5)	206	(27.5)	217	(27.7)

	Net income		Net income per share - basic	Net income per share - diluted
	Millions of yen	%	Yen	Yen
2nd Q.FY 2018	115	(20.4)	19.65	19.58
2nd Q.FY 2017	145	(24.2)	23.58	23.52

Note: Percentages for net sales, operating income etc. show increase (decrease) from previous year's second quarter.

(2) Financial Condition

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2nd Q.FY 2018	10,997	10,239	92.9	1,732.17
FY 2017	10,835	10,246	94.4	1,733.82

Note: Equity capital

2nd Q.FY 2018 10,216 million yen
 FY 2017 10,226 million yen

2. Dividends

	Dividend per share				
	1st Q.	2nd Q.	3rd Q.	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY 2017	—	16.00	—	16.00	32.00
FY 2018	—	16.00			
FY 2018 (forecast)			—	16.00	32.00

Note : Revision of dividends forecast for this period : No

3. Forecast of operating results for Fiscal Year 2018 (February 1, 2017 through January 31, 2018)

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY 2018	4,200	11.4	280	(36.9)	297	(36.4)

	Net income		Net income per share
	Millions of yen	%	Yen
FY 2018	201	(33.7)	34.16

Note 1: Percentages for net sales, operating income etc. for the FY 2018 show increase (decrease) from the previous year.

2: Revision of operating results forecast for this period : No

4.Others

(1) Application of special accounting policy for quarterly financial reporting : No

(2) Changes in the accounting policy : No

(3) Changes except (2) : No

(4) About number of shares

Number of shares issued	:	2nd Q.FY 2018	6,669,000	FY 2017	6,669,000
Treasury stock at end of each period	:	2nd Q.FY 2018	770,922	FY 2017	770,922
Average number of shares	:	2nd Q.FY 2018	5,898,078	2nd Q.FY 2017	6,179,405

※ Note with respect to “Forecast of operating results for Fiscal Year 2018”

Forecasts announced by the company referred to above be prepared based on management’s assumptions with information available at this time and therefore involve known and unknown risks and uncertainties.

Please note such risks and uncertainties may cause the actual results to be materially different from the forecasts (earnings forecast, dividend forecast, and other forecasts).

Supplementary financial materials will be posted on our web site on September 5, 2017.

Qualitative information / Financial affairs

1. Description on business performance

(1) General situation

During the second quarter of the fiscal year ending January 31, 2018, Japan's economy has continued its recovery trend on the back of the improvements in corporate profits, personal consumption, exports and production activities, this trend is projected to continue into the future due to the improvements in employment and income environment, and personal consumption.

Under these circumstances, we focused our sales activity on the domestic market of electric power, general industries, electric railway and overseas market of Southeast Asia and the Near and Middle East. As a result of this performance, the sales of Surge absorber terminal block and LED indication lamp for substation facilities increased, but the sales of Flag drop type fault indicator and Semaphore indicator for overseas substation facilities decreased. The cumulative sales amount of this quarter was 1,896 million yen (increased by 0.3% compared with the previous year).

Regarding the cumulative profit, expenses such as depreciation increased by the extension of Minami-kusatsu Factory, the operating income was 121 million yen (decreased by 41.1% compared with the previous year), the ordinary income was 133 million yen (decreased by 38.9% compared with the previous year), and Provision for loss on dissolution of the employees' pension fund of 48 million yen recorded as extraordinary loss, Gain on sales of investment securities of 63 million yen and Gain on sales of land of 20 million yen as extraordinary income, the net income was 115 million yen (decreased by 20.4% compared with the previous year).

(2) Products sales

Control switches

The sales of Breaker auxiliary switch for overseas substation facilities decreased but the sales of Switch disconnecter for photovoltaic generation and Cam switch for domestic and overseas substation facilities increased.

The sales amount was 532 million yen (increased by 0.4% compared with the previous year).

Connecting devices

The sales of Surge absorber terminal block and Test terminal for substation facilities increased, High withstand voltage fuse holder for photovoltaic generation was selling well.

The sales amount of this category reached 774 million yen (increased by 4.9% compared with the previous year).

Pilot lamps and Indicators

The sales of LED indication lamp for substation facilities and Indicator for pedestrian-control signal increased, but the sales of Flag drop type fault indicator and Semaphore indicator for overseas substation facilities were sluggish.

The sales amount was 281 million yen (decreased by 9.5% compared with the previous year).

Electronic devices

The new-model Telltale module for slave stations of automatic electricity distribution control system was adopted. Interface unit and Telephone relay for substation devices of railway were selling well.

The sales amount of this category increased by 3.2% to 304 million yen compared with the previous year.

Third party sales

The sales of Connection box for photovoltaic generation was stagnant despite a good sales achievement last year.

The sales amount was 3 million yen (decreased by 74.8% compared with the previous year).

2. Description on business performance forecast

As for the prospects of our business performances of January 2018, there have been no changes in the revised forecast that announced on March 7, 2017.

3.Non-consolidated quarterly balance sheets

Thousands of Yen

	As of January 31, 2017	As of July 31, 2017
	Amount	Amount
(Assets)		
I Current assets		
1.Cash and deposits	3,463,313	3,724,569
2.Notes and accounts receivable-trade	1,192,109	1,114,048
3.Electronically recorded monetary claims	277,037	315,489
4.Short-term investment securities	501,187	200,080
5.Finished goods	165,915	160,899
6.Work in process	379,590	384,715
7.Raw materials	394,597	381,756
8.Others	75,634	141,979
Total current assets	6,449,385	6,423,539
II Noncurrent assets		
(1) Property, plant and equipment		
1.Buildings, net	1,048,313	2,057,377
2.Land	1,357,427	1,347,627
3.Others, net	1,131,604	368,211
Total property, plant and equipment	3,537,345	3,773,216
(2) Intangible assets	29,667	27,063
(3) Investments and other assets		
1.Investment securities	803,878	751,573
2.Others	15,011	22,001
Total investments and other assets	818,890	773,575
Total noncurrent assets	4,385,903	4,573,854
Total assets	10,835,289	10,997,394

3.Non-consolidated quarterly balance sheets

Thousands of Yen

	As of January 31, 2017	As of July 31, 2017
	Amount	Amount
(Liabilities)		
I Current liabilities		
1.Accounts payable-trade	93,241	136,010
2.Short-term loans payable	150,000	120,000
3.Income taxes payable	33,924	93,135
4.Provision for bonuses	64,855	61,835
6.Provision for directors' bonuses	—	920
7.Others	109,520	184,220
Total current liabilities	451,540	596,121
II Noncurrent liabilities		
1.Provision for retirement benefits	50,437	57,450
2.Provision for loss on dissolution of the employees' pension fund	—	48,140
3.Others	87,173	56,022
Total noncurrent liabilities	137,610	161,613
Total liabilities	589,151	757,734
(Net assets)		
I Shareholders' equity		
1.Capital stock	1,087,250	1,087,250
2.Capital surplus	1,704,240	1,704,240
3.Retained earnings	8,029,062	8,050,610
4.Treasury stock	(816,477)	(816,477)
Total shareholders' equity	10,004,075	10,025,623
II Valuation and translation adjustments		
Valuation difference on available-for-sale securities	222,116	190,870
Total valuation and translation adjustments	222,116	190,870
III Share option	19,946	23,166
Total net assets	10,246,138	10,239,659
Total liabilities and net assets	10,835,289	10,997,394

4.Non-consolidated quarterly statements of income

Thousands of Yen

	Six months ended July 31, 2016	Six months ended July 31, 2017
	Amount	Amount
I Net sales	1,890,239	1,896,576
II Cost of sales	1,177,366	1,237,527
Gross profit	712,872	659,048
III Selling, general and administrative expenses	506,239	537,423
Operating income	206,633	121,624
IV Non-operating income		
1.Interest income	2,779	1,328
2.Dividends income	5,070	6,492
3.Subsidy income	4,535	4,197
4.Others	2,123	2,574
Total non-operating income	14,508	14,592
V Non-operating expenses		
1.Interest expenses	1,032	662
2.Commission fee	735	—
3.Loss on investments in partnership	—	2,092
4.Foreign exchange losses	1,549	284
Total non-operating expenses	3,317	3,039
Ordinary income	217,824	133,177
VI Extraordinary income		
Gain on sales of investment securities	—	63,140
Gain on sales of land	—	20,200
Total extraordinary incomes	—	83,340
VII Extraordinary loss		
Loss on retirement of noncurrent assets	97	70
Provision for loss on dissolution of the employees' pension fund	—	48,140
Total extraordinary losses	97	48,210
Income before income taxes	217,726	168,307
Income taxes	72,031	52,390
Net income	145,695	115,917

5.Non-consolidated quarterly statements of cash flows

Thousands of Yen

Description	Six months ended July 31, 2016	Six months ended July 31, 2017
	Amount	Amount
I. Net cash provided by (used in) operating activities		
Income before income taxes	217,726	168,307
Depreciation and amortization	104,104	134,702
Increase (decrease) in provision for directors' bonuses	(10,560)	920
Increase (decrease) in provision for retirement benefits	8,084	7,012
Interest and dividends income	(7,850)	(7,821)
Interest expenses	1,032	662
Increase(decrease) in provision for loss on dissolution of the employees' pension fund	—	48,140
Loss (gain) on sales of investment securities	—	(63,140)
Loss (gain) on sales of land	—	(20,200)
Loss (gain) on investments in partnership	—	2,092
Subsidy income	(4,535)	(4,197)
Loss on retirement of property, plant and equipment	97	70
Decrease (increase) in notes and accounts receivable-trade	51,060	39,608
Decrease (increase) in inventories	(37,812)	12,730
Increase (decrease) in notes and accounts payable-trade	3,053	42,769
Others	(37,774)	(11,238)
Subtotal	286,628	350,418
Interest and dividends received	9,202	8,551
Interest expenses paid	(1,616)	(616)
Proceeds from subsidy income	4,535	4,197
Income taxes paid	(121,407)	(27,140)
Net cash provided by (used in) operating activities	177,341	335,410
II. Net cash provided by (used in) investing activities		
Payment for time deposits	(3,700,000)	(3,000,000)
Proceeds from time deposits	4,400,000	2,700,000
Proceeds from sales of short-term investment securities	—	300,000
Purchase of tangible assets	(241,138)	(342,277)
Proceeds from sales of tangible assets	—	30,000
Purchase of intangible assets	(460)	(6,005)
Purchase of investment securities	(338)	(355)
Proceeds from sales of investment securities	—	69,818
Net cash provided by (used in) investing activities	(458,062)	(248,818)
III. Net cash provided by (used in) financing activities		
Payment for short-term loans	—	(30,000)
Purchase of treasury shares	(559,228)	—
Cash dividends paid	(106,435)	(94,347)
Net cash provided by (used in) financing activities	(665,664)	(124,347)
IV. Effect of exchange rate change on cash and cash equivalents	(1,349)	(989)
V. Net increase (decrease) in cash and cash equivalents	(31,608)	(38,744)
VI. Cash and cash equivalents-Beginning	715,018	763,313
VII. Cash and cash equivalents-Ending	683,409	724,569

6.Others

(1) Actual of orders

Thousands of Yen

	Six months ended July 31, 2017
Products category	Amount
Control switches	528,810
Connecting devices	789,361
Pilot lamps and Indicators	287,133
Electronic devices	331,852
Third party sales	288,332
Total	2,225,490

(2) Backlog of orders

Thousands of Yen

	Six months ended July 31, 2017
Products category	Amount
Control switches	157,186
Connecting devices	144,204
Pilot lamps and Indicators	97,160
Electronic devices	116,274
Third party sales	284,388
Total	799,214

(3) Sales

Thousands of Yen	
	Six months ended July 31, 2017
Products category	Amount
Control switches	532,087
Connecting devices	774,221
Pilot lamps and Indicators	281,832
Electronic devices	304,489
Third party sales	3,944
Total	1,896,576

① Sales form

Thousands of Yen	
	Six months ended July 31, 2017
	Amount
Domestic sales	1,701,955
Overseas sales	194,620
Total	1,896,576

Note: The details of overseas sales are listed below.

② Foreign market for trading company (overseas sales)

Thousands of Yen	
	Six months ended July 31, 2017
	Amount
Southeast Asia	84,939
Middle East	67,128
China	30,338
Europe	4,117
U.S.A.	8,096
Total	194,620