

**Consolidated Financial Report for the First Half  
of the Fiscal Year 2001  
(April 1, 2001 - September 30, 2001)**

**Summary of Consolidated Financial Results**

**1. Summary of consolidated statements of income**

	Millions of yen			Millions of yen	Millions of U.S.dollars
	1st half	1st half	Change(%) (A)/(B)	Full year	1st half
	FY2001 (A)	FY2000 (B)		FY2000	FY2001
Net sales	362,832	356,939	101.7%	891,086	3,039
Operating income	11,800	9,360	-	25,007	99
Ordinary income	12,627	10,233	-	22,522	106
Net income	9,971	8,798	-	9,711	84
	Yen			Yen	U.S.dollars
Net income per share	13.94	12.30	-	13.58	0.12

**2. Summary of consolidated financial position**

	Millions of yen			Millions of U.S.dollars
	9/30/2001	9/30/2000	3/31/2001	9/30/2001
	Total assets	1,074,537	915,457	964,211
Shareholders' equity	246,442	142,410	161,707	2,064
Shareholders' equity ratio (%)	22.9%	15.6%	16.8%	-
	Yen			U.S.dollars
Shareholders' equity per share	344.64	199.15	226.13	2.89

**3. Summary of consolidated statements of cash flows**

	Millions of yen			Millions of U.S.dollars
	1st half	1st half	Full year	1st half
	FY2001	FY2000	FY2000	FY2001
Cash flows from operating activities	23,305	13,069	30,219	195
Cash flows from investing activities	28,630	7,696	21,513	240
Cash flows from financing activities	7,464	9,748	6,972	63
Cash and cash equivalents at end of year	38,919	45,125	51,760	326

Note: 1) U.S.dollar amounts in this financial report are translated, for convenience only, at the rate of ¥119.40=U.S.\$1.  
2) The company has 61 consolidated subsidiaries.

#### 4. Forecast of consolidated earnings for FY2001 (April 1, 2001 - March 31, 2002)

	<u>Millions of yen</u>
Net sales	860,000
Ordinary income	9,000
Net income	1,500
	<u>Yen</u>
Net income per share	2.10

#### < Cautionary Statements With Respect to Forward-Looking Statements >

Statements made in this financial report with respect to Fuji Electric's future performance are forward-looking statements based on management's assumptions and beliefs in light of the information currently available to it. Accordingly, actual results could differ from those contained in any forward-looking statements. Potential risks and uncertainties include :

- Sudden changes in general economic conditions in Fuji Electric's markets and changes in its operating environment such as those resulting from changes in trade regulations
- Exchange rate, particularly between the yen and the U.S.dollar and Asian and European currencies
- The ability of Fuji Electric and its subsidiaries to develop and introduce products that incorporate new technology in a timely manner and to manufacture them in a cost-effective way
- The rapid pace of technological innovation, especially in the field of electronics
- Sudden changes in the supply and demand balance in the markets Fuji Electric serves
- Problems involving the intellectual property of Fuji Electric and other companies
- Stock market conditions in Japan

## Consolidated Statements of Income

	Millions of yen		Change(%) (A)/(B)	Millions of yen	Millions of U.S.dollars
	1st half FY2001 (A)	1st half FY2000 (B)		Full year FY2000	1st half FY2001
<b>Net sales</b>	362,832	356,939	101.7%	891,086	3,039
<b>Cost of sales</b>	295,623	292,376	101.1%	709,480	2,476
<b>Gross profit</b>	67,209	64,562	104.1%	181,605	563
<b>Selling, general and administrative expenses</b>	79,009	73,923	106.9%	156,597	662
<b>Operating income</b>	11,800	9,360	-	25,007	99
<b>Non-operating income</b>	3,952	3,234	122.2%	7,739	33
Interest and dividends income	2,247	2,311		4,347	19
Other	1,704	923		3,392	14
<b>Non-operating expenses</b>	4,779	4,107	116.4%	10,224	40
Interest expense	2,610	2,899		5,887	22
Other	2,169	1,207		4,336	18
<b>Ordinary income</b>	12,627	10,233	-	22,522	106
<b>Extraordinary income</b>	13,900	107,137		120,366	116
<b>Extraordinary loss</b>	14,937	108,400		121,570	125
<b>Income before income taxes</b>	13,664	11,496	-	21,319	114
<b>Income taxes and business tax</b>	1,375	2,252		12,098	12
<b>Deferred income taxes</b>	4,475	4,959		1,390	37
<b>Minority interests in net income of consolidated subsidiaries</b>	593	8		900	5
<b>Net income</b>	9,971	8,798	-	9,711	84

## Consolidated Balance Sheets

	Millions of yen		Change (A)-(B)	Millions of U.S.dollars
	9/30/2001 (A)	3/31/2001 (B)		9/30/2001
<b>Assets</b>				
<b>Current assets:</b>				
Cash and time deposits	38,531	45,074	6,543	323
Notes and accounts receivable, trade	220,249	322,873	102,624	1,845
Marketable securities	2,352	7,870	5,518	20
Inventories	184,554	159,270	25,284	1,546
Other current assets	51,519	36,938	14,581	431
<b>Total current assets</b>	<b>497,208</b>	<b>572,026</b>	<b>74,818</b>	<b>4,164</b>
<b>Long-term assets:</b>				
Tangible fixed assets	206,665	212,957	6,292	1,731
Intangible fixed assets	6,450	6,515	65	54
Investments and other assets	364,125	172,711	191,414	3,050
<b>Total long-term assets</b>	<b>577,241</b>	<b>392,184</b>	<b>185,057</b>	<b>4,835</b>
<b>Deferred assets</b>	<b>87</b>	<b>-</b>	<b>87</b>	<b>1</b>
<b>Total assets</b>	<b>1,074,537</b>	<b>964,211</b>	<b>110,326</b>	<b>8,999</b>
<b>Liabilities and shareholders' equity</b>				
<b>Current liabilities:</b>				
Notes and accounts payable, trade	150,404	190,773	40,369	1,260
Short-term loans	190,399	210,193	19,794	1,595
Other current liabilities	244,232	227,848	16,384	2,045
<b>Total current liabilities</b>	<b>585,036</b>	<b>628,815</b>	<b>43,779</b>	<b>4,900</b>
<b>Long-term liabilities</b>	<b>210,692</b>	<b>139,925</b>	<b>70,767</b>	<b>1,765</b>
<b>Total liabilities</b>	<b>795,728</b>	<b>768,741</b>	<b>26,987</b>	<b>6,664</b>
<b>Minority interests in consolidated subsidiaries</b>	<b>32,365</b>	<b>33,762</b>	<b>1,397</b>	<b>271</b>
<b>Shareholders' equity:</b>				
Common stock, ¥50 par value	47,586	47,586	0	399
Capital surplus	38,397	38,397	0	322
Consolidated retained earnings	63,223	77,616	14,393	530
Unrealized gain on other securities, net of taxes	99,531	155	99,376	834
Foreign currency transaction adjustment	2,295	2,048	247	19
Less shares of common stock held by the Company	0	0	0	0
<b>Total shareholders' equity</b>	<b>246,442</b>	<b>161,707</b>	<b>84,735</b>	<b>2,064</b>
<b>Total liabilities, minority interests and shareholders' equity</b>	<b>1,074,537</b>	<b>964,211</b>	<b>110,326</b>	<b>8,999</b>

## Consolidated Statements of Cash Flows

	Millions of yen			Millions of U.S.dollars
	1st half FY2001	1st half FY2000	Full year FY2000	1st half FY2001
<b>Cash flows from operating activities:</b>				
Net income (loss) before income taxes	13,664	11,496	21,319	114
Depreciation and amortization	14,127	15,313	32,608	118
Interest and dividends income	2,247	2,311	4,347	19
Interest expense	2,610	2,899	5,887	22
(Increase) decrease in trade receivables	103,898	49,906	32,821	870
(Increase) decrease in inventories	25,685	40,621	10,932	215
Increase (decrease) in trade payables	42,552	18,177	15,890	356
Increase (decrease) in advances received	14,555	23,747	1,161	122
Other, net	17,508	2,977	7,668	147
Subtotal	33,531	16,282	36,434	281
Interest and dividends received	2,297	2,255	4,290	19
Interest paid	2,772	3,088	5,947	23
Income taxes paid	9,750	2,380	4,557	82
Net cash provided by operating activities	23,305	13,069	30,219	195
<b>Cash flows from investing activities:</b>				
Purchase of fixed assets and marketable and investment securities	27,332	18,195	43,929	229
Proceeds from sale of fixed assets and marketable and investment securities	2,471	7,897	22,931	21
Other, net	3,769	2,601	515	32
Net cash provided by investing activities	28,630	7,696	21,513	240
Free cash flows ( + )	5,324	5,372	8,705	45
<b>Cash flows from financing activities:</b>				
Increase (decrease) in short-term borrowings, net	14,878	10,396	13,396	125
Increase (decrease) in commercial paper, net	19,000	1,000	1,000	159
Proceeds from long-term debt	20,450	3,601	10,703	171
Repayments of long-term debt and redemption of bonds	27,322	24,477	29,646	229
Other, net	4,713	269	426	39
Net cash provided by financing activities	7,464	9,748	6,972	63
Effect of exchange rate changes on cash and cash equivalents	82	61	586	1
<b>Net increase (decrease) in cash and cash equivalents</b>	12,870	4,314	2,319	108
<b>Cash and cash equivalents at beginning of year</b>	51,760	49,440	49,440	434
<b>Increase in cash and cash equivalents resulting from the merger of a consolidated subsidiary with a non-consolidated subsidiary</b>	30	-	-	0.3
<b>Cash and cash equivalents at end of year</b>	38,919	45,125	51,760	326

## Consolidated Segment Information

### 1. Net sales by business segment

	Millions of yen		Change(%) (A)/(B)	Millions of U.S.dollars
	1st half FY2001 (A)	1st half FY2000 (B)		1st half FY2001
Energy & Electric Systems	143,275	126,321	113.4%	1,200
ED&C • Drive Systems	79,905	88,361	90.4%	669
Electronics	65,246	64,060	101.9%	546
Retail Support Equipment & Systems	68,932	74,414	92.6%	577
Others	33,336	34,282	97.2%	279
Subtotal	390,695	387,440	100.8%	3,272
Elimination	27,862	30,500	-	233
<b>Total</b>	<b>362,832</b>	<b>356,939</b>	<b>101.7%</b>	<b>3,039</b>

### 2. Operating income by business segment

	Millions of yen		Change(%) (A)/(B)	Millions of U.S.dollars
	1st half FY2001 (A)	1st half FY2000 (B)		1st half FY2001
Energy & Electric Systems	13,554	13,437	-	114
ED&C • Drive Systems	1,962	774	-	16
Electronics	1,655	1,225	135.1%	14
Retail Support Equipment & Systems	1,853	2,573	72.0%	16
Others	231	1,083	21.3%	2
Subtotal	11,777	9,329	-	99
Elimination	22	31	-	0.2
<b>Total</b>	<b>11,800</b>	<b>9,360</b>	<b>-</b>	<b>99</b>

### 3. Net overseas sales

	Millions of yen		Change(%) (A)/(B)	Millions of U.S.dollars
	1st half FY2001 (A)	1st half FY2000 (B)		1st half FY2001
North America	8,086	7,792	103.8%	68
Europe	5,875	4,794	122.5%	49
Asia	32,742	34,543	94.8%	274
Other	2,070	1,174	176.3%	17
<b>Total</b>	<b>48,775</b>	<b>48,305</b>	<b>101.0%</b>	<b>409</b>
 < Ratio to net sales >				
North America	2.2%	2.2%		
Europe	1.6%	1.3%		
Asia	9.0%	9.7%		
Other	0.6%	0.3%		
<b>Total</b>	<b>13.4%</b>	<b>13.5%</b>		

**Supplemental Consolidated Financial Materials for FY2001 Half-Year**  
(April 1, 2001 - September 30, 2001)

**1. Financial summary**

	Billions of yen			
	1st half FY2001	Full year forecast FY2001	1st half FY2000	Full year FY2000
Net sales	362.8	860.0	356.9	891.0
Operating income	11.8	14.0	9.3	25.0
Ordinary income	12.6	9.0	10.2	22.5
Net income	9.9	1.5	8.7	9.7

**2. Ratio of consolidated to non-consolidated**

	Times			
	1st half FY2001	Full year forecast FY2001	1st half FY2000	Full year FY2000
Net sales	1.91	1.79	1.89	1.75
Net income	-	0.33	-	1.00

**3. Number of consolidated subsidiaries**

	1st half FY2001	Full year forecast FY2001	1st half FY2000	Full year FY2000
Number of consolidated subsidiaries	61	61	63	63

**4. Net income per share**

	Yen			
	1st half FY2001	Full year forecast FY2001	1st half FY2000	Full year FY2000
Net income per share	13.94	2.10	12.30	13.58

**5. Net sales by business segment**

	Billions of yen			
	1st half FY2001	Full year forecast FY2001	1st half FY2000	Full year FY2000
Energy & Electric Systems	143.2	420.0	126.3	413.5
ED&C · Drive Systems	79.9	170.0	88.3	196.5
Electronics	65.2	127.0	64.0	137.9
Retail Support Equipment & Systems	68.9	133.0	74.4	143.0
Others	33.3	78.0	34.2	78.3
Subtotal	390.6	928.0	387.4	969.4
Elimination	27.8	68.0	30.5	78.3
<b>Total</b>	<b>362.8</b>	<b>860.0</b>	<b>356.9</b>	<b>891.0</b>

Note : Net sales include inter-segment transactions.

**6. Operating income by business segment**

	Billions of yen			
	1st half FY2001	Full year forecast FY2001	1st half FY2000	Full year FY2000
Energy & Electric Systems	13.5	7.0	13.4	7.5
ED&C · Drive Systems	1.9	0.0	0.7	5.3
Electronics	1.6	3.5	1.2	5.9
Retail Support Equipment & Systems	1.8	2.5	2.5	3.7
Others	0.2	1.0	1.0	2.4
Subtotal	11.7	14.0	9.3	24.9
Elimination	0.0	0.0	0.0	0.0
<b>Total</b>	<b>11.8</b>	<b>14.0</b>	<b>9.3</b>	<b>25.0</b>

## 7. R&D expenditures

	Billions of yen			
	1st half FY2001	Full year forecast FY2001	1st half FY2000	Full year FY2000
Energy & Electric Systems	4.4	10.7	4.7	9.8
ED&C • Drive Systems	1.6	3.3	1.3	2.9
Electronics	3.8	8.1	3.0	7.9
Retail Support Equipment & Systems	1.2	2.8	1.2	2.6
Others	0.0	0.0	0.0	0.0
Corporate (basic research)	1.6	3.7	2.3	3.5
<b>Total</b>	<b>12.8</b>	<b>28.7</b>	<b>12.8</b>	<b>27.0</b>
Ratio to net sales (%)	3.5%	3.3%	3.6%	3.0%

## 8. Plant and equipment investment (including leases)

	Billions of yen			
	1st half FY2001	Full year forecast FY2001	1st half FY2000	Full year FY2000
Energy & Electric Systems	2.3	7.0	3.1	7.6
ED&C • Drive Systems	2.3	7.2	2.4	5.2
Electronics	7.3	17.0	5.0	13.4
Retail Support Equipment & Systems	2.9	7.2	2.4	6.2
Others	0.8	1.5	0.7	1.5
Corporate	0.0	0.0	0.0	0.0
<b>Total</b>	<b>15.7</b>	<b>40.1</b>	<b>13.9</b>	<b>34.2</b>
(Leases)	(4.6)	(11.2)	(4.0)	(10.5)

Note: Leases are included in total plant and equipment investment.

## 9. Depreciation

	Billions of yen			
	1st half FY2001	Full year forecast FY2001	1st half FY2000	Full year FY2000
Depreciation	13.4	29.0	14.5	31.0

## 10. Number of employees

	1st half FY2001	Full year forecast FY2001	1st half FY2000	Full year FY2000
	Energy & Electric Systems	10,686	9,808	10,630
ED&C • Drive Systems	6,109	5,729	6,161	6,019
Electronics	4,639	4,591	4,687	4,676
Retail Support Equipment & Systems	2,474	2,678	2,884	2,781
Others	2,131	2,188	2,138	2,152
Corporate	846	472	959	939
<b>Total</b>	<b>26,885</b>	<b>25,466</b>	<b>27,459</b>	<b>27,103</b>

**Financial Review for the First Half of the FY2001**  
(April 1, 2001 – September 30, 2001)

**(1) Overview of the Fuji Electric Group**

The Fuji Electric Group engages in a broad range of business activities from the development, manufacture and sales of products through to services, in four business groups—Energy & Electric Systems, ED&C Drive Systems, Electronics, Retail Support Equipment & Systems—and the Others segment.

A total of 61 subsidiaries are involved in the operations of Fuji Electric's business groups. Thirteen subsidiaries are directly associated with the Energy & Electric Systems Group, 10 with the ED&C Drive Systems Group, 12 with the Electronics Group, 4 with the Retail Support Equipment & Systems Group, and 8 in Others. In addition, 14 subsidiaries primarily engaged in sales are involved with multiple business groups. As of September 30, 2001, two subsidiaries had been eliminated from the Fuji Electric Group due to mergers and other factors compared with as March 31, 2001.

Group subsidiary Fuji Denki Reiki Co., Ltd. is listed on the First Section of the Tokyo Stock Exchange, and two other subsidiaries, Fuji Electric Construction Co., Ltd. and Fuji Logistics Co., Ltd., are listed on the Second Section of the Tokyo Stock Exchange.

## (2) Management Policies

### *Fundamental Management Policy*

The Fuji Electric Group's fundamental management policy is **to deliver the highest satisfaction to customers** by working together with them in creating value-added products and services in the B-to-B marketplace. In doing so, the Group seeks to expand its business and thereby contribute to society and to shareholders. With the goal of becoming the **“Most Valuable Service Provider”** in businesses that assist the development of the social infrastructure, the industrial sector and the logistics field, the Group offers optimal services that are tailored to the needs of society and its customers. The Group also assures the highest quality of components for customers' products as it strives to be recognized as the **“Most Valuable Components Provider.”**

### *Basic Policy on the Use of Profits*

Under a basic policy of delivering stable dividends to shareholders, the Fuji Electric Group makes the most effective use of its retained earnings to conduct strategic research and development, to make capital expenditures and investments, and to promote its overseas operations, which will unlock potential growth businesses.

### *Medium- to Long-Term Corporate Strategies*

In June 2000, the Fuji Electric Group formulated its medium-term management vision, the “S21 Plan,” to steer the Group into the 21<sup>st</sup> century. Currently in progress, the plan comprises the following corporate strategies.

(1) The Fuji Electric Group consists of four internal companies and a group of affiliates conducting businesses in other areas. The Group's basic strategy is to increase corporate value as a whole by pursuing maximum business values in each of the five business sectors.

(2) Of these sectors, as to power semiconductor devices and other power electronic products, low-voltage circuit breakers and switches, systems business primarily for water treatment and vending machines for which the group has achieved prominence in the industry, we will enhance its revenue

basis by further innovating product development, manufacturing and sales system to meet customer's rising requirements to quick response to environmental issues, more application of information and more systematized services.

(3) For business opportunities in the areas of environment, information, services and components that may provide us with new opportunities for growth, we intend to put together strategies across companies to enlarge these areas also by concentrating the resources of the group as a whole.

(4) The Group will determine the future orientation of its business by realigning its businesses in both strategic growth areas and mature fields into 24 units, and implement the Balanced Scorecard evaluation of business viability based on each unit's strategies and plans.

### ***Steps to Restructure the Organization of the Fuji Electric Group***

The Fuji Electric Group introduced an internal company system and executive officer system in 1999 in a move to create a highly flexible management setup. Each internal company formulates and executes optimal business strategies as all strive to become leading competitors on the global stage.

The Group is currently focusing on reinforcing the internal company system and strengthening corporate governance. The aim is to achieve the optimal balance between the Group's centripetal forces centering on its management vision, and the centrifugal forces of business growth and new market development promoted by the internal companies and their related businesses.

To reinforce the internal company system, the Group is giving companies greater independent jurisdiction over their operations to enhance management autonomy. Each is pursuing its business as an independent entity seeking to become "the most powerful companies as specialist among competitors" in its industry.

In terms of strengthening corporate governance, Fuji Electric Co., Ltd., the parent company, has the intention of becoming a holding company, and is

working to enhance the management of the Group centered on its management vision. Furthermore, the Group Management Committee, comprising senior management of Fuji Electric Co., Ltd. and 12 major subsidiaries, engages in discussion on the future management of the Group and other important matters.

### ***The Seven-Challenge Program***

To achieve the goals of the “S21 Plan,” the Fuji Electric Group is promoting seven key initiatives under the “Seven-Challenge Program.”

#### **(1) Environmental Business**

The Fuji Electric Group has a **proved** track record in water and sewage treatment plants and energy saving equipment such as inverters. With these products forming the core business of operations in this area, the Group provides solutions and products under entirely new concepts, including waste treatment facilities, industrial waste manifest management information services and RDF power generation and can collection systems. Embarking upon these businesses, the Group is working to establish Fuji Electric as the recognized name in the manufacture of environmental equipment and systems.

#### **(2) Information Systems**

The Group is enhancing its operations in two key fields: information solutions mainly for the machining and assembly, food, pharmaceutical and logistics sectors; and the public service sector, including e-government, regional information infrastructure and intelligent transport systems (ITS). The Group is also expanding its lineup of vending machine solutions and other products. And those information solution systems, drawing on the Group’s unique characteristics, are boosting Fuji Electric’s reputation in the information systems market.

#### **(3) Services Business**

Group subsidiary Fuji Electric Systems Co., Ltd. is developing its business activities around life cycle solutions services. The company is playing the central role in the Fuji Electric Group’s efforts to expand its comprehensive

services business, entailing consulting, outsourcing and other innovative services in such areas as IT, energy conservation and the environment.

#### (4) Components

The Fuji Electric Group boasts an impressive array of technologies and extensive know-how in power electronics and low-voltage circuit breakers. Drawing on these qualities, the Group is promoting global strategies, including proactive alliances, to differentiate itself from the competition. At the same time, the Group is comprehensively reducing costs and improving product quality with the view to becoming the “**Most Valuable Components Provider**” in these specialized fields.

(5) Reinforce the internal company system and strengthen corporate governance

(6) Improve the Group’s financial structure

(7) Establish new personnel and training systems

#### *Management Targets*

The Fuji Electric Group is currently focusing on accomplishing the management targets of its medium-term management vision. Those targets are: consolidated net sales of ¥1,200 billion, consolidated ordinary income of ¥60 billion and ROE of 15% (prior to the introduction of fair value accounting) by the fiscal year ending March 31, 2006.

The Group is presently implementing measures to lower interest-bearing liabilities to ¥350 billion by March 31, 2006 by enhancing cash flow management.

### **(3) Fiscal 2001 Interim Business Results**

#### *Summary*

In the six-month period ended September 30, 2001, the Japanese economy lurched noticeably into recession due to a number of factors. Exports declined as a result of the slowdown in the U.S. and other overseas economies, with demand for IT-related materials particularly sluggish.

Industrial production also decreased sharply year on year as Japan's public and private sectors further curtailed capital spending. Deteriorating market conditions in most areas in which the Fuji Electric Group operates in the electronics industry, including IT-related sectors such as semiconductors, mobile devices and PCs, have forced the Group to revise downward its fiscal 2001 forecasts. The difficulties that the Group continues to face in its operating environment increasingly demand sweeping restructuring measures.

Under these circumstances, the Group channeled resources during the interim period into the strategic growth areas identified in the "S21 Plan," our medium-term management vision—namely, the environment, information, services and components. At the same time, the Group made a concerted effort to capture orders and grow sales as well as improve its ability to generate earnings. Actions taken included developing new products, lowering costs, integrating and restructuring Group companies, and realigning production centers.

### ***Interim Consolidated Results***

Consolidated net sales for the interim period climbed 1.7% to ¥362,832 million compared with the corresponding period in the previous fiscal year. By sector, the Energy & Electric Systems Group increased sales owing to higher demand from the environmental and information systems field and the electric power industries field. In the Electronics Group, lower volumes in power semiconductors and ICs in the electronic devices sector due to worsening market conditions was largely offset by higher sales of magnetic disks and photoconductive drums in the information devices sector. Sales in this group remained flat year on year. The ED&C Drive Systems Group saw sales decline due to falling volumes caused by a slump in IT-related sectors and stagnant markets for engineering machine tools, injection molding machines and other products. Sagging demand for vending machines was primarily responsible for lower volumes and sales in the Retail Support Equipment & Systems Group.

As a result of volume decreases, the ED&C Drive Systems Group recorded

a higher year-on-year operating loss while the Retail Support Equipment & Systems Group posted lower earnings. The operating loss posted by the Energy & Electric Systems Group and the Electronics Group's operating income were both largely the same as in the first half of fiscal 2001. Overall, the Fuji Electric Group posted an operating loss of ¥11,800 million, a deterioration of ¥2,440 million year on year. Ordinary loss widened by ¥2,394 million to ¥12,627 million, while net loss increased by ¥1,173 million to ¥9,971 million.

### ***Consolidated Cash Flows***

Cash and cash equivalents stood at ¥38,919 million as of September 30, 2001, down ¥12,841 million from March 31, 2001. Although net cash provided by operating activities surged to ¥23,305 million, net cash used in investing activities rose to ¥28,630 million. Furthermore, financing activities used net cash of ¥7,464 million.

The increase in net cash provided by operating activities was chiefly the result of ongoing efforts to recover trade receivables. Investing activities used more net cash due to capital expenditures mainly for property, plant and equipment, overseas production and sales bases. The increase in net cash used by financing activities was primarily attributable to repayments of long-term debt and dividends paid.

### ***Segment Information***

#### ***Energy & Electric Systems Group***

In water treatment systems, the Group completed a succession of large contracts, including the installation of electrical facilities at pollution treatment centers, and sales in environmental systems were stable by delivering electrical products for waste incineration systems to waste treatment facilities. In information systems, results were buoyed by delivery of large-scale automated warehousing systems, and sales of social infrastructure systems were also steady. Overall, sales in environmental and information systems increased year on year.

In the field of electric power industries, sales rose sharply due to a succession of deliveries of transformers to domestic electric power companies, and thermal power facilities to Independent Power Producers (IPPs).

Sales of electrical and transportation systems declined, despite the group completing contracts for electric power management systems for railways. Furthermore, lackluster capital expenditures by the private sector led to lower year-on-year sales of industrial and measuring systems.

Growth in information systems and air-conditioning equipment businesses at consolidated subsidiaries also contributed to higher sales.

As a result of the above, sales in this group rose 13.4% to ¥143,275 million. However, the group posted an operating loss of ¥13,554 million, increase ¥117 million year on year.

In July 2001, Fuji Electric teamed up with Hitachi, Ltd. and Meidensha Corporation to establish Japan AE Power Systems Corporation, a joint venture that develops, designs and manufactures electric power transmission and distribution equipment.

In the same month, Fuji Electric Systems Co., Ltd. was established to integrate the industrial plant systems organizations of the Fuji Electric Group under one entity. The new company has amalgamated all related divisions from sales through after-sales services. The aim of this move is to expand the range of services provided by Fuji Electric in the industrial and social infrastructure sectors, and to restructure the company's industrial plant systems business.

#### *ED&C•Drive Systems Group*

In power supplies and Electric Distribution & Control (ED&C), the ED&C•Drive Systems Group confronted a severe business environment both in Japan and overseas in the interim period. This reflected poor performances from Japanese IT-related companies, particularly semiconductor

manufacturers who had driven economic growth in the previous fiscal year, and the slowdown of the U.S. economy. As a consequence, the group experienced sluggish demand for its core products such as electrical components, semiconductor manufacturing equipment, precision machinery, and industrial and engineering machine tools. Amid this environment, the group focused on boosting sales by aggressively cultivating new customers and bringing to market new products, such as high-intensity command switches and the latest in Uninterruptible Power Supply (UPS) control software. These efforts were unable, however, to offset the significant effects of lower demand, resulting in lower sales.

In drive systems, despite soft demand from machine manufacturers for semiconductor manufacturing equipment and engineering machine tools—two of the group’s mainstay products—the group made efforts not only to increase sales of individual products, but also to actively market small and medium-sized systems that combine programmable logic controllers and servos. Steady demand for inverters from the Chinese market and the rewards of our efforts to cultivate new customers in the U.S. helped to maintain similar sales levels year on year in this area.

As a result of the above, sales in this group in the first half of fiscal 2002 declined 9.6% to ¥79,905 million, while operating loss increased by ¥1,188 million to ¥1,962 million.

#### *Electronics Group*

In the electronic devices field, sales of discrete devices and power modules in the power semiconductor sector were significantly lower. These decreases reflected the impact of the U.S. economic slowdown that continued from the second half of the previous fiscal year and forecasts of a protracted recession in Japan. Both of these factors prompted production and inventory corrections at customers in fields ranging from information & communications to the consumer and industrial sectors. While strong growth was evidenced in power supply ICs for some mobile devices, slow demand for general-purpose ICs, auto focus ICs and LCD ICs in the wake of

deteriorating market conditions since the second half of fiscal 2001, resulted in lower sales of these products.

At present, the market for magnetic disks is contracting. The global IT recession has dampened the PC market, and the number of disks required for a single hard disk drive (HDD) has declined due to huge improvements in recording density. The Fuji Electric Group has channeled efforts into developing pioneering technologies in this area and installed production lines that can handle higher recording densities. Fuji Electric was accordingly the first in the industry to mass-produce a 3.5-inch magnetic disk with a recording density of 40 gigabytes. In the first half of fiscal 2002, the Electronics Group posted an increase in sales of magnetic disks.

Sales of photoconductive drums climbed on the whole, despite a downturn in sales of selenium photoconductive drums due to market contraction. The sales increase was primarily the result of substantial growth in Organic Photo Conductors (OPCs) for copiers and printers.

As a result of the above, the group recorded sales of ¥65,246 million, up 1.9%, and operating income of ¥1,655 million, a year-on-year increase of ¥430 million.

#### *Retail Support Equipment & Systems Group*

Demand for dairy beverage vending machines increased as the Retail Support Equipment & Systems Group expanded its product range. The group also recorded favorable sales of a new type of cup vending machine that automatically places a lid on top of the plastic cup in which the beverage is dispensed. Harsh market conditions continued, however, leading to a slump in demand for one of the group's mainstay products—can vending machines. Overall, sales of vending machines declined year on year. On a brighter note, cold drink dispensers and beer dispensers were strong performers. Lower year-on-year sales of open freezing and refrigerated showcases were the result of two main factors: the supermarket industry's most recent phase of capital expenditures on new stores came to an end; and

there was no special demand such as in the previous year from convenience stores for nutritional drink cases, customized cases and other products.

In the currency equipment & systems field, sales of coin mechanisms and bill validators rose. The number of vending machines fitted with accepters increased following the introduction of the new ¥500 coin in Japan, as did the number of bill validators. New demand from gas stations, the expanding games and other amusement equipment market and start of deliveries of change dispensers for ticket vendors drove growth in currency systems.

As a result of the above, this group's sales declined 7.4% to ¥68,932 million. Operating income was ¥1,853 million, down ¥720 million.

In August 2001, Fuji Electric concentrated vending machine production in its Mie Factory to raise the efficiency of R&D and production in its vending machine business. Previously, production had been divided between the Mie Factory and manufacturing subsidiary Fuji Denki Reiki Seizo Co., Ltd.

#### *Others*

In the Others segment, results were affected mainly by poor performances from the logistics subsidiary due to sluggish demand for information & communications and engineering machine tools. Sales accordingly fell 2.8% to ¥33,336 million, while operating income dropped ¥852 million to ¥231 million.

#### ***Interim Non-consolidated Results***

Non-consolidated net sales increased 0.5% to ¥189,845 million. The Energy & Electric Systems Group posted higher sales, much in line with consolidated results, while the ED&C· Drive Systems Group and the Electronics Group recorded lower sales due to worsening market conditions. The Retail Support Systems & Equipment Group saw a marginal sales decline year on year.

Although factored into management plans at the beginning of the period, the non-consolidated operating loss increased ¥418 million year on year to ¥1,777 million, ordinary loss increased ¥742 million to ¥1,630 million, and

net loss widened by ¥371 million to ¥774 million. Two factors weighed down results. Product prices fell due to intensified competition, and Fuji Electric scaled back manufacturing operations as component-related production volumes declined.

Fuji Electric also recognized an actuarial loss of ¥89.5 billion in accounting for retirement benefits. This loss primarily arose from deteriorating investment returns on pension assets (including the employee retirement benefit trust), and will be amortized over a 5-year period commencing in fiscal year ending March 31, 2002. Consequently, amortization expenses of ¥8,954 million were booked under extraordinary losses in the 1<sup>st</sup> half period FY2002. This was offset by a gain on the establishment of an employee retirement benefit trust, recorded under extraordinary income.

### ***Dividends***

In due consideration to the current operating environment, Fuji Electric has decided to pay an interim dividend of ¥2.50 per share.

### **Projected Results for the Year Ending March 31, 2002**

Looking ahead, the economic outlook is becoming increasingly unpredictable, particularly as the impact of the terrorist attacks in the United States is hard to assess. Many other uncertainties exist. For example, the export decline is providing further cause for concern, and the Fuji Electric Group is seeing a more pronounced trend among Japanese corporations to curb capital expenditures.

As the business environment places an increasing number of challenges before the group, the Group will push ahead with a further phase of restructuring. The Group will continue to move onto the offensive despite the bleak economic situation. Working to accomplish the goals of the “S21 Plan,” the Group will expand on its four strategic growth areas, restructure mature fields of business, and strengthen operations by actively promoting business alliances. Through these initiatives, the Group will draw upon its collective resources to swiftly improve financial performance and reinforce its operational base.

### ***Consolidated Fiscal 2001 Forecast***

Net sales	¥860,000 million (down 3.5% y-o-y)
Operating income	¥ 14,000 million (down ¥11,007 million)
Ordinary income	¥ 9,000 million (down ¥13,522 million)
Net income	¥ 1,500 million (down ¥ 8,211 million)

### ***Projected Non-consolidated Results***

Orders received	¥480,000 million (down 5.0% y-o-y)
Net sales	¥480,000 million (down 5.8%)
Operating income	¥ 10,000 million (down ¥5,216 million)
Ordinary income	¥ 8,500 million (down ¥7,627 million)
Net income	¥ 4,500 million (down ¥5,293 million)

Note: U.S. dollar amounts for the second half of fiscal 2001, the year ending March 31, 2002, are translated at the rate of ¥120.00=U.S.\$1.

### ***Dividends***

Payment of a year-end cash dividend is yet to be determined.

### ***Forward-looking Statements***

The above projections represent assumptions and beliefs based on data currently available. Accordingly, actual results may differ materially from projections. Potential risks and uncertainties include: (1) sudden changes in general economic conditions in Fuji Electric's markets and changes in its operating environment such as those resulting from trade regulations; (2) exchange rates, particularly those between the yen and the U.S. dollar and Asian and European currencies; (3) the ability of Fuji Electric and its subsidiaries to develop and introduce products that incorporate new technology in a timely manner and to manufacture them in a cost-effective way; (4) the rapid pace of technological innovation, especially in the field of electronics; (5) sudden changes in the supply and demand balance in the markets Fuji Electric serves; (6) issues involving the intellectual property of Fuji Electric and other companies; and (7) movements in Japanese stock markets.