

Consolidated Financial Report for the fiscal year ended March 31, 2011 (April 1, 2010 — March 31, 2011)

Summary of Consolidated Financial Results

1. Summary of consolidated statements of income

	Millions of yen		Change(%) (A)/(B)	Millions of U.S. dollars
	FY2010 (A)	FY2009 (B)		FY2010
Net sales	689,065	691,223	99.7%	8,302
Operating income	11,917	924	1289.7%	144
Ordinary income (loss)	7,225	-537	-	87
Net income	15,104	6,757	223.5%	182
	Yen			U.S. dollars
Net income per share	21.14	9.46	223.5%	0.25

2. Summary of consolidated financial position

	Millions of yen		Millions of U.S. dollars
	3/31/2011	3/31/2010	3/31/2011
Total assets	805,797	908,938	9,708
Net assets	174,935	196,134	2,108
Shareholders' equity ratio (%)	19.3%	19.7%	-
	Yen		U.S. dollars
Net Assets per share	217.40	250.28	2.62

Note: 1) U.S. dollar amounts in this financial report are translated, for convenience only, at the rate of ¥83=U.S.\$1.
2) The company has 49 consolidated subsidiaries and 4 equity-method affiliates.

< 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 Balance Sheets

	Millions of yen		Millions of U.S. dollars
	3/31/2011	3/31/2010	3/31/2011
Assets			
Current assets:			
Cash and deposits	81,883	37,344	987
Notes and accounts receivable-trade	197,350	223,107	2,378
Merchandise and finished goods	37,935	36,633	457
Work in process	41,132	35,741	496
Raw materials and supplies	30,383	21,076	366
Deferred tax assets	15,849	22,069	191
Other	39,050	40,318	470
Allowance for doubtful accounts	-561	-617	-7
Total Current assets	443,024	415,673	5,338
Noncurrent assets:			
Property, plant and equipment			
Buildings and structures	75,039	76,999	904
Machinery, equipment and vehicles	30,491	26,733	367
Tools, furniture and fixtures	3,895	4,845	47
Land	27,697	30,532	334
Lease assets	27,535	22,487	332
Construction in progress	1,271	14,595	15
Total property, plant and equipment	165,931	176,193	1,999
Intangible assets	10,146	10,602	122
Investments and other assets			
Investment securities	129,333	250,374	1,558
Long-term loans receivable	2,037	1,934	25
Prepaid pension cost	43,444	41,546	523
Deferred tax assets	4,634	4,754	56
Other	8,556	9,017	103
Allowance for doubtful accounts	-1,421	-1,375	-17
Total Investments and other assets	186,584	306,251	2,248
Total Noncurrent assets	362,662	493,048	4,369
Deferred assets	109	217	1
Total assets	805,797	908,938	9,708

Consolidated Balance Sheets

	Millions of yen		<i>Millions of U.S. dollars</i>
	<u>3/31/2011</u>	<u>3/31/2010</u>	<u>3/31/2011</u>
Liabilities			
Current liabilities:			
Notes and accounts payable-trade	134,686	131,746	1,623
Short-term loans payable	87,850	94,100	1,058
Commercial papers	-	18,000	-
Current portion of bonds	40,000	-	482
Lease obligations	9,608	-	116
Accrued expenses	36,178	33,734	436
Income taxes payable	2,416	3,686	29
Advances received	37,539	27,007	452
Other	56,618	72,708	682
Total current liabilities	<u>404,898</u>	<u>380,984</u>	<u>4,878</u>
Noncurrent liabilities:			
Bonds payable	71,010	111,010	856
Long-term loans payable	75,158	126,680	906
Lease obligations	23,228	-	280
Deferred tax liabilities	38,263	60,049	461
Provision for retirement benefits	12,647	11,152	152
Provision for directors' retirement benefits	365	373	4
Other	5,289	22,554	64
Total Noncurrent liabilities	<u>225,963</u>	<u>331,820</u>	<u>2,722</u>
Total Liabilities	<u>630,861</u>	<u>712,804</u>	<u>7,601</u>
Net Assets			
Shareholders' equity:			
Capital stock	47,586	47,586	573
Capital surplus	46,734	46,734	563
Retained earnings	54,378	42,010	655
Treasury stock	-7,106	-7,095	-86
Total Shareholders' equity	<u>141,592</u>	<u>129,235</u>	<u>1,706</u>
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	19,895	52,985	240
Deferred gains or losses on hedges	4	110	0
Foreign currency translation adjustments	-6,136	-3,464	-74
Total Valuation and translation adjustments	<u>13,762</u>	<u>49,631</u>	<u>166</u>
Minority interests	<u>19,580</u>	<u>17,267</u>	<u>236</u>
Total Net assets	<u>174,935</u>	<u>196,134</u>	<u>2,108</u>
Total Liabilities and Net assets	<u>805,797</u>	<u>908,938</u>	<u>9,708</u>
Interest-bearing debt	<u>274,019</u>	<u>359,790</u>	<u>3,301</u>

Consolidated Statements of Income

	Millions of yen		Millions of U.S. dollars
	FY2010	FY2009	FY2010
Net sales	689,065	691,223	8,302
Cost of sales	543,557	568,966	6,549
Gross profit	145,507	122,257	1,753
Selling, general and administrative expenses	133,590	121,332	1,610
Operating income (loss)	11,917	924	144
Non-operating income			
Interest income	253	265	3
Dividends income	2,660	2,600	32
Amortization of negative goodwill	347	120	4
Equity in earnings of affiliates	2,144	2,066	26
Other	1,045	2,330	13
Total Non-operating income	6,450	7,383	78
Non-operating expenses			
Interest expense	5,585	6,993	67
Interest on commercial papers	2	278	0
Foreign exchange losses	4,390	-	53
Other	1,162	1,574	14
Total Non-operating expenses	11,141	8,846	134
Ordinary income (loss)	7,225	-537	87
Extraordinary income			
Gain on sales of noncurrent assets	232	4,056	3
Gain on sales of investment securities	30,760	295	371
Gain on sales of subsidiaries' stocks	539	-	6
Gain on adjustment for changes of accounting standard for construction contracts	-	5,854	-
Other	-	34	-
Total Extraordinary income	31,531	10,241	380
Extraordinary loss			
Loss on disposal of noncurrent assets	923	898	11
Loss on valuation of investment securities	2,863	257	34
Loss on adjustment for changes of accounting standard for asset retirement obligations	2,270	-	27
Office/Factory Integration Cost	1,600	-	19
Business restructuring costs	-	16,474	-
Impairment loss	1,269	-	15
Other	3,382	500	41
Total Extraordinary loss	12,310	18,130	148
Income (loss) before income taxes	26,447	-8,427	319
Income taxes-current	3,373	4,098	41
Income taxes-deferred	6,829	-17,476	82
Income taxes	10,202	-13,378	123
Income before minority interests	16,245	-	196
Minority interests in income (loss)	1,141	-1,806	14
Net Income	15,104	6,757	182

Statements of Comprehensive Income

	Millions of yen		<i>Millions of U.S. dollars</i>
	FY2010	FY2009	FY2010
Income before minority interests	16,245	-	196
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	-33,111	-	-399
Deferred gains or losses on hedges	-108	-	-1
Foreign currency translation adjustment	-3,004	-	-36
Share of other comprehensive income of associates accounted for using equity method	-9	-	0
Other comprehensive income	-36,234	-	-437
Comprehensive income	-19,988		-241
Comprehensive income attributable to			
Comprehensive income attributable to owners of the parent	-20,763	-	-250
Comprehensive income attributable to minority interests	775	-	9

Consolidated Statements of Shareholders' Equity

	Millions of yen				
	Shareholders' Equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' Equity
BALANCE AT MARCH 31, 2009	47,586	46,734	34,850	-7,088	122,083
Changes of items during the period					
Dividends from surplus					-
Net income for the year			6,757		6,757
Purchase of treasury stock				-8	-8
Disposal of treasury stock		-0		1	0
Change of scope of consolidation			49		49
Change of scope of equity method			352		352
Total changes of items during the period	-	-0	7,159	-6	7,152
BALANCE AT MARCH 31, 2010	47,586	46,734	42,010	-7,095	129,235

	Millions of yen					
	Valuation and translation adjustments				Minority interests	Net assets
	Valuation difference on available-for-sale securities	Deferred losses on Hedges	Foreign currency translation adjustments	Total valuation and translation adjustments		
BALANCE AT MARCH 31, 2009	10,751	-60	-2,431	8,258	15,771	146,113
Changes of items during the period						
Dividends from surplus						-
Net income for the year						6,757
Purchase of treasury stock						-8
Disposal of treasury stock						0
Change of scope of consolidation						49
Change of scope of equity method						352
Net changes of items other than shareholders' equity	42,233	171	-1,032	41,372	1,496	42,868
Total changes of items during the period	42,233	171	-1,032	41,372	1,496	50,020
BALANCE AT MARCH 31, 2010	52,985	110	-3,464	49,631	17,267	196,134

Consolidated Statements of Shareholders' Equity

	Millions of yen				
	Shareholders' Equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' Equity
BALANCE AT MARCH 31, 2010	47,586	46,734	42,010	-7,095	129,235
Changes of items during the period					
Dividends from surplus			-2,501		-2,501
Net income for the year			15,104		15,104
Purchase of treasury stock				-11	-11
Disposal of treasury stock		-0		1	1
Change of scope of consolidation			56		56
Change of scope of equity method			-291		-291
Total changes of items during the period	-	-0	12,367	-10	12,357
BALANCE AT MARCH 31, 2011	47,586	46,734	54,378	-7,106	141,592

	Millions of yen					
	Accumulated other comprehensive income				Minority interests	Net assets
	Valuation difference on available-for-sale securities	Deferred losses on Hedges	Foreign currency translation adjustments	Total valuation and translation adjustments		
BALANCE AT MARCH 31, 2010	52,985	110	-3,464	49,631	17,267	196,134
Changes of items during the period						
Dividends from surplus						-2,501
Net income for the year						15,104
Purchase of treasury stock						-11
Disposal of treasury stock						1
Change of scope of consolidation						56
Change of scope of equity method						-291
Net changes of items other than shareholders' equity	-33,089	-106	-2,672	-35,868	2,312	-33,555
Total changes of items during the period	-33,089	-106	-2,672	-35,868	2,312	-21,198
BALANCE AT MARCH 31, 2011	19,895	4	-6,136	13,762	19,580	174,935

Consolidated statements of cash flows

	Millions of yen		Millions of U.S. dollars
	FY2010	FY2009	FY2010
I Net cash provided by (used in) operating activities			
Loss before income taxes and minority interests	26,447	-8,427	319
Depreciation and amortization	27,945	26,053	337
Increase (decrease) in allowance for doubtful accounts	-11	103	0
Interest and dividends income	-2,913	-2,866	-35
Interest expenses	5,585	6,993	67
Foreign exchange losses (gains)	748	-321	9
Loss (gain) on sales of noncurrent assets	-232	-4,056	-3
Loss (gain) on sales of investment securities	-30,760	-295	-371
Loss (gain) on sales of subsidiaries' stocks	-539	-	-6
Loss on adjustment for changes of accounting standard for asset retirement obligations	2,270	-	27
Loss (gain) on valuation of investment securities	2,863	257	34
Loss (gain) on disposal of noncurrent assets	923	898	11
Impairment loss	1,269	-	15
Decrease (increase) in notes and accounts receivable-trade	24,122	-38,777	291
Decrease (increase) in inventories	-16,179	59,002	-195
Increase (decrease) in notes and accounts payable-trade	5,384	8,581	65
Increase (decrease) in advances received	10,525	-24,402	127
Other, net	3,676	-2,515	44
Subtotal	61,127	20,228	736
Interest and dividends income received	2,745	2,814	33
Interest expenses paid	-5,381	-6,910	-65
Income taxes paid	-4,638	-4,208	-56
Net cash provided by operating activities	53,853	11,923	649
II Net cash provided by (used in) investment activities			
Purchase of property, plant and equipment	-12,321	-10,606	-148
Proceeds from sales of property, plant and equipment	4,987	12,852	60
Purchase of investment securities	-398	-361	-5
Proceeds from sales of investment securities	94,153	1,408	1,134
Proceeds from sales of investments in subsidiaries	1,450	-	17
Payments of loans receivable	-7,439	-11,844	-90
Collection of loans receivable	6,622	12,236	80
Other, net	-2,811	-4,212	-34
Net cash provided by (used in) investment activities	84,241	-528	1,015
III Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	-41,835	-36,701	-504
Increase (decrease) in commercial papers	-18,000	-35,000	-217
Proceeds from long-term loans payable	1,709	60,937	21
Repayment of long-term loans payable	-14,692	-21,135	-177
Redemption of bonds	-10,000	-25,970	-120
Repayments of lease obligations	-7,775	-	-94
Proceeds from sales of treasury stock	1	0	0
Purchase of treasury stock	-11	-8	0
Cash dividends paid	-2,501	-	-30
Cash dividends paid to minority shareholders	-362	-65	-4
Other, net	-	-4,635	-
Net cash used in financing activities	-93,468	-62,578	-1,126
IV Effect of exchange rate change on cash and cash equivalents	-1,103	117	-13
V Net increase (decrease) in cash and cash equivalents (I + II + III + IV)	43,522	-51,065	524
VI Cash and cash equivalents at beginning of period	37,283	85,365	449
VII Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	990	321	12
VIII Increase (decrease) in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	-	2,660	-
IX Cash and cash equivalents at end of period	81,796	37,283	985

Consolidated Segment Information(FY2009)

1. Net sales and operating income by business segment

	Millions of yen						
	Energy & Electric Systems	Electronic Devices	Retail Systems	Others	Sub total	Elimination and Corporate	Total
Sales							
Unaffiliated customers	438,143	128,813	115,797	8,468	691,223	-	691,223
Intersegment	4,719	1,508	232	30,592	37,051	-37,051	-
Total sales	442,862	130,321	116,029	39,061	728,275	-37,051	691,223
Operating costs and expenses	429,760	141,443	117,128	36,692	725,025	-34,726	690,298
Operating income	13,102	-11,121	-1,099	2,368	3,249	-2,324	924
Total assets	419,388	190,890	79,622	28,682	718,584	190,354	908,938
Depreciation and amortization	7,973	14,687	2,142	952	25,756	297	26,053
Capital expenditure	10,753	7,286	1,714	507	20,262	593	20,856

2. Consolidated Geographic Segment information

	Millions of yen							Elimination and Corporate	Total
	Japan	North America	Europe	Asia (except for China)	China	Sub total			
Sales									
Unaffiliated customers	626,429	8,409	7,858	11,078	37,448	691,223	-	691,223	
Intersegment	46,839	405	171	39,012	8,547	94,976	-94,976	-	
Total sales	673,269	8,814	8,029	50,091	45,995	786,200	-94,976	691,223	
Operating costs and expenses	673,371	8,736	8,036	49,677	43,900	783,721	-93,423	690,298	
Operating income	-102	78	-7	413	2,095	2,478	-1,553	924	
Total assets	716,440	4,649	3,215	69,383	31,152	824,842	84,096	908,938	

3. Net overseas sales

	Millions of U.S. yen					
	North America	Europe	Asia (except for China)	China	Other	Total
Overseas sales	9,892	14,332	86,989	43,201	23,191	177,607
Consolidated net sales						691,223
Overseas sales as a percentage of consolidated net sales	1.4%	2.1%	12.6%	6.2%	3.4%	25.7%

Consolidated Segment Information (FY2010)

Sales and income or loss information of consolidated segment

Millions of yen										
	Energy Solutions	Environment Solutions	Semiconductors	ED&C Components	Vending Machines	Magnetic Disks	Others	Total	Adjustment	P/L
Sales										
Unaffiliated customers	71,290	267,356	84,316	61,174	85,200	40,359	79,365	689,065	-	689,065
Intersegment	1,617	10,914	1,303	4,276	576	-	36,589	55,277	-55,277	-
Total sales	72,907	278,271	85,620	65,451	85,776	40,359	115,955	744,343	-55,277	689,065
Segment income	3,027	6,292	5,953	2,864	398	-5,224	2,053	15,364	-3,447	11,917
Segment assets	103,179	240,062	108,446	29,433	69,624	67,771	94,523	713,040	92,756	805,797
Others										
Depreciation and amortization	2,154	4,401	7,691	1,572	2,106	8,500	1,055	27,482	463	27,945
Increase in property, plant and equipment and Intangible assets	1,126	3,170	8,825	1,544	4,134	8,011	1,000	27,813	540	28,353

Millions of U.S. dollars										
	Energy Solutions	Environment Solutions	Semiconductors	ED&C Components	Vending Machines	Magnetic Disks	Others	Total	Adjustment	P/L
Sales										
Unaffiliated customers	859	3,221	1,016	737	1,027	486	956	8,302	-	8,302
Intersegment	19	131	16	52	7	-	441	666	-666	-
Total sales	878	3,353	1,032	789	1,033	486	1,397	8,968	-666	8,302
Segment income	36	76	72	35	5	-63	25	185	-42	144
Segment assets	1,243	2,892	1,307	355	839	817	1,139	8,591	1,118	9,708
Others										
Depreciation and amortization	26	53	93	19	25	102	13	331	6	337
Increase in property, plant and equipment and Intangible assets	14	38	106	19	50	97	12	335	7	342

Supplemental Consolidated Financial Materials

1. Financial summary

	FY2009		FY2010	
	change(%)		change(%)	
Net sales	691.2	90.2%	689.1	99.7%
Operating income (loss)	0.9	-	11.9	1289.7%
Ordinary income (loss)	-0.5	-	7.2	-
Net income (loss)	6.8	-	15.1	223.5%

2. Number of consolidated subsidiaries

	FY2009	FY2010
Number of consolidated subsidiaries	53	49
Japan	34	27
Overseas	19	22
Number of equity-method affiliates	5	4

3. Net income (loss) per share

	FY2009	FY2010
Net income (loss) per share	9.46	21.14

4. Sales exchange rate (US\$)

	FY2009	FY2010
US\$	92.85	85.72
EURO	131.15	113.12

5. Net sales by business segment

	FY2009		FY2010	
	change(%)		change(%)	
Energy Solutions	80.2	-	72.9	90.9%
Environment Solutions	288.8	-	278.3	96.3%
Semiconductors	70.7	-	85.6	121.0%
ED&C Components	44.9	-	65.5	145.7%
Vending Machines	91.4	-	85.8	93.9%
Magnetic Disks	44.4	-	40.4	90.8%
Others	119.5	-	116.0	97.1%
Subtotal	739.9	-	744.3	100.6%
Elimination	-48.7	-	-55.3	-
Total	691.2	90.2%	689.1	99.7%

Note : Net sales include inter-segment transactions.

6. Operating income by business segment

	FY2009		FY2010	
	change(%)		change(%)	
Energy Solutions	6.6	-	3.0	45.6%
Environment Solutions	10.1	-	6.3	62.4%
Semiconductors	-3.7	-	6.0	-
ED&C Components	-4.7	-	2.9	-
Vending Machines	-0.8	-	0.4	-
Magnetic Disks	-7.4	-	-5.2	-
Others	3.1	-	2.1	65.5%
Subtotal	3.2	-	15.4	485.6%
Elimination/Corporate	-2.2	-	-3.4	-
Total	0.9	-	11.9	1289.7%

7. Net overseas sales

	FY2009		FY2010	
	change(%)		change(%)	
North America	9.9	98.0%	12.7	127.9%
Europe	14.3	101.8%	15.1	105.6%
Asia (except for China)	87.0	85.9%	91.4	105.1%
China	43.2	109.0%	49.0	113.5%
Other	23.2	145.0%	10.0	43.0%
Total	177.6	98.1%	178.2	100.3%

8. R&D expenditures

	FY2009			FY2010
	change(%)			
Energy & Electric Systems	11.4	80.4%	Energy Solutions	4.8
Electronic Devices	10.5	78.8%	Environment Solutions	10.4
Retail Systems	2.4	82.9%	Semiconductors	7.0
Others	0.0	-	ED&C Components	2.5
Corporate (basic research)	0.0	-	Vending Machines	3.3
Total	24.3	79.9%	Magnetic Disks	4.5
Ratio to net sales (%)	3.5%	-	Others	0.0
			Corporate (basic research)	0.0
			Total	32.6
			Ratio to net sales (%)	4.7%

9. Plant and equipment investment (including leases)

	FY2009			FY2010
	change(%)			
Energy & Electric Systems	7.8	77.7%	Energy Solutions	1.1
Electronic Devices	8.8	45.6%	Environment Solutions	2.8
Retail Systems	1.6	66.2%	Semiconductors	8.9
Others	0.5	28.4%	ED&C Components	1.5
Corporate	0.5	-	Vending Machines	4.0
Total	19.1	57.2%	Magnetic Disks	8.1
(Leases)	11.3	87.6%	Others	0.4
Note: Leases are included in total plant and equipment investment.			Corporate	0.4
			Total	27.2
			(Leases)	10.5

10. Depreciation, Leases paid

	FY2009			FY2010
	change(%)			
Energy & Electric Systems	11.3	98.7%	Energy Solutions	3.6
Electronic Devices	28.9	84.4%	Environment Solutions	4.4
Retail Systems	3.4	82.1%	Semiconductors	12.9
Others	0.9	48.6%	ED&C Components	2.5
Corporate	0.4	-	Vending Machines	2.8
Total	44.9	86.6%	Magnetic Disks	13.9
(Leases paid)	21.3	70.4%	Others	0.9
Note: Leases paid for plant and equipment investment and begun to pay before the end of March, 2008.			Corporate	0.5
			Total	41.5
			(Leases)	15.8

11. Number of employees

	3/31/2010		3/31/2011
Energy & Electric Systems	12,989	Energy Solutions	2,347
Electronic Devices	6,137	Environment Solutions	8,197
Retail Systems	2,644	Semiconductors	5,158
Others	1,115	ED&C Components	2,626
Corporate	639	Vending Machines	1,903
Total	23,524	Magnetic Disks	1,539
Japan	18,692	Others	1,973
Overseas	4,832	Corporate	819
		Total	24,562
		Japan	18,002
		Overseas	6,560

1. Financial Performance

(1) Financial Performance for Fiscal 2010 (April 1, 2010–March 31, 2011)

In fiscal 2010, ended March 31, 2011, expanding markets in Asia, centered on China, counteracted further appreciation of the yen. As a result, demand from Japan's market and demand from overseas markets trended toward recovery.

Amid these conditions, based on its management strategy the Group focused efforts on three areas: "Expand Fuji Electric from Japan to the world," "Concentrate efforts on business in the field of energy and the environment," and "activating human resources." At the same time, the Group moved forward with business restructuring aimed at strengthening the management positions of the Magnetic Disks segment and the Vending Machines segment in response to changes in market size. However, as a result of the Great East Japan Earthquake on March 11, 2011, the Group experienced delays in the procurement of components and materials due to damage suffered by business partners. Moreover, certain plants suspended operations due to restrictions on the electric power supplies, and the Group postponed certain projects that had been due for recognition in sales.

Consolidated business results for fiscal 2010 were as follows.

Net sales decreased ¥2.2 billion year on year, to ¥689.1 billion. By segment, the Semiconductors segment and the ED&C Components segment saw significant year-on-year increases thanks to support from expanding markets in Asia, centered on China. However, the Energy Solutions segment, the Environmental Solutions segment, the Vending Machines segment, and the Magnetic Disks segment experienced year-on-year decreases due to a decline in orders in the previous fiscal year and the effect of the earthquake.

In earnings, higher sales in the Semiconductors segment and the ED&C Components segment and the benefit of business restructuring in the previous fiscal year offset a worsening of foreign exchange rates due to yen appreciation. As a result, the Group recorded operating income of ¥11.9 billion, a year-on-year improvement of ¥11.0 billion. Ordinary income improved ¥7.8 billion year on year, to ¥7.2 billion, moving into the black.

Further, net income improved ¥8.3 billion year on year, to ¥15.1 billion, due to the recording of gain on sales of investment securities in extraordinary income.

Operating results for fiscal 2010 were as follows.

(¥ billion)

	Fiscal 2009	Fiscal 2010	Change
Net sales	691.2	689.1	-2.2
Operating income/loss	0.9	11.9	11.0
Ordinary income/loss	-0.5	7.2	7.8
Net income/loss	6.8	15.1	8.3

Results by Segment

[Energy Solutions] YoY: Net sales declined 9.1%, operating results deteriorated ¥3.6 billion

Net sales declined 9.1% year on year, to ¥72.9 billion, while operating results deteriorated ¥3.6 billion year on year, to ¥3.0 billion.

Net sales declined year on year due to a significant decrease in orders resulting from the delay or suspension of new projects in the previous fiscal year. Operating results declined year on year because efforts to reduce material costs and other expenses were unable to compensate for lower net sales.

[Environmental Solutions] YoY: Net sales declined 3.7%, operating results deteriorated ¥3.8 billion

Net sales were down 3.7% year on year, to ¥278.3 billion, while operating results deteriorated ¥3.8 billion year on year, to ¥6.3 billion.

In the Industrial Solutions subsegment, orders increased year on year due to a recovery in market conditions. However, the between-season timing of large orders caused net sales to fall year on year. Operating results declined year on year because efforts to reduce material costs and other expenses did not compensate for the effect of foreign exchange rates and lower net sales.

In the Social Solutions subsegment, the benefit of an acquisition in the power supply business did not offset a decline in large orders. As a result, net sales decreased year on year. Operating results were down year on year due to the decrease in net sales and fiercer price competition.

In the Transportation Solutions subsegment, centered on inverter-based systems, the domestic market saw steady trends in the pump and air conditioning markets. In overseas markets, capital investment in Asia's market, centered on China, drove performance, and net sales and operating results were up year on year.

[Semiconductors] YoY: Net sales increased 21.0%, operating results improved ¥9.7 billion

Net sales rose 21.0% year on year, to ¥85.6 billion, while operating results improved ¥9.7 billion year on year, to ¥6.0 billion, moving into the black.

In power supplies, demand decreased year on year due to a slowdown, centered on China, from the summer onwards and the effect of currency exchange rates. In industrial products, demand was up significantly year on year due to a recovery in the inverters market, expansion of China's market, and expansion of photovoltaic power, wind power, and other new energy. In automotive electronics, demand rose year on year as growth in Europe and Asia absorbed the effect of the ending of tax reductions for eco cars in Japan. As a result, net sales increased significantly year on year. Operating results improved substantially year on year because of higher earnings accompanying an increase in net sales and the benefits of the business restructuring in the previous fiscal year.

In photoconductive drums, although sales volume increased, the Group faced declining product prices and the effects of currency exchange rates. As a result, net sales and operating results were down slightly year on year.

[ED&C Components] YoY: Net sales increased 45.7%, operating results improved ¥7.6billion

Net sales rose 45.7% year on year, to ¥65.5 billion, while operating results improved ¥7.6 billion year on year, to ¥2.9 billion, moving into the black.

In the Japan's market, demand for machine tools from equipment manufacturers grew significantly, including demand from Asia centered on China. Overseas markets saw a significant increase in demand from Asian markets, centered on China, which continues to grow vigorously. As a result, net sales increased significantly year on year. Operating results improved substantially year on year because of higher earnings accompanying an increase in net sales and the benefits of business restructuring in the previous fiscal year.

[Vending Machines] YoY: Net sales decreased 6.1%, operating results improved ¥1.2 billion

Net sales declined 6.1% year on year, to ¥85.8 billion, while operating results improved ¥1.2 billion year on year, to ¥0.4 billion, moving into the black.

Net sales declined year on year because a temporary increase in sales volume resulting from unusually warm summer weather did not absorb continuing curbed investment among beverage and food product manufacturers that reflects continued sluggish consumption. Operating results were down year on year as declining prices, lower sales volume, and the effect of the earthquake counteracted cost reduction and reduction in fixed cost.

In currency handling systems, net sales and operating results improved year on year due to an increase in the installation of automatic change dispensers by retail companies, centered on chain stores, and reduction in fixed cost.

[Magnetic Disks] YoY: Net sales decreased 9.2%, operating results improved ¥2.2 billion

Net sales declined 9.2% year on year, to ¥40.4 billion, while operating results improved ¥2.2 billion year on year, to operating loss of ¥5.2 billion.

The HDD market was slightly above the level of the previous fiscal year. The segment shipped mainstay products: 500GB and 667GB 3.5-inch aluminum media and the 320GB 2.5-inch aluminum/glass media. However, this did not offset the effect of currency exchange rates and suspension of operations due to scheduled power outages following the Great East Japan Earthquake. As a result, net sales declined year on year. Although improving year on year thanks to the benefits of restructuring that reduced overall expenses and reduced cost, operating results remained in the red.

[Others] YoY: Net sales decreased 2.9%, operating results deteriorated ¥1.1 billion

Net sales declined 2.9% year on year, to ¥116.0 billion, while operating results deteriorated ¥1.1 billion year on year, to ¥2.1 billion.

Outlook for Fiscal 2011

At the present time, it is difficult for the Group to calculate the outlook due to uncertainties arising from the Great East Japan Earthquake on March 11, 2011. These uncertainties include delays in the procurement of components and materials due to damage suffered by business partners, certain plants' suspension of operations due to restrictions on electric power supplies, electric power supply in summer, and the production trends of customers.

Therefore, the Group will concentrate its efforts on continuing to gather information, examine the results carefully, and then announce an outlook for fiscal 2011, the year ending March 31, 2012, by the date of the announcement of financial results for the first quarter of fiscal 2011.

(2) Analysis of Financial Position

(¥ billion)

	March 31, 2010	Breakdown (%)	March 31, 2010	Breakdown (%)	Change
Total assets	908.9	100.0	805.8	100.0	-103.1
Interest-bearing debt	359.8	39.6	274.0	34.0	-85.8
Shareholder's equity*1	178.9	19.7	155.4	19.3	-23.5
Debt-equity ratio*2 (times)	2.0		1.8		-0.2

*1 Shareholders' equity = Total net assets - Minority interests

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

Total assets at the end of fiscal 2010 stood at ¥805.8 billion, a decrease of ¥103.1 billion from the end of the previous fiscal year. Total current assets increased ¥27.4 billion principally because higher cash and deposits and inventories offset a decline in notes and accounts receivable-trade. Total noncurrent assets were down ¥130.4 billion mainly due to the sales of investment securities.

Interest-bearing debt at fiscal year-end amounted to ¥274.0 billion, down ¥85.8 billion from the previous fiscal year-end, which was primarily attributable to decreases in loans payable and commercial papers. Further, net interest-bearing debt—interest-bearing debt net of cash and cash equivalents—amounted to ¥192.2 billion at fiscal year-end, a decline of ¥130.3 billion from the previous fiscal year-end.

Net assets at fiscal year-end stood at ¥174.9 billion, a decrease of ¥21.2 billion from the previous fiscal year-end, which was mainly due to a decrease in valuation difference on available-for-sale securities that counteracted an increase in retained earnings. In addition, shareholders' equity—net assets net of minority interests—was down ¥23.5 billion from the previous fiscal year-end, standing at ¥155.4 billion at fiscal year-end. The debt-to-equity ratio declined 0.2 percentage points from the previous fiscal year-end, to 1.8 times. Also, the net debt-to-equity ratio (net interest-bearing debt ÷ shareholders' equity) decreased 0.6 percentage points from the previous fiscal year-end, to 1.2 times.

(¥ billion)

	FY2009	FY2010	YoY Change
Cash flow from operating activities	11.9	53.9	41.9
Cash flow from investing activities	-0.5	84.2	84.8
Free cash flow	11.4	138.1	126.7
Cash flow from financing activities	-62.6	-93.5	-30.9
Cash and cash equivalents	37.3	81.8	44.5

In fiscal 2010, consolidated free cash flow (net cash provided by operating activities + net cash provided by investment activities) was ¥138.1 billion, an improvement of ¥126.7 billion compared with free cash flow of ¥11.4 billion in the previous fiscal year.

Cash flows from operating activities

Net cash provided by operating activities was ¥53.9 billion, compared with ¥11.9 billion for the previous fiscal year. This was mainly due to stepped-up efforts to collect notes and accounts receivable-trade and advances.

This was an improvement of ¥41.9 billion year on year.

Cash flows from investing activities

Net cash provided by investment activities was ¥84.2 billion, compared with net cash used in investment activities of ¥0.5 billion in the previous fiscal year. This was primarily related to sales of investment securities.

This represented an ¥84.8 billion improvement from the same period of the previous fiscal year.

Cash flows from financing activities

Net cash used in financing activities was ¥93.5 billion, compared with net cash used in financing activities of ¥62.6 billion in the previous fiscal year. This was principally due to decreases in loans payable and commercial papers.

As a result, consolidated cash and cash equivalents at fiscal year-end amounted to ¥81.8 billion, up ¥44.5 billion from the previous fiscal year-end.

(3) Basic Policy Regarding Distribution of Earnings; Dividends for Fiscal 2010 and Fiscal 2011

We intend to return profit gained through business activities to shareholders. At the same time—while maintaining and strengthening our management foundation—we intend to appropriate profit for consolidated shareholders' equity in order to secure internal reserves for research and development, capital investment, human resources, and other investments reflecting a medium-to-long-term viewpoint.

We will determine the amount of dividends to be paid from retained earnings in light of the above medium-to-long-term business cycle; our policy of paying stable and continuous dividends; and comprehensive consideration of the business results of the relevant fiscal year, research and development and capital investment plans for future growth, and business conditions.

We regard the acquisition of treasury stock as a flexible mechanism to supplement dividends when warranted by the cash flow position.

In light of comprehensive consideration of our financial position, we plan to pay a year-end dividend of ¥2 per share for fiscal 2010. Together with the interim dividend of ¥2 per share, this will give a full-year dividend of ¥4 per share for fiscal 2010.

We have not yet determined the dividend to be paid for fiscal 2011.

2. Management Policies

(1) Fundamental Management Policy

The Company's corporate philosophy is as follows.

We, The Fuji Electric, pledge as responsible corporate citizens in a global society to strengthen our trust with communities, customers and partners. Our mission is to:

- Contribute to prosperity
- Encourage creativity
- Seek harmony with the environment

The Group's management policies are as follows.

- 1) Expand our business on a global scale and promote self-contained operational management based on a global perspective.
- 2) Expand business development with a focus on "energy and the environment."
- 3) Respect employee ambitions and deploy a strong team of diverse human resources.

(2) Medium-to-Long-Term Management Strategies and Targets, and Issues Facing the Company

Looking at the business conditions that Fuji Electric faces going forward, the economic climate is likely to move toward recovery on the back of solid external demand stemming from exports to Asia and the beginning of full-fledged recovery efforts in the wake of the Great East Japan Earthquake. However, the outlook is likely to remain uncertain due to concerns over the possible negative effects of the earthquake, including near-term supply problems for components and materials and prolonged restrictions on electric power supplies.

1) Launch of a new "Fuji Electric"

Amid these conditions, aiming to establish an organization in preparation for "emphasizing the energy and the environment business" and "expanding businesses globally," set out in the fiscal 2009–2011 Medium-Term Management Plan, the Company merged with its wholly owned subsidiary Fuji Electric Systems Co., Ltd., which is responsible for the "energy and the environment" business, on April 1 and made a new start as Fuji Electric Co., Ltd. Further, the Company's target profile is as follows.

Target profile: Leading-edge company in "energy and the environment" global Fuji Electric

From fiscal 2011, the year ending March 2012, aiming to recategorize its organization into plant and components; reorganize the former Environmental Solutions segment into "industrial

systems,” “social systems,” and “power electronic equipment;” and—positioning the smart grid business as energy-saving business—reorganize the former “grid solutions” subsegment into “social systems,” the Company will change its business segments as follows.

(Previous)

Segment	Subsegment
Energy Solutions	Green Energy Solutions
	Grid Solutions
Environmental Solutions	Industrial Solutions
	Social Solutions
	Transportation Solutions
Semiconductors	
ED&C Components	
Vending Machines	
Magnetic Disks	
Others	

(From April 2011)

Segment
Energy
Industrial Systems
Social Systems
Power Electronics
Electronic Devices
ED&C Components
Vending Machines
Others

2) Priority issues in fiscal 2011

Aiming to become a leading-edge company in “energy and the environment,” the Company will tackle the following priority issues in fiscal 2011.

1) Clarify priority areas, optimize business portfolio

We will clarify the “energy and the environment” business area as a focus of efforts, exploiting power electronics technology as a strength.

We will aim to be a company in the vanguard of differentiated businesses in the “energy and the environment” business area, which is wide-ranging and comprises many competitors.

We will clarify Fuji Electric’s unique “energy and the environment” business, capitalizing on power electronics technology = “technology to unlock the potential of electricity” as a strength. We will optimize our business portfolio (the combination of businesses) by concentrating the deployment of business resources.

2) Reform management to make it market/customer oriented

Strengthen marketing capabilities, sales capabilities, manufacturing capabilities

Aiming to “reform operations to make them the market/customer oriented,” we will strengthen “marketing capabilities,” “sales capabilities,” and “manufacturing capabilities” as follows.

· Marketing capabilities

We will strengthen functions for considering Fuji Electric’s management resources, such as technology, products, and services, in light of future trends in markets, the economy, and society—without being overly focused on short-term perspectives; identifying the profile Fuji Electric should target over the medium-to-long term; and preparing concrete processes toward the realization of this profile.

·Sales capabilities

As the source of market/customer oriented management, we will conduct our own marketing and provide feedback on the latest information to respective functions, including development, manufacturing, and business strategy.

Further, in recent years “customers have become borderless” due to domestic customers’ forays into regions worldwide. In response, based on the idea that “Japan is a part of the world,” we will merge “domestic sales” and “overseas sales” to establish an organization befitting “global Fuji Electric.”

·Manufacturing capabilities

We believe that “sound manufacturing” is Fuji Electric’s traditional strength.

Aiming to realize “global Fuji Electric,” “Fuji Electric’s original production technology” for major components is important in order to advance the localization of production. We will rigorously restrengthen such production technology.

3) Reform to realize timely management control methods that have long-term perspective

Prepare three-year business plans based on rolling format and 10-year vision

Until now, every three years we have renewed medium-term management plans, which set out medium-term targets. Going forward, however, we will renew three-year plans every year based on a rolling format and a long-term vision, thereby enabling us to simultaneously control management from a “long-term perspective ” while “responding to changing conditions in a timely manner.”

4) Complete business restructuring

Rebuild the earnings structure of the vending machines business and magnetic disks businesses

·Vending machines business

We will create an efficient business management system by responding to the market contraction stemming from the aging of society and curbed investment associated with the economic slump, transferring/consolidating the Tokyo headquarters function and the Saitama Plant to the Mie Plant, and integrating/reorganizing sales bases. At the same time, we will rationalize production by innovating production as far as the supply chain and starting up new production lines.

·Magnetic disks business

In November last year, we announced that we would comprehensively transfer the production function to Fuji Electric (Malaysia) Sdn. Bhd. However, aiming to realize further reforms aimed at creating an earnings structure that is resilient to market fluctuation, we brought forward the timing of the transfer to June 2011. At the same time, we will transfer/consolidate all of the functions of Fuji Electric Device Technology Co., Ltd., and establish a single global base system.

Also, following the transfer we will consider using the company’s Yamanashi lot as a power semiconductor production base.