



**NEW GOALS, NEW CHALLENGES**

**ANNUAL REPORT 2009**

For the Year Ended March 31, 2009

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### On the Cover:

The cover design represents the way the entire Fuji Electric Group will work together to achieve the shared goal of new growth through focused allocation of management resources to the expanding field of "energy (left) and the environment (right)."

### Cautionary Statement With Respect to Forward-looking Statements

Statements made in this annual report with respect to Fuji Electric's plans, strategies, and future performance are forward-looking statements based on management's assumptions and beliefs in light of the information currently available to it, and involve risks and uncertainties. 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 revisions to trade regulations; (2) exchange rates, particularly 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 technologies 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) problems involving the intellectual property rights of Fuji Electric and other companies; (7) fluctuations in Japanese stock markets; and other risk factors. Accordingly, actual results could differ from those contained in any forward-looking statement.

# Technology to Unlock the Potential of Electricity

Since its establishment in 1923, the Fuji Electric Group has developed and commercialized the key components and systems that support the supply and demand of electricity, centered on social and industrial infrastructures.

We will draw on our strengths in the technologies that unlock the potential of electricity as we work to leverage our unique technological capabilities in the growing field of “energy and the environment,” combining the power electronics technologies that we have cultivated over many years—using electrical energy efficiently—with semiconductor, circuit, and control technologies.



## Forayed into power generation

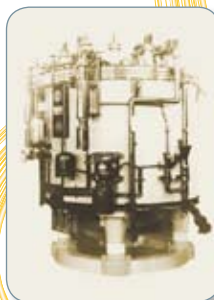
1927

Launched power generation business, beginning with hydroelectric power generation equipment

## Started manufacturing motors

1924

Started production of induction motors for steel companies that offered such distinctive features as antifriction bearings



## Started manufacturing rectifiers

1930

Started production of mercury-arc rectifiers for railway companies that used graphite materials

## Started manufacturing semiconductors

1953

Started production of semiconductors for use as selenium rectifiers



## Started manufacturing general-purpose inverters

1976

Led the industry with the start of production of general-purpose inverters for general industrial use

## Began to deliver EIC integrated control systems

1989

Began to supply the first systems to chemical companies that integrated electrical control (E), instrumentation (flow, pressure, temperature) (I), and computer control (C)

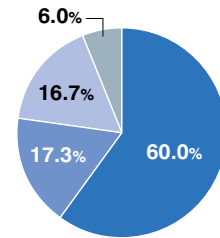
# Our Businesses

The Fuji Electric Group provides components and system solutions for social and industrial infrastructures and electric power plants (Energy & Electric Systems Group), as well as power semiconductors that are indispensable in the reduction of energy consumption in machine tools and automotive electronics, and magnetic disks used in PC disk drives (Electronic Devices Group). Furthermore, the Company also provides products closely linked to daily lifestyles, such as vending machines and electronic money-related equipment (Retail Systems Group).

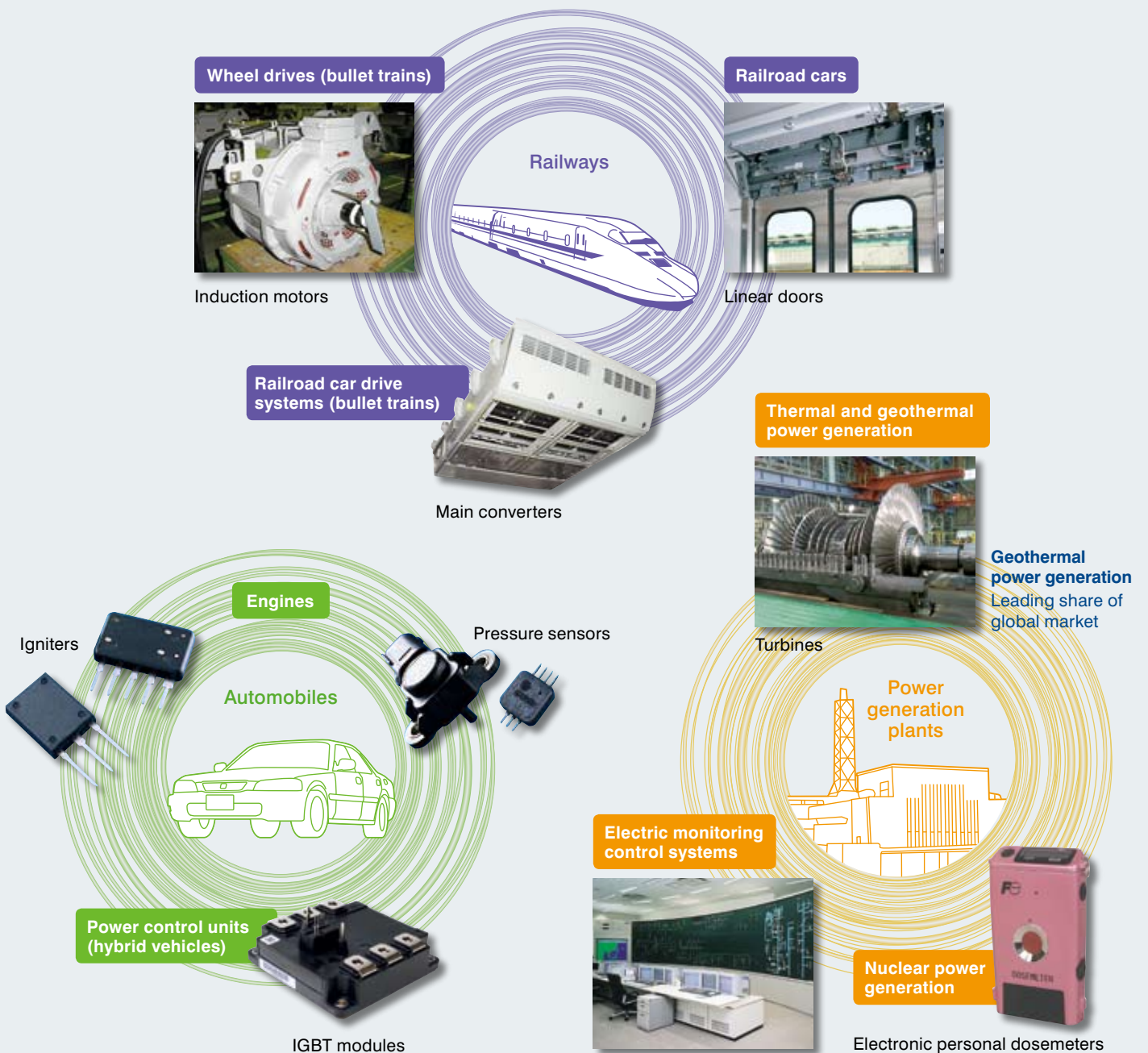
Moving forward, we will strive to further expand business in the field of "energy and the environment" by fusing and strengthening core technologies.

Composition of Sales\* (Fiscal 2008)

- Energy & Electric Systems Group
- Electronic Devices Group
- Retail Systems Group
- Others



\* Sales figures used are before eliminations.



Aluminum refineries, etc.



Large-current rectifiers  
No. 2 share of global market

Power receiving and distribution substation equipment



Plants



Energy monitoring control systems



Inverters, industrial robots, etc.



IGBT modules  
**IGBTs for industrial application**  
Leading share of global market

Conveyors, press equipment, and other manufacturing equipment



General-purpose inverters  
No. 2 share of domestic market

Magnetic contactors  
Top share of domestic market



Switchboards

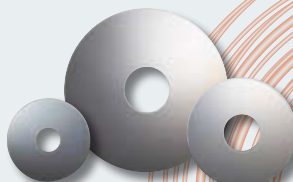
Power supplies for PCs, LCDs



Power supply ICs

Vending machines

Beverage vending machines  
Top share of domestic market



Storage devices (hard disk drives)

Magnetic disks (hard disks)  
Leading share of global market  
(External sales only)

PCs / Servers



Servers



Supermarkets and other commercial facilities



Cash registers



Electronic money

Automatic change dispensers

UPS (uninterruptible power supply system)  
**Medium- and large-capacity UPSs**  
Leading share of domestic market

\* References to market share are all results in fiscal 2008. Based on research conducted by Fuji Electric.

# Consolidated Seven-year Financial Highlights

Years ended or as of March 31	Millions of yen					
	2009	2008	2007	2006	2005	2004
<b>Operating Results</b>						
Net sales	¥766,637	¥ 922,172	¥ 908,059	¥897,277	¥844,200	¥856,198
Operating income (loss)	(18,855)	35,883	46,208	41,012	26,818	17,447
Net income (loss)	(73,306)	16,792	23,142	18,603	7,797	5,519
<b>Financial Position</b>						
Total assets	¥908,941	¥1,035,951	¥1,024,832	¥990,054	¥882,412	¥908,060
Total net assets*2	146,113	263,255	284,553	284,889	203,827	200,265
Interest-bearing debt	416,083	356,226	299,908	275,046	318,433	363,010
<b>Cash Flows</b>						
Cash flows from operating activities	¥ 23,101	¥ (13,195)	¥ 12,764	¥ 60,200	¥ 42,274	¥ 66,468
Cash flows from investing activities	(12,278)	(36,694)	(34,440)	(6,597)	(3,794)	21,924
Free cash flow	10,823	(49,889)	(21,676)	53,603	38,480	88,392
Cash flows from financing activities	53,753	54,211	18,756	(49,470)	(49,740)	(76,808)
Cash and cash equivalents	85,365	22,092	19,135	21,413	16,215	27,240
<b>Ratios</b>						
Interest-bearing debt ratio (%)	45.8	34.4	29.3	27.8	36.1	39.9
Total net assets ratio (%)	14.3	24.6	26.8	27.8	22.2	21.1
Debt-equity ratio (times)*3	3.2	1.4	1.1	1.0	1.6	1.9
Return on equity (ROE) (%)	(38.1)	6.3	8.4	7.9	4.0	3.1
Return on assets (ROA) (%)	(7.5)	1.6	2.3	2.0	0.9	0.6
Asset turnover (times)	0.79	0.89	0.90	0.96	0.94	0.94
Yen						
<b>Per Share Data</b>						
Net income (loss): Basic	¥(102.57)	¥23.49	¥32.37	¥25.70	¥10.69	¥7.46
Net income: Diluted	–	22.52	31.24	–	–	–
Cash dividends	4.00	8.00	8.00	7.00	5.00	5.00
Payout ratio (%)*4	–	34.1	24.7	27.2	46.8	67.0
Millions of yen						
<b>Others</b>						
Plant and equipment investment*5	¥ 33,457	¥ 75,260	¥ 71,450	¥ 53,066	¥ 35,662	¥ 26,973
Depreciation and amortization*6	23,919	21,528	17,544	15,721	16,545	17,675
R&D expenditures	30,394	31,260	32,554	29,021	27,224	28,568

\*1 The U.S. dollar amounts represent the arithmetic results of translating yen into dollars at ¥98=U.S.\$1, the approximate exchange rate at March 31, 2009.

\*2 Shareholders' equity for the fiscal year ended March 2006 and prior years has been reclassified and included in net assets to conform to Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Statement No. 5).

\*3 Debt-equity ratio: Interest-bearing debt / Net assets

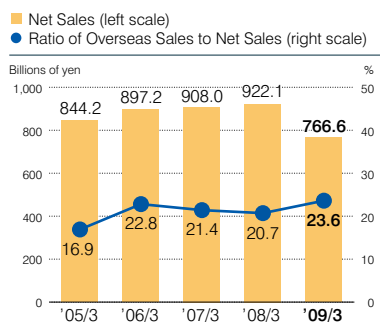
\*4 Payout ratio: Cash dividends per share of Fuji Electric Holdings Co., Ltd. / Consolidated net income per share

\*5 Plant and equipment investment is the total of investment in tangible fixed assets and acquisition amounts for lease contracts.

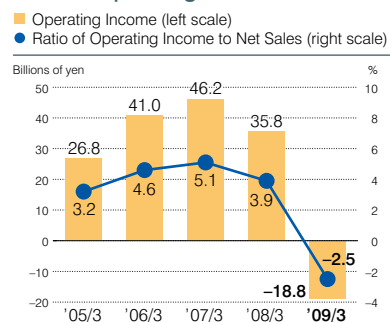
\*6 Depreciation and amortization expense is the total of the depreciation of tangible fixed assets and amortization of intangible assets.

	Thousands of U.S. dollars**1	
	2003	2009
¥832,414		\$7,822,833
12,909		(192,401)
3,911		(748,030)
¥921,121		\$9,274,910
175,643		1,490,951
438,864		4,245,755
¥ 38,576		\$ 235,728
(14,454)		(125,291)
24,122		110,437
(47,832)		548,497
15,038		871,078
47.6		—
17.5		—
2.7		—
1.9		—
0.4		—
0.82		—
		U.S. dollars**1
¥5.28		\$(1.047)
—		—
5.00		0.041
94.7		—
		Thousands of U.S. dollars**1
¥ 33,233		\$ 341,406
27,202		244,072
26,780		310,147

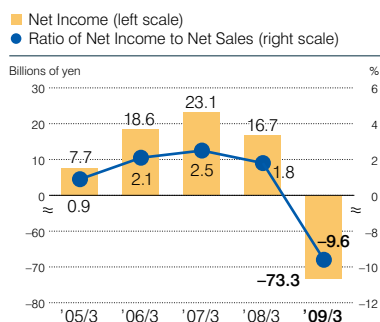
### Net Sales / Ratio of Overseas Sales to Net Sales



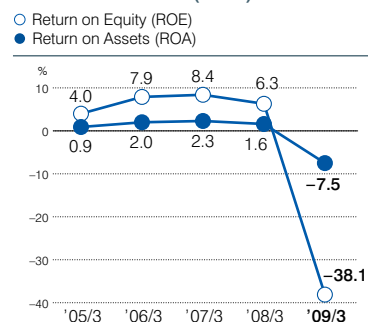
### Operating Income / Ratio of Operating Income to Net Sales



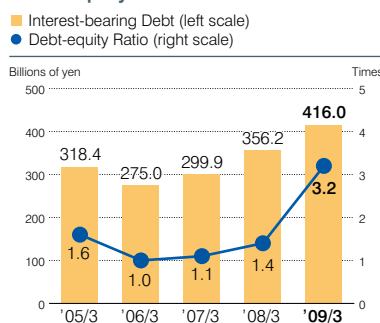
### Net Income / Ratio of Net Income to Net Sales



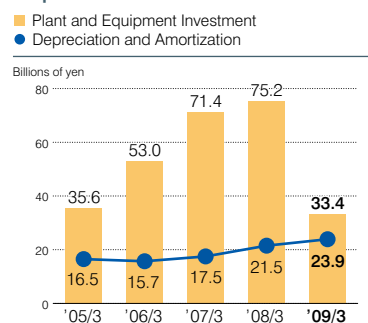
### Return on Equity (ROE) / Return on Assets (ROA)



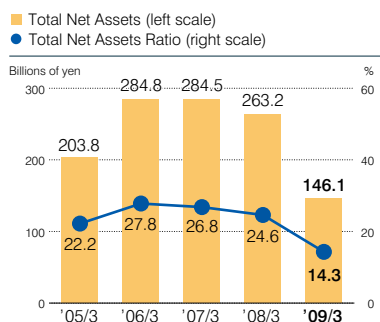
### Interest-bearing Debt / Debt-equity Ratio



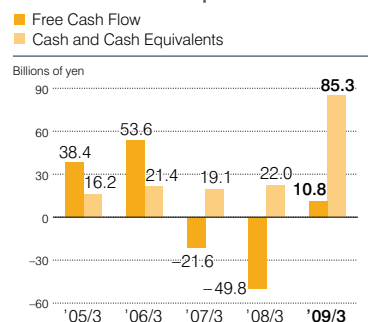
### Plant and Equipment Investment / Depreciation and Amortization



### Total Net Assets / Total Net Assets Ratio



### Free Cash Flow / Cash and Cash Equivalents



## Toward the Creation of a “New Fuji Electric Group”

Realigning the business portfolio toward a focus on “energy and the environment”



The Fuji Electric Group has decided on the path it must follow. By strengthening our foundation through business restructuring and realigning our business portfolio with a concentration of management resources in the field of “energy and the environment,” we will secure a strong position in that field. Looking further into the future, we will raise long-term corporate value by contributing to the development of a recycling-based society.

### Haruo Ito

President and Representative Director  
Fuji Electric Holdings Co., Ltd.

#### ● Fiscal 2008 (ended March 2009) in Review

Fiscal 2008, the fiscal year ended March 31, 2009, was a year of upheaval for the global economy. As the Fuji Electric Group entered the final year of the medium-term management plan that commenced in fiscal 2006, the Group faced unprecedented, drastic changes in its operating environment and was regrettably unable to achieve its planned numerical targets. The first half of the fiscal year saw an increasing sense of slower private-sector capital investment, and although there were some sectors like steel that remained strong on solid domestic private-sector demand, the situation took a turn for the worse in the second half with the global spread of the financial crisis that started in the United States. This led to a severe downturn in orders for semiconductors and magnetic disks, followed by steep declines in component products like inverters and motors in almost all areas except for plant system products.

With this sharp decline in order volumes from the second half of the fiscal year, consolidated net sales for the year declined 16.9% from the previous year, to ¥766.6 billion.

Operating income was negatively impacted by the strong yen in addition to the decline in sales, and consequently declined ¥54.7 billion, to a loss of ¥18.8 billion. Net income included ¥18.4 billion in restructuring expenses and the reversal of ¥31.0 billion in deferred tax assets, and in total declined ¥90.0 billion, to a ¥73.3 billion loss.

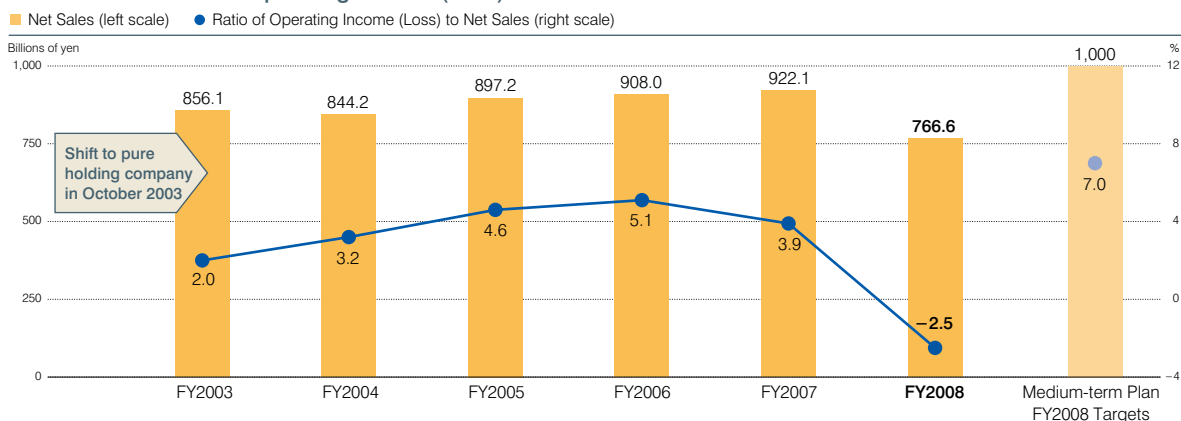
By segment, the Energy & Electric Systems Group's plant system products recorded a solid performance, but there was a decline in sales from the removal of the water environment business and information systems business from the scope of consolidation as part of a review of the business portfolio, and with a weaker component product market, net sales were down 16.6%, at ¥490.3 billion. Operating income declined ¥13.1 billion, to ¥10.7 billion.



## Consolidated Results Overview

	Billions of yen		
	FY2007	FY2008	Change (YoY)
<b>Net Sales</b>	922.1	<b>766.6</b>	-155.5
<b>Operating Income (Loss)</b>	35.8	<b>(18.8)</b>	-54.7
<b>Ordinary Income (Loss)</b>	35.8	<b>(20.7)</b>	-56.5
<b>Income (Loss) before Income Taxes and Minority Interests</b>	30.5	<b>(46.6)</b>	-77.1
<b>Net Income (Loss)</b>	16.7	<b>(73.3)</b>	-90.0

## Net Sales and Ratio of Operating Income (Loss) to Net Sales



The Electronic Devices Group showed a sharp decline from the second half in both semiconductors and magnetic disks, and net sales were 23.4% lower, at ¥141.6 billion. With lower production from declining demand, lower prices, and the effect of the stronger yen, the segment recorded a ¥31.0 billion operating loss.

The Retail Systems Group saw the end to demand for installation of cigarette vending machines with age-verification equipment and a drop in overall vending machine demand in the second half, and net sales declined 14.0%, to ¥136.4 billion, recording a ¥0.4 billion operating loss.

(Please refer to the Segment Overview on pages 22–37 for a more detailed report on segment results.)

### ● Transforming Fuji Electric for Continuous Growth

With increasing difficulties in the operating environment coming from all directions, the Group implemented emergency measures with the primary purpose of securing cash flow. Personnel expenses were reduced and research and development expenses and capital investment were cut back, for overall expense reductions that totaled ¥30.0 billion compared with the plan at the beginning of the fiscal year. At the same time, inventories were reduced by roughly

¥16.0 billion from temporary work stoppages and layoffs at factories. In addition, ¥18.4 billion was invested to accelerate the reorganization of production sites and shift production overseas, and extensive restructuring including the streamlining of product lines was carried out at the magnetic disk, semiconductor, and drive businesses, where earnings have been weakening.

These overall expense reductions proved insufficient, however, as changes in the market environment continued with greater speed than we had anticipated. We must accept the fact that the operating environment will remain uncertain for the next several years, making it indispensable to continue to reinforce the measures implemented during fiscal 2008 to further enhance our ability to withstand future market fluctuations.

In addition, continuously increasing the Fuji Electric Group's corporate value requires that we be able to perceive market changes from a broader, medium- to long-term perspective, once again reassess our own strengths, and focus our management resources on markets in which we are able to leverage our competitive strengths.

In the next few pages I will explain how we are working to overcome the current difficult situation, and looking ahead, what kind of "New Fuji Electric Group" we envision and how we will achieve that vision.

## Rebuilding the Earnings Structure

Along with reducing overall expenses and further strengthening our financial position, we will restructure our business with the aim of returning to profitability in fiscal 2010.



### ● Business Restructuring with the Aim of Achieving Profitability in Fiscal 2010

Although the large-scale economic measures being implemented by major nations are expected to boost economies in fiscal 2009, we believe the cooling of the global economy is likely to continue for some time. Our consolidated results forecast for fiscal 2009 therefore is for a 10% decline in net sales from fiscal 2008, to ¥690.0 billion, with an operating loss of ¥12.0 billion, a ¥17.0 billion ordinary loss, and a net loss of ¥17.0 billion.

We aim to achieve profitability in fiscal 2010, however, by moving forward with the rebuilding of the earnings structure that began in fiscal 2008, which has the purpose of building up an earnings structure that is able to generate steady profits even when demand is weak.

First, we have designated fiscal 2009 as the year to complete business restructuring, and will complete the restructuring in areas including magnetic disks, semiconductors, and

drives that were began in fiscal 2008. To achieve this, we intend to make concentrated outlays of one-time expenses during fiscal 2008 and 2009. Specifically, we are planning for ¥7.0 billion in restructuring expenses in fiscal 2009, which combined with the ¥18.4 billion spent in fiscal 2008 will mean total outlays for restructuring of ¥25.4 billion. In addition, we intend to reduce personnel expenses by 10% from the fiscal 2008 level by reviewing wages and reallocating staff as well as through temporary layoffs and work adjustments at factories. We will also work to reduce overall expenses in all areas including capital investment and R&D, with nothing sacred. Through these restructurings and overall expense reductions, we are forecasting a ¥43.0 billion reduction in expenses compared with fiscal 2008, and with an additional ¥27.0 billion in cost cuts from cost reductions, we expect to comprehensively reduce fiscal 2009 expenses by ¥70.0 billion from the fiscal 2008 level.

## Rebuilding the Earnings Structure —Lowering the break-even point

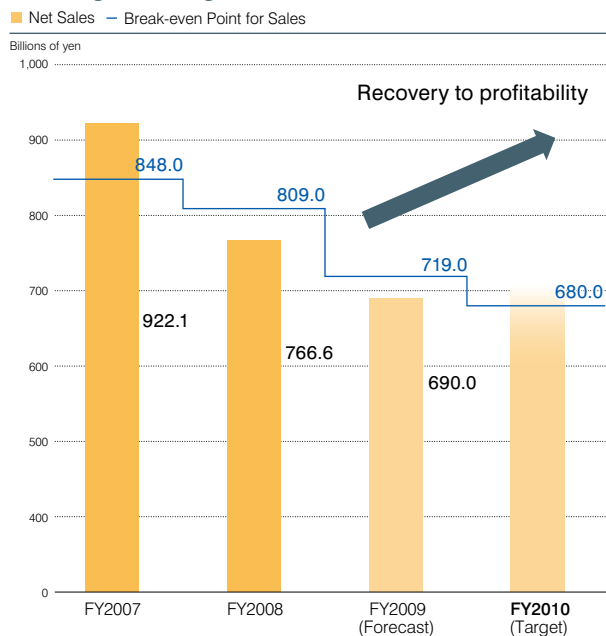
### Main initiatives

- Complete business restructuring
- Thoroughly reduce overall expenses
- Strengthen the financial structure

### Anticipated results

Restructuring expenses	Anticipated result in fiscal 2009
Two-year total	Total
¥25.4 billion	¥70.0 billion
Fiscal 2008 (actual)	Restructuring + Overall expense reductions
¥18.4 billion	¥43.0 billion
Fiscal 2009 (plan)	Cost reductions, etc.
¥7.0 billion	¥27.0 billion

## Achieving an Earnings Structure That Is Less Reliant on Sales



As a result of these efforts, we intend to lower the break-even point for sales from fiscal 2008's ¥809.0 billion to ¥719.0 billion in fiscal 2009, and then to ¥680.0 billion in fiscal 2010, and see this leading to profitability in fiscal 2010.

### ● Strengthening the Earnings Structure by Lowering the Break-even Point

The key to lowering the break-even point for consolidated sales will be to rebuild the magnetic disk and semiconductor businesses, which are significantly impacted by changes in market conditions, the ED&C component, drive, and automation businesses, where commoditization is putting continuous downward pressure on prices. In addition to overall expense reductions including personnel expenses, we will lower the break-even point by consolidating production centers and accelerating the shift to overseas production as well as by eliminating unprofitable product lines. In this way, we will overhaul the business structure to be able to generate profits even during periods of drastic market fluctuations.

The magnetic disk business has already completed consolidating domestic research and production centers, and during fiscal 2009 will raise the share of overseas production to 75% from 50% by further shifting production from Japan to Malaysia. This is intended to lower the break-even point for

sales for the fiscal 2009 fourth quarter to 75% of the previous year's level. As a result, we are looking for an improvement to breaking even in terms of fiscal 2010 profit and loss.

The semiconductor business has completed its withdrawal from unprofitable plasma display panel (PDP) driver ICs. Four domestic facilities will be consolidated into two during fiscal 2009 and production will continue to shift to Malaysia and the Philippines, which is expected to lower the break-even point to 73% of the fiscal 2008 fourth-quarter level.

Restructuring continues at the ED&C component business with the aim of lowering the break-even point to 88% of the fiscal 2008 fourth-quarter level, and a plan is in place to achieve this by reorganizing domestic production facilities and shifting production to China.

The drive and automation businesses are accelerating the shift in production of general-purpose products to China, while at the same time discontinuing unprofitable lines. These measures are intended to lower the fourth-quarter break-even point for sales to 72% of the previous year's level.

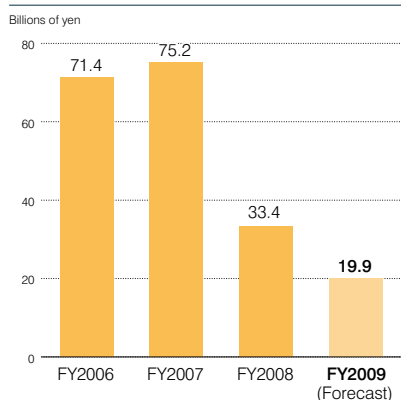
These restructurings and the aforementioned overall expense reductions will be implemented as early as possible. We will see our way clear to completing these plans during the first half of fiscal 2009, and I am confident that we are on a path toward profitability in fiscal 2010.

**Business Restructuring Details and Progress**

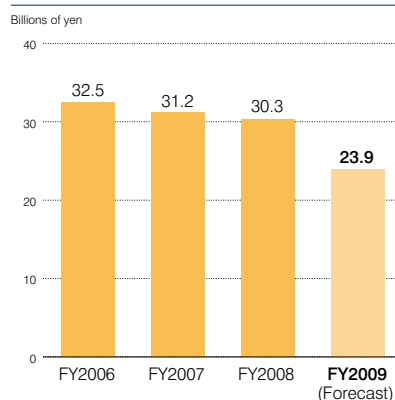
	Business restructuring details	Break-even point Fiscal 2009 fourth-quarter targets*
<b>Magnetic disks</b>	<ul style="list-style-type: none"> <li>Shift production from Japan to Malaysia (percentage of overseas production increases to 75% from 50%)</li> <li>Consolidate domestic research and production centers <b>Complete</b></li> </ul>	<b>75%</b>
<b>Semiconductors</b>	<ul style="list-style-type: none"> <li>Shift production from Japan to Malaysia and the Philippines (percentage of overseas production increases to 20% from 0% for front-end processes, to 60% from 20% for back-end processes)</li> <li>Consolidate four domestic production facilities into two</li> <li>Withdraw from PDP driver ICs <b>Complete</b></li> </ul>	<b>73%</b>
<b>ED&amp;C components</b>	<ul style="list-style-type: none"> <li>Realign domestic production facilities and shift production to China</li> </ul>	<b>88%</b>
<b>Drives</b>	<ul style="list-style-type: none"> <li>Accelerate shift of production of general-purpose products to China (motors, inverters)</li> <li>Withdraw from unprofitable lines</li> </ul>	<b>72%</b> For components
<b>Automation</b>	<ul style="list-style-type: none"> <li>Consolidate domestic production centers and shift production to China</li> <li>Withdraw from unprofitable lines</li> </ul>	<b>72%</b> For components

\*Fiscal 2008 fourth quarter (base) = 100

**Capital Investment**



**R&D Expenditures**

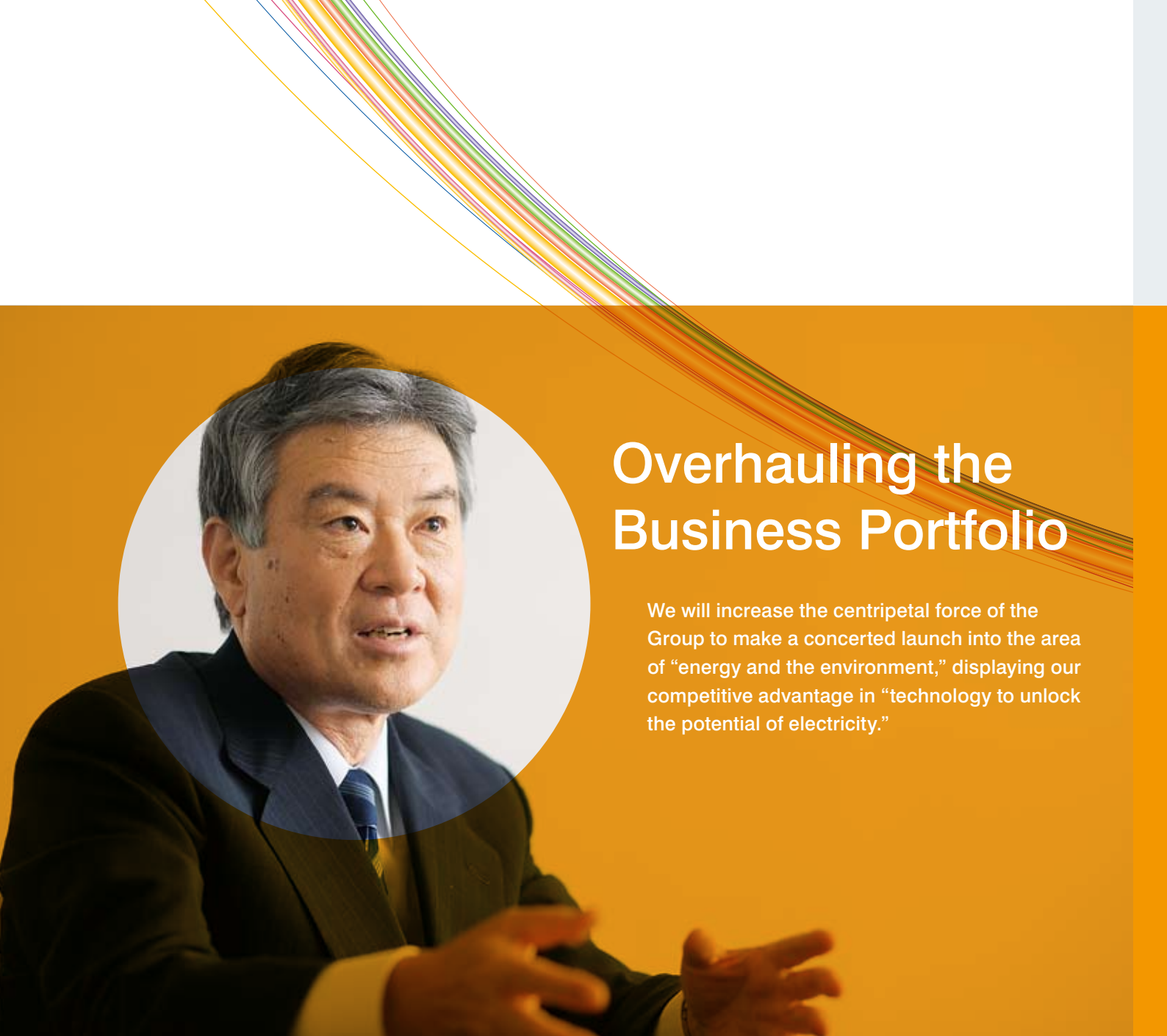


● **Securing Free Cash Flow and Strengthening the Financial Structure**

Although there are signs that the turmoil in financial markets is subsiding, we recognize the importance of maintaining liquidity to be prepared for unforeseen situations. Going forward, it will also be necessary to secure cash as we restructure businesses and realign business portfolios. We have therefore designated the maintenance of free cash flow as the most prioritized management issue, and along with overall expense reductions we will procure cash through indirect financing as necessary.

We plan to reduce capital investment by 40% from the fiscal 2008 level, to ¥19.9 billion, and R&D expenditure by 21%, to ¥23.9 billion. We will invest selectively in focused areas in line with our management strategy.

We will push forward Groupwide supply chain innovation by reducing inventories and accelerating the collection of trade receivables. We will also consider asset sales including land and investment securities, while maintaining flexibility with regard to future investments.



## Overhauling the Business Portfolio

We will increase the centripetal force of the Group to make a concerted launch into the area of “energy and the environment,” displaying our competitive advantage in “technology to unlock the potential of electricity.”

### ● Focusing Management Resources on the Field of “Energy and the Environment”

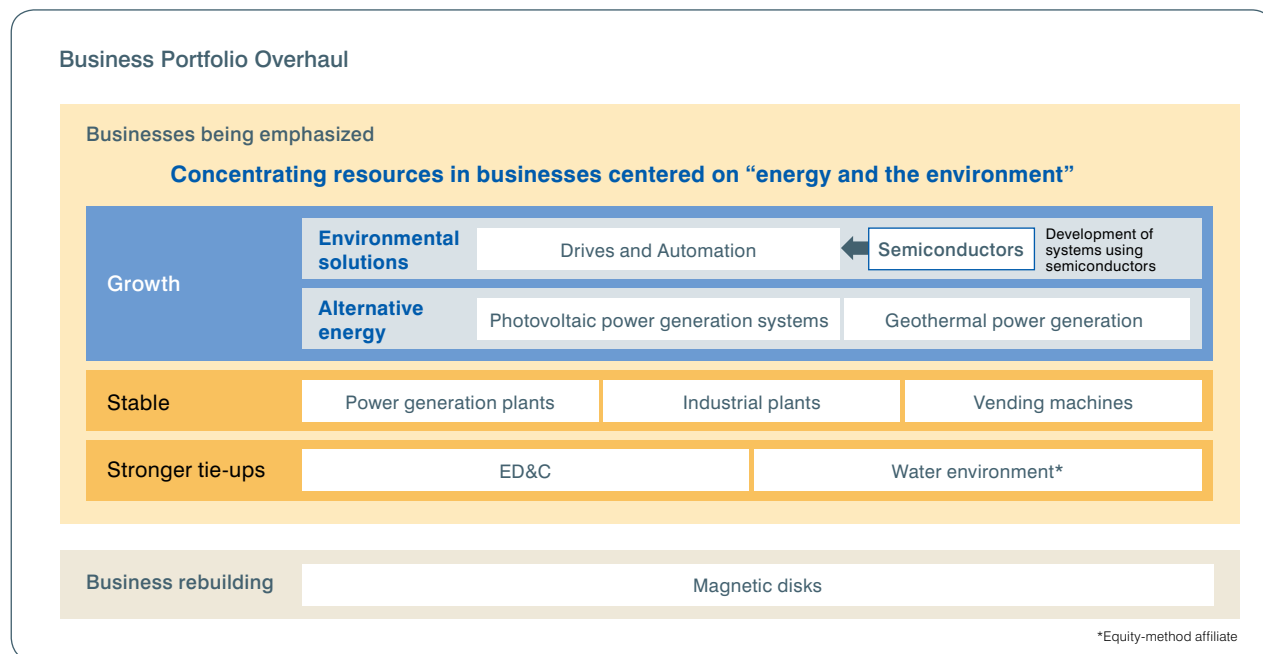
Parallel to rebuilding the earnings base, we are overhauling the business portfolio to put the Fuji Electric Group on a solid path toward medium- and long-term growth. Before taking a look at specific initiatives, let me explain the issues confronting the Group in recent years and the background behind the formulation of our management strategy.

The Fuji Electric Group adopted a pure holding company structure in October 2003 to achieve independently responsible management at each operating company and to allow for swifter decision making. Since then, we have grown the business by letting respective operating companies aggressively invest in fields of their specialization, with the aim of becoming an organic business group comprising the foremost specialists in their respective industries. By clarifying responsibility for profits and accelerating strategy deployment, we have been successful in raising competitiveness on an individual basis (see the results overview on page 7). On the

other hand, we were unable to generate sufficient synergies because personnel exchanges lagged and there was insufficient lateral cooperation among operating companies, and as the market changed shape we were unable as a Group to quickly respond to those changes, which exacerbated the impact of the rapid market deterioration. Therefore, in June 2008 we moved to a management system whereby the presidents of the core operating companies would serve concurrently as directors of the holding company. By further increasing the centripetal force of the Group to strengthen unification, we determined the areas in which to compete as a unified Group and embarked on a major change of direction in those areas.

We then determined that “energy and the environment” was the field where the Fuji Electric Group could make maximum use of its own potential by concentrating its comprehensive strength.

The issues concerning “energy and the environment” are common to all humankind, and international society is



focusing its intelligence on resolving those issues. Boosted by government programs in major countries like green new deals, we expect industries related to "energy and the environment," including renewable energy, to become huge markets.

Since its foundation, the Fuji Electric Group has provided products that pursue maximum efficiency with minimal energy consumption—including electric power plants on the supply side and motors, inverters, and semiconductors on the demand side. By focusing on the power electronics technologies developed over that time, I am confident that the possibilities for the Group in this field will grow significantly if we can fuse our core technologies in semiconductors, circuits, and controls into a "technology to unlock the potential of electricity."

● **Providing Bundled System Solutions by Integrating Resources of Operating Companies**

Many players are entering the field of "energy and the environment," and consequently competition is expected to intensify. The market is not looking for companies that simply supply component products, but rather for companies that can provide one-stop system solutions to meet customer needs with packaged products and services. Few companies have the Fuji Electric Group's ability to address needs in the field of "energy and the environment" with integrated systems that contribute to both supplying (creating) energy, with capabilities in areas including photovoltaic and thermal power generation, and energy savings, with components like inverters and semiconductors. Based on this concept, the

Group has changed from a strategy of respective divisions moving into markets individually, to a business structure that provides integrated system solutions that fuse together the resources of multiple operating companies.

**Merger of Semiconductor Business into Energy & Electric Systems Group**

The Energy & Electric Systems Group's component products and plant systems products are highly competitive in terms of efficient energy consumption and reduced environmental impact. In addition, our photovoltaic power generation systems that use proprietary film-type amorphous silicon solar cell modules and power conditioners have major potential in the field of alternative energy. By packaging these with the Group's power semiconductors, which excel in highly efficient, low-loss power conversion, we provide system solutions with components and systems that achieve even higher efficiency and energy savings.

To move this business forward, the semiconductor business of Fuji Electric Device Technology Co., Ltd., which has focused on component products, will be merged into the Energy & Electric Systems Group on October 1, 2009. Through this merger, the business will utilize synergies in the markets of alternative energies like photovoltaic and wind power generation, and railways and other social infrastructures, while at the same time expanding the business in green markets where future growth is forecast, including green IDCs (Internet data centers) with reduced energy consumption and environmental impact, and smart grid next-generation electric power networks.

## Realignment to Optimal Business Structure

● ■ show which management issues business restructuring addresses.

### Management issues

#### Speedy management & Group management

- Strengthen governance
- Enhance centripetal force of holding company

#### Market-oriented management

- Focus on solutions businesses
- Focus on energy and the environment

#### Risk management

- Management transparency
- Strengthen business rebuilding

### Group restructuring

#### ● ■ ■ Direct governance in magnetic disk business

- Make specialized company
- Swiftly rebuild earnings strength and maintain competitiveness
- Reinforce strategy from Group perspective

#### ■ Merger of semiconductor business into Energy & Electric Systems Group

- Integrate components and system solutions
- Concentrate on growth businesses (energy and the environment)

#### ● ● Restructuring of sales structure

- Provide one-stop solutions that meet customer needs with packaged products and services
- Focus strategy by consolidating sales resources

#### ■ ■ Restructuring of R&D

- Merge R&D function into holding company
- Promote Group R&D aligned with customer-oriented business development
- Pursue Group synergies and efficient R&D

#### ● Supply chain innovation

- Raise the visibility of the overall process (significantly reduce inventories)

### Change Marketing and R&D Structures to Align Them with Business Strategy

Along with the transformation to a solution-based business structure, major organizational changes are being implemented to promote customer needs-oriented solution marketing.

On July 1, 2009, the semiconductor sales division of Fuji Electric Device Technology and five sales subsidiaries—Fuji EIC Co., Ltd., Nishinoh Fuji Electric Co., Ltd., Chubu Fuji Electric Co., Ltd., Kyushu Fuji Electric Co., Ltd., and Tohoku Fuji Electric Co., Ltd.—were merged into Fuji Electric Systems Co., Ltd. The first goal of this merger is to channel marketing resources into the field of “energy and the environment” and thoroughly implement a customer-oriented strategy.

The second goal is to align the organization with the Group’s business strategy of promoting system solution marketing, by integrating engineering divisions and marketing divisions.

In addition, by aligning management more closely with the market, we aim to build a supply chain where all business activities, including marketing, manufacturing, procurement, and development, respond quickly to market changes.

We will also take a close look at the R&D structure. We plan to merge Fuji Electric Advanced Technology Co., Ltd., which carries out basic research, development for new products and businesses, and development of core common technologies for the Group as an independent company, into the holding company on October 1, 2009. This is intended to

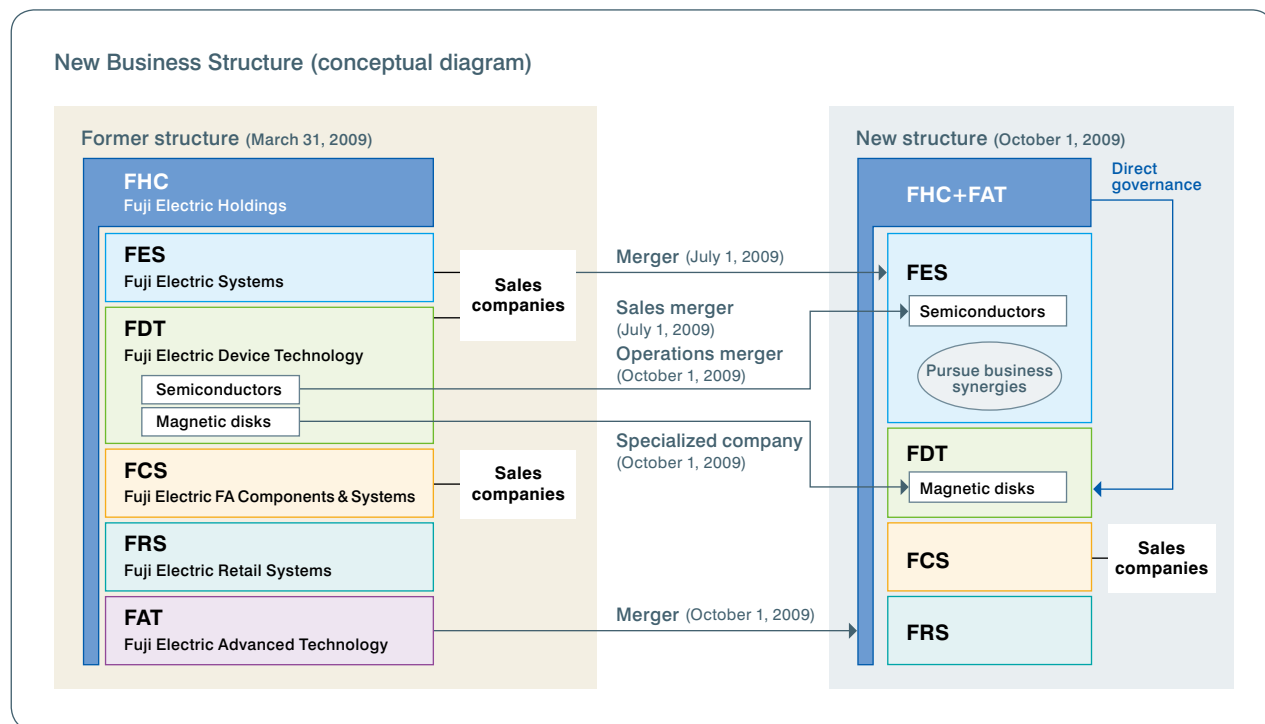
align technological strategies with Group management strategies, with the aim of accelerating the process from research to commercialization.

### Direct Governance to Rebuild the Magnetic Disk Business

The magnetic disk business experienced a sharp earnings deterioration in fiscal 2008, and we have designated improved earnings strength as a Group management issue and will give full effort to rebuilding the business. The business operates in a market that is subject to very drastic fluctuations with a rapid pace of technological innovation, and demands swift development in terms of both operations and technology. We therefore intend to make the business a specialized company effective October 1, 2009, and I will concurrently serve as the president of Fuji Electric Device Technology to ensure swift, strategic decision making with strong leadership from an overall Group perspective.

#### ● Areas for “Offense”

Since its establishment, the Fuji Electric Group has developed a very unique business in the field of “energy and the environment,” establishing a leading position backed by its technological capabilities. We therefore want to acquire new demand by expanding our lineup of environmentally friendly products, while maintaining the businesses we have developed to date. I will now explain some concrete strategies.



**Alternative Energies  
(Geothermal and Photovoltaic Power Generation)**

New energies that replace fossil fuels by using natural energy with very low CO<sub>2</sub> emissions is a market that is expected to grow as part of the quest to achieve a recycling-based society.

Since the power generation business was launched in 1927, the Fuji Electric Group has contributed to the stable supply of energy and electric power through advanced technologies. In 1960, we entered the geothermal power generation business with the manufacturing of steam turbines, and with our overwhelming technological strength in the areas of reaction turbine blades and corrosion-resistance technology we have continuously maintained a leading market share for more than the past ten years.

We would like to further expand this business by strengthening engineering functions and technological development in areas like corrosion resistance and power generation efficiency, and to increase our share of the global market to 50% from our current share of roughly 40%. As target markets, we have identified the United States, where government subsidies are actively promoting the development of renewable energy industries, as well as countries where we have a track record in winning orders—Indonesia, the Philippines, New Zealand, and El Salvador. We also foresee significant latent demand in volcano-belt regions, and will beef up our marketing activities to win new orders in these regions.

Photovoltaic power generation is another market showing rapid growth with a boost from government subsidies in various countries, and the size of the market is expected to grow to ¥4 trillion by 2015. Crystalline solar cells are the main trend, but we intend to grow our business with our proprietary film-type amorphous silicon cells, which we began mass producing in 2006. Because our solar cells have the properties of being lightweight, thin, and flexible, they can be installed in places where crystalline cells cannot. This will therefore make it possible to cultivate applications in a very wide area. We will strive to provide total solutions in a wide range of fields by combining these with highly efficient power conditioners equipped with Fuji Electric's power semiconductors.

**Green IDCs, Smart Grids**

IDCs manage Internet connections and servers, and use very large amounts of electricity. Today, demand is growing for green IDCs that use less electricity. The Fuji Electric Group has a leading market share in high-efficiency uninterruptible power supply systems (UPSs) and molded-case transformers, and has been particularly successful in providing energy-saving solutions in the area of industrial infrastructure monitoring and control systems for many years.

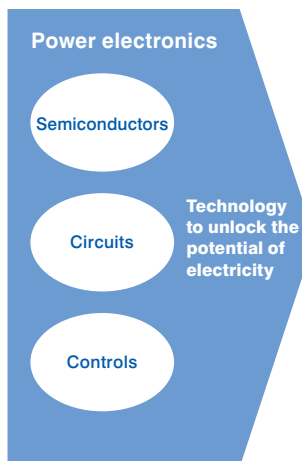
We also see growing demand for smart grid next-generation electric power networks as a major business opportunity.



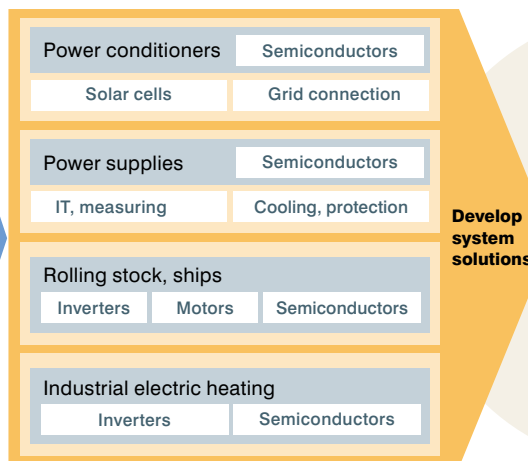
## Business Synergies

Establish strong position in the field of “energy and the environment” by developing unique solutions

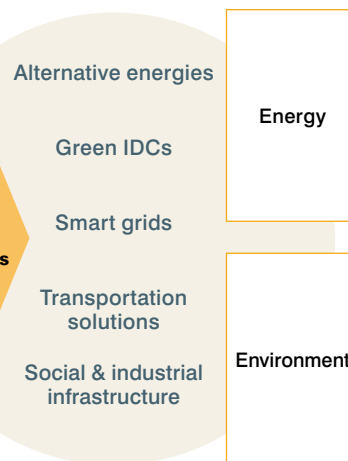
### Integrate core technologies



### Example synergies



### Target markets



We intend to focus on the United States, where projects are being pursued on a national scale, using our core technologies in sensors and grid connection, power demand–supply control systems, and power balancing control technology.

### Transportation Solutions

Business opportunities can be expected in the social infrastructure area in terms of solutions that help save energy and reduce environmental impact. Providing highly efficient transportation systems using IGBTs and other power semiconductors, inverters, and motors for Shinkansen (bullet train) rolling stock and ships is one example of this.

In particular, Fuji Electric has a leading share of the global market for industrial IGBTs for inverters. Going forward, we would like to make a major portfolio shift toward IGBTs in the field of “energy and the environment,” and to establish a strong presence in this field.

We have particular strength in IGBTs for hybrid and electric vehicles, and I am certain that this area represents a major business opportunity for the Group going forward. We want to grasp those opportunities using our sophisticated device technology and mass production technology as points of differentiation.

### Environmentally Friendly Vending Machines

The Fuji Electric Group has an overwhelming 50% share of the domestic vending machine market, and we are addressing environmental issues by providing highly energy-efficient heat pump-type can vending machines that reduce energy consumption by roughly 41% compared with standard models (Fuji Electric’s 2009 models). Going forward, we will work to enhance environmental technologies and further increase sales, with the aim of having environmentally friendly models account for 60% of vending machine sales volume in fiscal 2009, and subsequently raising this to 90% in fiscal 2011.

## GLOSSARY

- **Power conditioner:** Equipment that converts electric power generated (direct current) to electric power that can be used in homes and buildings (alternating current).
- **IGBT:** Insulated gate bipolar transistor. A semiconductor device capable of high-speed switching in high-power circuits.
- **Smart grid:** Next-generation electric power network that efficiently manages and supplies decentralized energy sources and centralized energy sources.



## Aiming for Long-term Growth in Corporate Value

### ● Capital and Returns to Shareholders

The Fuji Electric Group endeavors to use profits gained from its operating activities to pay a stable and continuous dividend from retained earnings and to further build up shareholders' equity, while also maintaining sufficient internal reserves for research and development, capital investment, and other investments to increase corporate value over the medium to long term.

The first half of fiscal 2008 saw a major year-on-year deterioration in operating income, primarily at the Electronic Devices Group, and based on the retained earnings carried over, an interim dividend of ¥4 per share was paid. Nevertheless, because of the global decline in demand from the beginning of the second half of the fiscal year we were unable to avoid the recording of a second-half net loss in the amount of ¥62.5 billion, which resulted in a large decline in shareholders' equity from the end of the first half—by ¥65.4 billion, to ¥122.0 billion. Given this situation, we gave priority to capital measures to quickly restore shareholders' equity, and felt it necessary to forgo the payment of a year-end dividend. As a result, the full-year dividend will consist of the ¥4 per share interim dividend only. We are not determining a dividend amount for fiscal 2009 at this time because of the uncertain operating environment.

We will strive to meet the expectations of shareholders by steadily moving forward with the aforementioned business restructuring to achieve solid profitability in fiscal 2010 and restore the dividend at an early date.

### ● Contributing to the Development of a Recycling-based Society and Achieving Long-term Growth in Corporate Value

The Fuji Electric Group has developed a very unique business in terms of "energy and the environment." Using that potential, in the form of "technology to unlock the potential of electricity," we aim to establish a strong presence in the field of "energy and the environment," and through that business contribute to the development of a recycling-based society. This is the Group's goal, and I consider this the path to long-term growth in corporate value.

I will work with resolute determination to transform the Fuji Electric Group to achieve these goals, and ask for the continued support of all of our stakeholders.

July 2009

President and Representative Director  
Fuji Electric Holdings Co., Ltd.



Special Feature

**NEW GOALS, NEW CHALLENGES**

# The Fuji Electric Group's Commitment in the Field of “Energy and the Environment”

# Global Leader in Geothermal Power Generation

## USING CORROSION-RESISTANCE TECHNOLOGY TO PROVIDE RELIABLE, ENDURING CLEAN ENERGY

The Fuji Electric Group's power generation business was launched in 1927, and with full-scale operations in hydroelectric power from 1936 and thermal power from 1955, the Group has been highly competitive over many years. In the main area of geothermal power generation, the aggregate capacity of steam turbines manufactured to date exceeds 30,000MW. The Group began manufacturing steam turbines for geothermal power generation in 1960, and currently has a leading global market share of roughly 40%. Going forward, we are aiming to increase our global share even further, to 50%, in line with growth in demand.

### ● Growth Expected for Geothermal Power Generation

Geothermal power generation uses high-temperature, high-pressure hot water and steam created from the heating of collected rainwater and underground water by magma reservoirs, with the resulting steam energy from this geothermal water then used to drive power-generating turbines. This is called renewable energy because the steam and hot water return underground, making this an environmentally friendly method of generating electricity.

As the world strives to reduce the harmful impact on the environment, the market for clean energy from geothermal power generation is expected to grow.

### ● Maintaining High Competitiveness with Leading Technological Capabilities

Turbines for geothermal power generation require high durability because of the corrosive properties of the geothermal steam gas they use.

The Fuji Electric Group manufactures entire power generation systems, and has a competitive foundation consisting of advanced technological capabilities and expertise built up over more than 50 years.

One of these technologies is high-performance reaction-type turbines, which allow for highly efficient operations. Our corrosion-resistance technology also protects turbines from corrosion and wear, giving them a high degree of reliability and a long useful life.

Going forward, we intend to build on our corrosion-resistance technology to create technologies for even more reliable geothermal turbines.

### ● Active Development in Areas with Geothermal Resources

Geothermal power systems can only be installed in areas with geothermal resources within volcano-belt regions. The Group already has a track record of orders in major markets, and is stepping up its efforts to obtain orders in newly targeted markets.

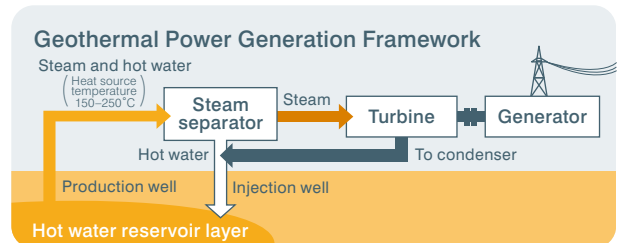
Demand is also expected to grow going forward in the area of binary power generation. This power generation method makes it possible to generate electricity from heat sources in the 130°C range, which are currently difficult to use. We intend to strengthen our technological development in this area and further grow the business.



Geothermal power generation plant



Turbine



#### ■ Geothermal areas

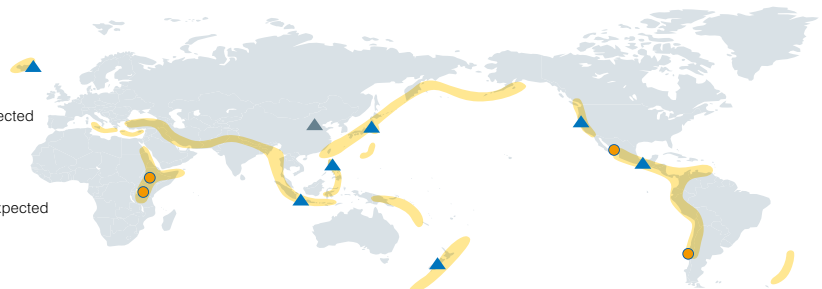
##### ▲ Markets with record of orders

##### ▲ Markets being focused

Regions with record of orders where future growth is also expected  
United States, Indonesia, the Philippines, New Zealand, El Salvador, Iceland, Japan

##### ● Newly targeted markets

Regions with no record of orders but where future growth is expected  
Central & South America (Mexico, Chile), Africa (Kenya, Ethiopia)



#### GLOSSARY

- **Reaction-type turbine technology:** Turbines that use the reactive force of steam's expansion to turn the axle.

# Highly Competitive Power Semiconductors

## ACHIEVING ENERGY SAVINGS IN AUTOMOBILES AND SOCIAL INFRASTRUCTURE

Power semiconductors control the voltage and current in drive equipment like motors, and as a key component for energy savings, the market is growing. The Group's semiconductor business began in 1953 with selenium rectifiers, and through innovative new product development has brought about many products that have acquired major shares within the industry. The Group currently has a leading global share of the market for industrial IGBTs used in factory automation (FA). The Group also has a large share of the global market for power semiconductors used in electrical equipment in automobiles.

### ● Popularity of Electric Vehicles Signals Major Potential

As automobiles are equipped with more electronics, the Group's power semiconductors are used in a variety of components, including engine ignition equipment, electrical equipment that controls hydraulic pressure to brakes and power steering, and manifold pressure sensors. These power semiconductors contribute to improving fuel efficiency.

Hybrid vehicles are powered by both an engine and electric motor and use IGBTs, which are capable of handling particularly high power and control the engine and motor with high precision. In electric vehicles, which are driven only by electric motors, IGBTs are used as key components for controlling the vehicle's drive.

Going forward, the Group will further enhance the efficiency of its IGBTs and other power semiconductors for energy savings in automobiles, railway, and other vehicles.

### ● Maintaining High Competitiveness through the Fusion of Power Electronics Technology

The Group's power semiconductors have maintained a high level of market competitiveness by combining semiconductor technologies in areas like microelectronics and packaging with power electronics technologies built up over many years. We are proud of the high quality and reliability of our IGBT products, which we supply to top industry names in the automotive and FA fields.

With the evolution of equipment toward higher performance and smaller sizes, power semiconductors need to become smaller and more efficient. Using our proprietary thin wafer technology for improved efficiency in terms of low loss and low noise, our IGBTs are already roughly 35% more efficient than previous-generation (2003) products.

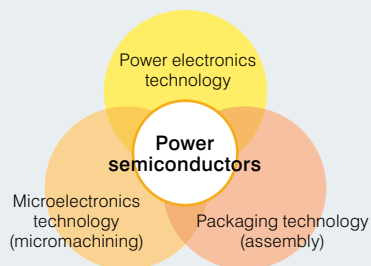
Looking ahead, we will develop next-generation devices using materials like silicon carbide (SiC) and gallium nitride (GaN), which can offer major noise reduction relative to conventional silicon material, while at the same time increasing our market competitiveness with mass production technology backed by high reliability.

### ● Growth in Social Infrastructure and Automobiles

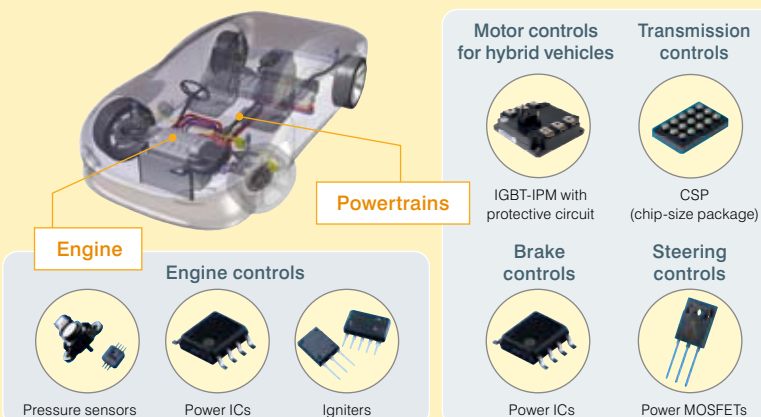
The Fuji Electric Group is working to develop and increase sales of power semiconductors for hybrid and electric vehicles being promoted by government policies in various countries. We will also strengthen the fields of wind and solar power generation, and railways, where investment as social infrastructure can be expected.

Going forward, we plan to increase the portion of semiconductor sales in the "automotive application" and "energy and the environment" fields from the current (fiscal 2008) levels by approximately 30%, to more than 50% in fiscal 2011.

## Technologies Supporting Power Semiconductors



## Main Uses of Power Semiconductors in Automobiles



# Variety of Possible Uses for Photovoltaic Power Generation Systems

## DEVELOPING SYSTEMS THAT COMBINE SOLAR CELL MODULES AND POWER CONDITIONERS

The Fuji Electric Group began mass producing its proprietary film-type amorphous solar cells in 2006. The Group is proud to be the world's only manufacturer able to mass-produce solar cells on a film substrate using amorphous silicon. In addition, using the power electronics technology we have developed, in addition to high-efficiency power conditioners loaded on power semiconductors, we provide total solutions that combine solar cell modules and engineering capabilities.

### ● No Limits to Uses for Lightweight, Thin, and Flexible

The Group's solar cells are film-type and are only one millimeter thick. Being thin and light make them easy to install, and because they are flexible they can be installed in places that are not flat. For example, they can be installed in previously difficult places like arched roofs and on walls, and with the advantage of being lightweight a wide range of applications—even including ordinary roofs—is expected.

In addition, highly efficient systems are possible by combining our independently developed power conditioners with our highly competitive power semiconductors.

### ● Developing Systems Using Unique Technologies Solar Cells

We have created a technology for laminating a layer of electrodes on film, resulting in a weight that is one-tenth that of ordinary crystalline types using glass substrates. Fuji Electric holds the basic patents for both this structure and manufacturing method.

Power generation efficiency is approximately 8%, which is lower than the 15%–20% for crystalline types, but because the conversion efficiency is less prone to decline in the heat of summer, in terms of the annual amount of electricity generated at the same output, Fuji Electric's cells generate roughly 10% more than crystalline types.

### Power Conditioners

With technologies and reliability developed in inverters and uninterruptible power supply systems (UPSs), our power conditioners achieve highly efficient electrical power conversion. Going forward, we will pursue the development of low-capacity models with new power semiconductors that use next-generation elements, including silicon carbide.

### Grid Connection

Using grid stabilization technologies developed over many years in electric power plants, we are achieving stable connection to power systems in the area of electric power supply.

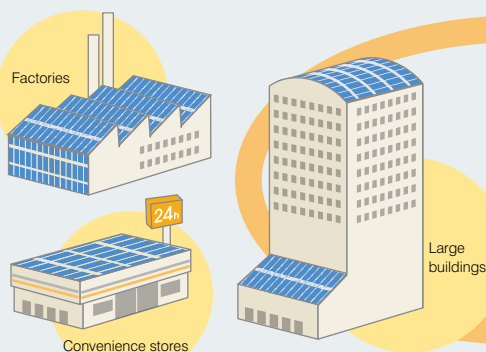
### ● Targeting the Industrial Sector

Further developments can be expected in integrated building materials like building walls and sheet-type materials that take advantage of being lightweight.

By combining these products with power conditioners that use our proprietary power semiconductors, we will create systems that maintain a supply–demand balance in the fluctuating output of sunlight and raise the visibility of electric power supply and demand conditions. In this way, we will extend our photovoltaic power generation systems' application to smart grids and other decentralized power source network systems.

Going forward, we will work to obtain orders primarily in the industrial sector, which is our area of strength.

## A Wide Range of Applications Is Expected



## Advantages vs. Crystalline Types

- 1/10th the weight
- 1/200th the amount of silicon used
- CO<sub>2</sub> produced in manufacturing is halved
- Less decline in efficiency at high temperatures (greater annual generation at same output)



# Expanding Green IDC Business through Development of System Solutions

## FACILITY-WIDE ENERGY SAVINGS FROM EQUIPMENT TO SYSTEMS

Internet data centers (IDCs) are facilities that manage Internet connections and server operations, and with a concentration of UPSs—air conditioning equipment, power distribution units, and other devices in addition to the servers and other IT equipment—are one of the highest energy-consuming industries.

The Fuji Electric Group has industry-leading shares of the markets for UPSs and molded-case transformers used in power supply equipment, and is working hard to build systems that monitor air conditioning and all equipment to optimize energy use. We are also developing systems that utilize clean energy by combining systems like photovoltaic power generation.

### ● Optimizing Energy Use in Buildings and Equipment

Electric power used in equipment like power supplies and air conditioning is used over the entire area of a facility, but this energy consumption in areas where servers are not operating is wasteful.

With green IDCs being used to monitor, analyze, and assess energy consumption of entire facilities, the visibility of the optimal energy condition can be raised. As a result, energy consumption can be reduced through the provision of electricity and the operation of air conditioning only in the areas in which they are necessary.

UPSs do not only immediately provide electricity to machinery when there is a power stoppage, but they also send a stable supply of electricity to servers and other equipment. We will further enhance efficiency and energy-saving capabilities of UPSs by increasing the performance of power semiconductors equipped in UPSs.

In this way, the Group is working to realize energy savings in entire building and equipment systems.

### ● Highly Competitive, Industry-leading Systems Technologies

#### Control Systems

The Fuji Electric Group boasts both monitoring and control systems technologies it has developed for industrial infrastructures including controls, sensors, measuring instruments,

and cooling. We are establishing a solid position in the green IDC market by leveraging these technologies to save energy.

#### UPSs

In addition to immediately providing electricity to equipment when there is a power stoppage, UPSs prevent damage like data loss and file corruption from momentary drops in power supply voltage. We will further increase efficiency and strengthen our market competitiveness by developing highly efficient power semiconductors.

#### Alternative Energies

We will promote the proprietary utilization of clean energies including film-type solar cells and phosphoric acid fuel cells as one source for supplying electricity to IDCs.

### ● Expanding the IDC Business with Energy-saving Technology

The green IDC market is expected to grow worldwide, and the Fuji Electric Group will partner with leading suppliers of IDCs to develop system solutions that save energy throughout all of the IDC's buildings and equipment, utilizing our technologies in areas including controls and measuring.

We will also work to expand our business in the green IDC market by pursuing further energy savings in power supply devices like UPSs and transformers.

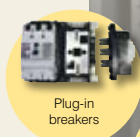
#### Air-conditioning Equipment

- Efficient supply of cold air
- Optimize by cooling areas where heat accumulates



#### Electrical Equipment

- Raising the visibility of energy consumption and CO<sub>2</sub> emissions
- Efficient distribution of electricity



Plug-in breakers



High-power IGBTs



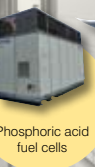
Uninterruptible power supply systems (UPSs)



Control systems



Molded-case transformers



Phosphoric acid fuel cells



Solar cells

# Segment Overview

	Share of Total Net Sales (Fiscal 2008) / Share of Total Assets (As of March 31, 2009)
<h2>Energy &amp; Electric Systems Group</h2> <ul style="list-style-type: none"> <li>● <b>Drives</b> Drive systems, inverters, servomotor systems, motors, uninterruptible power supply systems, equipment and systems for transportation infrastructure</li> <li>● <b>Automation</b> Sensors, information systems, instrumentation plant systems, industrial instruments, controllers, radiation control systems, energy solutions</li> <li>● <b>Industrial Plant Engineering</b> Industrial power supplies, electrical machinery equipment for facilities, cleanroom facilities</li> <li>● <b>Electric Power Systems</b> Thermal power plant equipment, hydraulic power plant equipment, nuclear power-related equipment</li> <li>● <b>Plant Facility Construction</b> Electrical equipment installation work, water supply/drainage installation work</li> <li>● <b>Electric Distribution &amp; Control (ED&amp;C) Components</b> Magnetic contactors, push buttons and indicator lights, molded-case circuit breakers, earth-leakage circuit breakers, high-voltage vacuum circuit breakers, energy monitoring equipment</li> </ul>	<p>Share of Total Net Sales <b>60.0%</b></p> <p>Share of Total Assets <b>59.2%</b></p>
<h2>Electronic Devices Group</h2> <ul style="list-style-type: none"> <li>● <b>Semiconductors</b> Power ICs, IGBT modules, power discrete devices, hybrid devices, pressure sensors</li> <li>● <b>Magnetic Disks</b> Aluminum and glass substrate magnetic disks, aluminum substrates</li> <li>● <b>Photoconductive Drums</b> Photoconductive drums, peripheral imaging devices</li> </ul>	<p>Share of Total Net Sales <b>17.3%</b></p> <p>Share of Total Assets <b>24.0%</b></p>
<h2>Retail Systems Group</h2> <ul style="list-style-type: none"> <li>● <b>Vending Machines and Food Service Equipment</b> Vending machines, beverage dispensers, tea servers</li> <li>● <b>Currency Handling Systems</b> Coin mechanisms and bill validators, automatic change dispensers, contactless IC card systems</li> <li>● <b>Cold-chain Equipment</b> Freezing and refrigerated showcases, energy-saving systems for retail premises, modularized store construction systems</li> </ul>	<p>Share of Total Net Sales <b>16.7%</b></p> <p>Share of Total Assets <b>11.5%</b></p>
<h2>Others</h2> <p>Real estate operations, insurance agency services, travel agency services, financial services, printing and information services, research &amp; development, personnel and administration, accounting, staffing services, intellectual property services</p>	<p>Share of Total Net Sales <b>6.0%</b></p> <p>Share of Total Assets <b>5.3%</b></p>

Notes: 1. Projected results for fiscal 2009 (ending March 31, 2010) are based on the Company's forecasts as of May 15, 2009.

2. Figures for net sales and total assets shown above include intersegment sales.

3. Plant and equipment investment is the total of investment in tangible fixed assets and acquisition amounts for lease contracts related to manufacturing equipment.



Net Sales	Operating Income (Loss) / Ratio of Operating Income (Loss) to Net Sales	Plant and Equipment Investment	R&D Expenditures																																													
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4. Results for the former Energy & Electric Systems Group for fiscal 2006 (ended March 31, 2007) are not shown because of the change in business classifications carried out in fiscal 2008 (ended March 31, 2009).

5. Regarding forward-looking statements, refer to the Cautionary Statement With Respect to Forward-looking Statements in the introduction to this report.

# Energy & Electric Systems Group

The Energy & Electric Systems Group has developed leading technological capabilities over its more than 80 years of providing plant systems for electrical power generation and social and industrial infrastructure.

Looking ahead, we have designated “drives” and “automation” as growth businesses, and will concentrate management resources in the field of “energy and the environment” through solutions that combine our expertise in plant system construction with our highly competitive component products. We are also expanding our solutions business to provide clean energy such as solar cells and contribute to energy conservation in the fields of plants and transport by utilizing business synergies with energy-efficient “semiconductors.”



**Mitsunori Shirakura**  
President and Representative Director  
Fuji Electric Systems Co., Ltd.

## COMPETITIVE ADVANTAGES

The segment’s competitive advantages are its accumulated expertise in power electronics, instrumentation and control technologies and other core technologies, as well as plant system construction know-how, and its extensive track record in delivering solutions that make maximum use of that expertise.

Utilizing these strengths, the segment supplies a variety of electrical equipment and energy-saving systems for use in social infrastructure and industrial infrastructure like plant manufacturing lines. The segment also boasts world-class technologies in the field of power plants, including thermal power and geothermal power facilities, and is highly competitive, delivering power plant equipment around the world.

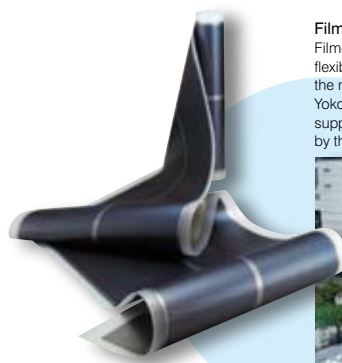
## FISCAL 2008 OVERVIEW AND INITIATIVES

- Net sales declined 16.6%, to ¥490.3 billion, and operating income was down 55.1%, totaling ¥10.7 billion.
- Plant system products remained solid throughout the year, but there was a large decline in the volume of component products because of market fluctuations.
- The removal of the water environment and information systems subsegments had the effect of reducing net sales by ¥70.3 billion.
- A structure is being built for the development of a solutions business in the field of “energy and the environment.”

	Billions of yen			
	FY2006	FY2007	FY2008	Change (YoY)
Net Sales	582.1	587.7	490.3	-97.3
Operating Income	23.2	23.8	10.7	-13.1



**Uninterruptible Power Supply Systems—UPS7700F Series**  
A new large-capacity all-IGBT-type UPS for power distribution networks in China and Southeast Asia, it is one of the world's smallest and lightest models.



**Film-Type Solar Cells**  
Film-type solar cells are "lightweight, thin and flexible," and are installed in the arched roofs over the moving walkways in Minato Mirai 21 district in Yokohama, Kanagawa Prefecture, and are able to supply roughly 20% of the annual electricity used by the walkways.



## Segment Overview for Fiscal 2008

### ● Business Results

Although plant system products remained solid, especially for large overseas projects, weaker global markets led to a large sales decline, primarily in component products, and with the removal of subsidiaries from the scope of consolidation both sales and profit declined—by 16.6%, to ¥490.3 billion for net sales, and by 55.1%, to ¥10.7 billion for operating income.

Orders for power plants, industrial plants, and other plant systems were solid, primarily overseas, and sales were recorded for large products including geothermal power plants and cleanrooms for LCD panel manufacturing, for a strong full-year performance. Nevertheless, the market downturn led to a decline in component volume that could not be covered, and consequently net sales and operating income both weakened. Restructuring measures were implemented to address the adverse impact on earnings from the sharp decline in component demand, including major cost and inventory reductions, and personnel expense reductions including through lower staffing levels.

### ● Overview by Subsegment

#### Drives

Net sales and operating income were both below the previous year's levels as a result of a large decline in volumes for general-purpose inverters, small motors, and other components, caused by the global economic downturn, combined with the stronger yen.

Emergency countermeasures were implemented to address the sudden deterioration in market conditions and strengthen the business. The migration of the production of general-purpose inverters and small motors to China was accelerated to enhance cost competitiveness and reduce exchange rate risks. In addition, production management based on estimates of demand was strengthened, and consequently inventories were significantly reduced.

Furthermore, an organizational structure was created to develop a solutions business focusing on our highly competitive component products, in order to strengthen our business in the field of "energy and the environment," which is a new market being emphasized.

In particular, development capabilities and cost competitiveness were bolstered, and overseas development accelerated, within the power supply business, which includes uninterruptible power supply system (UPS). A basic agreement was also concluded to merge the power supply business with TDK Corporation subsidiary TDK-Lambda Corporation, for the purpose of meeting new demand in areas like green IT, primarily for green Internet data centers (IDCs), thereby further enhancing our competitiveness.

In addition, new models of high-voltage inverters that will contribute to reduced CO<sub>2</sub> emissions in China were brought to market, and production facilities in China were expanded to grow the overseas business.

#### Automation

Despite solid results from large systems products, including radiation control systems for electric power companies, net sales and operating income were both below the previous year's levels as measuring instruments and other components felt the impact of lower global demand and from the removal of an information systems subsidiary from the scope of consolidation.

Progress was made in restructuring to strengthen the components business, including measuring instruments, by reducing costs and inventories, discontinuing unprofitable models, and accelerating the shift to overseas production.

The solar cell business was impacted by weaker economies in Europe, which had seen high demand to date, and consequently volumes fell short of plan. In order to expand the photovoltaic power generation systems business going



**Electronic Personal Dosimeter**  
 Fuji Electric has introduced a new electronic personal dosimeter to measure exposure to radiation within nuclear power plants. In addition to being new Japanese Industrial Standards (JIS)-compliant, the use of a color LCD screen increases convenience.



**Substation Equipment for Aluminum Refinery**  
 We have supplied substation equipment including high-capacity rectifiers (equipment that convert alternating current to direct current) as primary power supply equipment for aluminum refineries in the Middle East.

forward, utilizing solar cells with the special features of being "lightweight, thin and flexible" combined with our technologies and experience in systems construction, the Photovoltaic Power Business Project Group has been newly established to handle the entire process from solar cell manufacturing to engineering, and related internal resources are being integrated into this structure.

### Industrial Plant Engineering

The subsegment had solid results from large overseas projects, but with the removal in the water environment business of a subsidiary from the scope of consolidation in connection with the establishment of the METAWATER Co., Ltd. joint venture with NGK INSULATORS, LTD., net sales and operating income both fell short of the previous year's levels.

The subsegment has had a solid stream of orders for the past several years, primarily from domestic and overseas private-sector capital investment for large projects, and as a result manufacturing and engineering maintained a high level of capacity utilization throughout the year.

Fuji Electric Group boasts the top global share of the market for high-capacity rectification equipment, and has built up a proven track record in many countries around the world—in particular including sales in the Middle East of some of the rectification equipment for one of the world's largest aluminum refineries. Equipment for cleanrooms is another of our strengths, where we have a history of sales for large cleanrooms for major LCD panel factories. The subsegment has also had a solid pace of deliveries of substation equipment for railways and factories.

In addition, the business is being reinforced through thorough project management as a way of boosting profitability.

### Electric Power Systems

Subsegment net sales and operating income rose from the previous year on large geothermal power projects overseas.

Overseas orders for both thermal power and geothermal power facilities have remained solid for the past several years, and during fiscal 2008 the subsegment had a record high level of capacity utilization in the manufacturing and engineering of steam turbines and power generators.

Geothermal power facilities are a focus of attention for clean energy, and the Fuji Electric Group is a global top-tier name in this field. Fiscal 2008 sales included equipment for large-scale plants in Oceania and Asia.

The subsegment has also been gaining market share in thermal power facilities with a strategy of specializing in medium-capacity systems, with many deliveries of turbines and generators to developing countries with robust demand for electrical power.

In addition, continuous manufacturing process reengineering has contributed to profitability by shortening manufacturing lead times and reducing costs.

### Electric Distribution & Control (ED&C) Components

From the beginning of the fiscal year, we took steps to restructure the business, such as reorganizing production facilities and cutting fixed costs through workforce reductions, but the rapid, large decline in manufacturing in Japan and overseas from the second half of the fiscal year led to a large decline in demand from machinery manufacturers, the subsegment's key customers, and net sales and operating income came in below the previous year's levels as a result.

The subsegment set up a joint venture with the Japanese entity of France's Schneider Electric Industries SAS on October 1, 2008. Both companies have leading global market shares, and by combining their strengths, expanding their product lineups by mutually supplying products, increasing development efficiency through joint development, and integrating their high product quality and service and consulting capabilities, the venture aims to grow into the world's leading component and solution provider in the field of power distribution and industrial control equipment.



**Power Receiving and Distribution Substation Equipment for Railway Companies**

We have supplied power receiving and distribution substation equipment including gas insulated switchgears (equipment to immediately cut off the electricity when a distribution network experiences an abnormal flow), silicon rectification equipment, and switchboard equipment for main controls.



**Turbines and Generators**

Orders and shipments for turbines and generators for thermal power and geothermal power facilities are growing, especially in China and Southeast Asia.

## Market Environment and Operational Policy for Fiscal 2009

### ● Market Environment and Issues

In light of the global economic crisis, the trend of restrained overall domestic capital investment is expected to continue in fiscal 2009.

In materials industries including steel and chemicals, where the segment has an extensive track record, lower production associated with lower demand appears unavoidable, and declines are being seen in new large-scale investment projects. On the other hand, demand for facility upgrades and maintenance is seen remaining relatively firm.

Processing and assembly industries, in particular the semiconductor and automotive fields, have experienced a marked decline in market conditions, and with investment plans being postponed or frozen, the segment is seen as being considerably affected. At the same time, however, demand in the field of “energy and the environment,” including green IDCs, is expected to remain firm.

Overseas, there has been a significant reduction in capital investment, and orders for general-purpose inverters and other component products in particular are seen remaining weak. Although there are signs of a bottoming out in demand in certain regions, especially China, we believe a full-fledged recovery will require more time. The plant business has also seen some orders postponed, but given the robust demand for energy in developing countries we expect orders for thermal power and geothermal power facilities to remain solid.

### ● Operational Policy

For the segment overall, management resources are being shifted to the field of “energy and the environment,” and the solutions business, which packages highly competitive components with engineering capabilities, is being expanded. High market growth is forecast for the drives and automation subsegments, which are being positioned as “growth businesses,” while the industrial plant engineering and electric power systems businesses are expected to be able to generate stable profits against a backdrop of solid demand, and are being positioned as “stable businesses.” Accordingly, management resources will be focused on growth businesses, while restructuring continues. Further expansion of overseas production and restructuring of the domestic production organization are being carried out to increase cost competitiveness, with the aim of creating a strong business constitution that is less susceptible to market changes, including trends in demand and prices. In addition, management resources will be focused on high-value-added product lines through further selection and focus of products.

Development personnel are being reallocated and common technology platforms are being built to raise development speed and efficiency. At the same time, the supply chain is being innovated to incorporate thorough purchasing and production planning based on demand forecasts, and by raising visibility of inventories and distribution.

Through these efforts, we will strive to significantly lower break-even sales point and generate increased cash flow.



#### PM Synchronous Motor

We have released a series of permanent magnet (PM) synchronous motor products with output ranging from 11kW to 315kW. Compared with an induction motor, size is reduced by 35% and mass by 40%, thereby achieving a high degree of compactness and efficiency.



#### Drive S Breaker

The Drive S Breaker starts and stops connections for drive-load power sources, and was jointly developed with three electric power companies. The breaker uses a starting current to eliminate unnecessary actions, for a long life, and is equipped with a highly reliable electronic control.

## ● Subsegment Policies

### Drives

As a core subsegment, the business will emphasize solutions for railways and ship construction companies focusing on inverters and motors, social and industrial infrastructure solutions, and IDC solutions focusing on highly efficient UPS.

We will continue to increase cost competitiveness in general-purpose inverters, small motors, and other components by shifting production from Japan to China, while also pursuing optimal logistics management by building a global distribution center.

We are also aiming to surpass our competitors to achieve the largest share of the domestic medium- and large-capacity market for power supply systems including UPS.

### Automation

In the area of measuring instruments, we will emphasize environment-related and energy-related products, while also accelerating the shift to overseas production and exercising thorough selection and focus in terms of models.

We will utilize our proprietary special features in solar cells of being "lightweight, thin and flexible" to create new demand, including increased installation in places like curved roofs that have been difficult to accommodate to date. Going forward, in addition to products like highly efficient power conditioners that are equipped with our power semiconductors, we intend to utilize our engineering capabilities to expand the business of high-efficiency photovoltaic power generation systems.

In addition to our strength in power system and grid connection technologies, we intend to develop systems to control the balance of supply and demand in solar and wind power generation, which have unstable outputs, as well as dispersed power network systems like smart grids, which "visualize" electric power supply and demand in real time and are controlled using power balancing control technology.

### Industrial Plant Engineering

Capacity utilization levels are expected to remain high in fiscal 2009 with many large-scale projects, including some of the world's largest rectification equipment in the Middle East and large cleanrooms for LCD panel plants.

Although the outlook for infrastructure is increasingly unclear, we will utilize our experience in this subsegment and devote all our effort to winning large-scale orders. We will also work to raise profitability by pursuing total cost reductions, including for products purchased externally, to enhance our cost competitiveness.

#### GLOSSARY

- **Power balancing control:** The real-time monitoring of the amount of supply and demand of electrical power, used in order to control supply in line with changes in demand.

## Electric Power Systems

Demand for geothermal power generation is expected to grow as a clean energy source that releases almost no CO<sub>2</sub>. We will strengthen this business with the aim of increasing our current top global market share of more than 40% in geothermal power generation systems to 50%. We will also strive to secure large-scale orders for thermal power generation systems including geothermal systems.

Going forward, we will also reinforce our turbine generator business for desalinization plants as demand for desalinization of seawater grows, and also emphasize renovation construction to extend the life and increase the efficiency of existing equipment.

In addition, manufacturing process reengineering activities will continue, as we work to further raise profitability by further reducing manufacturing lead times and reducing costs, including for products purchased externally.

## ED&C Components

We are designating power distribution as a key market, and utilizing our joint venture with Schneider Electric Industries we will expand our complete lineup of products ranging from main lines to branch lines, including one of the world's smallest class of low voltage air circuit breaker (ACB). We will also work to increase orders by enhancing our ability to propose solutions for renovation and energy-saving systems by moving technical staff to sales divisions. We will strive to strengthen the earnings structure through continued restructuring and reducing fixed costs by lowering the break-even sales point.

## Strengthening Businesses through Collaboration

## TOPICS

### Power Supply Business Merger

A basic agreement has been concluded to merge the TDK Corporation subsidiary TDK-Lambda Corporation with our UPS business (as a consolidated subsidiary of the Fuji Electric Group) on October 1, 2009.

TDK-Lambda's strength is in small- and medium-capacity UPS, while the Fuji Electric Group specializes in large-capacity models. Combining these businesses will make it possible to create synergies, accelerate development, and reduce costs at both companies, as well as expand sales channels. In addition, building cooperative relationships with overseas manufacturers that have technological tie-ups with TDK-Lambda will accelerate our expansion into China and Southeast Asia.

Through these initiatives, we aim to surpass our competitors and acquire the No. 1 share of the domestic market for medium- and large-capacity (10kVA and higher) UPS.

### Business Tie-up for Electrical Equipment for Railway Rolling Stock

In June 2009, we concluded a basic agreement with Toyo Denki Seizo K.K. for a business tie-up in the area of electrical equipment for railway rolling stock in overseas markets.

Fuji Electric provides drive components and auxiliary power supply systems for Shinkansen (bullet train) and other rolling stock, and Toyo Denki provides electrical equipment (controllers, monitors, gears, motors, etc.) for rolling stock. Through this tie-up, both companies will have full-product system lineups by mutually supplying their respective rolling stock electrical equipment, with the aim of quickly expanding business opportunities in overseas high-speed rail and urban transportation markets, including China, India, and Southeast Asia, where there is an ongoing modal shift toward rail transportation, and North America, where a high-speed rail network is being promoted.



UPS

# Electronic Devices Group

Based on the basic technologies it has cultivated over many years, the Electronic Devices Group has worldwide operations in three areas in which it boasts technological excellence—semiconductors, magnetic disks, and photoconductive drums. With the aim of realigning the portfolio toward the field of “energy and the environment” for future growth, the semiconductor business will be merged into the Energy & Electric Systems Group from October 1, 2009, to create a structure for the generation of Group synergies. The magnetic disk business will also be spun off as a specialized manufacturer to better respond to the speed of changes in the market environment and technological innovation. Additional initiatives toward a recovery in earnings will include aggressive business restructuring focusing on shifting manufacturing to overseas production centers.



**Haruo Ito**  
President and Representative Director  
Fuji Electric Device Technology Co., Ltd.

## COMPETITIVE ADVANTAGES

In the field of semiconductors, the segment has unique technological strengths in areas including process technologies and device technologies, as well as application technologies of power electronics and power management. In addition to technological capabilities related to research and product development, the segment has sophisticated mass production technologies for achieving the highest level of product quality.

The magnetic disk business uses proprietary technologies and state-of-the-art production lines to manufacture media with the industry’s highest levels of recording density.

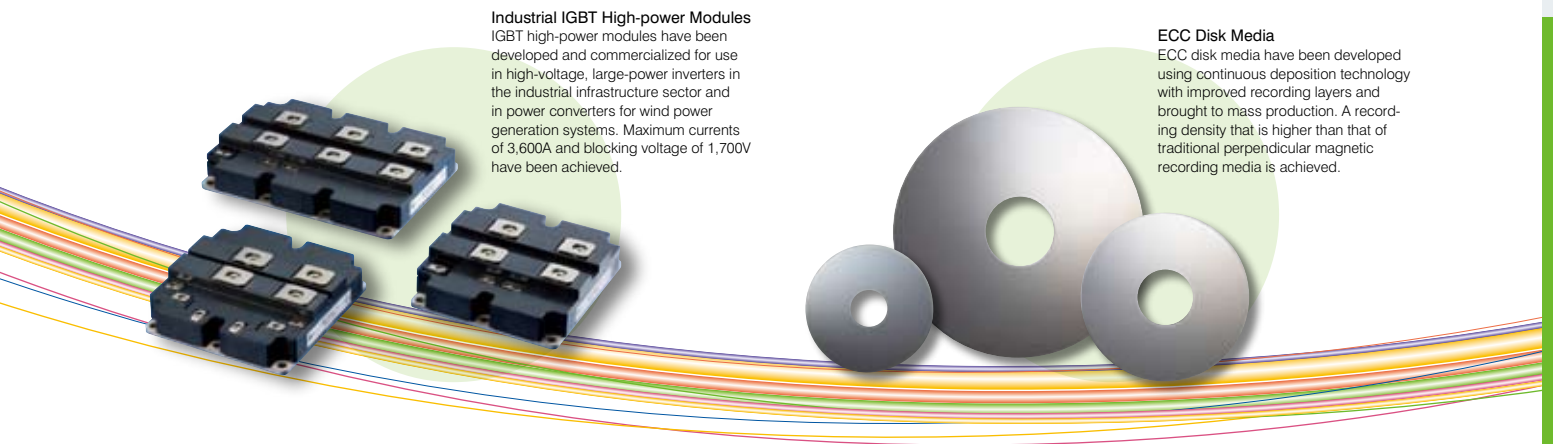
The segment is also highly competitive in the area of photoconductive drums, with low-cost, high-quality product capabilities from an end-to-end production system in China combined with advanced manufacturing technologies.

## FISCAL 2008 OVERVIEW AND INITIATIVES

- Net sales declined 23.4%, to ¥141.6 billion, with a corresponding ¥31.0 billion operating loss.
- The semiconductor subsegment experienced a large decline from reduced capital investment, and inventory adjustments by hard disk drive (HDD) manufacturers resulted in a sharp drop for magnetic disks.
- The business is being restructured, including shifting production overseas and reorganizing production centers.

	Billions of yen			
	FY2006	FY2007	FY2008	Change (YoY)
Net Sales	182.3	184.8	141.6	-43.1
Operating Income (Loss)	19.2	8.1	(31.0)	-39.1





**Industrial IGBT High-power Modules**  
 IGBT high-power modules have been developed and commercialized for use in high-voltage, large-power inverters in the industrial infrastructure sector and in power converters for wind power generation systems. Maximum currents of 3,600A and blocking voltage of 1,700V have been achieved.

**ECC Disk Media**  
 ECC disk media have been developed using continuous deposition technology with improved recording layers and brought to mass production. A recording density that is higher than that of traditional perpendicular magnetic recording media is achieved.

## Segment Overview for Fiscal 2008

### ● Business Results

Net sales declined 23.4% from the previous year, to ¥141.6 billion, as a result of the rapid deterioration in markets worldwide from the second half. The semiconductor subsegment was impacted by weak demand for capital investment, mostly in the industrial sector, and magnetic disks were hit by inventory adjustments by HDD manufacturers and a drop in market prices.

Operating income decline by ¥39.1 billion, to a ¥31.0 billion operating loss, as the semiconductor and magnetic disk subsegments were impacted by production cuts in response to sharply weaker markets compounded by a stronger yen.

The semiconductor subsegment introduced new products for automotive application and developed large-capacity modules and lineups for wind power generation and railways. At the same time, the magnetic disk subsegment pursued higher-value-added products with full-scale mass production of large-capacity 2.5-inch glass substrate disks (250 GB/disk) and 3.5-inch aluminum substrate disks (500 GB/disk). Restructuring was also undertaken to address the significant deterioration in results stemming from the weaker markets, including production shift overseas, reorganization of production factories, and fixed cost reductions.

### ● Overview by Subsegment

#### Semiconductors

Net sales and operating income were both below the previous year's levels as a result of significantly lower demand.

New power semiconductors and pressure sensors for automotive applications were introduced, but sales were weak, reflecting sluggish automobile sales in the United States and major production cuts by Japanese automakers.

Industrial products saw the development and addition to the lineup of large-capacity IGBT modules for wind power generation and railways, as the business began to move toward the field of "energy and the environment," but the business was unable to recover from customer inventory

adjustments and reduced investment in manufacturing equipment, resulting in a large decline in sales.

In products for information and power supply systems, the sales and technical support structure in China and Taiwan was strengthened by hiring local engineers and setting up new support centers, with the aim of increasing sales in the region. Nevertheless, reflecting the market deterioration, orders for power supply devices (power supply ICs, MOSFETs, diodes) were weak, and lower demand for plasma display panel (PDP) driver ICs resulted in a large overall decline in sales. As one part of the business restructuring, we withdrew from the PDP driver IC business because of continued weak demand.

#### Magnetic Disks

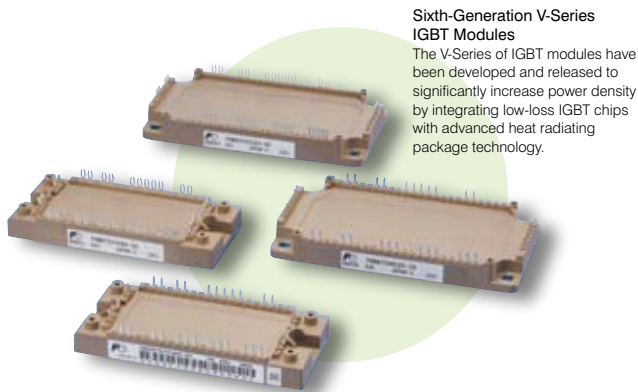
The HDD market was severely impacted by the deterioration in macroeconomic conditions, and hard disk (HD) demand fell sharply. As a result, both net sales and operating income came in significantly below the previous year's levels.

Against this backdrop, we achieved dramatically higher densities in HDs with the development of perpendicular recording media using industry-leading ECC technology, launching and commencing mass production of 250 GB/disk 2.5-inch glass substrate disks and 500 GB/disk 3.5-inch aluminum media as new products.

Restructuring measures were also implemented to raise profitability, including shifting production overseas and realigning production centers.

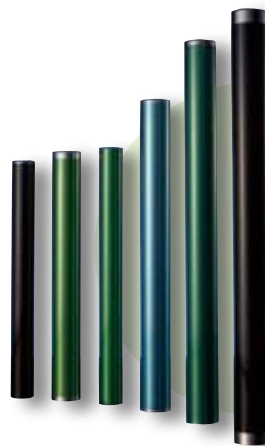
#### Photoconductive Drums

Although demand for major photoconductive drum products declined on lower shipments of printers and copiers, sales of low-priced units to major customers remained firm, and Fuji Electric's shipment volume rose from the previous year. Nevertheless, net sales and operating income were lower on drops in market prices and the yen's appreciation.



**Sixth-Generation V-Series IGBT Modules**

The V-Series of IGBT modules have been developed and released to significantly increase power density by integrating low-loss IGBT chips with advanced heat radiating package technology.



**Photoconductive Drums**

Photoconductive drums play an important role in generating images in digital copiers and color printers. Fuji Electric has developed and commercialized products that meet needs for higher printing quality and faster printing speeds with high image stability, which are also more durable than previous products.

**Market Environment and Operational Policy for Fiscal 2009**

● **Market Environment and Issues**

The semiconductor market is expected to contract by more than 20% from fiscal 2008. With sluggish automotive and factory automation-related investment, a recovery in industrial semiconductors is not anticipated until the second half of fiscal 2009. Although inventory adjustments in the automotive sector are seen as ending during the first half of the fiscal year, the pace of the recovery itself is seen as very slow. Firm growth is forecast, however, for products related to "energy and the environment" (wind and solar power generation, hybrid vehicles, etc.).

The HDD market is seen as remaining weak for some time, and although gradual growth in HDD demand is forecast from the second half, demand is expected to fall short of the previous year's level.

Within the HDD market, however, growth in demand is forecast for products for netbooks and other low-priced laptops as well as for external HDDs.

A gradual recovery is forecast for photoconductive drums as channel inventories decrease and from growth in low-priced models, nevertheless, a slight overall market contraction is forecast.

● **Operational Policy**

Segment results are expected to remain weak in fiscal 2009. Restructuring to rebuild the earnings base will continue, with measures including increasing the share of overseas production to lower costs and reduce exchange rate risks, and reducing overall expenses.

● **Subsegment Policies**

**Semiconductors**

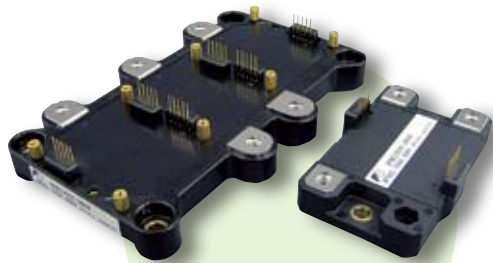
Within the automotive application sector, the market for products for hybrid vehicles is expected to grow, and we intend to increase volumes primarily for automotive IGBT and other power semiconductors.

We will work to increase sales in the industrial sector by introducing new sixth-generation IGBT modules (V-Series) for areas where market growth is anticipated, including wind and solar power generation.

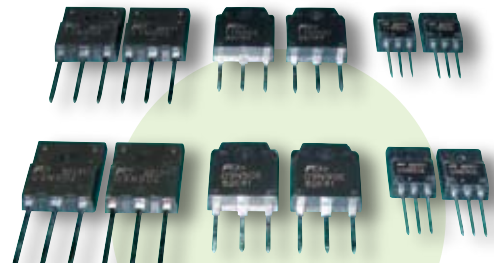
In information and power supply products, we will focus on increasing sales of power supply devices (power supply ICs, MOSFETs, diodes) to address energy conservation needs in China and Taiwan and of products for green IDCs.

**GLOSSARY**

- **MOSFET:** Metal-oxide-semiconductor field-effect transistor. Transistors suitable for high-speed switching and energy saving, due to voltage controlled feature. IGBTs are used for high-current, high-voltage applications.
- **ECC:** Exchange coupled composite. A type of recording media structure technology that uses multiple magnetic layers with individual functions to simultaneously fulfill the contradictory requirements of "long-term stability of recorded data" and "ease of reading and writing data."
- **DTM:** Discrete track media. A type of media that increases recording density by separating recording tracks to reduce inter-track interference.
- **BPM:** Bit patterned media. An extension of DTM that is formed by isolating each individual recorded pit to reduce inter-bit interference in addition to reducing inter-track interference.



**Motor Drive IGBT Modules for Hybrid Vehicles**  
 Fuji Electric has developed and manufactured automotive IGBTs with small form factor and low loss that are optimal for inverters used in motor drives in hybrid vehicles. The sixth-generation V-Series reduces loss and achieves high current density.



**Power MOSFET SuperFAP-E³ 900V-Series**  
 Fuji Electric has developed and released a switching device family that meets high-efficiency and low-noise requirements for switching power supplies. Improved power efficiency and lower temperature-increase contribute to saving energy.

We will shift the subsegment portfolio in the direction of “energy and the environment,” and with restructuring including increased overseas production and the reorganization of production facilities, we will build a business able to withstand fluctuations in demand.

**Magnetic Disks**

We will work to maintain and increase market share and secure sales by steadily enhancing product quality and work for customers to approve our new products. In terms of restructuring, in addition to accelerating extensive cost reductions by moving production to overseas facilities,

we will also work to increase earnings by pursuing higher productivity. We will also address the market trend toward larger storage capacities through development of next-generation media, namely next-generation ECC media, DTM media, and BPM media.

**Photoconductive Drums**

We aim to maintain earnings through extensive fixed cost reductions and by significantly reducing costs with the introduction of new materials that achieve high quality at a low cost.

**Space Power MOSFETs**

The International Space Station (ISS), where a variety of tests are currently being carried out, uses power from solar panels converted to a voltage that can be then used by the various equipment onboard. Fuji Electric’s space power MOSFETs are used as main components in this power supply unit.

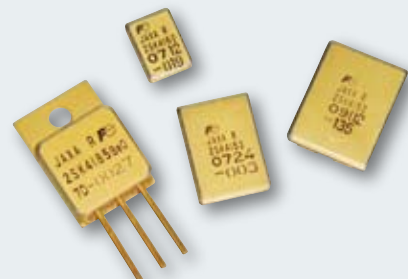
This product technology was jointly developed with the Japan Aerospace Exploration Agency (JAXA) for semiconductor chips that resist the radioactive particles in space. This technology provides resistance to damage from highly charged particles emanating from solar activity and events like supernovas. Chips using this technology can operate properly in space for 10 years despite the constant bombardment of ionizing radiation. Gold plating is also applied to the package surface to resist oxidation.

The Group’s history with devices for use in space began roughly 25 years ago with the “Pure Domestic Rocket Development Project”—the 1994 launch of the first domestically manufactured H-II rocket. The ISS currently uses first-generation space power MOSFETs, and we are preparing mass production of second-generation models whose development has been complete.

TOPICS



International Space Station (ISS)  
 Photo: NASA / JAXA



# Retail Systems Group

The Retail Systems Group's two main businesses are beverage vending machines, in which it has the largest market share, and cold-chain equipment, primarily the refrigerator and freezer display case business including design and installation at stores. The segment also has a third business of currency handling systems, which consists primarily of automatic change dispensers and electronic money-related equipment.

As an industry leader, we are utilizing the technological expertise built up over many years to add even more value to our products through energy conservation efforts, including development of environmentally friendly vending machines that use even less electrical power.



**Hiroshi Nishigaki**  
President and Representative Director  
Fuji Electric Retail Systems Co., Ltd.

## COMPETITIVE ADVANTAGES

The segment has a strong customer base in the retail sector, and utilizes its superior energy and environment-related technologies in a variety of products, especially in the vending machine business where it has the top market share. The currency handling systems business also has a stable customer base, reflecting its leading industry position in bill and coin identification and discrimination technologies and currency handling technologies, along with its nationwide sales, maintenance, and service network.

## FISCAL 2008 OVERVIEW AND INITIATIVES

- Net sales declined by 14.0%, to ¥136.4 billion, with a corresponding ¥0.4 billion operating loss.
- The vending machine business was impacted by the end of demand for the installation of age-verification equipment on cigarette vending machines and a decline in overall demand during the second half.
- Energy-saving heat pump vending machines showed solid results.

	FY2006	FY2007	FY2008	Billions of yen Change (YoY)
Net Sales	152.5	158.6	136.4	-22.2
Operating Income (Loss)	2.3	2.7	(0.4)	-3.1



#### Environmentally Friendly Vending Machines

Energy consumption is reduced by maximizing operating efficiency through improvements in cold heat unit circuitry and by adding heat pump technology.



#### Automatic Change Dispensers

Supermarkets and other retailers are increasingly installing automatic change dispensers to reduce the checkout time at the cash register. This makes it possible to automate cash management from deposits to withdrawals.

## Segment Overview for Fiscal 2008

### ● Business Results

The segment worked to enhance earnings strength in vending machines and cold-chain equipment, with the goals of “strengthening the earnings structure” and “expanding business fields in growth sectors,” while also pursuing growth in currency handling systems, mainly in automatic change dispensers and electronic money-related equipment.

Despite these efforts, however, the segment’s net sales declined 14.0% from the previous fiscal year, to ¥136.4 billion, reflecting weakness in demand for vending machines, currency handling systems, and cold-chain equipment as a result of deteriorating market conditions. Vending machines in particular had lower sales from weaker market conditions, and with a further effect from steel material prices, the segment’s operating income declined ¥3.1 billion, to a ¥0.4 billion operating loss.

### ● Overview by Subsegment

#### Vending Machines and Food Service Equipment

Sales of mainline beverage vending machines were down from the previous year as major customers held back on investment, and the overall market weakened drastically from the second half. Cigarette vending machines also had significantly lower sales as demand from the installation of age-verification equipment ended. Despite efforts to cut costs and reduce overall expenditure, operating income fell significantly as a result of lower sales and a jump in prices for steel materials.

At the same time, however, heat pump machines using natural refrigerants, and energy-saving heat pump can vending machines using refrigerants with superior refrigeration properties, were developed as environmental initiatives and performed well against a backdrop of greater environmental awareness.

#### Currency Handling Systems

Orders for automatic change dispensers remained firm, as the market grew on active installations by specialty stores as well as small and medium-sized supermarkets. On the other hand, despite the release of terminals able to handle multiple electronic money standards, sales of electronic money-related equipment declined on market weakness. There was a slight rise from the previous year in operating income, however, as a result of thorough SG&A expense and other cost reductions.

#### Cold-chain Equipment

Although the number of convenience store openings has declined on a lack of franchisees, sales to this sector have been maintained by promoting total orders that include both construction work and interior finishing work. Supermarket sales declined, however, as store openings and renovations were postponed because of the cooling of retail consumption, and the subsegment focused on more profitable areas. As a result, subsegment sales were down slightly from the previous year, but a turnaround to profitability was achieved as a result of various initiatives to strengthen the business, including business restructuring, thorough property management, enhanced engineering capabilities, and cost reductions.



**Terminals for Electronic Money Settlement**  
We have released multi-brand terminals that are able to handle multiple standards of electronic money while at the same time raising security levels.



**Refrigerated Multi-shelf Open Display Case**  
Annual energy savings of up to 25% are possible if operations are optimized in line with the store environment.

## Market Environment and Operational Policy for Fiscal 2009

### ● Market Environment and Issues

The market for food and beverage vending machines is seen remaining weak through the first half of fiscal 2009 on restrained investment. A recovery is forecast from the second half, however, and we see demand growing and shifting toward environmentally friendly, energy-saving types of beverage vending machines as the main sector product.

We expect a gradual market recovery for currency handling systems on increasing needs in the retail industry for operational cost reductions, labor savings, security measures, and differentiation and customer retention.

We are forecasting increased competition in the area of cold-chain equipment as investment projects in the retail industry become smaller. At the same time, there is a major trend in the food retailing industry of increased attention to "food safety and peace of mind," measures to save energy to prevent global warming are gaining momentum, and with the additional factor of an aging population combined with the falling birthrate, we believe the business will become more community based.

### ● Operational Policy

Despite difficult market conditions, we will strive to quickly grasp changes in the operating environment while taking a unified approach that includes sales, manufacturing, and service, as we develop businesses with a focus on energy savings and the environment, and institute measures to reduce aggregate costs to bring about a recovery and enhance earnings strength in the areas of vending machines and food service equipment, currency handling systems, and cold-chain equipment.

### ● Subsegment Policies

#### Vending Machines and Food Service Equipment

The subsegment is expanding its lineup of heat pump-type environmentally friendly beverage vending machines with even greater energy-saving features, as it steps up its efforts to achieve a low-carbon society. Specifically, the lineup of can vending machines is being strengthened with models equipped with heat pumps that use natural refrigerants as well as with advanced energy-saving heat pumps. At the same time, new energy-saving, environmentally-friendly cup and paper-pack vending machines are also being added to the lineup. In addition, we plan to develop and bring to market new types of food vending machines and to actively promote these products. We will also work to enhance earnings strength in terms of manufacturing through cost reductions and reviews of manufacturing operations.

### Currency Handling Systems

Using our advanced technological capabilities developed to date in both areas of “real” (cash) and “virtual” (electronic) money, we will provide products that meet the needs of customers and strengthen our locally-focused marketing activities in all regions, with the aim of increasing orders. At the same time, we will seek to enhance the subsegment’s earnings strength through SG&A and other cost reductions.

### Cold-chain Equipment

In addition to pursuing development that incorporates energy-saving technologies, we will work to provide stores with comprehensive, value-added solutions under the banners of “the environment and energy savings” and “food safety and peace of mind” using the Fuji Electric Group’s wide range of products including film-type solar cells. Strengthening our locally-focused marketing of these solutions will lead to orders, and at the same time we will aim to further enhance the earnings structure by building on the previous years’ initiatives to raise productivity, reinforce property management, and strengthen engineering capabilities.

## Conserving Electricity Used by Vending Machines

## TOPICS

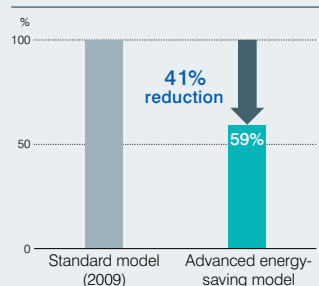
As part of our efforts to reduce electrical consumption by vending machines, heat pump technology is being used to conserve energy in environmentally friendly can vending machines, and these models (Fuji Electric’s 2009 models) use roughly 41% less electricity than standard models.

Another of the vending machine business’ environmental initiatives is to appropriately quantify the environmental impact of a product at each stage of its life cycle, and to obtain an “EcoLeaf environmental label” to show that this has been done. The EcoLeaf environmental label is administered by the Japan Environmental Management Association for Industry (JEMAI), and Fuji Electric became the first in the vending machine industry to receive “System Certification” from JEMAI in 2008. This certification is given on a product business unit basis\*, following an inspection by JEMAI to certify that the business has the system required for an EcoLeaf environmental label, and that the system functions appropriately and effectively.

The Fuji Electric Group will continue to contribute to coexistence in the global environment by developing environmentally friendly vending machines and by pursuing activities to reduce environmental burdens by displaying environmental labels.

\* The product unit that received the “System Certification” was the Mie Plant of Fuji Electric Retail Systems Co., Ltd. The certification covered can and bottle beverage vending machines and paper-pack vending machines.

Comparison of Electricity Consumption



# Overseas Operations

Overseas sales were down 5.1% year on year, to ¥181.0 billion, while the overseas sales ratio rose 2.9 percentage points, to 23.6%.

Under the influence of the global economic crisis from the second half of fiscal 2008, sales declined substantially, centered on components, such as electronic components and

general-purpose inverters. On the other hand, strong results were recorded by power generation plants for Asia and by plant systems such as rectification equipment for the Middle East.

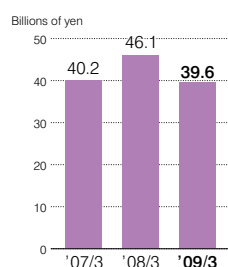
The Fuji Electric Group is promoting the construction of a global manufacturing and sales network aimed at the expansion of its overseas operations. In production, with the

## Net Sales

### Company Name (As of July 1, 2009)

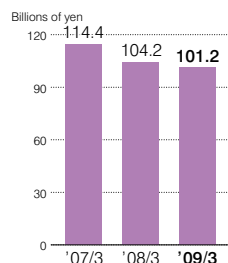
### Main Business

## China



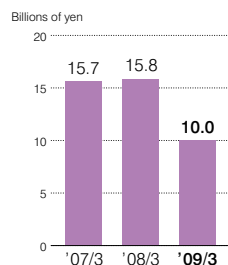
Wuxi Fuji Electric FA Co., Ltd.	Manufacture and marketing of inverters in China
Fuji Electric Motor (Dalian) Co., Ltd.	Manufacture of motors
Shanghai Fuji Electric Switchgear Co., Ltd.	Manufacture and marketing of switching equipment, monitoring and control appliances and related facilities and products
Fuji Electric Dalian Co., Ltd.	Manufacture of low-voltage circuit breakers
Fuji Electric FA (Asia) Co., Ltd.	Marketing of inverters, power distribution and control equipment, and semiconductor devices
Fuji Electric (Shanghai) Co., Ltd.	Marketing in China of products manufactured at Chinese production sites and marketing of imported products, as well as export sales of products manufactured at Chinese production sites
Fuji Electric (Shenzhen) Co., Ltd.	Manufacture and marketing of photoconductive drums
Fuji Electric Device Technology Hong Kong Co., Limited	Marketing of semiconductor devices and photoconductive drums
Hoei Hong Kong Co., Ltd.	Marketing, installation and repair of electrical machinery, control systems and electronic components

## Asia (except for China)



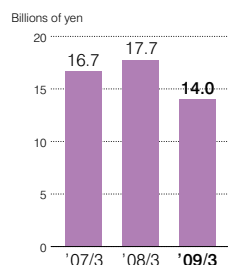
Atai Fuji Electric Co., Ltd.	Manufacture and marketing of motor application products
Fuji Electric FA Singapore Private Ltd.	Marketing of power distribution and control equipment and electronic application devices in Southeast Asia
Fuji Electric FA Taiwan Co., Ltd.	Marketing of power distribution and control equipment and electronic application devices in Taiwan
Fuji Electric Philippines, Inc.	Manufacture of semiconductor devices
Fuji Electric Semiconductor (Malaysia) Sdn. Bhd.	Manufacture of semiconductor devices
Fuji Electric (Malaysia) Sdn. Bhd.	Manufacture of storage devices (magnetic disks)
Fuji Electric Taiwan Co., Ltd.	Marketing of semiconductor devices and photoconductive drums
Fuji Electric Asia Pacific Pte. Ltd.	Marketing, installation and repair of electrical machinery, control systems and electronic components

## North America



Fuji Electric Corp. of America	Marketing, installation and repair of electrical machinery, control systems and electronic components
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## Europe

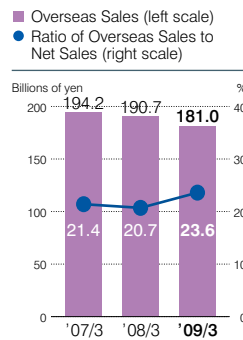


Fuji Electric Device Technology Europe GmbH	Marketing of semiconductors and photoconductive drums
Fuji Electric Europe GmbH	Marketing, installation and repair of electrical machinery, control systems and electronic components

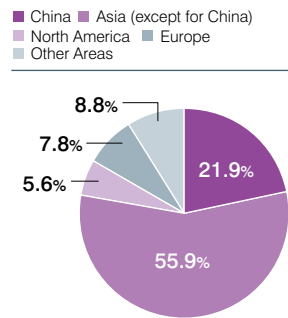


objectives of bolstering cost competitiveness and reducing exchange rate risk, we are advancing the shift to overseas production. In sales, to strengthen regional strategies and increase operational efficiency, we are consolidating overseas sales companies in Asia, North America, and Europe.

### Overseas Sales / Ratio of Overseas Sales to Net Sales



### Share of Overseas Sales by Region (Fiscal 2008)



## Overview of Operations by Region

Sales declined by 14.2% from the previous year, to ¥39.6 billion, due to lower demand for such products as general-purpose inverters and semiconductors.

In this market, our operations are led by a management administration company established in Shanghai in July 2008. We are taking steps to expand our operations in China, such as formulating marketing strategies utilizing the Group's sales network, conducting local R&D for products sold in China, and increasing the productivity of local manufacturing sites.

In the drive business, we have accelerated the shift of production to China for such general-use products as low-voltage

inverters and small motors, and we have worked to reinforce our cost competitiveness. In addition, we have built a high-voltage inverter plant on the premises of a general-purpose inverter production plant, thereby establishing an integrated production system extending from low-voltage to high-voltage products.

In the semiconductor business, we are working to expand sales of products in the field of "energy and the environment." To that end, we have bolstered our sales function in China and have undertaken sales activities with the objective of obtaining orders from new groups of customers, with a focus on wind power, solar power, and railroads.

Sales were down 2.9%, to ¥101.2 billion, due to substantially lower demand for magnetic disks and semiconductors, which offset large orders for such products as geothermal power plant equipment in Indonesia and thermal-power plant equipment in Vietnam.

The Company's initiatives in this market included strengthening the production operation for semiconductors and magnetic disks and working to obtain large orders for power generation equipment.

In the semiconductor business, we built a new manufacturing site for industrial IGBT modules in Malaysia, and thereby developed an integrated manufacturing system extending from wafer processes to assembly. Moving forward, we will advance the

shift of production to Malaysia and the Philippines, and we plan to raise the overseas production ratio from 0% to 20% in front-end processes and from 20% to 60% in back-end processes. In magnetic disks, we will also shift production to Malaysia, and we plan to raise the overseas production ratio from 50% to 75%.

In the electric power systems business, we already have a track record in obtaining orders for geothermal power plant equipment, and in the future we will endeavor to expand orders, focusing on the Southeast Asian market, which is expected to record continued growth.

Sales declined by 36.4% from the previous year, to ¥10.0 billion, due to lower demand for such products as magnetic disks, semiconductors, and general-purpose inverters.

In this market, we will work to expand sales, centered on drives and power generation equipment.

In the drive business, we will strive to increase sales, centered on the conveyance equipment, food products, and air conditioning equipment industries, by strengthening our sales operation for general-purpose inverters and expanding our sales network.

In the electric power systems business, we will work to obtain orders for geothermal power plant equipment, which is a promising market for future growth.

Sales declined by 20.6% from the previous year, to ¥14.0 billion, due to lower demand for such products as semiconductors and general-purpose inverters.

Moving forward, we will strive to expand sales of semiconductors, drives, and solar cells in this market.

In the semiconductor business, we will strengthen our sales system and target increased sales of high-capacity IGBT modules in the field of "energy and the environment."

In the drive business, we will strive to increase sales of general-purpose inverters, centered on the elevator, conveyance, and

air conditioning equipment industries, by strengthening and expanding our sales bases in Europe.

In the solar cell business, meanwhile, we will work to expand sales with applications that leverage the advantages of plastic film substrates, such as solar cells integrated with waterproof sheets or steel plates.

# Research and Development

## ● R&D Policies and Strategies

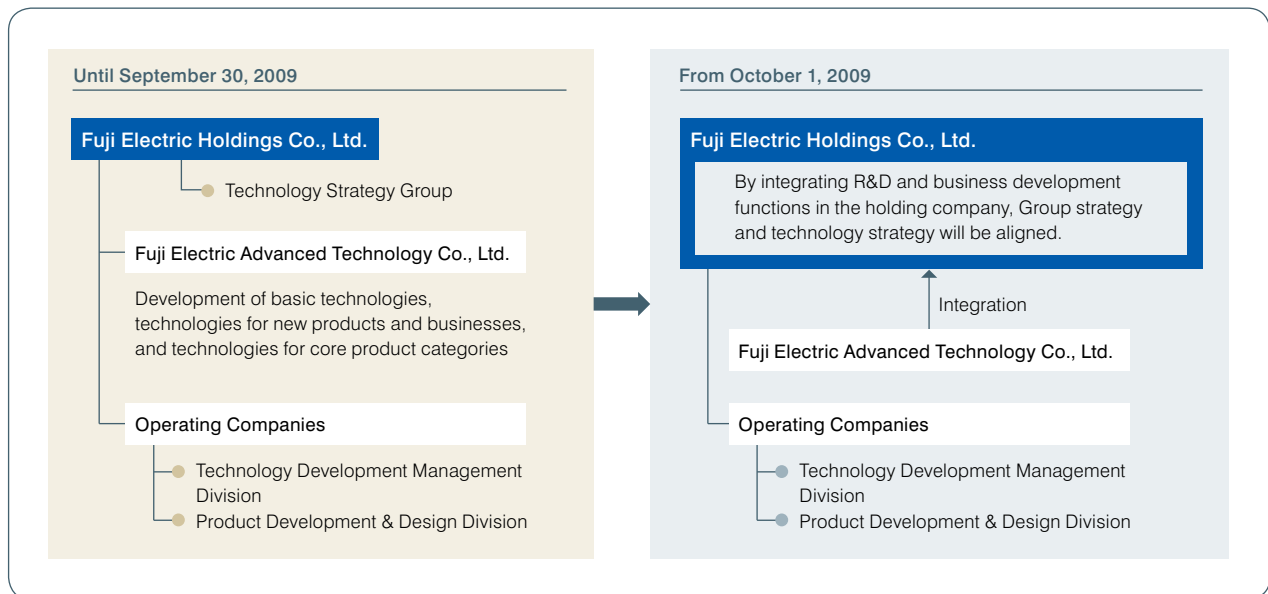
The Fuji Electric Group is pursuing more selective and focused research and development, and in accordance with the key words “energy and the environment,” the Group is working to develop components as well as solutions that use those components. The Group aims to promote the reinforcement of technological capabilities and the strengthening of medium- to long-term basic research activities with the aim of generating high market share, high revenues, and highly profitable products.

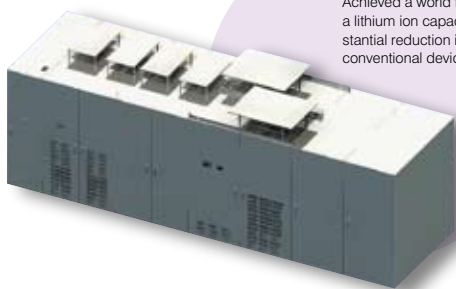
Specifically, based on electrical and machinery technologies, the Group works to refine distinctive core technologies, such as power electronics, and to upgrade technology development and basic research to accelerate the launch of distinctive new products. At the same time, we invest strategically in key product categories that support the core business of the Group.

## ● R&D Organization

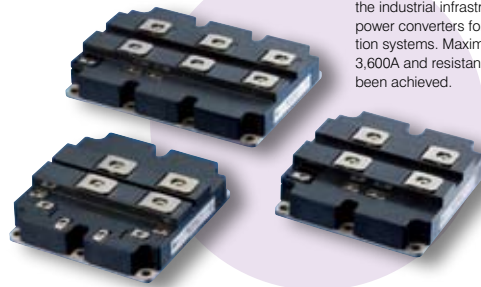
As the Group’s dedicated R&D company, Fuji Electric Advanced Technology Co., Ltd., has focused on the development of basic technologies, technologies for new products and businesses, technologies for core product categories, and technologies for production, as well as the creation of a common technology platform in the Group. From October 1, 2009, Fuji Electric Advanced Technology will be merged into the holding company.

By having each operating company focus on product development while aligning technology strategy with Group management strategy, we will work to enhance the centripetal force of Group management and increase the speed of commercialization, thereby maximizing corporate value.





**High-voltage Drop/Dip Compensator using a Lithium Ion Capacitor**  
 Achieved a world first with a unit that uses a lithium ion capacitor, resulting in a substantial reduction in size compared with conventional devices.



**Industrial IGBT High-power Modules**  
 IGBT high-power modules have been developed and commercialized for use in high-voltage, large-power inverters in the industrial infrastructure sector and in power converters for wind power generation systems. Maximum currents of 3,600A and resistance of 1,700V have been achieved.

## ● Products Resulting from Successful R&D Initiatives

### Energy & Electric Systems Group

In drives, we achieved a world first with the development and April 2009 launch of a high-voltage drop/dip compensator that uses a small, light lithium ion capacitor module as its energy storage device. The new device has two to three times the energy density of conventional electric double-layer capacitors, resulting in a 40% reduction in size. Also, for the China market, we developed a series of high-voltage inverters with 10kV output that will contribute to substantial energy savings, principally in the operation of fans and pumps.

In electric power systems, we completed development of technology to increase the capacity of air-cooled generators that can be manufactured in shorter periods of time. Using this technology, we have developed a new air-cooled generator that has one of the largest capacities in the world (290MVA output), and we plan to start shipments in 2009.

In automation, in measuring instruments, we have developed gas analyzers that can simultaneously measure seven constituents, including CO<sub>2</sub> in addition to the six constituents for which measurement is mandatory under the Air Pollution Control Law of Japan, such as NO<sub>x</sub> and SO<sub>2</sub>. Also, in film-type solar cells, we took steps to further increase quality and productivity and to improve conversion efficiency and output.

In ED&C components, meanwhile, we developed an MPC-Web unit with onboard Web server capabilities, as well as standard packaged software for building power monitoring systems that utilize the MPC-Web unit. In this way, we commercialized systems that facilitate energy saving.

### Electronic Devices Group

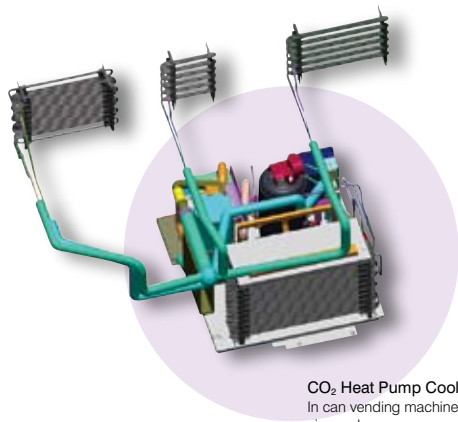
In semiconductors, targeting the fields of industrial infrastructure and alternative energy, such as wind power, we commercialized a high-power module that can support current ratings up to 3,600A and a sixth-generation IGBT module that contributes to reduced sizes of and higher efficiency in conversion systems. In automotive electrical and electronics equipment, we commercialized such products as high-voltage MOSFETs that contribute to increased fuel efficiency. In power supplies for such products as ultra-thin TVs, where there is an ongoing trend toward lower power consumption, we commercialized new series of quasi resonant mode power supply control ICs and high-efficiency, low-noise power ICs, which can be used to make high-efficiency power supply devices.

In magnetic disks, we led the industry in the development of ECC media technology that realizes further advances in perpendicular recording media, and we commercialized 2.5-inch 250 GB glass substrate media and 3.5-inch 500 GB aluminum substrate media. We also developed more reliable protective film technology, and commercialized 2.5 inch aluminum substrate media for servers.

In photoconductive drums, we commercialized photoconductive drums for small, inexpensive four-cycle laser printers and various organic photoconductors that meet market needs with a 40% increase in durability in comparison with conventional products.

#### GLOSSARY

- **Capacitor:** An electrical component that stores an electrical charge.
- **Drop/dip compensator:** Device that compensates for a drop in voltage by using energy stored in an accumulator or capacitor in response to the occurrence of voltage drops (decreased voltage for less than 2 seconds), which are a cause of production machinery malfunctions or stoppages.



**CO<sub>2</sub> Heat Pump Cooling Unit**  
 In can vending machines, we reduced the size and energy consumption of the heat pump cooling unit that uses CO<sub>2</sub> refrigerant.



**Phosphoric Acid Fuel Cell (PAFC)**  
 As a highly efficient 100kW power generator, these fuel cells contribute to energy saving and CO<sub>2</sub> emissions reduction.

### Retail Systems Group

In vending machines and food service equipment, we worked to expand the application of advanced energy-saving technologies to can vending machines, and we completed environmental friendliness enhancement measures for key machines. In cup vending machines, we utilized CO<sub>2</sub> as a natural refrigerant and succeeded in reducing energy consumption to 60% of the level of conventional machines.

In currency handling systems, we developed verification technology that offers substantially enhanced sensitivity in comparison with conventional technology, and we commercialized paper currency verification equipment that features reduced incidence of such problems as paper currency jamming. Also, in contactless IC card-related products, we commercialized terminals that are compatible with multiple brands of e-money and feature the industry's smallest footprint.

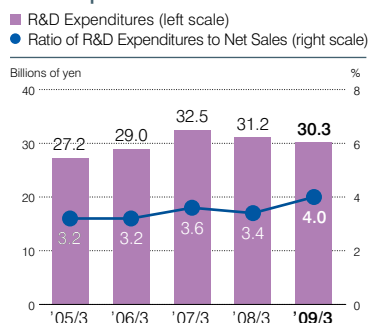
In cold-chain equipment, we developed picking equipment that maintains the safety of frozen products. Following field trials, this equipment has been applied in actual sites. In display cases, we developed a reduced energy-type product that reflects consideration for air conditioning, and we are currently proceeding with field trials.

### New Businesses and New Core Technologies

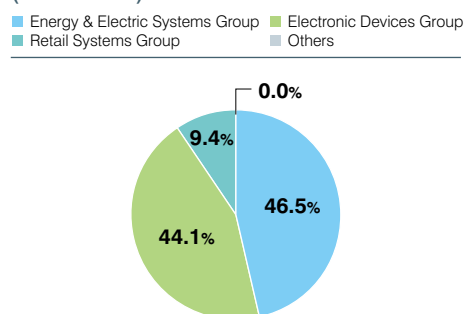
In phosphoric acid fuel cell (PAFC) power generation equipment, in July 2008 we became the first company in Japan to receive authorization for a product as an "emergency power supply" under the Japanese Fire Service Law. During non-emergency use, these fuel cells supply power and heat as a highly efficient 100kW power generator, and contribute to energy savings and reduced CO<sub>2</sub> emissions. During emergency use, they switch from system operation to independent operation within 40 seconds and serve as a power source for firefighting equipment. We also completed development of a new model that we had been working on since fiscal 2007. We have integrated ancillary equipment to substantially reduce installation time and increased reliability, and we plan to begin shipments from the second half of fiscal 2009.

In core technologies, meanwhile, we are working to strengthen individual technologies while also working to speed up and increase the efficiency of product design and development by creating a technology platform consisting of the Group's common core technologies in electronics, embedded systems, and other such fields, and we are utilizing the results of these initiatives throughout the Group.

#### R&D Expenditures

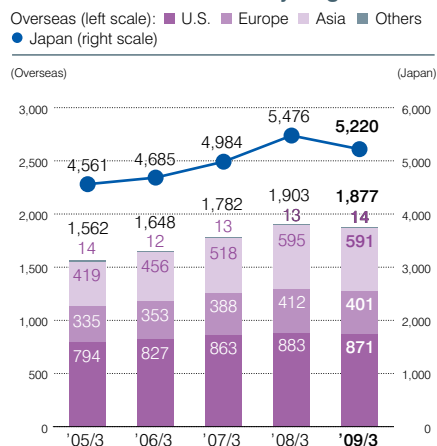


#### Share of R&D Expenditures by Segment (Fiscal 2008)

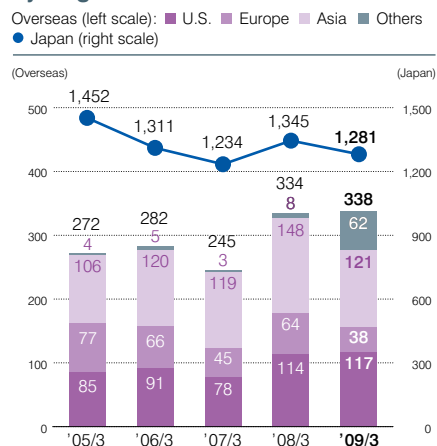


# Intellectual Property

**Number of Patents Held by Region**



**Number of Patent Applications by Region**



## ● Intellectual Property Policies

The Fuji Electric Group, based on a respect for both its own and other companies' intellectual property rights, is implementing an intellectual property strategy that is aligned with the Group's business and R&D strategies. All Group companies share a common patent strategy objective of improving their patent portfolios, and on that basis each company is working to (1) strengthen its portfolio through effective acquisition of patents, (2) reduce patent litigation risk through research and avoidance of infringement on patents held by other companies, (3) utilization of unnecessary patents through inventory-taking of patent holdings, and (4) management of an appropriate balance of patents for core products.

## ● Intellectual Property Management Organization

The intellectual property management framework comprises the intellectual property rights division of Fuji Electric Holdings Co., Ltd., which focuses on strategic functions, such as planning and development of the Group-wide intellectual property strategy; Fuji Techno Survey Co., Ltd., which is responsible for handling intellectual property operations; and individual operating company divisions responsible for intellectual property rights. These units cooperate on intellectual property activities based on a Group-wide intellectual property strategy.

In fiscal 2009, we will continue to take steps to build a patent portfolio that supports our competitive edge in a wide range of fields.

## ● Fiscal 2008 Results

To protect its business with an even stronger patent portfolio, the Fuji Electric Group filed nearly 1,300 patent applications in Japan in fiscal 2008, and the total number of patents held in Japan reached more than 5,200. Overseas, the Group filed approximately 340 patent applications in the United States, Europe, China, and other areas of Asia, primarily in such fields as semiconductors, magnetic disks, and ED&C equipment, and the Group holds approximately 2,000 patents overseas.

In the core field of "energy and the environment," we have filed applications for and hold patents related to alternative energy, such as film-type solar cells, and many patents that help increase efficiency and reduce energy and resource consumption in devices and equipment related to power semiconductors, inverters, and power supplies and other power electronics products. Moreover, in patents related to manufacturing, we have filed applications for and hold many patents in such areas as production technology for original film-type solar cells, production methods for phosphoric acid fuel cells, and production methods for semiconductor components and devices.

# Corporate Governance

The basic policy of the Fuji Electric Group is to seek to maximize its corporate value and to fulfill the management responsibilities entrusted to it by shareholders. The Group is working to strengthen corporate governance by increasing Group management transparency and bolstering the oversight function.

## ● Corporate Governance Promotion Framework

The Fuji Electric Group adopted a pure holding company system in October 2003 with the objectives of realizing autonomous management and establishing a business portfolio with a balanced mix of growth potential and profitability. Under this system, the holding company formulates strategies to optimize the entire Group's performance and provides oversight.

On the other hand, the core operating companies and other subsidiaries retain the necessary authority and responsibilities for conducting their own operations. The intent of this structure is to realize autonomous management, facilitate rapid decision making, and reinforce competitiveness in each business.

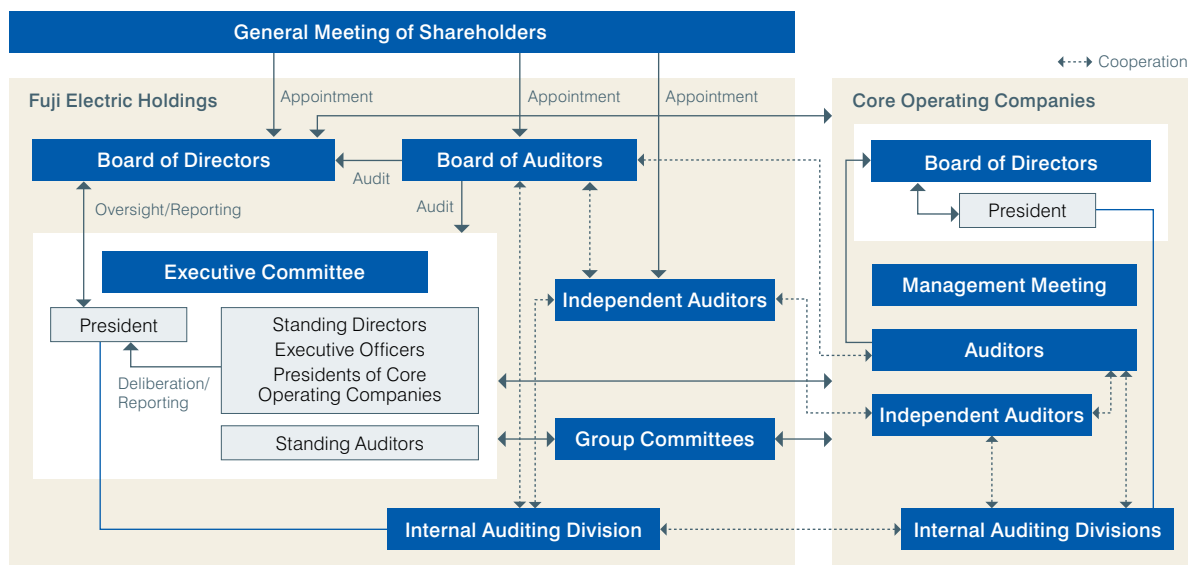
The Company has adopted the corporate auditor governance model, and the holding company has a board of directors, as do all other Group companies. In this way, the Company has clarified various authorities and responsibilities, and through the proactive use of outside directors the Company has established an orderly management system with enhanced management transparency and monitoring and oversight functions.

## Directors and Board of Directors

Under the articles of incorporation, the holding company's Board of Directors has a maximum of 15 members. Currently, there are 10 directors, including three outside directors. The outside directors develop a deep understanding of business activities through such means as observation of Group plants and operational sites. On that basis, the outside directors actively provide opinions to the Board of Directors, thereby strengthening the Group management oversight function and transparency.

The term of office for members of the Board of Directors has been set at one year. This system clarifies management responsibility and allows for a rapid response to changes in the operating environment. In order to clarify the authority and responsibilities of the holding company and the operating companies, as a general rule, concurrent service as a director of the holding company and a director of an operating company is prohibited. However, to strengthen Group strategies and the supervision of business execution and to accelerate decision making, the Group also decided to elect presidents of the core operating companies as directors of the holding company after obtaining approval at the General Meeting of Shareholders.

The Fuji Electric Group Corporate Governance Framework



As a general rule, the Board of Directors meets once per month, and special meetings are held as needed. In fiscal 2008, the Board of Directors met 13 times, and the attendance rate of outside directors was 93%.

### Executive Committee

The Fuji Electric Group has an executive committee to advise the president of the holding company. The committee deliberates and reports on business strategies and policies for the entire Group. It also formulates reports necessary for the regular monitoring of the status of the Group's management. The committee members are the holding company's standing directors and executive officers, and the presidents of the core operating companies. In addition, to bolster the auditing function, the holding company's standing auditors can regularly attend meetings of the Executive Committee.

As a general rule, the Executive Committee meets twice per month. In fiscal 2008, the committee met 23 times. The term of office of members of the Executive Committee is one year, the same as that of the Board of Directors.

### Auditors and Board of Auditors

The holding company has five auditors, including three outside auditors. The auditors work to secure management transparency and enhance the management monitoring and oversight functions. In order to strengthen the holding company's auditing of Group companies, we have put in place a framework where one standing auditor from the holding company also serves as a part-time auditor of each of the core operating companies.

Furthermore, to implement auditing of Group consolidated management, we have established the Fuji Electric Group Board of Auditors, which is composed of auditors from the holding company and the core operating companies, and the Fuji Electric Group Auditor Council, which is composed of auditors from each company that are designated as a "large company" under the Companies Law.

We have also established the Auditing Liaison Committee, which is composed of auditors from the holding company and core operating companies as well as members of internal auditing divisions and the independent auditors. The committee works to strengthen collaboration among auditing functions and to secure the effectiveness of auditing on a Groupwide basis.

In fiscal 2008, the Board of Auditors met six times, and all of the meetings were attended by the outside auditors.

### Group Committees

To implement Groupwide responses to various challenges, the Fuji Electric Group has established and operates specialist group committees that are focused on particular areas. These committees are composed of directors in charge and general managers of related divisions from the holding company and core operating companies. Specifically, these committees include the Compliance Promotion Committee, Global Environmental Protection Committee, Human Rights Advisory Committee, Health and Safety Promotion Committee, Production Technology Committee, Procurement Committee, Human Resources Advisory Committee, Technology Promotion Committee, and Profit7 Activities Committee.

### Remuneration for Directors

#### Policies for Making Decisions Regarding Remuneration

Fuji Electric Group has established a remuneration system and remuneration levels for directors and auditors that are appropriate for their respective duties and are in accordance with the shareholders' mandate, giving due consideration to the aims of securing and maintaining competent personnel and providing incentives for the improvement of business performance.

Remuneration for standing directors comprises fixed-amount remuneration determined according to their position and performance-based remuneration. In regard to the fixed-amount remuneration, a predetermined amount is paid to the director ownership plan in accordance with position.

#### Outside Directors and Auditors (Fiscal 2008)

##### Outside Directors

Name	Attendance at Board of Directors Meetings (Number of meetings attended / Number of meetings held)
Eisuke Masada	12 of 13
Tadashi Kudo	12 of 13
Hiroaki Kurokawa	10 of 10*

##### Outside Auditors

Name	Attendance at Board of Directors Meetings (Number of meetings attended / Number of meetings held)	Attendance at Board of Auditors Meetings (Number of meetings attended / Number of meetings held)
Tsuyoshi Nagahama	13 of 13	6 of 6
Yuzuru Fujita	10 of 13	6 of 6
Hiroshi Wada	10 of 10*	5 of 5*

Note: Mr. Hiroshi Wada retired as of the end of the 133rd Ordinary General Meeting of Shareholders held on June 24, 2009.

\*Meetings of the Board of Directors or Meetings of the Board of Corporate Auditors after taking office on June 24, 2008.

The performance-based remuneration is paid only in the event that dividends from retained earnings are paid to shareholders, and in order to establish a clear link with consolidated performance in each fiscal year, the total amount is limited up to 1.0% of consolidated net income in the previous fiscal year.

In regard to the presidents of core operating companies, who have executive responsibility in major segments, performance-based remuneration is paid by the operating company in accordance with the evaluation of the consolidated results, and the results in the segments for which they are responsible, in each fiscal year.

Remuneration for outside directors and auditors comprises a fixed amount determined according to position, as they bear the responsibility of supervising and auditing the execution of duties for the entire Group. Acquisition of the Company's stock is on a voluntary basis.

Also, from fiscal 2006 the holding company abolished the retirement benefits system for directors.

#### Remuneration for Officers (Fiscal 2008)

- Performance-based remuneration  
Because the Company recorded a net loss for the fiscal year, performance-based remuneration was not paid to the standing directors.
- Fixed-amount remuneration  
In accelerating structural reforms accompanying the declining results, such as the streamlining of personnel expenses, the Company has implemented the following reductions as a demonstration of leadership and to clarify management responsibility accompanying the announcement of the forecast that the Company would forgo the payment of year-end dividends for fiscal 2008.

#### January 2009 to February 2009

President and representative director: Reduction equivalent to 20%

Executive vice president and representative directors:  
Reduction equivalent to 10%

Other executive directors: Reduction equivalent to 5%

Standing auditors voluntarily returned the equivalent to 5% of monthly remuneration.

#### March 2009

President and representative director: Reduction equivalent to 30%

Executive vice president and representative directors:  
Reduction equivalent to 20%

Other executive directors: Reduction equivalent to 15%

Outside directors: Reduction equivalent to 10%

Standing auditors and outside auditors voluntarily returned the equivalent to 15% and 10%, respectively, of monthly remuneration.

#### Amount of Remuneration for Directors and Auditors (Fiscal 2008)

	Number of recipients	Amount of payment (Millions of yen)
Directors	14	300
of which, outside directors	3	19
Auditors	7	83
of which, outside auditors	4	20

Note: This includes the two directors (neither of whom was an outside director) and two auditors (one of whom was an outside auditor), who retired as of the end of the 132nd Ordinary General Meeting of Shareholders held on June 24, 2008.

#### ● Internal Control System

The Fuji Electric Group adopted a resolution at a Board of Directors meeting on a fundamental policy related to the establishment of an internal control system regulated by the Companies Law, and the Group has disclosed this policy. Based on an ongoing review of the internal control system for the entire Group, we intend to respond swiftly and precisely to social requirements surrounding the Group and continually improve the system. The major components of this fundamental policy are as follows:

- Corporate governance system
- Compliance
- Risk management
- Internal control system for financial reporting (Financial Instruments and Exchange Act)
- Auditing system

Under the Companies Law, the establishment of a fundamental policy for companies designated as a "large company" is mandatory, and the Group has established policies for these companies as well as for all other Group companies.

#### ● Compliance

##### Thorough-going Compliance

The Fuji Electric Group formulated the Fuji Electric Group Charter of Corporate Behavior in 1992 with the aim of ensuring that employees and staff comply with relevant laws and regulations and behave in a socially responsible manner. We have also established the Fuji Electric Group Compliance Promotion Committee, chaired by the president of Fuji Electric Holdings, which works to promote strict compliance with relevant laws and regulations as well as social norms.

In 2007, we established a fundamental policy for the reinforcement of our internal control system to ensure the proper conduct of operations, along with the Fuji Electric Group Compliance Regulations, which systematize compliance-related activities. Through compliance programs underpinned by these initiatives, we have strengthened our



efforts and further clarified roles and responsibilities in the areas of improving internal rules, monitoring and oversight, and education regarding all relevant rules and regulations.

Fuji Electric Systems Co., Ltd., a core operating company, received an administrative punishment (cease and desist order and surcharge payment order (amount: ¥12.85 million)) in regard to bidding for electric equipment construction in relation to sewage disposal facilities ordered by the city of Sapporo between October 1, 2003, and December 14, 2005. The entire Group will work together and take steps to prevent any recurrence of this situation, such as through the further strengthening of monitoring, auditing, and education.

### Business Ethics Helpline System

As part of its compliance structure, the Fuji Electric Group set up the Business Ethics Helpline in October 2004 to prevent or detect at an early stage any violation of laws, regulations, or corporate rules. Under this system, Group employees in Japan and overseas who discover a violation of any laws or regulations, or internal rules related to the Company's operations, or the possibility thereof, and who for whatever reason find it difficult to report such violations through normal reporting channels, or face a situation in which the report will not be accepted, are able to easily communicate with the president of Fuji Electric Holdings (the chief executive officer of the Group) through channels independent from regular operational lines.

### ● Risk Management

In accordance with the Fuji Electric Group Risk Management Regulations, which were formulated in May 2006, the various risks that could affect management are recognized and evaluated in a coordinated and systematic manner and are appropriately managed and processed. Moreover, by preventing the occurrence of risk-related events and minimizing losses when they occur, the Group works to minimize the impact on its corporate value. In regard to the major risks that could affect the Group's operating results and financial position, please refer to the Consolidated Financial Review, Risk Factors section on page 56.

To respond in the event of a major natural disaster, a serious product-related incident or accident that causes severe personal injury, or other emergency situation, in 2005 the Fuji Electric Group formulated the Fuji Electric Group Contingency Plan for Emergency Situations, stipulating such details as the director in charge of crisis management, the communication channels, and the structure of the task forces.

### ● Accountability

The Company believes that the timely, appropriate disclosure of corporate and financial information to shareholders and investors and the fulfillment of its disclosure responsibilities is an important corporate governance issue. In information disclosure, the Company's fundamental policy is to provide timely, fair, accurate, continual disclosure of information to all stakeholders, and the Company is working to reflect stakeholder feedback in management.

In IR activities, the Company actively conducts presentation meetings regarding management policies and other matters as well as roadshow presentations to institutional investors, with top executives taking the lead role. Also, the Company conducts impartial information disclosure in Japan and overseas. In regard to quarterly results announcements, and financial reports and IR meeting presentation materials are made available on our website in Japanese and English, and we also provide Japanese and English video streaming of results presentations.

#### Evaluations of IR Web Site

##### Gomez Consulting Co., Ltd.

Received a Corporate Excellent Award in the Gomez IR Website Overall Ranking 2009 (Survey of 3,834 domestic listed companies)

##### Daiwa Investor Relations Co., Ltd.

Selected as one of 402 companies with superior Internet IR website content (Survey of 1,879 domestic listed companies)

##### Nikko Investor Relations Co., Ltd.

Received the Best Website Award in the Fiscal 2008 Website Completeness Ranking for All Listed Companies (Survey of 3,920 domestic listed companies)

# Corporate Social Responsibility

The Fuji Electric Group's corporate philosophy is based on a commitment to being a responsible corporate citizen working in harmony with people and the environment. The realization of this philosophy is a fundamental element of the CSR activities of the Fuji Electric Group, which endeavors to be a corporate group that is trusted by society.

## ● Fundamental Approach to CSR

Companies are public instruments for the benefit of society, and to grow and develop, they must strengthen their relationships of trust with their customers and other stakeholders. To that end, companies must promote environmental friendliness, reducing the environmental impacts of plants and offices (green factories, green offices), creating products with low environmental impacts (green products), and implementing business activities that reflect consideration for people and society.

Accordingly, companies must continually strive to meet the expectations of society. The means to that end include ensuring compliance (observing laws and regulations); maintaining and increasing product quality and safety, which is the mission of all manufacturers; developing innovative technologies; and providing sincere service.

To ensure that this type of CSR-related awareness is shared throughout the Group and to conduct operations that maintain the trust and meet the expectations of society, the Group is currently working on four high-priority initiatives—creating work places in which diverse employees can work with peace of mind, reinforcing environmental-preservation activities, enhancing social contribution activities, and enforcing scrupulous compliance.

Through these initiatives, we will ensure a fair allocation among our stakeholders of the profits and achievements made through business activities that are characterized by appropriate CSR, and in this way we will earn a reputation as a company that provides true value to society.

## ● Environmental Vision 2020

To ensure that individual employees can commence specific actions targeting environmental conservation, the Group formulated the Environmental Vision 2020, which details activity milestones. The vision spells out our future goal of

## Fuji Electric Group Corporate Philosophy

### Corporate Mission

We, Fuji Electric Group, 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

### Management Policy

To fulfill our mission, we are committed to:

#### 1. Customer satisfaction and expectations

With innovative technologies and a dedication to customer service, we strive to satisfy the needs of our customers and anticipate their future requirement.

#### 2. Growth and profitability

We are committed to grow as a firm, sustaining responsible operations and profits. In so doing, we can share these benefits with our stockholders, our corporate members and the societies in which we live.

#### 3. Individuality

People are the source of our strength. We respect individuality, and challenge one another to realize our full potential.

### Guiding Principles

To be enthusiastic, ambitious and sensitive.

being the No. 1 company in contributing to “energy and the environment” in order to foster progress toward the realization of an affluent, comfortable society.

## Measures Targeting Environmental Conservation: Details and Objectives

### Stop global warming

- Reducing CO<sub>2</sub> emissions during production by 20% (relative to fiscal 2006 level)
- Raising the energy efficiency of products, reducing CO<sub>2</sub> emissions by 2.4 million tons (relative to fiscal 2006 level) through energy-conserving and energy-creating products

### Create a recycling-oriented society

- Increasing our number of eco-products by promoting the three R's (reuse, reduce, recycle) in our products
- Achieving zero emissions at operational sites by reducing waste, energy consumption, and chemical substances

### Meet our corporate social responsibilities

- Enhancing environmental awareness through environmental citizen movements, activities to protect the natural environment, and environmental education

## ● CSR Results and Targets

	Fiscal 2008 Results	Fiscal 2009 Targets
<b>Strengthening Relationships of Trust with Stakeholders</b>		
Together with Customers	Implementing QC (quality control) diagnostics at 15 operational sites, and testing and assessment from third-party viewpoint, bolstering quality improvement activities	Improving quality awareness across entire Group
	Establishing Group policies and rules for product safety, making them available on the external website, and implementing them at operational sites	Implementing monitoring of product safety education and activities
Together with Suppliers	Implementing supplier surveys through the semiconductor REACH <sup>*1</sup> project, and achieving a 100% response rate in the survey on regulated substances contained in semiconductor materials	Promoting CSR procurement
Together with Employees	Promoting employment of people with disabilities (achieving an employment ratio of 2.04% compared with legally stipulated employment ratio of 1.80%)	Further promoting employment of people with disabilities
	Implementing career design training for women, management training for female executives, etc.	Offering career development support for women (expanding scope of work, aggressive appointment, etc.)
	Enhancing mental health line care and self-care education (implementing each type of training sessions more than 20 times)	Bolstering risk avoidance measures, and safety and health management structure, including at overseas operational sites
<b>Social Contribution Activity Initiatives</b>		
Activities Contributing to Environmental Conservation	Conducting restoration projects for <i>Nagomi no Sato</i> forested areas in Nagomi-machi, Kumamoto Prefecture (10 times)	Continuing restoration activities at <i>Nagomi no Sato</i> forested areas and extending them to other areas
Community Engagement Activities	Local community contribution through nursing care business (Japan), volunteer activities on days off (Malaysia), etc.	Continuing and expanding support for youth education and community engagement activities that meet community needs in Japan and overseas
<b>Environmental Management</b>		
Promoting Environmental Management	Formulating Environmental Vision 2020	Implementing and promoting Environmental Vision 2020
Reducing Product / Technology / Service Environmental Impact	Conducting REACH working group activities and starting construction of REACH database	Establishing system for responding to new environmental regulations (EuP directive <sup>*2</sup> , REACH directive)
Reducing Business Activities' Environmental Impact	Reducing CO <sub>2</sub> emissions per unit of production by 21.8% relative to fiscal 1997 levels (fiscal 2008 target: 17.3% reduction)	Promoting energy conservation at manufacturing sites (annual reductions of at least 1% of CO <sub>2</sub> emissions per unit of production, relative to fiscal 1997 levels)
	Achieving 7.2% reduction in CO <sub>2</sub> emissions relative to fiscal 2006 levels	Reducing domestic energy-derived CO <sub>2</sub> emissions by 6% by fiscal 2010 (relative to fiscal 2006 levels)
	Achieving zero waste emissions at 10 operational sites (ratio of waste sent to landfill to total waste emitted of less than 1%)	Achieving zero waste emissions at all operational sites by fiscal 2011
	Reducing total emissions of chemical substances: VOCs <sup>*3</sup> , 55.4% reduction; PRTR-designated substances <sup>*4</sup> , 41.1% reduction (relative to fiscal 2000 levels)	Reducing total emissions of chemical substances (40% reduction from fiscal 2000 levels by fiscal 2010)
Reducing Environmental Risk	Implementing environmental audit at all operational sites using a 287-item checklist centered on drainage and waste management	Achieving full compliance with statutory regulations through environmental audits
<p>*1 REACH is a directive specifying registration and management requirements for chemicals within the EU.</p> <p>*2 EuP directive mandates that all energy-consuming devices have eco-friendly designs, and is one of the directives with which a product must comply to be labeled with the CE mark.</p>		<p>*3 Volatile organic compounds</p> <p>*4 PRTR-designated substances are chemical substances regulated under the Pollutant Release and Transfer Law, which promotes improving the tracking and management of emissions into the environment of designated chemical substances.</p>

## ● Third-party Evaluations

Our CSR activities have been highly evaluated, and the Group is a component of two leading SRI stock indexes—the Dow Jones Sustainability Indexes and the Morningstar Socially Responsible Investment Index.



# Directors, Auditors, and Executive Officers

(As of August 1, 2009)

## ● Directors



President and Representative Director  
**Haruo Ito**

Chief executive  
Responsible for Electronic  
Devices Segment



Executive Vice President  
and Representative Director  
**Katsushi Nakayama**

Assistant to the president  
Business Administration  
Chief CSR Officer, Fuji Electric  
Group Corporate Social  
Responsibility Department



Executive Vice President  
and Representative Director  
**Michihiro Kitazawa**

Assistant to the president  
Business / Technical Strategy



Director  
**Takamichi Hamada**



Director  
**Hisao Shigekane**



Director (Non-standing)  
**Mitsunori Shirakura**

Responsible for Energy &  
Electric Systems Segment



Director (Non-standing)  
**Hiroshi Nishigaki**

Responsible for Retail Systems  
Segment



Director (Outside Director)  
**Eisuke Masada**

Chairman, Railway Technical  
Research Institute



Director (Outside Director)  
**Tadashi Kudo**

Special Advisor, Chuo  
Fudosan Co., Ltd.



Director (Outside Director)  
**Hiroaki Kurokawa**

Senior Executive Advisor,  
Fujitsu Limited

## ● Auditors



Standing Auditor  
**Katsumi Yoshida**



Standing Auditor  
**Keiichi Hirata**



Auditor (Outside Auditor)  
**Tsuyoshi Nagahama**

Advisor, Attorney-at-law,  
Partner, Anderson Mori &  
Tomotsune



Auditor (Outside Auditor)  
**Yuzuru Fujita**

Principal Advisor, Asahi Mutual  
Life Insurance Co.



Auditor (Outside Auditor)  
**Takahiko Ito**

Standing Auditor, Furukawa  
Electric., Ltd.

## ● Executive Officers

Senior Executive Officer  
**Takamichi Hamada**  
General Manager, Marketing Strategy  
Office

Senior Executive Officer  
**Hisao Shigekane**  
General Manager, Technology  
Strategy Department

Executive Officer  
**Toshihiko Ishihara**  
General Manager, Personnel  
Department  
Deputy Chief CSR Officer, Fuji Electric  
Group Corporate Social Responsibility  
Department

Executive Officer  
**Michio Abe**  
General Manager, MONOTSUKURI  
Strategy Division  
Supply Chain Innovation Project Office

Executive Officer  
**Junichi Arai**  
General Manager, Corporate Planning  
Office

Executive Officer  
**Junichi Matsumoto**  
General Manager, Corporate Finance  
Office

Executive Officer  
**Yoshihisa Nagano**  
General Manager, Corporate IT  
Strategy Office

## Financial Section

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# Consolidated Financial Review

## ● Operating Results

### Net Sales

In fiscal 2008, the year ended March 31, 2009, consolidated net sales declined 16.9% year on year, to ¥766,637 million.

Reasons for the decline included revisions of the scope of the water environment and information systems subsegments in the Energy & Electric Systems Group, a rapid fall in the volumes of goods handled due to the weakening economic environment, and lower prices.

The Energy & Electric Systems Group recorded solid plant-related sales, primarily from large overseas projects. However, due to the operational scope revisions mentioned above and to a sharp decline in sales of component products as a result of the deterioration in the market environment from the second half of the fiscal year, the group's sales were down 16.6%, to ¥490,395 million. In the Electronic Devices Group, the weaker market led to lower demand stemming from reduced capital investment and from inventory adjustments implemented by customers, and prices also declined. As a result, sales were down 23.4%, to ¥141,626 million. In the Retail Systems Group, due to the end of demand related

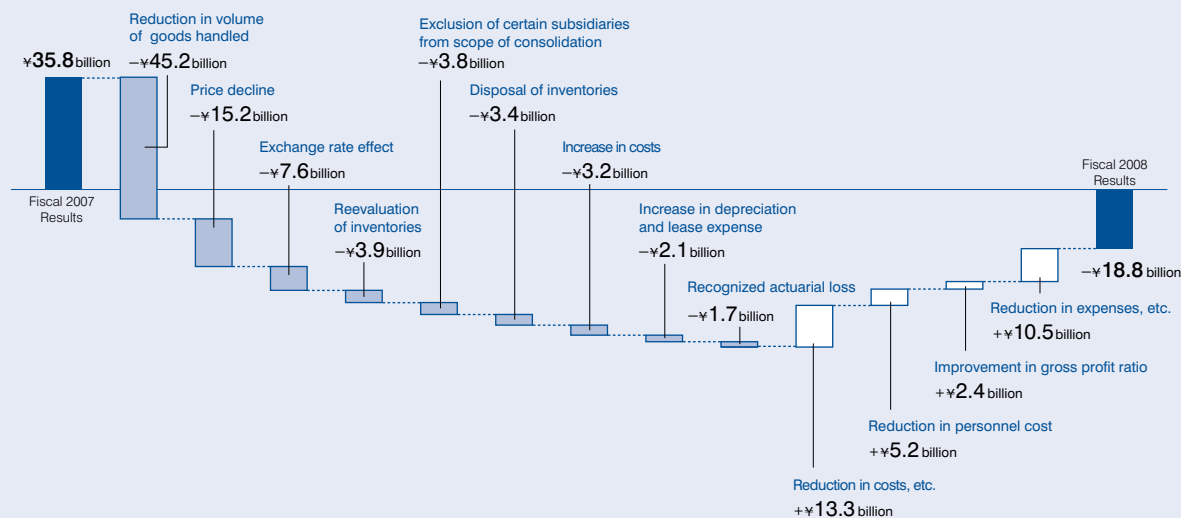
to the upgrading of cigarette vending machines with age-verification equipment and to a decline in vending machine demand from second half of the fiscal year, sales declined 14.0%, to ¥136,423 million.

Overseas sales were down 5.1% year on year, to ¥181,040 million, while the ratio of overseas sales to net sales rose 2.9 percentage points from the previous year, to 23.6%. By region, Asia (except for China) accounted for 55.9% of overseas sales, China 21.9%, Europe 7.8%, North America 5.6%, and Others 8.8%.

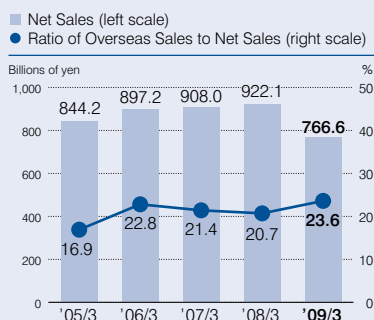
### Cost of Sales, SG&A Expenses, and Operating Income

Due to the substantial decline in net sales, cost of sales was down 11.8%, to ¥644,477 million. However, due to rising materials prices and to increases in fixed expenses, such as depreciation and amortization, as well as to the influence of lower product prices, the cost of sales ratio rose 4.8 percentage points, from 79.3% to 84.1%. As a result, the gross profit margin worsened by 4.8 percentage points, from 20.7% to 15.9%.

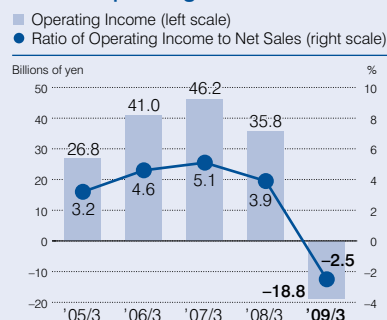
### Factors Affecting Operating Income / Loss



### Net Sales / Ratio of Overseas Sales to Net Sales



### Operating Income / Ratio of Operating Income to Net Sales



Selling, general and administrative (SG&A) expenses decreased 9.3% year on year, to ¥141,015 million, but the ratio of SG&A expenses to net sales rose 1.6 percentage points, from 16.8% to 18.4%.

In response to the rapid worsening of the economic environment from the second half of the fiscal year, the Company worked to reduce expenses by implementing urgent countermeasures, such as cost-cutting and total overhead reduction initiatives. Nonetheless, the Company was unable to offset major adverse factors, such as declines in volumes of goods handled and in product prices as well as the appreciation of the yen. Consequently, operating loss was ¥18,855 million, compared with operating income of ¥35,883 million in the previous fiscal year. Major factors affecting operating income and loss are shown in the graph on the left.

By business group, the Energy & Electric Systems Group recorded a decline in operating income, to ¥10,706 million, as sales of component products declined sharply, while plant-related sales were firm. In the Electronic Devices Group, due to the rapid worsening of market conditions, operating loss was ¥31,022 million, compared with operating income of ¥8,162 million in the previous fiscal year. In the Retail Systems Group, operating loss was ¥475 million, compared with operating income of ¥2,709 million in the previous fiscal year.

### Non-operating Income (Expenses) and Ordinary Income

In non-operating income and expenses, net non-operating expenses increased from ¥75 million in the previous fiscal year to ¥1,914 million in the year under review. Non-operating income increased, but a loss on foreign currency translation adjustments led to higher non-operating expenses.

Consequently, ordinary loss was ¥20,769 million, compared with ordinary income of ¥35,808 million in the previous fiscal year.

### Extraordinary Income and Net Income

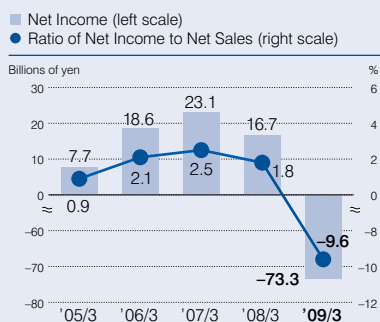
Net extraordinary loss increased substantially, from ¥5,290 million in the previous fiscal year to ¥25,912 million in the fiscal year under review. Extraordinary income of ¥3,396 million resulted in part from a gain on change in equity. However, extraordinary loss increased significantly, to ¥29,308 million, due to such factors as business restructuring costs of ¥18,489 million.

As a result, loss before income taxes and minority interests was ¥46,681 million, compared with income before income taxes and minority interests of ¥30,518 million in the previous fiscal year. Income taxes increased by a large margin from the previous fiscal year, to ¥27,426 million, due to the reversal of deferred tax assets. Consequently, net loss was ¥73,306 million, compared with net income of ¥16,792 million in the previous fiscal year.

For details on net sales and operating income by group, please refer to the Segment Overview section, pages 22–37.

Years ended March 31, 2009 and 2008	Millions of yen	
	2009	2008
Net sales	<b>¥766,637</b>	¥922,172
Cost of sales	<b>644,477</b>	730,897
Gross profit	<b>122,160</b>	191,275
Selling, general and administrative expenses	<b>141,015</b>	155,392
Operating income (loss)	<b>(18,855)</b>	35,883
Non-operating income (loss)	<b>(1,914)</b>	(75)
Ordinary income (loss)	<b>(20,769)</b>	35,808
Extraordinary income (loss), net	<b>(25,912)</b>	(5,290)
Income (loss) before income taxes and minority interests	<b>(46,681)</b>	30,518
Income taxes	<b>27,426</b>	13,206
Net income (loss)	<b>(73,306)</b>	16,792

### Net Income / Ratio of Net Income to Net Sales



## ● Plant and Equipment Investment

Plant and equipment investment (including leases) was down significantly, declining 55.5%, to ¥33,457 million. This decline was due to the reevaluation of certain investment plans as a result of the rapid worsening of the management environment from the second half of the fiscal year. By group, plant and equipment investment totaled ¥10,052 million in Energy & Electric Systems, ¥19,201 million in Electronic Devices, ¥2,399 million in Retail Systems, ¥1,588 million in Others, and ¥217 million in shared Group investment.

The major components of plant and equipment investment included the following.

In Energy & Electric Systems, Wuxi Fuji Electric FA Co., Ltd., built a new plant, targeting the expansion of the drives business in China. In the solar cell business, we worked to improve the yield and increase the production capacity for solar cells. We also bolstered our production lines, targeting the commercialization of fuel cell operations.

In Electronic Devices, in the semiconductor subsegment we set up an integrated production line for the production of semiconductors and the assembly of modules. Also, in the magnetic disk subsegment, we upgraded production facilities to make them compatible with perpendicular recording media. In response to the worsening of the business environment from the second half of the year, we froze or delayed investment plans, centered on industrial-use insulated gate bipolar transistor (IGBT) modules and magnetic disks.

In the Retail Systems Group, we invested in production facilities and molds for energy-saving, environmentally friendly vending machines, including non-CFC vending machines that feature CO<sub>2</sub> refrigerant in the cooling system and vending machines that use heat-pump technology.

In addition, the Research and Development Group implemented investment targeting improvement in the productivity and power generation efficiency of solar cells.

Funds on hand are utilized as the primary source of financing for all investment projects.

Depreciation and amortization was up 11.1%, to ¥23,919 million, while lease expense declined 3.1%, to ¥30,275 million.

## ● R&D

R&D expenditures were down 2.8%, to ¥30,394 million, and the ratio of R&D expenditures to net sales increased to 4.0%, from 3.4% in the previous fiscal year. By group, expenditures totaled ¥14,138 million in Energy & Electric Systems, ¥13,389 million in Electronic Devices, ¥2,864 million in Retail Systems, and ¥1 million in Others.

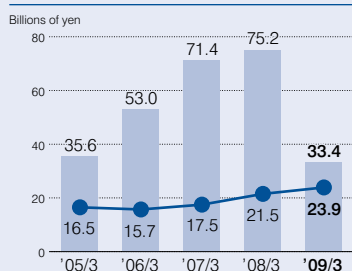
## ● Financial Position

Total assets as of March 31, 2009, stood at ¥908,941 million, which was ¥127,010 million less than at the end of the previous fiscal year.

Total current assets amounted to ¥463,721 million, a decrease of ¥67,552 million from a year earlier. This decrease was primarily attributable to declines in trade receivables and inventories that more than offset an increase in cash and cash equivalents from fund procurement undertaken with the objective of securing cash and deposits on hand. Net property, plant and equipment increased ¥11,284 million from a year earlier, to ¥194,552 million at the end of the year under review. This increase stemmed mainly from growth in property, plant and equipment resulting from investment in the Electronic Devices Group. Total investments and other assets declined ¥70,742 million, to ¥250,668 million. This decrease largely reflected a corresponding decline from the previous fiscal year in the market value of other investment securities.

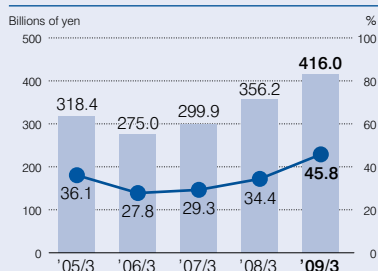
### Plant and Equipment Investment / Depreciation and Amortization

■ Plant and Equipment Investment  
● Depreciation and Amortization



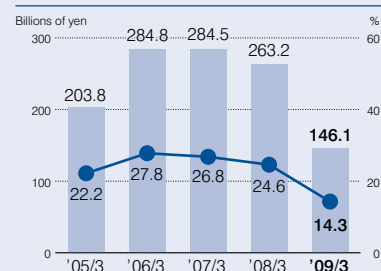
### Interest-bearing Debt / Interest-bearing Debt Ratio

■ Interest-bearing Debt (left scale)  
● Interest-bearing Debt Ratio (right scale)



### Total Net Assets / Total Net Assets Ratio

■ Total Net Assets (left scale)  
● Total Net Assets Ratio (right scale)





Total liabilities were ¥762,828 million, a decline of ¥9,868 million from a year earlier. Long-term debt increased ¥56,388 million, but trade payables were down ¥65,571 million. Interest-bearing debt, consisting primarily of borrowings, grew by ¥59,857 million, to ¥416,083 million at the end of the fiscal year. Net financial obligations, which are calculated by subtracting cash and cash equivalents from interest-bearing debt, declined by ¥3,416 million, to ¥330,718 million. The ratio of interest-bearing debt to total assets was 45.8%, up 11.4 percentage points from a year earlier.

Total net assets declined by ¥117,142 million, to ¥146,113 million, as of the fiscal year-end, on declines in retained earnings and the valuation difference on other securities. As a result, the net assets ratio fell 10.3 percentage points from the end of the previous fiscal year, to 14.3%. Shareholders' equity (total net assets less minority interests), declined ¥124,093 million, to ¥130,341 million. The debt-equity ratio rose by 1.8 points, to 3.2 times, from 1.4 times at the previous fiscal year-end. The net debt-equity ratio (net financial obligations / shareholders' equity) rose by 1.2 points, to 2.5 times.

Years ended March 31, 2009 and 2008	Billions of yen, times	
	2009	2008
Total assets	<b>¥908.9</b>	¥1,035.9
Interest-bearing debt	<b>416.0</b>	356.2
Shareholders' equity	<b>130.3</b>	254.4
Debt-equity ratio (times)	<b>3.2</b>	1.4
Net debt-equity ratio (times)	<b>2.5</b>	1.3

## ● Liquidity and Sources of Funds

### Cash Flows

In consolidated free cash flow (cash flows from operating activities + cash flows from investing activities), the Company recorded positive free cash flow of ¥10,823 million, an improvement of ¥60,712 million from the previous fiscal year's negative free cash flow of ¥49,889 million.

### Cash Flows From Operating Activities

Net cash provided by operating activities was ¥23,101 million, compared with net cash used in operating activities of ¥13,195 million in the previous fiscal year. Primary factors were accelerated collections of trade receivables and inventory reductions, which more than offset the recording of a net loss before income taxes and minority interests and a decrease in trade payables.

This result was a ¥36,296 million improvement from the previous fiscal year.

### Cash Flows From Investing Activities

Net cash used in investing activities was ¥12,278 million, compared with ¥36,694 million in the previous fiscal year. This result, which was mainly attributable to the acquisition of property, plant and equipment, primarily in the Electronic Devices Group, marked an improvement of ¥24,416 million from the previous fiscal year.

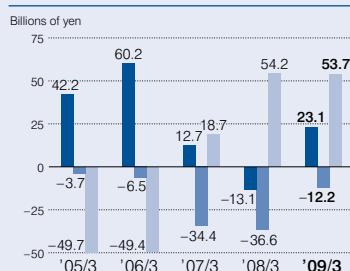
### Cash Flows From Financing Activities

Net cash provided by financing activities was ¥53,753 million. This result reflected increased borrowings for the purpose of securing cash and deposits on hand.

Consequently, cash and cash equivalents as of the fiscal year-end totaled ¥85,365 million on a consolidated basis, an increase of ¥63,273 million from the end of the previous fiscal year.

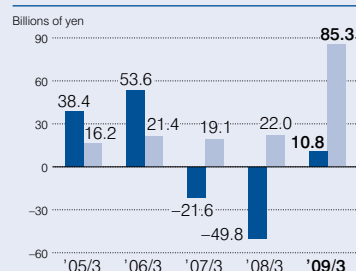
### Cash Flows

■ Cash Flows from Operating Activities  
■ Cash Flows from Investing Activities  
■ Cash Flows from Financing Activities



### Free Cash Flow / Cash and Cash Equivalents

■ Free Cash Flow  
■ Cash and Cash Equivalents



## ● Risk Factors

The Fuji Electric Group works to mitigate business risk and other risks in a systematic and methodical manner. However, there are various risks, such as those listed below, which could have a negative effect on the operating results and financial position of the Fuji Electric Group.

As of March 31, 2009, the following factors were judged to have a potential future effect on the operations of the Fuji Electric Group.

### (1) Risks Related to Changes in the Operating Environment

- (a) Raw material and component prices in international markets have been rising due to rapidly increasing demand for raw materials associated with economic expansion in the BRIC countries, especially in China, and protracted geopolitical instability related to conditions in the Middle East. Operating results could thereby be negatively affected in the event the Group is unable to adequately respond to further increases in raw material and component prices.
- (b) The Fuji Electric Group's sales are influenced by domestic economic trends, including private and public sector investment. The performance of the Electronic Devices business is closely correlated to market conditions in the electronics industry. Consequently, the Group's operating results could be affected in the event of sudden changes in the supply–demand balance or intensified competition resulting in sharp declines in prices in the electronics industry.
- (c) The Fuji Electric Group is seeking to expand its overseas presence, with a particular focus on the Chinese market. Specifically, the Group is actively working to increase sales of control and drive systems, semiconductors, magnetic disks and other products in China. Consequently, the Group's operating results could be affected in the event of deterioration in the Chinese economy or unexpected changes to economic policy.
- (d) Based on an established set of management criteria, the Fuji Electric Group systematically employs forward-exchange contracts to minimize the risk of exchange rate fluctuations on its operating results. However, the forward-exchange contract policy is not capable of entirely mitigating exchange rate risk. Consequently, fluctuations in exchange rates, primarily between the yen and the U.S. dollar, could have a negative effect on the operating results and financial position of the Group.
- (e) The Fuji Electric Group's interest-bearing debt totaled ¥416.0 billion as of March 31, 2009. A higher-than-anticipated increase in interest rates could lead to a significant additional interest payment burden, which could have a negative effect on the operating results of the Group.

### (2) Risks Related to Product Quality

The Fuji Electric Group has put in place a quality assurance system designed to ensure the highest level of quality for all of the products that it manufactures and sells. Although the Group has taken precautions in the form of product liability insurance to provide compensation for product liability claims, in the event that major defects are found in any Fuji Electric Group products due to unforeseen factors, there could be a negative effect on the Group's operating results and financial position.

### (3) Risks Related to Investments

The Fuji Electric Group concentrates its management resources on quickly identifying potential business growth areas and conducts investment in facilities and R&D with the objective of expanding and developing Group business. The large-scale investment necessary and short product cycles in the magnetic disk and semiconductor fields, in particular, as well as shifts in product demand and intensifying competition increase the possibility that the Group might not be able to recoup its investments. Such events could thereby have a negative effect on the Group's operating results.

### (4) Risks Related to Technology Development

The Fuji Electric Group makes a concerted effort to develop technology that matches the needs of the market. However, there is a possibility that competing companies will gain an advantage through faster development, or that the Group will be unable to bring products to market in a timely manner should development not progress according to plan. Such events could thereby have a negative effect on the Group's operating results.

### (5) Risks Related to Overseas Business Activities

The Fuji Electric Group is seeking to expand its overseas presence, with a particular focus on Asia, including China. Consequently, the Group is exposed to the following risks, which could have a negative effect on the Group's operating results and financial position:

- Unforeseen changes in laws and regulations as well as tax systems that could have a detrimental effect on the Group
- Disadvantages arising from political conditions
- Social turmoil related to terrorist incidents, war and other events

### **(6) Risks Related to Intellectual Property**

The Fuji Electric Group effectively manages its intellectual property rights and develops new products and technologies in a manner that does not infringe on third-party patent rights. However, since the pace of technological innovation is accelerating and the Group's operations are becoming more global, the possibility of disputes over intellectual property rights is increasing. A dispute of this nature could have a negative effect on the Group's operating results and financial position.

### **(7) Risks Related to Business Alliances**

The Fuji Electric Group actively collaborates with third-party entities in mergers, tie-ups and other forms of alliances with the objective of enhancing competitiveness in each of its fields of business. Cooperative relations are essential to the success of such collaborations. However, differences in business systems, corporate cultures or other aspects could impede the smooth integration of business strategies, technologies, products, personnel or other elements necessary for a successful collaboration. Such circumstances could thereby have a negative effect on the Group's operating results.

### **(8) Risks Related to Human Resources**

The business activities of the Fuji Electric Group depend heavily on its human resources. Retaining and training superior personnel in such fields as technology, production, sales and administration is essential to the growth of the Group. Should the Group be unable to retain and/or train such necessary human resources, this could have a negative effect on the Group's operating results.

### **(9) Risks Related to the Leakage of Personal Information**

As a part of its business activities, the Fuji Electric Group handles personal information about numerous individuals, including customers, suppliers and employees. The Fuji Electric Group has formulated and strictly enforces thorough internal regulations regarding the gathering, use and management of personal information. However, the Group cannot entirely rule out the possibility that such information could be leaked due to unforeseen circumstances. Any leak of this kind could damage trust in the Fuji Electric Group and thereby have a negative effect on the Group's operating results.

### **(10) Risks Related to Major Natural Disasters**

The Fuji Electric Group has a network of bases throughout the world. In the event of a major natural disaster, production facilities could be damaged, operations at manufacturing facilities could be halted, shipments of products could be delayed, and other related problems could occur. These events could thereby have a negative effect on the operating results and financial position of the Group.

### **(11) Risks Related to Soil Contamination**

Based on the international standard for environmental protection systems, the Group works to prevent, measure and monitor soil contamination at its operating sites. Prior to selling any land, the Group carries out soil surveys and takes other appropriate steps in accordance with relevant laws and regulations. However, as a result of these measurements and surveys, the Group may incur costs for soil remediation measures, which could have a negative effect on the operating results of the Group.

### **(12) Risks Related to Retirement Benefit Liabilities**

The Fuji Electric Group has a lump-sum payment plan and a corporate pension plan for its employees when they retire. Retirement benefit costs and liabilities are calculated on the assumption that they are accepted as reasonable on the basis of actuarial calculations. Fuji Electric and certain domestic consolidated subsidiaries have also entrusted listed marketable securities to employee retirement benefit trusts. Consequently, changes in the discount rate, the expected rate of return on pension assets and stock prices that are used as the basis of computing pension benefit obligations, differences between these expectations and actual performance, changes in the prices of entrusted listed marketable securities and other items, could have a negative effect on the operating results and financial position of the Fuji Electric Group.

### **(13) Risks Related to Compliance**

The Fuji Electric Group conducts business in a variety of fields and regions throughout the world, and as such is subject to the laws and regulations of numerous countries. The Group has put in place an appropriate internal control system to ensure compliance, but the possibility of legal violations cannot be discounted entirely. Should such a violation occur, this could have a negative effect on the Group's social credibility and/or operating results.

### **(14) Risks Related to Lawsuits and Other Legal Proceedings**

The Fuji Electric Group, in the course of its business, could become the subject of a lawsuit or other legal proceeding, and could as a result unexpectedly become liable for the payment of large amounts of compensation. Depending on the content of such a decision, this could have a negative effect on the Group's operating results.

# Consolidated Balance Sheets

As of March 31, 2009, 2008 and 2007	Millions of yen			Thousands of U.S. dollars (Note 3)
	2009	2008	2007	2009
<b>Assets</b>				
<b>Current Assets:</b>				
Cash and cash equivalents (Note 2)	¥ 85,365	¥ 22,092	¥ 19,135	\$ 871,078
Short-term investments (Notes 2, 4 and 6)	102	112	112	1,041
Trade receivables	178,948	286,568	259,107	1,826,003
Allowance for doubtful accounts (Note 2)	(601)	(313)	(1,201)	(6,142)
Inventories (Notes 2 and 5)	150,575	166,738	149,716	1,536,487
Deferred income taxes (Notes 2 and 13)	9,463	15,387	18,454	96,563
Other current assets	39,869	40,689	38,078	406,825
<b>Total Current Assets</b>	<b>463,721</b>	<b>531,273</b>	<b>483,401</b>	<b>4,731,855</b>
<b>Property, Plant and Equipment (Notes 2 and 6):</b>				
Land	34,719	34,608	35,534	354,280
Buildings and structures	202,119	202,457	191,984	2,062,448
Machinery and equipment	173,299	186,007	162,875	1,768,360
Leased assets	10,767	–	–	109,868
Construction in progress	25,184	10,511	20,467	256,974
	446,088	433,583	410,860	4,551,930
Less: Accumulated depreciation	(251,536)	(250,315)	(241,303)	(2,566,696)
<b>Net Property, Plant and Equipment</b>	<b>194,552</b>	<b>183,268</b>	<b>169,557</b>	<b>1,985,234</b>
<b>Investments and Other Assets:</b>				
Investment securities (Notes 2, 4 and 6):				
Unconsolidated subsidiaries and affiliates	28,918	22,436	22,211	295,087
Other	149,302	223,432	278,704	1,523,500
Long-term loans receivable	2,287	1,949	1,762	23,339
Deferred income taxes (Notes 2 and 13)	3,621	5,743	5,686	36,958
Other investments and other assets	67,799	68,752	64,462	691,786
Allowance for doubtful accounts (Note 2)	(1,259)	(902)	(951)	(12,849)
<b>Total Investments and Other Assets</b>	<b>250,668</b>	<b>321,410</b>	<b>371,874</b>	<b>2,557,821</b>
	¥908,941	¥1,035,951	¥1,024,832	\$9,274,910

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2009	2008	2007	2009
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities:</b>				
Short-term debt (Note 7)	¥165,619	¥ 132,995	¥ 89,393	\$1,689,998
Current portion of long-term debt (Note 7)	19,282	48,437	63,134	196,763
Trade payables	121,115	186,686	197,361	1,235,874
Advances from customers	57,421	41,286	26,766	585,935
Accrued income taxes (Notes 2 and 13)	2,691	4,616	9,366	27,459
Other current liabilities	107,474	118,512	122,235	1,096,650
<b>Total Current Liabilities</b>	<b>473,602</b>	<b>532,532</b>	<b>508,255</b>	<b>4,832,679</b>
<b>Long-term Debt (Note 7)</b>	<b>231,181</b>	<b>174,793</b>	<b>147,380</b>	<b>2,358,994</b>
<b>Liability for Severance Payments (Notes 2 and 8)</b>	<b>8,715</b>	<b>13,262</b>	<b>12,151</b>	<b>88,938</b>
<b>Reserve for Directors' Retirement Benefits (Note 2)</b>	<b>862</b>	<b>863</b>	<b>1,032</b>	<b>8,799</b>
<b>Deferred Income Taxes (Notes 2 and 13)</b>	<b>36,561</b>	<b>47,716</b>	<b>68,041</b>	<b>373,078</b>
<b>Other Long-term Liabilities</b>	<b>11,907</b>	<b>3,530</b>	<b>3,420</b>	<b>121,471</b>
<b>Total Liabilities</b>	<b>762,828</b>	<b>772,696</b>	<b>740,279</b>	<b>7,783,959</b>
<b>Contingent Liabilities (Note 15)</b>				
<b>Net Assets (Note 2)</b>				
<b>Shareholders' Equity:</b>				
Common stock:				
Authorized— 1,600,000,000 shares				
Issued— 746,484,957 shares as of March 31, 2009	47,586	—	—	485,572
746,484,957 shares as of March 31, 2008	—	47,586	—	—
746,484,957 shares as of March 31, 2007	—	—	47,586	—
Capital surplus	46,734	46,734	46,717	476,885
Retained earnings	34,850	116,478	104,959	355,620
Treasury stock, at cost:				
31,780,605 shares as of March 31, 2009	(7,088)	—	—	(72,331)
31,743,998 shares as of March 31, 2008	—	(7,072)	—	—
31,601,376 shares as of March 31, 2007	—	—	(6,985)	—
<b>Total Shareholders' Equity</b>	<b>122,082</b>	<b>203,726</b>	<b>192,277</b>	<b>1,245,746</b>
<b>Valuation and Translation Adjustments:</b>				
Unrealized gain on other securities, net of taxes	10,751	52,032	82,563	109,705
Deferred gains or losses on hedges	(60)	820	30	(618)
Foreign currency translation adjustments	(2,431)	(2,144)	22	(24,814)
<b>Total Valuation and Translation Adjustments</b>	<b>8,260</b>	<b>50,708</b>	<b>82,615</b>	<b>84,273</b>
<b>Minority Interests in Consolidated Subsidiaries</b>	<b>15,771</b>	<b>8,821</b>	<b>9,661</b>	<b>160,932</b>
<b>Total Net Assets</b>	<b>146,113</b>	<b>263,255</b>	<b>284,553</b>	<b>1,490,951</b>
	<b>¥908,941</b>	<b>¥1,035,951</b>	<b>¥1,024,832</b>	<b>\$9,274,910</b>

# Consolidated Statements of Operations

Years ended March 31, 2009, 2008 and 2007	Millions of yen			Thousands of U.S. dollars (Note 3)
	2009	2008	2007	2009
<b>Net Sales</b> (Note 2)	<b>¥766,637</b>	¥922,172	¥908,059	<b>\$7,822,833</b>
<b>Cost of Sales</b> (Note 10)	<b>644,477</b>	730,897	708,837	<b>6,576,299</b>
<b>Gross Profit</b>	<b>122,160</b>	191,275	199,222	<b>1,246,534</b>
<b>Selling, General and Administrative Expenses</b> (Note 10)	<b>141,015</b>	155,392	153,014	<b>1,438,935</b>
<b>Operating Income (Loss)</b>	<b>(18,855)</b>	35,883	46,208	<b>(192,401)</b>
<b>Non-operating Income (Expenses):</b>				
Interest and dividend income	4,669	4,043	3,709	47,649
Interest expense	(5,771)	(5,275)	(3,868)	(58,897)
Other, net	(812)	1,157	2,713	(8,283)
	(1,914)	(75)	2,554	(19,531)
<b>Ordinary Income (Loss)</b>	<b>(20,769)</b>	35,808	48,762	<b>(211,932)</b>
<b>Extraordinary Loss, Net</b> (Notes 11 and 12)	<b>(25,912)</b>	(5,290)	(8,288)	<b>(264,406)</b>
<b>Income (Loss) Before Income Taxes and Minority Interests</b>	<b>(46,681)</b>	30,518	40,474	<b>(476,338)</b>
<b>Income Taxes</b> (Notes 2 and 13)	<b>27,426</b>	13,206	16,346	<b>279,865</b>
<b>Income (Loss) Before Minority Interests</b>	<b>(74,107)</b>	17,312	24,128	<b>(756,203)</b>
<b>Minority Interests in Net Loss (Income) of Consolidated Subsidiaries</b>	<b>801</b>	(520)	(986)	<b>8,173</b>
<b>Net Income (Loss)</b>	<b>¥ (73,306)</b>	¥ 16,792	¥ 23,142	<b>\$ (748,030)</b>
		Yen		U.S. dollars (Note 3)
	2009	2008	2007	2009
<b>Per Share of Common Stock:</b>				
Basic (Note 2)	¥(102.57)	¥23.49	¥32.37	\$(1.047)
Diluted (Note 2)	—	22.52	31.24	—

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

# Consolidated Statements of Changes in Net Assets

	Thousands			Millions of yen							
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Unrealized gain on other securities, net of taxes	Deferred gains or losses on hedges	Foreign currency translation adjustments	Treasury stock	Total	Minority interests in consolidated subsidiaries	Total net assets
Balance at March 31, 2006	746,484	¥47,586	¥46,713	¥ 88,175	¥100,029	¥ -	¥ (544)	¥(6,887)	¥275,072	¥ 9,817	¥284,889
Net income for the year	-	-	-	23,142	-	-	-	-	23,142	-	23,142
Change from increase in consolidated subsidiaries previously not consolidated at the beginning of the year	-	-	-	(505)	-	-	-	-	(505)	-	(505)
Change from merger of consolidated and unconsolidated subsidiaries	-	-	-	73	-	-	-	-	73	-	73
Cash dividends	-	-	-	(5,719)	-	-	-	-	(5,719)	-	(5,719)
Bonuses to directors	-	-	-	(207)	-	-	-	-	(207)	-	(207)
Purchase of treasury stock, net of sales	-	-	4	-	-	-	-	(98)	(94)	-	(94)
Net change in the year	-	-	-	-	(17,466)	30	566	-	(16,870)	(156)	(17,026)
Balance at March 31, 2007	746,484	¥47,586	¥46,717	¥104,959	¥ 82,563	¥ 30	¥ 22	¥(6,985)	¥274,892	¥ 9,661	¥284,553
Net income for the year	-	-	-	16,792	-	-	-	-	16,792	-	16,792
Change from increase in consolidated subsidiaries previously not consolidated at the beginning of the year	-	-	-	358	-	-	-	-	358	-	358
Change from merger of consolidated and unconsolidated subsidiaries	-	-	-	87	-	-	-	-	87	-	87
Cash dividends	-	-	-	(5,718)	-	-	-	-	(5,718)	-	(5,718)
Purchase of treasury stock, net of sales	-	-	17	-	-	-	-	(87)	(70)	-	(70)
Net change in the year	-	-	-	-	(30,531)	790	(2,166)	-	(31,907)	(840)	(32,747)
Balance at March 31, 2008	746,484	¥47,586	¥46,734	¥116,478	¥ 52,032	¥ 820	¥(2,144)	¥(7,072)	¥254,434	¥ 8,821	¥263,255
Net income for the year	-	-	-	(73,306)	-	-	-	-	(73,306)	-	(73,306)
Decrease in retained earnings due to change in accounting standards of foreign consolidated subsidiaries	-	-	-	(3,025)	-	-	-	-	(3,025)	-	(3,025)
Change of scope of consolidation	-	-	-	420	-	-	-	-	420	-	420
Cash dividends	-	-	-	(5,717)	-	-	-	-	(5,717)	-	(5,717)
Purchase of treasury stock, net of sales	-	-	(0)	-	-	-	-	(16)	(16)	-	(16)
Net change in the year	-	-	-	-	(41,281)	(880)	(287)	-	(42,448)	6,950	(35,498)
<b>Balance at March 31, 2009</b>	<b>746,484</b>	<b>¥47,586</b>	<b>¥46,734</b>	<b>¥34,850</b>	<b>¥ 10,751</b>	<b>¥ (60)</b>	<b>¥(2,431)</b>	<b>¥(7,088)</b>	<b>¥130,342</b>	<b>¥15,771</b>	<b>¥146,113</b>

	Thousands of U.S. dollars (Note 3)									
Balance at March 31, 2008	\$485,572	\$476,886	\$1,188,558	\$ 530,945	\$ 8,371	\$(21,897)	\$(72,167)	\$2,596,268	\$ 90,009	\$2,686,277
Net income for the year	-	-	(748,030)	-	-	-	-	(748,030)	-	(748,030)
Decrease in retained earnings due to change in accounting standards of foreign consolidated subsidiaries	-	-	(30,875)	-	-	-	-	(30,875)	-	(30,875)
Change of scope of consolidation	-	-	4,311	-	-	-	-	4,311	-	4,311
Cash dividends	-	-	(58,344)	-	-	-	-	(58,344)	-	(58,344)
Purchase of treasury stock, net of sales	-	(1)	-	-	-	-	(164)	(165)	-	(165)
Net change in the year	-	-	-	(421,240)	(8,989)	(2,917)	-	(433,146)	70,923	(362,223)
<b>Balance at March 31, 2009</b>	<b>\$485,572</b>	<b>\$476,885</b>	<b>\$ 355,620</b>	<b>\$ 109,705</b>	<b>\$ (618)</b>	<b>\$(24,814)</b>	<b>\$(72,331)</b>	<b>\$1,330,019</b>	<b>\$160,932</b>	<b>\$1,490,951</b>

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

# Consolidated Statements of Cash Flows

Years ended March 31, 2009, 2008 and 2007	Millions of yen			Thousands of U.S. dollars (Note 3)
	2009	2008	2007	2009
<b>Cash Flows from Operating Activities:</b>				
Income (loss) before income taxes and minority interests	¥(46,681)	¥30,518	¥40,474	\$ (476,338)
Depreciation and amortization	23,919	21,528	17,544	244,072
Increase (decrease) in allowance for doubtful receivables	618	(932)	(345)	6,310
Interest and dividend income	(4,669)	(4,043)	(3,709)	(47,649)
Interest expense	5,771	5,275	3,868	58,897
Exchange (gain) loss	117	(1,459)	(941)	1,201
Gain on sales of property, plant and equipment	(187)	(945)	(55)	(1,915)
Gain on sales of investment securities	(86)	(493)	(1,434)	(880)
Gain on withdrawing pension assets in trust	–	–	(991)	–
Gain on transition of retirement benefits plans	–	–	(357)	–
Loss on devaluation of investment securities	3,700	222	417	37,762
Extraordinary loss/other	1,977	2,318	2,509	20,180
Changes in operating assets and liabilities:				
Trade receivables	82,942	(30,740)	(19,967)	846,349
Inventories	12,515	(16,381)	(7,116)	127,711
Trade payables	(52,938)	(7,913)	15,367	(540,192)
Advances from customers	12,575	14,540	(3,937)	128,318
Other, net	(10,588)	(8,806)	(14,137)	(108,055)
Cash generated from operations	28,985	2,689	27,190	295,771
Interest and dividends received	4,625	4,006	3,704	47,202
Interest paid	(5,653)	(5,170)	(3,719)	(57,687)
Income taxes paid	(4,856)	(14,720)	(14,411)	(49,558)
Net cash provided by (used in) operating activities	23,101	(13,195)	12,764	235,728
<b>Cash Flows from Investing Activities:</b>				
Additions to property, plant and equipment	(38,772)	(35,129)	(33,010)	(395,636)
Proceeds from sales of property, plant and equipment	13,540	753	1,733	138,168
Payments for purchase of investment securities	(1,172)	(652)	(2,592)	(11,962)
Proceeds from sales of investment securities	3,190	3,809	2,796	32,556
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	4,309	–	–	43,976
Increase by corporate division of consolidated subsidiary	9,389	–	–	95,810
Disbursements for long-term loans	(14,576)	(16,572)	(16,276)	(148,738)
Decrease in long-term loans	14,184	15,921	16,827	144,736
Other, net	(2,370)	(4,824)	(3,918)	(24,201)
Net cash used in investing activities	(12,278)	(36,694)	(34,440)	(125,291)
<b>Cash Flows from Financing Activities:</b>				
Decrease in short-term debt	33,714	44,188	(18,373)	344,029
Proceeds from long-term debt	68,207	17,643	20,408	695,999
Repayment of long-term debt	(50,995)	(61,470)	(47,154)	(520,365)
Proceeds from issuance of bonds	10,000	60,000	70,000	102,041
Proceeds from sale of treasury stock	41	42	5	426
Purchase of common stock in treasury	(57)	(111)	(99)	(591)
Cash dividends paid	(5,717)	(5,718)	(5,719)	(58,344)
Dividends paid to minorities	(73)	(73)	(42)	(750)
Other, net	(1,367)	(290)	(270)	(13,948)
Net cash provided by financing activities	53,753	54,211	18,756	548,497
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(1,658)	(1,427)	213	(16,920)
Net Increase (Decrease) in Cash and Cash Equivalents	62,918	2,895	(2,707)	642,014
Cash and Cash Equivalents at Beginning of Year	22,092	19,135	21,413	225,436
Cash and Cash Equivalents of Newly Consolidated Subsidiaries	355	26	164	3,628
Increase Resulting from Merger of a Consolidated Subsidiary with a Non-consolidated Subsidiary	–	36	265	–
Cash and Cash Equivalents at End of Year	¥ 85,365	¥22,092	¥19,135	\$ 871,078

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.



# Notes to the Consolidated Financial Statements

## Note 1 Basis of Preparing Consolidated Financial Statements

The accompanying consolidated financial statements of Fuji Electric Holdings Co., Ltd. (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

In preparing these statements, certain reclassifications and rearrangements have been made to the consolidated financial statements prepared domestically in Japan in order to present these statements in a form that is more familiar to readers outside Japan.

In addition, the notes to the consolidated financial statements include additional information which is not required under accounting principles generally accepted in Japan.

## Note 2 Summary of Significant Accounting Policies

### a. Principles of Consolidation

The consolidated financial statements for the year ended March 31, 2009 include the accounts of the Company and its 66 significant subsidiaries (68 in 2008 and 67 in 2007) (together, the "Companies").

Under the control or influence concept, the accompanying consolidated financial statements include the accounts of the Company and, with minor exceptions, those of its subsidiaries, whether directly or indirectly controlled, and those companies over which the Companies have the ability to exercise significant influence are accounted for by the equity method. All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Companies is eliminated. The Company does not consolidate nor applies the equity method to subsidiaries or affiliates whose gross assets, net sales, net income (loss) and retained earnings are not significant to the consolidated financial statements.

Investments in unconsolidated subsidiaries and affiliates are stated at cost.

The balance sheet date of certain consolidated subsidiaries is December 31. The financial statements of such subsidiaries were tentatively prepared in accordance with the fiscal year of the Company, and those were consolidated.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

The excess of the Company's equity in the net assets at the respective dates of acquisition over goodwill and negative goodwill, is being amortized over a period of 5 years.

### b. Cash Equivalents

For the purpose of the statement of cash flows, the Companies consider all short-term, highly liquid instruments with a maturity of three months or less to be cash equivalents.

### c. Inventories

Raw materials are stated at cost, determined by the most recent purchase price method. Finished goods and work in process are stated at actual cost determined by accumulated production

cost for contract items or average cost for regular production items, except that finished goods of certain consolidated subsidiaries are priced by the most recent purchase price method. In accordance with accounting practices generally accepted in the heavy electric industry, inventories include items with a manufacturing period exceeding one year.

"Accounting Standard for Measurement of Inventories" (ASBJ statement No.9, issued on July 5, 2006) has been adopted effective for the year ended March 31, 2009.

As a result of the adoption, operating loss and ordinary loss increased by ¥3,936 million (\$40,165 thousand), and loss before income taxes and minority interests increased by ¥5,571 million (\$56,855 thousand).

The effects on the segment information are described in "Note 18. Segment Information."

The carrying amount of inventories was written down based on the decrease in profitability. The loss on valuation of inventories was included in cost of sales and the amount of loss was ¥3,936 million (\$40,165 thousand) at March 31, 2009.

### d. Securities

Securities classified as other securities are stated at fair value. Unrealized gains and losses, net of taxes, are reported in a separate component of net assets.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

### e. Depreciation

1) Tangible fixed assets (excluding leased assets)

Depreciation is computed by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to the buildings of the Company and domestic subsidiaries acquired after April 1, 1998. The range of useful lives is from 7 to 50 years for buildings and from 5 to 13 years for machinery and equipment.

In the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries changed their depreciation method in terms of the tangible fixed assets acquired on or after April 1, 2007 in accordance with the corporation tax law as amended. The effects of this change were immaterial. The effects on the segment information were immaterial.

After having depreciated fixed assets acquired before March 31, 2007 up to 5 percent of the remaining acquisition cost based on the prior corporate tax law, the Company and its domestic consolidated subsidiaries have depreciated 5 percent of the remaining acquisition cost less minimum salvage value, using a straight line method over 5 years and booked as depreciation expense, according to the corporation tax law as amended.

#### 2) Leased assets

Depreciation is computed by the straight-line method over the lease period assuming no residual value. But, as stated in

j. Leases, finance leases other than those that were deemed to transfer the ownership of the leased assets to the lessees and contracted before April 1, 2008, are accounted for by the method that is applicable to ordinary operating leases.

#### f. Allowance for Doubtful Accounts

The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

#### g. Retirement Benefits

The Company and its domestic consolidated subsidiaries have corporate pension, tax-qualified pension plans and lump-sum payment plans as defined benefit plans and defined contribution pension plans.

The Companies accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

The transitional obligation, determined as of April 1, 2000, is being amortized over ten years.

The prior service cost is amortized by the straight-line method over the expected remaining working lives of the then-active employee participants.

The actuarial gains and losses are amortized by the straight-line method over the expected remaining working lives of the then-active employee participants from the next period in which they arise, respectively.

#### h. Reserve for Directors' Retirement Benefits

In the year ended March 31, 2006, the Company and some of its consolidated subsidiaries changed their accounting for directors' retirement benefits. The accrued retirement benefits for directors were provided mainly at the amount of their compensation at the time of termination calculated based on its internal regulations. "Accounting Standard for Directors' Bonus" (ASBJ Statement No. 4, issued on November 29, 2005) has been adopted effective the fiscal year ended March 31, 2008. Until March 31, 2007, directors' retirement benefits of certain consolidated subsidiaries were expensed as incurred. Effective April 1, 2007, such subsidiaries changed their accounting for directors' retirement benefits by "Auditing Treatment Relating to Reserve Defined under the Special Tax Measurement Law, Reserve Defined under the Special Law and Reserve for Director and Corporate Auditor Retirement Benefits" (the Japanese Institute of Certified Public Accountants ("JICPA") Auditing and

Assurance Practice Committee Report No.42, issued on April 13, 2007). The accrued retirement benefits for directors were provided mainly at the amount of their compensation at the time of termination calculated based on its internal regulations. The Company and some of its consolidated subsidiaries determined abolition of the retirement benefits system for the directors and corporate auditors at the Company's stockholders' meeting held in June 2007. The amount of the reserve for directors' retirement benefits are included in "Other Long-term Liabilities" on the consolidated balance sheets as of March 31, 2008 and 2009.

#### i. Research and Development Costs

Research and development costs are charged to income as incurred.

#### j. Leases

Until March 31, 2008, finance leases other than those that are deemed to transfer the ownership of the leased assets to the lessees were accounted for by the method that was applicable to ordinary operating leases.

"Accounting Standard for Lease Transactions" (ASBJ statement No.13, originally issued on June 17, 1993 and revised on March 30, 2007) and "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No.16, originally issued on January 18, 1994, and revised on March 30, 2007) have been adopted effective for the year ended March 31, 2009.

They are applied for all lease transactions contracted after April 1, 2008, and finance leases other than those that are deemed to transfer the ownership of the leased assets to the lessees are accounted for by the method that was applicable to ordinary sales and purchase transactions.

The effects of this adoption are immaterial.

And the effects on the segment information are also immaterial.

Finance leases other than those that were deemed to transfer the ownership of the leased assets to the lessees and contracted before April 1, 2008, are accounted for by the method that is applicable to ordinary operating leases.

#### k. Revenue Recognition

Sales of products are generally recognized as delivery is made. Sales of installation products are recognized when installation is completed.

#### l. Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. The Company filed a consolidated tax return, which allows companies to file tax payments on the combined basis of profits or losses of the parent company and its wholly owned domestic subsidiaries. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

### m. Foreign Currency Transactions

All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the statements of operations to the extent that they are not hedged by forward exchange contracts.

### n. Foreign Currency Financial Statements

Assets, liabilities, and revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders' equity, which is translated at the historical rate.

Differences arising from such translation are included in Foreign currency translation adjustments and minority interests in consolidated subsidiaries as a separate component of net assets.

### o. Adoption of Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

"Guidance for Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Practical Issues Task Force No.18, issued on May 17, 2006) have been adopted effective for the year ended March 31, 2009.

As a result of the adoption, operating loss increased by ¥112 million (\$1,152 thousand), and ordinary loss and loss before income taxes and minority interests decreased by ¥4,386 million (\$44,756 thousand).

The effects on the segment information were immaterial.

### p. Derivatives and Hedging Activities

The Companies enter into derivative financial instruments ("derivatives"), including foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies and interest rate swap agreements as a means of managing its interest rate exposures on certain assets and liabilities. In addition, the Companies enter into commodity swap agreements to hedge the risk of fluctuation of commodity prices for raw materials.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows:

- a) All derivatives are recognized as either assets or liabilities and measured at fair value, and forward contracts applied for forecasted transactions are measured at fair value but the unrealized gains/losses are deferred until the underlying transactions are completed if the forward contracts qualify for hedge accounting.
- b) Trade receivables and trade payables denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations are translated at the contracted rate if the forward contracts qualify for hedge accounting.
- c) The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

### q. Accounting Standard for Presentation of Net Assets in the Balance Sheet

"Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Statement No. 5, issued on December 9, 2005) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Guidance No. 8, issued on December 9, 2005) have been adopted effective for the year ended March 31, 2007.

### r. Accounting for Consumption Taxes

The Japanese consumption taxes withheld and consumption taxes paid are not included in the accompanying consolidated statements of operations.

### s. Net Income per Share

Net income per share is computed by dividing net income available to common shareholders, which is more precisely computed than under previous practices, by the weighted average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share is not presented because net loss per share is reported, although dilutive shares exist for the year ended March 31, 2009.

## Note 3 U.S. Dollar Amounts

The U.S. dollar amounts included in the accompanying consolidated financial statements and notes thereto represent the arithmetic results of translating yen into dollars at ¥98=U.S.\$1,

the approximate exchange rate at March 31, 2009. The U.S. dollar amounts are presented solely for the convenience of the readers outside Japan.

## Note 4 Securities

Information regarding the marketable securities classified as other securities at March 31, 2009, 2008 and 2007 were as follows:

March 31, 2009	Millions of yen			
	2009			
	Cost	Carrying amounts	Unrealized gains	Unrealized losses
Marketable securities classified as other securities				
Equity securities	¥122,563	¥141,035	¥25,244	¥6,772
Debt securities	—	—	—	—
Others	—	—	—	—
	¥122,563	¥141,035	¥25,244	¥6,772

March 31, 2008	Millions of yen			
	2008			
Marketable securities classified as other securities				
Equity securities	¥124,932	¥212,784	¥89,662	¥1,810
Debt securities	–	–	–	–
Others	–	–	–	–
	¥124,932	¥212,784	¥89,662	¥1,810

March 31, 2007	Millions of yen			
	2007			
Marketable securities classified as other securities				
Equity securities	¥125,592	¥265,161	¥139,652	¥83
Debt securities	–	–	–	–
Others	–	–	–	–
	¥125,592	¥265,161	¥139,652	¥83

March 31, 2009	Thousands of U.S. dollars (Note 3)			
	2009			
	Cost	Carrying amounts	Unrealized gains	Unrealized losses
Marketable securities classified as other securities				
Equity securities	\$1,250,647	\$1,439,134	\$257,601	\$69,114
Debt securities	–	–	–	–
Others	–	–	–	–
	\$1,250,647	\$1,439,134	\$257,601	\$69,114

Other securities whose fair value is not readily determinable as of March 31, 2009, 2008 and 2007 were as follows:

	Carrying amounts			Thousands of U.S. dollars (Note 3)
	Millions of yen			
	2009	2008	2007	
Others				
Unquoted securities	¥3,166	¥ 3,594	¥ 3,489	\$32,316
Preferred shares	–	2,000	5,000	–
Preferred stock	5,050	5,050	5,050	51,530
	¥8,216	¥10,644	¥13,539	\$83,846

Sales of other securities:

Proceeds from sales of other securities for the years ended March 31, 2009, 2008 and 2007 were ¥337 million (\$3,444 thousand), ¥808 million and ¥2,388 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥86 million (\$880 thousand)

and ¥4 million (\$46 thousand), respectively, for the year ended March 31, 2009, ¥485 million and ¥3 million, respectively, for the year ended March 31, 2008 and ¥1,434 million and ¥323 million, respectively, for the year ended March 31, 2007, always excepting the sales of public bond investment trusts and money management funds.

The carrying values of debt securities by contractual maturities for securities classified as other securities at March 31, 2009, 2008 and 2007 were as follows:

	Millions of yen						Thousands of U.S. dollars (Note 3)	
	Debt securities	Other securities	Debt securities	Other securities	Debt securities	Other securities	Debt securities	Other securities
	2009		2008		2007		2009	
Due in one year or less	¥ 0	¥ –	¥0	¥ –	¥0	¥ –	\$ 3	\$ –
Due after one year through five years	50	–	1	–	1	–	517	–
Due after five years through ten years	–	–	–	–	0	–	–	–
Due after ten years	–	–	–	–	–	–	–	–
Total	¥50	¥ –	¥1	¥ –	¥1	¥ –	\$520	\$ –

## Note 5 Inventories

Inventories at March 31, 2009, 2008 and 2007 comprised the following:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2009	2008	2007	
Finished goods	¥ 53,601	¥ 67,691	¥ 59,967	\$ 546,952
Work in process	66,203	67,940	62,572	675,549
Raw materials	30,771	31,107	27,177	313,986
	¥150,575	¥166,738	¥149,716	\$1,536,487

## Note 6 Pledged Assets and Financial Assets Accepted as Collateral

The amounts of assets pledged as collateral for trade payables, short-term debt and long-term debt at March 31, 2009, 2008 and 2007 were as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2009	2008	2007	2009
Time deposits	¥ 60	¥ 60	¥ 60	\$ 612
Investment securities	208	448	737	2,128
Property, plant and equipment	37,988	39,387	40,541	387,628
	¥38,256	¥39,895	¥41,338	\$390,368

## Note 7 Short-term Debt and Long-term Debt

Short-term debt at March 31, 2009, 2008 and 2007 consisted of the following:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2009	2008	2007	2009
Loans, principally from banks	¥112,619	¥ 67,495	¥61,393	\$1,149,182
Commercial paper	53,000	65,500	28,000	540,816
	¥165,619	¥132,995	¥89,393	\$1,689,998

The weighted average interest rates on short-term debt at March 31, 2009, 2008 and 2007 were 1.08%, 1.23% and 1.24%, respectively.

Long-term debt at March 31, 2009, 2008 and 2007 consisted of the following:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2009	2008	2007	2009
Loans, principally from banks and insurance companies	¥103,484	¥ 53,230	¥ 60,514	\$1,055,959
Bonds issued by the Companies:				
1.07% Yen bonds due 2007	–	–	8,000	–
1.11% Yen bonds due 2007	–	–	12,000	–
1.12% Yen bonds due 2007	–	–	7,000	–
1.15% Yen bonds due 2007	–	–	13,000	–
0.83% Yen bonds due 2008	–	10,000	10,000	–
1.08% Yen bonds due 2009	–	20,000	20,000	–
1.14% Yen bonds due 2010	10,000	10,000	10,000	102,041
1.78% Yen bonds due 2011	20,000	20,000	20,000	204,082
1.56% Yen bonds due 2011	20,000	20,000	20,000	204,082
1.48% Yen bonds due 2012	20,000	20,000	–	204,082
1.62% Yen bonds due 2012	20,000	20,000	–	204,082
1.34% Yen bonds due 2013	20,000	20,000	–	204,082
1.44% Yen bonds due 2013	10,000	–	–	102,041
Zero coupon convertible bonds with stock acquisition rights due 2016	26,980	30,000	30,000	275,306
	250,464	223,230	210,514	2,555,757
Less: Portion due within one year	19,283	48,437	63,134	196,763
	¥231,181	¥174,793	¥147,380	\$2,358,994

The weighted average interest rates on loans, principally from banks and insurance companies, at March 31, 2009, 2008 and 2007 were 1.83%, 2.90% and 1.79%, respectively.

As of March 31, 2009, the aggregate annual maturities of long-term debt during the next five years are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2011	2010
2010	¥ 24,353		\$ 248,502
2011		90,643	924,930
2012		69,787	712,119
2013		16,288	166,211
2014 thereafter		30,110	307,232
	¥231,181		\$2,358,994

## Note 8 Retirement Benefits

The Company and its domestic consolidated subsidiaries have corporate pension, tax-qualified pension plans and lump-sum payment plans as defined benefit plans and defined contribution pension plans.

In addition, the Companies pay other retirement benefits other than the above plans.

The liability (asset) for employees' retirement benefits at March 31, 2009, 2008 and 2007 consisted of the following:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2009	2008	2007	2009
Projected benefit obligation	¥(201,801)	¥(223,576)	¥(227,970)	\$ (2,059,198)
Fair value of plan assets	127,049	187,981	207,786	1,296,413
Excess projected benefit obligation over plan assets	(74,752)	(35,595)	(20,184)	(762,785)
Unrecognized transitional obligation	1,138	2,916	4,360	11,622
Unrecognized actuarial loss	110,515	66,573	49,107	1,127,705
Unrecognized prior service cost	1,358	1,344	893	13,859
Carrying amount	38,259	35,238	34,176	390,401
Prepaid pension expense	46,974	48,500	46,327	479,339
Net liability	¥ (8,715)	¥ (13,262)	¥ (12,151)	\$ (88,938)

The Company and some of its domestic consolidated subsidiaries have pension trust. As a result of a recovery in stock market conditions and some other factors, the plan assets significantly exceeded project benefit obligation. To eliminate

this excess, in March 2007, marketable securities held in the employee retirement benefit trust were returned to the Company. The effect of this transaction was as follows:

	Millions of yen
	2007
Decrease in plan assets	¥(12,084)
Recognized actuarial gain	991
Increase in liability for severance payments	350
Decrease in prepaid pension expense	(10,743)

The components of net periodic benefit costs for the years ended March 31, 2009, 2008 and 2007 were as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2009	2008	2007	2009
Service cost	¥ 5,475	¥ 6,800	¥ 7,151	\$ 55,873
Interest cost	4,812	4,972	5,009	49,109
Expected return on plan assets	(2,979)	(2,798)	(3,165)	(30,400)
Amortization of transitional obligation	1,091	1,443	1,462	11,133
Recognized actuarial loss	6,176	5,043	2,703	63,027
Amortization of prior service cost	(77)	(78)	(212)	(800)
Net periodic benefit costs	14,498	15,382	12,948	147,942
Gain on withdrawing pension assets in trust	-	-	(991)	-
Loss on end of retirement benefits plans	(10)	-	(330)	(103)
Gain on transition to the basis methods from the simplified methods are permitted to small companies	-	-	(26)	-
Contributory portion to a defined contribution pension plan	1,028	1,105	823	10,488
Total	¥15,516	¥16,487	¥12,424	\$158,327

Special additional termination benefits which have not been included in the amounts shown in the above table were ¥4,146 million (\$42,313 thousand), ¥2,811 million and ¥3,384 million for the years ended March 31, 2009, 2008 and 2007, respectively, and were charged to income as paid.

Assumptions used for the years ended March 31, 2009, 2008 and 2007 were as follows:

	2009	2008	2007
Decrease in projected benefit obligation	2.5%	2.5%	2.5%
Decrease in liability for severance payments	mainly 2.5%	mainly 2.5%	mainly 2.5%

The transitional obligation, determined as of April 1, 2000, is being amortized over ten years. The prior service cost is amortized by the straight-line method over the expected remaining working lives of the then-active employee participants.

The actuarial gains and losses are amortized by the straight-line method over the expected remaining working lives of the then-active employee participants from the next period in which they arise, respectively.

## Note 9 Shareholders' Equity

Until May 1, 2006, Japanese companies were subject to the Japanese Commercial Code (the "Code").

The Code provided that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 25% of common stock.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

On May 1, 2006, a new Corporate Law (the "Law") became effective, which reformed and replaced the Code with various revisions that would, for the most part, be applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant

changes in the Law that affect financial and accounting matters are as follows:

a. Dividends:

The Law allows Japanese companies to pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting.

b. Increases/decreases and transfer of common stock, reserve and surplus:

The Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (of retained earnings) or as additional paid-in capital (of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock.

The Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

## Note 10 Research and Development Costs

Research and development costs charged to income were ¥30,394 million (\$310,147 thousand), ¥31,260 million and ¥32,554 million for the years ended March 31, 2009, 2008 and 2007, respectively.

## Note 11 Extraordinary Loss, Net

Extraordinary loss, net, for the years ended March 31, 2009, 2008 and 2007 was as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2009	2008	2007	2009
Extraordinary income				
Gain on sales of noncurrent assets	¥ 187	¥ 945	¥ 55	\$ 1,915
Gain on sales of investment securities	86	493	1,434	880
Gain on change in equity	2,293	—	—	23,403
Gain on insurance adjustment	607	—	—	6,194
Gain on withdrawing pension assets in trust	—	—	991	—
Gain on transition of retirement benefits plans	—	—	357	—
Gain on adjustments of repair expense	—	484	—	—
Gain on foreign currency translation adjustments by liquidation of the consolidated foreign subsidiaries	—	412	—	—
Others	222	—	—	2,265
Extraordinary loss				
Loss on sales of property, plant and equipment	(1,977)	(2,318)	(2,509)	(20,180)
Loss on devaluation of investment securities	(3,700)	(222)	(417)	(37,762)
Business restructuring costs	(18,489)	—	—	(188,672)
Special termination benefits	—	(1,271)	(2,458)	—
Recognized actuarial loss	—	(925)	—	—
Loss on reserve for directors' retirement benefits in prior years	—	(635)	—	—
Special repair expense	—	—	(1,900)	—
Loss on disposal of inventories	—	—	(1,389)	—
Others	(5,141)	(2,253)	(2,452)	(52,449)
	¥(25,912)	¥(5,290)	¥(8,288)	\$(264,406)

Business restructuring costs for the year ended March 31, 2009 includes the costs of ¥8,299 million (\$84,690 thousand) relating to downsizing, the costs of ¥4,665 million (\$47,605 thousand) relating to fixed assets and the costs of ¥4,552 million (\$46,455 thousand) relating to inventories. An impairment loss of ¥3,305 million (\$33,725 thousand) incurred in line with business restructuring was included in the business restructuring costs for the year ended March 31, 2009.

## Note 12 Impairment Loss

The Companies determine the asset group by considering the division of management accounting. For the year ended March 31, 2009, the Companies recognized an impairment loss up to the recoverable amount of idle assets and assets to be disposed as they are not expected to be used. The impairment loss of ¥4,088 million (\$41,720 thousand) consisted of ¥3,400 million (\$34,699 thousand) for idle assets and ¥688 million (\$7,021

thousand) for assets to be disposed. And the impairment loss consisted of ¥2,320 million (\$23,682 thousand) for leased assets, ¥1,440 million (\$14,699 thousand) for buildings and structures and ¥328 million (\$3,339 thousand) for other assets.

The recoverable amount of assets was measured by the net realizable value.

## Note 13 Income Taxes

The components of income taxes for the years ended March 31, 2009, 2008 and 2007 were as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2009	2008	2007	2009
Current	¥ 4,732	¥ 9,983	¥14,077	\$ 48,290
Deferred	22,694	3,223	2,269	231,575
	¥27,426	¥13,206	¥16,346	\$279,865

The Company and its domestic subsidiaries are subject to corporate income tax, prefectural and municipal inhabitants' taxes and enterprise tax, based on income.

The significant components of deferred tax assets and liabilities at March 31, 2009, 2008 and 2007 were as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2009	2008	2007	2009
Deferred tax assets				
Liability for severance payments	¥ 23,231	¥ 27,211	¥ 28,438	\$ 237,058
Accrued employee benefits	6,199	8,193	8,482	63,258
Tax loss carryforwards	19,567	6,529	5,850	199,664
The investment deduction of the consolidated foreign subsidiaries	13,911	–	–	141,952
Investment securities	5,264	3,768	4,659	53,722
Tangible fixed assets	4,872	3,438	2,177	49,720
Inventories	3,319	2,946	3,501	33,874
Other	12,162	8,768	9,295	124,073
Gross deferred tax assets	88,525	60,853	62,402	903,321
Less: Valuation allowance	(67,186)	(11,669)	(9,560)	(685,573)
Total deferred tax assets	21,339	49,184	52,842	217,748
Deferred tax liabilities				
Unrealized gain on other securities	(8,109)	(35,973)	(56,531)	(82,750)
Gain on securities contribution to employee retirement benefit trust	(29,810)	(31,694)	(32,033)	(304,187)
Investment securities	(6,500)	(7,688)	(7,789)	(66,332)
Retained earning appropriated for tax deductible reserves	(397)	(413)	(389)	(4,040)
Gross deferred tax liabilities	(44,816)	(75,768)	(96,742)	(457,309)
Net deferred tax assets (liabilities)	¥(23,477)	¥(26,584)	¥(43,900)	\$ (239,561)

Reconciliation of the difference between the statutory income tax rate and the effective income tax rate for the year ended March 31, 2007 was not disclosed because it was not material. Reconciliation of the difference between the statutory income tax rate and the effective income tax rate for the year ended

March 31, 2009 was not disclosed because the Company recorded a loss before income taxes and minority interests. The reconciliation between the statutory income tax rate and the effective income tax rate for the year ended March 31, 2008 was as follows:

	2009	2008	2007
Statutory income tax rate	–	40.7%	–
Permanent difference resulting from expenses not deductible for income tax purposes	–	6.9	–
Valuation allowance	–	6.1	–
Tax credit	–	(4.0)	–
Permanent difference resulting from non-taxable income, including dividends received	–	(2.3)	–
Tax rates difference of the consolidated foreign subsidiaries	–	(2.1)	–
Other	–	(2.0)	–
Effective income tax rate	–	43.3%	–



## Note 14 Supplemental Cash Flow Information

a. The Company sold its ownership of FFC Ltd. ("FFC") and FFC Systems Ltd. ("FFC Systems"), and these companies were consequently excluded from the scope of consolidation for this fiscal year.

The breakdown of assets, liabilities and sales price of stocks and proceeds from the sale of consolidated subsidiaries are as follows:

	Thousands of U.S. dollars (Note 3)	
	Millions of yen	2009
Current assets	¥ 18,637	\$ 190,177
Fixed assets	3,832	39,112
Current liabilities	(10,602)	(108,184)
Long-term liabilities	(4,669)	(47,651)
Minority interests	(2,878)	(29,372)
Loss (Gain) on sales of stocks	—	—
Sales price of stocks	¥ 4,320	\$ 44,082
Cash and cash equivalents	(11)	(106)
Proceeds from sales of stocks	¥ 4,309	\$ 43,976

b. Fuji Electric FA Components & Systems Co., Ltd. ("FCS"), a wholly owned consolidated subsidiary of the Company, and Schneider Electric Japan Ltd. ("SEJ"), a Japanese subsidiary of the Schneider Group, signed an agreement to carry out an absorption-type corporate split (spin-off-type corporate split) whereby SEJ succeeded to the business of FCS (the "Corporate Split").

SEJ changed its company name to Fuji Electric FA Components & Systems Co., Ltd.

The breakdown of assets and liabilities increased by the combination, and the proceeds from purchase of stocks of the subsidiary by the absorption-type corporate split are as follows:

	Thousands of U.S. dollars (Note 3)	
	Millions of yen	2009
Current assets	¥ 10,240	\$ 104,495
Fixed assets	2,675	27,299
Goodwill	665	6,789
Current liabilities	(787)	(8,035)
Long-term liabilities	(97)	(991)
Minority interests	(10,403)	(106,154)
Gain on change in equity	(2,293)	(23,403)
Less:	—	—
Cash and cash equivalents carried out the absorption-type corporate split	9,389	95,810
Proceeds from purchase of stocks of subsidiaries by the absorption-type corporate split	¥ 9,389	\$ 95,810

## Note 15 Contingent Liabilities

Contingent liabilities at March 31, 2009, 2008 and 2007 were as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2009	2008	2007	2009
Notes discounted and endorsed	¥ 19	¥ —	¥ —	\$ 195
Guarantees	14,392	5,844	6,867	146,858

## Note 16 Leases

As stated in Note 2. Summary of Significant Accounting Policies, j. Leases, finance leases other than those that were deemed to transfer the ownership of the leased assets to the lessees and contracted before April 1, 2008, are accounted for by the method that is applicable to ordinary operating leases.

Pro forma information of those leased property such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligation under finance lease, lease expense, depreciation expense, interest expense and impairment loss on an "as if capitalized" basis for the years ended March 31, 2009, 2008 and 2007 were as follows:

Acquisition cost, accumulated depreciation and accumulated impairment loss under finance leases:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2009	2008	2007	2009
Acquisition cost	¥125,865	¥153,659	¥135,637	\$1,284,338
Accumulated depreciation	72,360	64,565	55,481	738,368
Accumulated impairment loss	2,317	—	—	23,643
Net leased property	¥ 51,188	¥ 89,094	¥ 80,156	\$ 522,327

Obligations under finance leases:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2009	2008	2007	2009
Due within one year	¥23,295	¥29,788	¥26,635	\$237,707
Due after one year	33,371	61,987	55,365	340,523
Total	¥56,666	¥91,775	¥82,000	\$578,230

Lease expense, depreciation expense, interest expense and impairment loss under finance leases:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2009	2008	2007	2009
Lease expense	¥30,138	¥31,537	¥25,915	\$307,534
Depreciation expense	28,519	30,711	25,260	291,019
Interest expense	1,625	2,045	1,574	16,588
Impairment loss	2,317	–	–	23,643

## Note 17 Derivatives

The Companies, which operate globally, are exposed to market risk arising from fluctuations in foreign currency exchange rates and enter into derivative financial instruments for the purpose of reducing such risk. The Companies also enter into interest rate swap agreements as a means of managing their interest rate exposure. In addition, the Companies enter into commodity swap agreements to hedge the risk of fluctuation of commodity prices for raw materials. The Companies do not hold or issue derivatives for speculative or dealing purposes.

Because the counterparties to these derivatives are limited to authentic financial institutions, the Companies do not anticipate any losses arising from credit risk.

All derivative transactions are entered into to hedge foreign currency exposures incorporated within business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities. Derivative transactions entered into by the Companies have been made in accordance with the Companies' policies. The execution and control of derivatives, which is based on the application of each section, are controlled by the Finance Department or the Material Section. Each derivative transaction is periodically reported to the management and each section and strictly controlled.

Fair value of derivative financial instruments:

The fair value of the Companies' derivative financial instruments at March 31, 2009, 2008 and 2007 were as follows:

	Millions of yen								
	2009			2008			2007		
	Contract amount	Fair value	Unrealized gain/loss	Contract amount	Fair value	Unrealized gain/loss	Contract amount	Fair value	Unrealized gain/loss
Foreign currency forward contracts:									
Receivables:									
U.S. dollars	¥ 824	¥ 861	¥(37)	¥4,345	¥4,073	¥272	¥16,280	¥16,245	¥35
Euro	360	389	(29)	1,104	1,097	7	–	–	–
Yen	65	71	(6)	–	–	–	–	–	–
Canadian dollars	–	–	–	–	–	–	27	29	(2)
Total	¥1,249	¥1,321	¥(72)	¥5,449	¥5,170	¥279	¥16,307	¥16,274	¥33

	Thousands of U.S. dollars (Note 3)		
	2009		
	Contract amount	Fair value	Unrealized gain/loss
Foreign currency forward contracts:			
Receivables:			
U.S. dollars	\$ 8,405	\$ 8,792	\$(387)
Euro	3,669	3,974	(305)
Yen	633	715	(52)
Canadian dollars	–	–	–
Total	\$12,737	\$13,481	\$(744)

Foreign currency forward contracts which qualify for hedge accounting for the years ended March 31, 2009, 2008 and 2007 and such amounts which are assigned to the associated assets and liabilities and were recorded on the balance sheets at March 31, 2009, 2008 and 2007 are excluded from disclosure of market value information.

## Note 18 Segment Information

The Companies reclassified the business segments, merging the ED&C-Drive Systems Group into the Energy & Electric Systems Group to strengthen its business portfolio as of April 1, 2008, and consequently the Companies have four business segments, Energy & Electric Systems, Electronic Devices, Retail Systems and Others.

### • Business Segment Information

Year ended March 31, 2009	Millions of yen						
	Energy & Electric Systems	Electronic Devices	Retail Systems	Others	Total	Elimination and corporate	Consolidated total
Sales							
Unaffiliated customers	¥483,230	¥137,283	¥135,823	¥10,301	¥766,637	¥ –	¥766,637
Intersegment	7,165	4,343	600	38,568	50,676	(50,676)	–
Total sales	¥490,395	¥141,626	¥136,423	¥48,869	¥817,313	¥ (50,676)	¥766,637
Operating costs and expenses	479,689	172,648	136,898	46,093	835,328	(49,836)	785,492
Operating income	¥ 10,706	¥ (31,022)	¥ (475)	¥ 2,776	¥ (18,015)	¥ (840)	¥ (18,855)
Total assets	¥441,203	¥179,266	¥ 86,038	¥39,518	¥746,025	¥(162,916)	¥908,941
Depreciation and amortization	¥ 7,358	¥ 13,591	¥ 1,767	¥ 974	¥ 23,690	¥ 229	¥ 23,919
Impairment loss	¥ 9	¥ 4,028	¥ –	¥ 51	¥ 4,088	¥ –	¥ 4,088
Capital expenditure	¥ 10,610	¥ 18,529	¥ 2,628	¥ 1,935	¥ 33,702	¥ 217	¥ 33,919

Year ended March 31, 2008	Millions of yen							
	Energy & Electric Systems	ED&C-Drive Systems	Electronic Devices	Retail Systems	Others	Total	Elimination and corporate	Consolidated total
Sales								
Unaffiliated customers	¥392,812	¥180,006	¥178,564	¥158,158	¥12,632	¥ 922,172	¥ –	¥ 922,172
Intersegment	17,069	11,734	6,241	556	52,646	88,246	(88,246)	–
Total sales	¥409,881	¥191,740	¥184,805	¥158,714	¥65,278	¥1,010,418	¥ (88,246)	¥ 922,172
Operating costs and expenses	396,628	181,028	176,643	155,897	62,792	972,988	(86,699)	886,289
Operating income	¥ 13,253	¥ 10,712	¥ 8,162	¥ 2,817	¥ 2,486	¥ 37,430	¥ (1,547)	¥ 35,883
Total assets	¥357,831	¥152,385	¥225,863	¥102,320	¥50,749	¥ 889,148	¥146,803	¥1,035,951
Depreciation and amortization	¥ 5,339	¥ 2,171	¥ 11,368	¥ 1,425	¥ 982	¥ 21,285	¥ 243	¥ 21,528
Capital expenditure	¥ 5,944	¥ 2,022	¥ 31,882	¥ 1,460	¥ 1,003	¥ 42,311	¥ 340	¥ 42,651

Year ended March 31, 2007	Millions of yen							
	Energy & Electric Systems	ED&C-Drive Systems	Electronic Devices	Retail Systems	Others	Total	Elimination and corporate	Consolidated total
Sales								
Unaffiliated customers	¥384,587	¥182,348	¥176,979	¥151,356	¥12,789	¥908,059	¥ –	¥ 908,059
Intersegment	17,268	11,561	5,420	1,215	52,718	88,182	(88,182)	–
Total sales	¥401,855	¥193,909	¥182,399	¥152,571	¥65,507	¥996,241	¥ (88,182)	¥ 908,059
Operating costs and expenses	389,694	182,316	163,177	150,064	63,400	948,651	(86,800)	861,851
Operating income	¥ 12,161	¥ 11,593	¥ 19,222	¥ 2,507	¥ 2,107	¥ 47,590	¥ (1,382)	¥ 46,208
Total assets	¥326,265	¥148,926	¥188,339	¥103,600	¥54,730	¥821,860	¥202,972	¥1,024,832
Depreciation and amortization	¥ 5,157	¥ 1,839	¥ 8,037	¥ 1,317	¥ 938	¥ 17,288	¥ 256	¥ 17,544
Capital expenditure	¥ 5,637	¥ 2,911	¥ 26,011	¥ 2,739	¥ 733	¥ 38,031	¥ 36	¥ 38,067

Thousands of U.S. dollars (Note 3)

Year ended March 31, 2009	Energy & Electric Systems	Electronic Devices	Retail Systems	Others	Total	Elimination and corporate	Consolidated total
Sales							
Unaffiliated customers	\$4,930,922	\$1,400,853	\$1,385,951	\$105,107	\$7,822,833	\$ –	\$7,822,833
Intersegment	73,117	44,317	6,130	393,533	517,097	(517,097)	–
Total sales	\$5,004,039	\$1,445,170	\$1,392,081	\$498,640	\$8,339,930	\$ (517,097)	\$7,822,833
Operating costs and expenses	4,894,791	1,761,728	1,396,936	470,303	8,523,758	(508,524)	8,015,234
Operating income	\$ 109,248	\$ (316,558)	\$ (4,855)	\$ 28,337	\$ (183,828)	\$ (8,573)	\$ (192,401)
Total assets	\$4,502,079	\$1,829,253	\$ 877,939	\$403,236	\$7,612,507	\$(1,662,403)	\$9,274,910
Depreciation and amortization	\$ 75,090	\$ 138,692	\$ 18,038	\$ 9,917	\$ 241,737	\$ 2,335	\$ 244,072
Impairment loss	\$ 102	\$ 41,106	\$ –	\$ 512	\$ 41,720	\$ –	\$ 41,720
Capital expenditure	\$ 108,269	\$ 189,074	\$ 26,823	\$ 19,736	\$ 343,902	\$ 2,214	\$ 346,116

After having depreciated fixed assets acquired before March 31, 2007 up to 5 percent of the remaining acquisition cost based on the prior corporate tax law, the Company and its domestic consolidated subsidiaries have depreciated 5 percent of the remaining acquisition cost less minimum salvage value, using the straight-line method over 5 years and booked as depreciation expense, according to the corporation tax law as amended.

As stated in Note 2. Summary of Significant Accounting Policies, c. Inventories, the Companies adopted "Accounting

Standard for Measurement of Inventories" (ASBJ Statement No.9, issued on July 5, 2006) from this fiscal year.

As a result of its adoption, operating costs and expenses increased by ¥1,559 million (\$15,913 thousand) in Energy & Electric Systems, ¥2,280 million (\$23,274 thousand) in Electronic Devices, ¥95 million (\$978 thousand) in Retail Systems, for the year ended March 31, 2009. Operating income decreased by the same amount.

Restated segment information for the year ended March 31, 2008 to conform to the 2009 segmentation was as follows:

Year ended March 31, 2008	Millions of yen						
	Energy & Electric Systems	Electronic Devices	Retail Systems	Others	Total	Elimination and corporate	Consolidated total
Sales							
Unaffiliated customers	¥576,294	¥178,564	¥158,158	¥ 9,156	¥922,172	¥ –	¥ 922,172
Intersegment	11,418	6,241	541	42,498	60,698	(60,698)	–
Total sales	587,712	184,805	158,699	51,654	982,870	(60,698)	922,172
Operating costs and expenses	563,853	176,643	155,990	49,198	945,684	(59,395)	886,289
Operating income	¥ 23,859	¥ 8,162	¥ 2,709	¥ 2,456	¥ 37,186	¥ (1,303)	¥ 35,883
Total assets	¥513,459	¥225,863	¥103,384	¥41,374	¥884,080	¥151,871	¥1,035,951
Depreciation and amortization	¥ 7,619	¥ 11,368	¥ 1,431	¥ 867	¥ 21,285	¥ 243	¥ 21,528
Capital expenditure	¥ 8,024	¥ 31,882	¥ 1,461	¥ 944	¥ 42,311	¥ 340	¥ 42,651

#### • Geographic Information

Year ended March 31, 2009	Millions of yen							
	Japan	North America	Europe	Asia (except for China)	China	Total	Elimination and corporate	Consolidated total
Sales								
Unaffiliated customers	¥699,984	¥8,646	¥10,073	¥11,452	¥36,482	¥766,637	¥ –	¥766,637
Intersegment	53,471	504	103	25,693	10,777	90,548	(90,548)	–
Total sales	¥753,455	¥9,150	¥10,176	¥37,145	¥47,259	¥857,185	¥ (90,548)	¥766,637
Operating costs and expenses	771,432	9,229	10,359	41,801	45,369	878,190	¥ 92,698	785,492
Operating income	¥ (17,977)	¥ (79)	¥ (183)	¥ (4,656)	¥ 1,890	¥ (21,005)	¥ 2,150	¥ (18,855)
Total assets	¥684,826	¥4,705	¥ 3,750	¥63,100	¥29,432	¥795,813	¥113,128	¥908,941

Year ended March 31, 2008	Millions of yen							
	Japan	North America	Europe	Asia (except for China)	China	Total	Elimination and corporate	Consolidated total
Sales								
Unaffiliated customers	¥851,581	¥8,077	¥15,774	¥13,909	¥32,831	¥ 922,172	¥ –	¥ 922,172
Intersegment	73,274	425	124	28,062	11,393	113,278	(113,278)	–
Total sales	¥924,855	¥8,502	¥15,898	¥41,971	¥44,224	¥1,035,450	¥(113,278)	¥ 922,172
Operating costs and expenses	890,673	8,374	15,644	42,107	41,564	998,362	(112,073)	886,289
Operating income	¥ 34,182	¥ 128	¥ 254	¥ (136)	¥ 2,660	¥ 37,088	¥ (1,205)	¥ 35,883
Total assets	¥815,427	¥7,399	¥ 7,125	¥79,295	¥26,876	¥ 936,122	¥ 99,829	¥1,035,951

Millions of yen								
Year ended March 31, 2007	Japan	North America	Europe	Asia (except for China)	China	Total	Elimination and corporate	Consolidated total
<b>Sales</b>								
Unaffiliated customers	¥839,350	¥6,911	¥14,003	¥15,112	¥32,683	¥ 908,059	¥ –	¥ 908,059
Intersegment	59,186	535	324	26,030	13,229	99,304	(99,304)	–
Total sales	¥898,536	¥7,446	¥14,327	¥41,142	¥45,912	¥1,007,363	¥ (99,304)	¥ 908,059
Operating costs and expenses	857,160	7,077	13,919	39,125	43,223	960,504	(98,653)	861,851
Operating income	¥ 41,376	¥ 369	¥ 408	¥ 2,017	¥ 2,689	¥ 46,859	¥ (651)	¥ 46,208
Total assets	¥764,471	¥3,405	¥ 5,304	¥47,267	¥30,000	¥ 850,447	¥174,385	¥1,024,832

Thousands of U.S. dollars (Note 3)								
Year ended March 31, 2009	Japan	North America	Europe	Asia (except for China)	China	Total	Elimination and corporate	Consolidated total
<b>Sales</b>								
Unaffiliated customers	\$7,142,694	\$88,233	\$102,794	\$116,864	\$372,248	\$7,822,833	\$ –	\$ 7,822,833
Intersegment	545,628	5,135	1,045	262,176	109,978	923,962	(923,962)	–
Total sales	\$7,688,322	\$93,368	\$103,839	\$379,040	\$482,226	\$8,746,795	\$ (923,962)	\$ 7,822,833
Operating costs and expenses	7,871,769	94,175	105,707	426,553	462,934	8,961,138	(945,904)	8,015,234
Operating income	\$ (183,447)	\$ (807)	\$ (1,868)	\$ (47,513)	\$ 19,292	\$ (214,343)	\$ 21,942	\$ (192,401)
Total assets	\$7,090,061	\$48,019	\$ 38,275	\$643,881	\$300,315	\$8,120,551	\$1,154,359	\$ 9,274,910

Notes: 1. Classification of the geographic segments is determined by geographical location.  
2. The principal countries and regions belonging to geographic segments other than Japan:  
(1) North America U.S.A., Canada  
(2) Europe Germany, France, U.K.  
(3) Asia (except for China) Taiwan, Singapore

After having depreciated fixed assets acquired before March 31, 2007 up to 5 percent of the remaining acquisition cost based on the prior corporate tax law, the Company and its domestic consolidated subsidiaries have depreciated 5 percent of the remaining acquisition cost less minimum salvage value, using the straight-line method over 5 years and booked as depreciation expense, according to the corporation tax law as amended.

As stated in Note 2. Summary of Significant Accounting Policies, c. Inventories, the Companies adopted "Accounting Standard for Measurement of Inventories" (ASBJ Statement No.9, issued on July 5, 2006) from this fiscal year.

As a result of its adoption, operating costs and expenses increased by ¥3,936 million (\$40,165 thousand) in Japan, for the year ended March 31, 2009. Operating income decreased by the same amount.

#### • Overseas Sales

Millions of yen						
Year ended March 31, 2009	North America	Europe	Asia (except for China)	China	Others	Total
Overseas sales	¥10,098	¥14,078	¥101,255	¥39,617	¥15,992	¥181,040
Consolidated net sales						¥766,637
Overseas sales as a percentage of consolidated net sales	1.3%	1.8%	13.2%	5.2%	2.1%	23.6%

Millions of yen						
Year ended March 31, 2008	North America	Europe	Asia (except for China)	China	Others	Total
Overseas sales	¥15,866	¥17,723	¥104,295	¥46,188	¥6,637	¥190,709
Consolidated net sales						¥922,172
Overseas sales as a percentage of consolidated net sales	1.7%	1.9%	11.3%	5.0%	0.8%	20.7%

Millions of yen						
Year ended March 31, 2007	North America	Europe	Asia (except for China)	China	Others	Total
Overseas sales	¥15,796	¥16,787	¥114,408	¥40,205	¥7,048	¥194,244
Consolidated net sales						¥908,059
Overseas sales as a percentage of consolidated net sales	1.7%	1.9%	12.6%	4.4%	0.8%	21.4%

Thousands of U.S. dollars (Note 3)						
Year ended March 31, 2009	North America	Europe	Asia (except for China)	China	Others	Total
Overseas sales	\$103,050	\$143,658	\$1,033,224	\$404,259	\$163,165	\$1,847,356
Consolidated net sales						\$7,822,833
Overseas sales as a percentage of consolidated net sales	1.3%	1.8%	13.2%	5.2%	2.1%	23.6%

## Note 19 Information on Transactions with Related Parties

"Accounting Standard for Related Party Disclosures" (ASBJ Statement No.11, issued on October 17, 2006) and "Guidance on Accounting Standard for Related Party Disclosures" (ASBJ Guidance No.13 issued on October 17, 2006) have been adopted effective for the year ended March 31, 2009.

There was a change in the scope of disclosure due to the adoption of this new accounting standard and consequently the transactions between the consolidated subsidiaries of the Company reporting consolidated financial statements and related parties were newly disclosed.

### Transactions between related parties

#### a. Transactions between the Company and related parties

The non-consolidated subsidiaries of the Company and related parties

Attribute	Name	Address	Paid-in capital (Millions of yen) (Thousands of U.S. dollars)	Business outline/ occupation	Ratio of voting rights holding (held) (%)	Relationship	Summary of transactions	Amount transacted (Millions of yen) (Thousands of U.S. dollars)	Subject	Outstanding amount at the end of the fiscal year (Millions of yen) (Thousands of U.S. dollars)
Related party	METAWATER Co., Ltd.	Minato-ku, Tokyo	7,500 (76,531)	Energy & Electric Systems	Indirect 50.0	Debt guarantee	Debt guarantee	9,503 (96,975)	—	—

Notes: 1. Business outline/occupation is disclosed by the name of business segment.  
2. Terms and conditions of the transaction and its policies  
It is joint liability on guarantee with NGK Insulators., Ltd. for the factoring debt of METAWATER Co., Ltd.

#### b. Transactions between consolidated subsidiaries of the Company and related parties

The non-consolidated subsidiaries of the Company and related parties

Attribute	Name	Address	Paid-in capital (Millions of yen) (Thousands of U.S. dollars)	Business outline/ occupation	Ratio of voting rights holding (held) (%)	Relationship	Summary of transactions	Amount transacted (Millions of yen) (Thousands of U.S. dollars)	Subject	Outstanding amount at the end of the fiscal year (Millions of yen) (Thousands of U.S. dollars)
Related party	METAWATER Co., Ltd.	Minato-ku, Tokyo	7,500 (76,531)	Energy & Electric Systems	Indirect 50.0	Deposits of the fund	Deposits of the fund	—	Other current liabilities	5,000 (51,020)

Notes: 1. Business outline/occupation is disclosed by the name of business segment.  
2. Terms and conditions of the transaction and its policies  
The amount of transaction is not disclosed because there is a cash management system managing the fund in the group unitarily and the system performs the loan of the fund daily between participating companies.

## Note 20 Business Combinations

### I. Application of purchase method

#### 1. Name and business lines of acquired company, primary reasons for business combination, date of business combination, legal form of business combination, and name of company after business combination, and percentage of voting rights acquired

##### (1) Name and business lines of acquired company

Name: Schneider Electric Japan Co., Ltd. ("SEJ")

Business lines: Sales of and service provision for electrical distribution equipment and industrial control equipment

##### (2) Primary reasons for business combination

Against the worldwide electrical distribution and industrial control (ED&C) equipment market faces a challenging environment, the needs of FCS, which desired to expand market share in Asia as its medium-term goal, matched those of Schneider Electric, which was seeking to increase its presence in the Japanese market. As such, both companies reached an agreement regarding establishment of a joint venture in the area of power distribution and industrial control equipment. The new joint venture company aims to expand business operations as a component and solutions provider that is the industry leader in the field of ED&C equipment. It will achieve this by combining the strengths of the two groups, carrying out mutual product supply and joint product development by leveraging their product lineups and development capabilities, sharing their global networks, and integrating their high quality and service and advanced consulting capabilities.

##### (3) Date of business combination

October 1, 2008

##### (4) Legal form of business combination and name of company after business combination

Legal form of business combination: This was an absorption-type corporate split (spin-off-type corporate split), whereby Fuji Electric

FA Components & Systems Co., Ltd. (FCS), a consolidated subsidiary was the split company and SEJ was the successor company.

Name of company after business combination: Fuji Electric FA Components & Systems Co., Ltd. (Changed its company name from Schneider Electric Japan Ltd. on October 1, 2008)

#### (5) Percentage of voting rights acquired

63.2%

This is the percentage after the completion of adjustment procedure based on the agreement of related parties.

#### 2. Period for which business results of acquired company included in consolidated financial statements

From October 1, 2008 to March 31, 2009

#### 3. Acquisition cost of the stock of acquired company and breakdown of acquisition cost

Acquisition cost of the stock of acquired company	¥15,929 million (\$162,549 thousand)
Expenditures directly related to acquisition: Advisory costs, etc.	¥190 million (\$1,936 thousand)
Acquisition cost	¥16,119 million (\$164,485 thousand)

#### 4. Number of shares issued and allotted, and calculation basis of share allotment relating to corporate split

The successor company issued 360,220 shares of common stock upon the corporate split and granted them all to the split company. Number of shares outstanding of the successor company was 572,700 shares of common stock (The total number of the voting rights was 572,700 shares of common stock) on the effective date of the corporate split. Each stockholder had one voting right for each share of common stock. Related parties agreed about the business value of SEJ and the business value of FCS as a result of the calculation by valuation professionals and the negotiation and consequently they had decided the number of share allotment of the corporate split.

#### 5. Resulting goodwill amount, reason for occurrence, amortization method, and amortization period

##### (1) Resulting goodwill amount

¥855 million (\$8,725 thousand)

##### (2) Reason for occurrence

It occurred from a future excess earning power.

##### (3) Amortization method and amortization period

Straight-line method over five years

#### 6. Overall breakdown of assets received and liabilities assumed on date of business combination

Current assets	¥10,529 million (\$107,448 thousand)
Fixed assets	¥2,676 million (\$27,299 thousand)
Total assets	¥13,205 million (\$134,747 thousand)
Current liabilities	¥1,076 million (\$10,988 thousand)
Long-term liabilities	¥97 million (\$991 thousand)
Total liabilities	¥1,173 million (\$11,979 thousand)

#### 7. Estimated impact on the consolidated statements of operations when the date of business combination is retroactively adjusted to the beginning of this fiscal year

No estimate due to calculating difficulties.

## II. Transactions under common control

### 1. Name and nature of combined business, legal form of business combination, name of company after business combination, and outline and purpose of the transaction

#### (1) Name and nature of combined business

Name of combined business: The system machinery business section and power supply sales section in Fuji Electric FA Components & Systems Co., Ltd., a consolidated subsidiary of the Company. Fuji Electric FA Components & Systems Co., Ltd. changed its company name to Fuji Electric Assets Management Co., Ltd. as of October 2008 and was merged into Fuji Electric Systems Co., Ltd. ("FES") on March 2009.

Nature of combined business:

- Development, design, manufacture, sales, inspection, repair, reconstruction and the business of driving maintenance others all related to low voltage drive, motors and controllers.
- The business of sales related to power supply

#### (2) Legal form of business combination

This was an absorption-type corporate split (split-type corporate split), whereby FES, a consolidated company, was the successor company and FCS was the split company.

### (3) Name of company after business combination

Fuji Electric Systems Co., Ltd.

### (4) Outline and purpose of the transaction

To acquire new opportunities for future growth, Fuji Electric Group will vigorously strengthen drive systems business (solution service using power electronics) and automation business (process automation, factory automation, and socio automation and solution service) as its driving force. To achieve this, the Company had decided to merge the two companies to meld strengths of respective companies, know-how on the system solutions that FES had and the component equipment that FCS had.

## 2. Accounting method

This merger is treated as a transaction under common control based on the Accounting Standards for Business Combinations (Accounting Standard Board of Japan; October 31, 2003) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (Implementation Guidance, ASBJ Guidance No.10; last revised November 15, 2007).

## III. Formation of jointly controlled company

### 1. Name and nature of combined business, legal form of business combination, name of company after business combination, and outline and purpose of the transaction

#### (1) Name and nature of combined business

Name of combined business: Water environment business

Nature of combined business: Manufacture and sale of systems of water treatment and water environment business area, and electric power equipment for facilities; design, construction and engineering of various plants

#### (2) Legal form of business combination

This was an absorption merger, whereby NGK Water Environment Systems, Ltd. ("NWS"), a wholly owned subsidiary of NGK Insulators., Ltd., was the surviving company and Fuji Electric Water Environmental Systems Co., Ltd. ("FWS"), a consolidated subsidiary of the Company and a wholly owned subsidiary of FES, was the dissolving company.

#### (3) Name of company after business combination

METAWATER Co., Ltd.

#### (4) Outline and purpose of the transaction

The merged company (the "New Company") aims to be "the leading company in the water environment business area" that pursues optimal solutions for maintaining secure and safe water environment as well as solving related resource and energy problems. Specifically, in the domestic water and sewerage areas, the New Company, as a jointly controlled company that combines FWS's electric technologies and NWS's machinery and equipment technologies, aims to expand its operational reach and enhance development of new products and new technologies as well as aiming to develop next-generation technologies that achieve both energy saving and power saving in water-treatment facilities. In addition, the New Company pursues the business in the private sector and business abroad considering the increasing demand in these areas for water reclamation and seawater desalination due to the global water shortage.

## 2. Accounting method

The merger was a business combination of the independent companies and the consideration for the business combination was only shares of common stock with voting rights. The Company, FES, and NGK Insulators., Ltd. had signed the basic agreement controlling METAWATER Co., Ltd. jointly and there was no other fact showing controll relationship. Therefore, this merger was treated as the formation of jointly controlled company based on the Accounting Standards for Business Combinations (Accounting Standard Board of Japan; October 31, 2003) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (Implementation Guidance, ASBJ Guidance No.10; last revised November 15, 2007). The Company adopted the pooling of interest method for the formation and equity method for consolidated financial statements.

## Note 21 Subsequent Events

- a. On June 2, 2009, the Company redeemed ¥25,970 million (\$265,000 thousand) out of total ¥26,980 million (\$275,306 thousand) zero coupon convertible bonds due 2016. The reason for the early redemption was that the bondholders exercised the put option granted in the terms and conditions of the bonds. The outstanding balance of the bonds came to ¥1,010 million (\$10,306 thousand) after the redemption.
- b. Following the resolution of respective board meetings held on May 22, 2009, Fuji Electric Engineering & Construction Co., Ltd. ("E&C"), a consolidated subsidiary of the Company, and Fuji Denki Sosetsu Co., Ltd. ("FDS"), a consolidated subsidiary of the Company, and Furukawa Engineering Construction Inc. ("FECON") signed a merger agreement. FDS and FECON will be merged into E&C on October 1, 2009.
- c. The Board of Directors resolved that the semiconductor and photoconductor business units of Fuji Electronic Device Technology Co., Ltd., a wholly owned and consolidated subsidiary of the Company, will be spin off and transfer to Fuji Electric Systems Co., Ltd., a wholly owned and consolidated subsidiary of the Company, on October 1, 2009, at its meeting held on June 18, 2009.



# Report of Independent Auditors

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The Board of Directors  
Fuji Electric Holdings Co., Ltd.

We have audited the accompanying consolidated balance sheets of Fuji Electric Holdings Co., Ltd. and consolidated subsidiaries as of March 31, 2009, 2008 and 2007, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fuji Electric Holdings Co., Ltd. and consolidated subsidiaries at March 31, 2009, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As described in Note 2 to the consolidated financial statements, the Companies adopted "Accounting Standard for Measurement of Inventories" from the year ended March 31, 2009.

As described in Note 2 to the consolidated financial statements, the Companies adopted "Guidance for Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" from the year ended March 31, 2009.

As described in Note 18 to the consolidated financial statements, the Companies reclassified the business segments for the year ended March 31, 2009.

As described in Note 21 to the consolidated financial statements, following the resolution of respective board meeting held on May 22, 2009, Fuji Electric Engineering & Construction Co., Ltd. ("E&C"), a consolidated subsidiary of the Company, and Fuji Denki Sosetsu Co., Ltd. ("FDS"), a consolidated subsidiary of the Company, and Furukawa Engineering & Construction Inc. ("FECON") signed the merger agreement. FDS and FECON will be merged into E&C on October 1, 2009.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

June 24, 2009

*Ernst & Young Shinmiko LLC*

# Consolidated Subsidiaries and Equity-method Affiliates

(As of July 1, 2009)

The Fuji Electric Group comprises 59 consolidated subsidiaries, 39 of which are based in Japan and 20 overseas. Fuji Electric Engineering & Construction Co., Ltd. is listed on the Second Section of the Tokyo Stock Exchange (TSE). The Group also includes three equity-method affiliates, METAWATER Co., Ltd., Japan AE Power Systems Corporation, and Fuji Logistics Co., Ltd., which is listed on the Second Section of the TSE.

## Energy & Electric Systems Group

<b>Fuji Electric Systems Co., Ltd.</b>	Development, manufacture and marketing of equipment and systems related to social infrastructure in the industrial, public works, energy and transportation fields, and the provision of related services
Wuxi Fuji Electric FA Co., Ltd.	Manufacture of inverters and marketing of inverters in China
Fuji Electric FA Service Co., Ltd.	After-sales service, maintenance, inspection, repair, modification, and marketing of the complete range of drive equipment, including inverters and motors
Fuji Electric Motor (Dalian) Co., Ltd.	Manufacture of motors
Atai Fuji Electric Co., Ltd.	Manufacture and marketing of motor application products
Fuji Electric Hi-Tech Corp.	Manufacture and marketing of direct-current stabilized power supply systems
Fuji IT Co., Ltd.	Provision of total solutions that combine information control systems and component equipment using information technology
Fuji Electric IT Solutions Co., Ltd.	Marketing of computers and communication equipment, development of information processing systems and provision of related total solutions
Fuji Electric F-Tech Co., Ltd.	Manufacture of production facilities, casts and jigs; design, manufacture and repair of power electric distribution and control equipment
Fuji Electric Instrumentation Co., Ltd.	Manufacture and marketing of industrial and electrical measuring instruments
Fuji Electric Instruments Co., Ltd.	Management of assets such as shares of Fuji Electric Instrumentation Co., Ltd.
Asahi Keiki Co., Ltd.	Manufacture and marketing of thermostats, digital panel meters, transducers and electronic devices, and OEM production, etc.
Azumi Fuji Co., Ltd.	Manufacture, marketing and after-sales service of electric machinery and equipment
Hakko Electronics Co., Ltd.	Development, manufacture and marketing of electronic operating panels
Fuji Electric Thermo Systems Co., Ltd.	Manufacture, marketing and after-sales service of environmental facilities, induction furnaces, and heating units for induction furnaces
Fuji Electric Chiba Tech. Co., Ltd.	Maintenance, inspection and repair of substation equipment, and manufacture and marketing of electric and other machinery and equipment
Ibaraki Fuji Co., Ltd.	Manufacture and marketing of controllers, power distribution boards and control equipment
Shanghai Fuji Electric Switchgear Co., Ltd.	Manufacture and marketing of switching equipment, monitoring and control devices and related facilities
Tottori Electric Manufacturing Co., Ltd.	Manufacture of cleanroom equipment and control devices for vehicles
Fuji Denki Sosetsu Co., Ltd.	Design and building of facilities; marketing of air-conditioning equipment
Fuji Gas Turbine Research Center Co., Ltd.	Research and development related to gas turbine power generation facilities
Fuji Electric Engineering & Construction Co., Ltd.	Design, building and electrical installation work for a variety of plant facilities
Fuji Electric FA Components & Systems Co., Ltd.	Development, manufacture and marketing of control equipment, power distribution equipment, and gas-related equipment
Fuji Electric (Shanghai) Co., Ltd.	Marketing in China of products manufactured at Chinese production sites and marketing of imported products, as well as export sales of products manufactured at Chinese production sites
Chichibu Fuji Co., Ltd.	Manufacture and marketing of control equipment, semiconductor-related equipment, and plastic products
Fuji Electric Dalian Co., Ltd.	Manufacture of low-voltage circuit breakers
Fuji Electric FA Singapore Private Ltd.	Marketing of power distribution and control equipment and electronic application devices in Southeast Asia
Fuji Electric FA Taiwan Co., Ltd.	Marketing of power distribution and control equipment and electronic application devices in Taiwan
Fuji Electric FA (Asia) Co., Ltd.	Marketing of inverters, power distribution and control equipment, and semiconductor devices
Fuji Electric Technica Co., Ltd.	Marketing of equipment and control products, and repair services for electronic application products
Japan AE Power Systems Corporation *Equity-method affiliate	Research, development, design, manufacture, engineering, marketing, installation and maintenance services related to transformers, power transmission equipment, and power distribution equipment
METAWATER Co., Ltd. *Equity-method affiliate	Manufacture and marketing of various equipment and electric equipment for facilities in the water environment field, including water supply, sewage, recycled water and seawater desalination applications, and design, construction and outsourcing of various plants

## Electronic Devices Group

<b>Fuji Electric Device Technology Co., Ltd.</b>	Development, manufacture and marketing of semiconductor, storage and photoconductive drums
Hokuriku Fuji Co., Ltd.	Manufacture of semiconductor devices
Iiyama Fuji Co., Ltd.	Manufacture of semiconductor devices
Omachi Fuji Co., Ltd.	Manufacture of semiconductor devices
Fuji Electric Matsumoto Mechanics Co., Ltd.	Design, manufacture and marketing of automatic equipment, labor-saving equipment, production lines, casts and jigs, and semiconductor application devices
Fuji Electric Philippines, Inc.	Manufacture of semiconductor devices
Fuji Electric Semiconductor (Malaysia) Sdn. Bhd.	Manufacture of semiconductor devices
Fuji Electric (Malaysia) Sdn. Bhd.	Manufacture of storage devices (magnetic disks)
Fuji Electric (Shenzhen) Co., Ltd.	Manufacture and marketing of photoconductive drums
Fuji Electric Device Technology Europe GmbH	Marketing of semiconductor devices and photoconductive drums
Fuji Electric Device Technology Hong Kong Co., Limited	Marketing of semiconductor devices and photoconductive drums
Fuji Electric Taiwan Co., Ltd.	Marketing of semiconductor devices and photoconductive drums

## Retail Systems Group

<b>Fuji Electric Retail Systems Co., Ltd.</b>	Development, manufacture and marketing of vending machines, cold-chain equipment and retail information systems, and provision of related services
Shinshu Fuji Electric Co., Ltd.	Development, design, manufacture, and repair of currency handling equipment
Hoei Plastics Co., Ltd.	Processing of plastics and sheet molding
Mie Fuji Co., Ltd.	Manufacture of vending machine parts

## Others

Fuji Electric Advanced Technology Co., Ltd.	Research and development of basic technologies, new technologies and products
Fuji Life Corp.	Handling of insurance, real estate, travel planning, currency exchange, commodity sales, nursing care, hotel operations and employee benefits
Fuji Electric Information Service Co., Ltd.	Provision of a wide range of information-related solutions such as the development and operation of information systems, production of catalogs and other content, copying and printing
Fuji Brain Trust Co., Ltd.	Operation of businesses including staffing, fee-based employment placement, personnel administration and accounting outsourcing, payroll services, agency services, education and training
Fuji Electric Finance and Accounting Support Co., Ltd.	Finance and accounting operation, and handling of accounts receivable and accounts payable for finance departments of Fuji Electric Group companies; loan provision and other financial services for Fuji Electric Group companies
Fuji Technosurvey Co., Ltd.	Support of intellectual property rights, technical investigation and technical consulting for Fuji Electric and Group companies
Fuji Logistics Co., Ltd. *Equity-method affiliate	General physical distribution operations including shipping, packing, storage, other logistics processing, and collection and transport of industrial waste

## Shared Marketing Companies

Hoei Denki Co., Ltd.	Marketing, installation and repair of electrical machinery, control systems and electronic components
Hokkaido Fuji Electric Co., Ltd.	Marketing, installation and repair of electrical machinery, control systems and electronic components
Hoei Hong Kong Co., Ltd.	Marketing, installation and repair of electrical machinery, control systems and electronic components
Fuji Electric Corp. of America	Marketing, installation and repair of electrical machinery, control systems and electronic components
Fuji Electric Europe GmbH	Marketing, installation and repair of electrical machinery, control systems and electronic components
Fuji Electric Asia Pacific Pte. Ltd.	Marketing, installation and repair of electrical machinery, control systems and electronic components
Fuji Electronics Creation Support Service Co., Ltd.	Development, design, manufacture, marketing and other businesses related to printed circuit boards and printed circuit board units

# Corporate History

Year	Management	Development / Product
1923	•Fuji Electric Manufacturing Co., Ltd. established by a capital and technology tie-up between Furukawa Electric Co., Ltd. and German company Siemens AG	
1924		•Started manufacturing electric motors
1925	•Entered heavy electrical equipment business	•Started manufacturing transformers
1927	•Entered home equipment business	•Started manufacturing power generators and electric fans
1930		•Started manufacturing rectifiers
1933	•Entered communication equipment business	•Production of Japan's first glass circuit breaker (expansion circuit breaker)
1935	•Established Fuji Tsushinki Manufacturing Co., Ltd. (currently, Fujitsu Limited) by spinning off telephone division	
1937	•Entered measuring instrument business	•Started manufacturing watt-hour meters
1944	•Acquired all of the stock of Takachiho Shokai Co., Ltd. (currently, Fuji Electric Engineering & Construction Co., Ltd.)	
1953	•Entered semiconductor business	•Started manufacturing semiconductors (selenium rectifiers)
1954		•Started manufacturing ultra-small magnetic contactors
1967		•Developed earth-leakage circuit breaker
1968	•Merged with Kawasaki Denki Seizo Co., Ltd.	
1969		•Started manufacturing vending machines
1971		•Started manufacturing hybrid ICs
1973		•Started manufacturing selenium photoconductive drums for copiers
1975	•Established Fuji Logistics Co., Ltd. by spinning off logistics division	
1976		•Started manufacturing general-purpose inverters
1980	•Established Fuji Electric Corporate Research and Development Ltd. by spinning off Central Research Laboratory	
1982		•Developed PAFCs
1984	•Changed company name to Fuji Electric Co., Ltd.	
1985		•Started manufacturing magnetic recording disks •Launched sales of PLCs
1986		•Started production of power MOSFETs
1988		•Started manufacturing IGBT modules
1989		•Delivered EIC integrated control system
1992		•Completed an ozone-based water treatment system •Started development of solar cells with film substrates
1994		•Successful launch of Japan's first HII rocket fitted with an aerospace power transistor developed by Fuji Electric
1996		•Order won for IGBT main conversion devices used in electric railways, the world's first large-capacity flat IGBT
1998		•Delivered 100kW PAFC
1999	•Introduced company system, introduced executive officer system	
2002	•Acquired all of the stock of SANYO Electric Vending Machine Co., Ltd. •In substation equipment business, established Japan AE Power Systems Corporation as a joint venture with Hitachi, Ltd. and Meidensha Corporation	•Established biogas-powered fuel cell power generation system
2003	•Moved to pure holding company system and changed name to Fuji Electric Holdings Co., Ltd. •Made Fuji Denki Reiki Co., Ltd. a wholly owned subsidiary	
2006		•Started manufacturing film-type amorphous solar cells
2008	•In the water environment business, established METAWATER Co., Ltd., a joint venture with NGK INSULATORS, LTD. •In the electrical distribution and control equipment business, established Fuji Electric FA Components & Systems Co., Ltd., a joint venture with Schneider Electric Japan Ltd., a Japanese company	•Developed world's high-voltage drop/dip compensator using a lithium ion capacitor

# Company Information / Stock Information

(As of March 31, 2009)

## Company Information

### Company Name

FUJI ELECTRIC HOLDINGS CO., LTD.

### Established

August 29, 1923

### Head Office

1-1, Tanabe Shinden, Kawasaki-ku,  
Kawasaki-shi 210-9530, Japan

### Head Office Business Address

Gate City Ohsaki, East Tower, 11-2, Ohsaki 1-chome,  
Shinagawa-ku, Tokyo 141-0032, Japan

### Employees

22,799 (Consolidated)

### Stock Code

6504

## Stock Information

**Authorized Shares** 1,600,000,000

**Issued and Outstanding Shares** 746,484,957

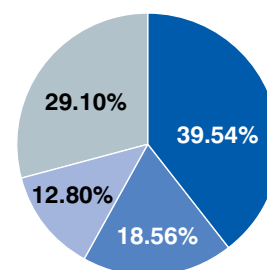
**Paid-in Capital** ¥47,586,067,310

**Number of Shareholders** 57,991

### Share Distribution by Shareholder Type

Type	Number of shareholders	Number of shares	Holding (%)
Financial institutions and securities firms	148	295,183,679	39.54
Other domestic corporations	670	138,555,323	18.56
Foreign investors	342	95,516,715	12.80
Individuals and others	56,831	217,229,240	29.10
Total	57,991	746,484,957	100.00

Note: "Individuals and others" includes treasury stock.



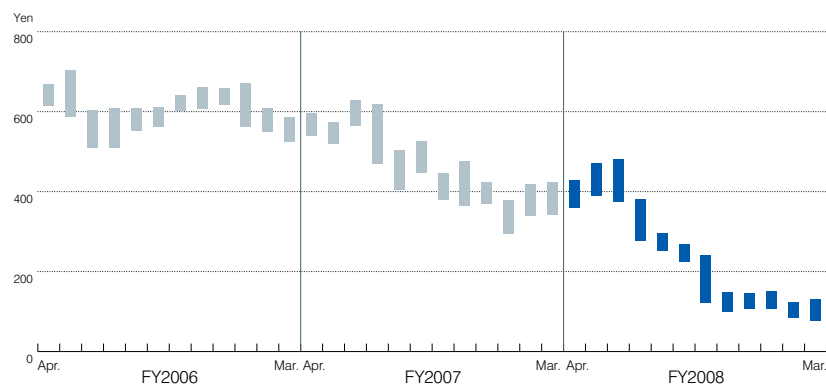
■ Financial institutions and securities firms  
■ Other domestic corporations  
■ Foreign investors  
■ Individuals and others

### Major Shareholders

Shareholders' name	Investment in Fuji Electric Holdings	
	Number of shares (thousands)	Holding (%)
FUJITSU LIMITED	74,333	9.96
Japan Trustee Services Bank, Ltd. (Trust Account)	50,832	6.81
The Master Trust Bank of Japan, Ltd. (Trust Account)	46,980	6.29
Japan Trustee Services Bank, Ltd. (Trust Account 4G)	34,702	4.65
Asahi Mutual Life Insurance Co.	23,266	3.12
Mizuho Corporate Bank, Ltd.	22,254	2.98
FURUKAWA ELECTRIC CO., LTD.	13,422	1.80
FANUC LTD.	13,421	1.80
FURUKAWA CO., LTD.	11,025	1.48
Sompo Japan Insurance Inc.	9,851	1.32

Note: 31,780 thousand shares of treasury stock are not shown in the above table.

### Share Prices (Tokyo Stock Exchange)





**ECOLOGY**  
Fuji Electric

This mark symbolizes  
the commitment of  
the Fuji Electric Group to  
environmental protection.

**FE Fuji Electric Holdings Co., Ltd.**

Gate City Ohsaki, East Tower, 11-2, Ohsaki 1-chome,  
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Website: <http://www.fujielectric.com>



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