

A MESSAGE FROM THE PRESIDENT

President and Chief Executive Officer **Kunihiko Sawa**



The fiscal year ended March 31, 2001, saw Fuji Electric surge back into profit for the first time in three years. Looking ahead, we remain committed to seeing through the “S21 Plan” with the view to enhancing the value of our company.

Fiscal 2000, the year ended March 31, 2001, was highly significant for the Fuji Electric Group, as we embarked upon our medium-term management vision, the “S21 Plan.” Equally important for the Group was that we ended the 20th century by surging back into profit for the first time in three years. This illustrates that we have reaped the benefits of restructuring efforts taken over the last two-and-a-half years, and that we are well on the way to accomplishing the goals of the “S21 Plan.”

The Japanese economy during the year under review saw signs of a moderate recovery during first half of the year supported by higher private-sector capital expenditures, growth in exports and other factors. However, the abrupt slowdown of the U.S. economy in the latter half of the year led to a slump in exports and lower industrial output. Signs of a slowdown in capital expenditures renewed concerns that the Japanese economy was sliding back into recession.

Amid such an operating environment, we unveiled the “S21 Plan,” our medium-term management vision that follows in the footsteps of the restructuring undertaken to date. Under the plan, we shifted resources to four strategic growth areas: the environment, information, services and components. Other initiatives included cooperation and alliances with leading companies, enhanced measures for realigning and restructuring underperforming businesses, the restructuring of Group companies, and the realignment of our production centers.

Net sales continued to be hampered by substantial declines in the Retail Support Equipment & Systems Group, where demand for vending machines fell sharply. The Energy & Electric Systems Group, meanwhile, recorded higher sales in the fields of environmental and information systems. Both the ED&C-Drive Systems Group and the Electronics Group posted growth in low-voltage switching devices components, general purpose inverters, servo systems, power semiconductors and ICs. This reflected higher IT-related capital expenditures and strong semiconductor demand, as well as the contributions of new products. As a result of the above, net sales increased by ¥39.2 billion over the previous fiscal year to ¥891.0 billion (\$7,245 million). We are particularly pleased to report that net income improved to ¥9.7 billion (\$79 million), up ¥17.1 billion from the previous year. This

was attributable to significantly higher sales in the ED&C-Drive Systems Group and Electronics Group, the effect of an improved financial position following restructuring actions, and exhaustive efforts to curtail costs and expenditures.

In the current fiscal year, ending March 31, 2002, our efforts continue to focus on our medium-term management plan geared toward accomplishing the goals of the "S21 Plan." We have divided the businesses of the Fuji Electric Group into 24 units, and are pursuing higher profitability in each. At the same time, we are working to expand our four strategic growth areas, restructure business in mature fields, and enhance strategic alliances. These efforts are expected to further reinforce our operating base. The Fuji Electric Group is unified in its pursuit of three management goals for the current fiscal year ending March 2002: increasing orders, securing profits, and using funds more effectively. Attaining these goals with our best efforts will enable us to put in place a structure capable of generating high earnings. The current fiscal year marks the halfway point of the strategic growth phase under the "S21 Plan." We are thus targeting net sales of ¥930 billion and net income of ¥12 billion for the year.

Fiscal 2000 heralded the final year of the 20th century. We marked this milestone by recording profits for the first time in three years. This accomplishment, we believe, will provide a sound platform for further group expansion into the 21st century. At a turning point such as this, we would like to take this opportunity to briefly discuss how we envision the Fuji Electric Group evolving in the new era.

In the 20th century, Fuji Electric forged a proud history as a manufacturer of electrical machinery that challenged itself constantly to create new products and fulfill the needs of its customers through the technologies we offered. Our hallmark technologies helped stimulate the growth of the Japanese electrical machinery industry, and we are proud to have been able to contribute to enriching our society. The 20th century saw remarkable technological advances. We have enjoyed greater comfort and convenience. But there are problems too, including global environmental destruction and social problems accompanying the advance of IT. Eliminating such problems exacted on the 20th century will be a

pressing challenge for society in the 21st century. The social responsibilities of corporations in the 21st century will extend farther and assume greater importance than ever before.

The Fuji Electric Group views the new century as an era where we must reaffirm the importance of living as humans. Our wish is to be a corporate group that can make a significant contribution to society in the course of its business activities.

We have resolved to channel our energies into the four strategic growth areas outlined under the "S21 Plan." We believe that the challenges facing society in the 21st century lie predominantly in these four areas. And helping resolve these issues is the *raison d'être* of the Fuji Electric Group. We are confident that we can support the evolution of humankind, and that our businesses can make a telling social contribution through our environmental and information technologies. It is our firm belief that pursuing activities that lead to a better society will translate into appropriate profits for the Fuji Electric Group, and ultimately lead to more corporate value in the years ahead.

Raising the corporate value of the Fuji Electric Group will spur important developments. It will enable us to deliver a suitable level of profits to our shareholders, help our customers to create value, contribute to sustaining and developing society, and allow us to provide excellent employment opportunities. We are making the utmost effort to accomplish our medium-term management vision, driven by the strong awareness that our corporate value is directly linked to the profits of stakeholders. Doing so will position the Fuji Electric Group among the world's most respected companies. We have started to progress towards this direction and are changing in the new era—and changing for the better.

Your continued assistance would be highly appreciated.



Kunihiko Sawa
President and Chief Executive Officer