

# Non-Consolidated Financial Data

## SIX-YEAR SUMMARY

| Years ended March 31                                      | Millions of yen |          |          |          |          |          | Thousands of U.S. dollars |
|---|-----------------|----------|----------|----------|----------|----------|---------------------------|
|   | 2001            | 2000     | 1999     | 1998     | 1997     | 1996     | 2001                      |
| Net sales .....   | <b>¥509,809</b> | ¥515,391 | ¥525,041 | ¥615,662 | ¥596,513 | ¥560,138 | <b>\$4,144,789</b>        |
| Cost of sales .....                                       | <b>410,432</b>  | 426,991  | 440,085  | 492,288  | 469,736  | 445,492  | <b>3,336,846</b>          |
| [Ratio to net sales (%) ] .....                           | <b>80.5</b>     | 82.9     | 83.8     | 80.0     | 78.7     | 79.5     |                           |
| Selling, general and administrative (SG&A) expenses ..... | <b>84,161</b>   | 87,261   | 97,731   | 110,336  | 112,624  | 103,382  | <b>684,236</b>            |
| [Ratio to net sales (%) ] .....                           | <b>16.5</b>     | 16.9     | 18.6     | 17.9     | 18.9     | 18.5     |                           |
| Operating income (loss) ....                              | <b>15,216</b>   | 1,139    | (12,775) | 13,038   | 14,153   | 11,264   | <b>123,707</b>            |
| [Ratio to net sales (%) ] .....                           | <b>3.0</b>      | 0.2      | (2.4)    | 2.1      | 2.4      | 2.0      |                           |
| Ordinary income (loss) .....                              | <b>16,127</b>   | 1,543    | (12,409) | 10,508   | 10,246   | 7,382    | <b>131,114</b>            |
| [Ratio to net sales (%) ] .....                           | <b>3.2</b>      | 0.3      | (2.4)    | 1.7      | 1.7      | 1.3      |                           |
| Income (loss) before income taxes .....                   | <b>16,348</b>   | 1,527    | (12,413) | 11,196   | 10,624   | 9,176    | <b>132,911</b>            |
| [Ratio to net sales (%) ] .....                           | <b>3.2</b>      | 0.3      | (2.4)    | 1.8      | 1.8      | 1.6      |                           |
| Net income (loss) .....                                   | <b>9,793</b>    | 1,228    | (12,413) | 5,946    | 5,524    | 5,036    | <b>79,618</b>             |
| [Ratio to net sales (%) ] .....                           | <b>1.9</b>      | 0.2      | (2.4)    | 1.0      | 0.9      | 0.9      |                           |

|                                   | Yen            |        |           |        |        |        | U.S. dollars    |
|-----------------------------------|----------------|--------|-----------|--------|--------|--------|-----------------|
| Net income (loss) per share ..... | <b>¥ 13.69</b> | ¥ 1.71 | ¥ (17.35) | ¥ 8.31 | ¥ 7.72 | ¥ 7.04 | <b>\$ 0.111</b> |
| Cash dividends per share .....    | <b>6.00</b>    | 0.00   | 0.00      | 8.00   | 8.00   | 8.00   | <b>0.049</b>    |
| Payout ratio (%) .....            | <b>43.8</b>    | —      | —         | 96.2   | 103.5  | 113.6  |                 |

|   | Millions of yen |          |          |          |          |          | Thousands of U.S. dollars |
|---|-----------------|----------|----------|----------|----------|----------|---------------------------|
| Plant and equipment investment (including leases) ..... | <b>¥ 18,874</b> | ¥ 20,579 | ¥ 28,998 | ¥ 45,066 | ¥ 49,650 | ¥ 42,220 | <b>\$ 153,447</b>         |
| Depreciation .....                                      | <b>20,810</b>   | 22,984   | 26,995   | 27,361   | 23,333   | 18,947   | <b>169,187</b>            |
| R&D expenditures .....                                  | <b>25,556</b>   | 26,239   | 33,609   | 34,883   | 34,547   | 31,095   | <b>207,772</b>            |
| Return on equity (%) .....                              | <b>7.0</b>      | 1.0      | —        | 4.3      | 4.0      | 3.6      |                           |
| Total assets .....                                      | <b>619,776</b>  | 606,042  | 664,019  | 657,311  | 659,865  | 614,856  | <b>5,038,829</b>          |
| Asset turnover (times) .....                            | <b>0.83</b>     | 0.81     | 0.79     | 0.93     | 0.94     | 0.93     |                           |
| Debt .....  | <b>209,528</b>  | 229,473  | 269,490  | 225,678  | 184,490  | 158,685  | <b>1,703,479</b>          |
| Debt ratio (%) .....                                    | <b>33.8</b>     | 37.9     | 40.6     | 34.3     | 28.0     | 25.8     |                           |
| Number of employees .....                               | <b>9,697</b>    | 9,963    | 12,247   | 12,580   | 12,870   | 13,202   |                           |

# NON-CONSOLIDATED BALANCE SHEETS

| As of March 31, 2001 and 2000                            | Millions of yen  |                  | Thousands of<br>U.S. dollars<br>(Note 3) |
|--|------------------|------------------|--|
|  | 2001             | 2000             | 2001                                     |
| <b>ASSETS</b>  |                  |                  |  |
| <b>CURRENT ASSETS:</b>                                   |                  |                  |  |
| Cash and cash equivalents .....                          | ¥ 13,454         | ¥ 17,272         | \$ 109,382                               |
| Short-term investments (Notes 2, 4 and 7) .....          | 200              | 100,887          | 1,626                                    |
| Trade receivables (Note 2):                              |                  |                  |  |
| Subsidiaries and affiliates .....                        | 58,579           | 51,619           | 476,252                                  |
| Others .....   | 106,739          | 99,935           | 867,797                                  |
| Allowance for doubtful receivables .....                 | (1,135)          | (933)            | (9,228)                                  |
| Inventories (Notes 2 and 5) .....                        | 87,953           | 81,983           | 715,065                                  |
| Advance payments to suppliers .....                      | 7,283            | 6,480            | 59,211                                   |
| Deferred income taxes .....                              | 3,231            | 4,863            | 26,268                                   |
| Other current assets .....                               | 36,220           | 26,691           | 294,473                                  |
| <b>TOTAL CURRENT ASSETS .....</b>                        | <b>312,524</b>   | <b>388,797</b>   | <b>2,540,846</b>                         |
| <b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 6 and 7):</b> |                  |                  |  |
| Land .....   | 15,767           | 15,765           | 128,187                                  |
| Buildings and structures .....                           | 117,465          | 117,043          | 955,000                                  |
| Machinery and equipment .....                            | 234,368          | 231,435          | 1,905,431                                |
| Construction in progress .....                           | 3,299            | 3,475            | 26,821                                   |
|  | 370,899          | 367,718          | 3,015,439                                |
| Less accumulated depreciation .....                      | (247,592)        | (237,974)        | (2,012,943)                              |
| <b>NET PROPERTY, PLANT AND EQUIPMENT .....</b>           | <b>123,307</b>   | <b>129,744</b>   | <b>1,002,496</b>                         |
| <b>INVESTMENTS AND OTHER ASSETS:</b>                     |                  |                  |  |
| Investment securities (Notes 2, 4 and 7):                |                  |                  |  |
| Subsidiaries and affiliates .....                        | 58,409           | 57,754           | 474,870                                  |
| Other .....  | 115,770          | 19,137           | 941,220                                  |
| Long-term loans receivable .....                         | 448              | 448              | 3,642                                    |
| Deferred income taxes .....                              | 775              | 1,048            | 6,301                                    |
| Other investments and other assets .....                 | 8,545            | 9,655            | 69,470                                   |
| Allowance for losses on overseas investments .....       | —                | (539)            | —  |
| Allowance for doubtful receivables .....                 | (2)              | (2)              | (16)                                     |
| <b>TOTAL INVESTMENTS AND OTHER ASSETS .....</b>          | <b>183,945</b>   | <b>87,501</b>    | <b>1,495,487</b>                         |
|  | <b>¥ 619,776</b> | <b>¥ 606,042</b> | <b>\$ 5,038,829</b>                      |

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

|  | Millions of yen |                | Thousands of<br>U.S. dollars<br>(Note 3) |
|--|-----------------|----------------|--|
|  | 2001            | 2000           | 2001                                     |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>      |                 |                |  |
| <b>CURRENT LIABILITIES:</b>                      |                 |                |  |
| Short-term borrowings (Note 7) .....             | ¥ 78,985        | ¥ 78,985       | \$ 642,154                               |
| Current portion of long-term debt (Note 7) ..... | 40,477          | 21,245         | 329,081                                  |
| Trade payables:                                  |                 |                |  |
| Subsidiaries and affiliates .....                | 112,477         | 100,485        | 914,447                                  |
| Others .....                                     | 50,899          | 46,275         | 413,813                                  |
| Advances from customers .....                    | 45,191          | 43,838         | 367,407                                  |
| Accrued income taxes (Notes 2 and 11) .....      | 3,540           | —              | 28,780                                   |
| Accrued expenses .....                           | 40,313          | 32,190         | 327,748                                  |
| Other current liabilities .....                  | 12,815          | 11,604         | 104,187                                  |
| <b>TOTAL CURRENT LIABILITIES .....</b>           | <b>384,697</b>  | <b>334,622</b> | <b>3,127,617</b>                         |
| <b>LONG-TERM DEBT (Note 7) .....</b>             | <b>90,066</b>   | <b>129,243</b> | <b>732,244</b>                           |
| <b>LIABILITY FOR SEVERANCE PAYMENTS .....</b>    | <b>5,578</b>    | <b>12,535</b>  | <b>45,350</b>                            |
| <b>TOTAL LIABILITIES .....</b>                   | <b>480,341</b>  | <b>476,400</b> | <b>3,905,211</b>                         |

**CONTINGENT LIABILITIES (Note 12)**

**SHAREHOLDERS' EQUITY:**

|   |                 |                 |                    |
|---|-----------------|-----------------|--------------------|
| Common stock, ¥50 par value:                          |                 |                 |                    |
| Authorized—1,600,000,000 shares                       |                 |                 |                    |
| Issued— 715,080,369 shares as of March 31, 2001 ..... | 47,586          | —               | 386,878            |
| 715,080,369 shares as of March 31, 2000 .....         | —               | 47,586          | —                  |
| Capital surplus .....                                 | 38,397          | 38,397          | 312,171            |
| Legal reserve (Note 8) .....                          | 11,077          | 11,077          | 90,057             |
| Retained earnings (Note 9) .....                      | 42,375          | 32,582          | 344,512            |
| <b>TOTAL SHAREHOLDERS' EQUITY .....</b>               | <b>139,435</b>  | <b>129,642</b>  | <b>1,133,618</b>   |
|   | <b>¥619,776</b> | <b>¥606,042</b> | <b>\$5,038,829</b> |

# NON-CONSOLIDATED STATEMENTS OF OPERATIONS

| Years ended March 31, 2001, 2000 and 1999               | Millions of yen |          |            | Thousands of U.S. dollars (Note 3) |
|---|-----------------|----------|------------|------------------------------------|
|   | 2001            | 2000     | 1999       | 2001                               |
| <b>NET SALES</b> (Note 2) .....                         | <b>¥509,809</b> | ¥515,391 | ¥525,041   | <b>\$4,144,789</b>                 |
| <b>COST OF SALES</b> .....                              | <b>410,432</b>  | 426,991  | 440,085    | <b>3,336,846</b>                   |
| <b>GROSS PROFIT</b> .....                               | <b>99,377</b>   | 88,400   | 84,956     | <b>807,943</b>                     |
| <b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b> ... | <b>84,161</b>   | 87,261   | 97,731     | <b>684,236</b>                     |
| <b>OPERATING INCOME (LOSS)</b> .....                    | <b>15,216</b>   | 1,139    | (12,775)   | <b>123,707</b>                     |
| <b>NON-OPERATING INCOME (EXPENSES):</b>                 |                 |          |            |                                    |
| Interest and dividends income .....                     | <b>4,311</b>    | 5,627    | 5,848      | <b>35,049</b>                      |
| Interest expense .....                                  | <b>(3,755)</b>  | (4,543)  | (5,049)    | <b>(30,528)</b>                    |
| Other, net .....  | <b>355</b>      | (680)    | (433)      | <b>2,886</b>                       |
|   | <b>911</b>      | 404      | 366        | <b>7,407</b>                       |
| <b>ORDINARY INCOME (LOSS)</b> .....                     | <b>16,127</b>   | 1,543    | (12,409)   | <b>131,114</b>                     |
| <b>EXTRAORDINARY INCOME (LOSS), NET</b> (Note 10) ..... | <b>221</b>      | (16)     | (4)        | <b>1,797</b>                       |
| <b>INCOME (LOSS) BEFORE INCOME TAXES</b> .....          | <b>16,348</b>   | 1,527    | (12,413)   | <b>132,911</b>                     |
| <b>INCOME TAXES</b> (Notes 2 and 11) .....              | <b>6,555</b>    | 299      | —          | <b>53,293</b>                      |
| <b>NET INCOME (LOSS)</b> .....                          | <b>¥ 9,793</b>  | ¥ 1,228  | ¥ (12,413) | <b>\$ 79,618</b>                   |
| <b>PER SHARE AMOUNTS:</b>                               |                 |          |            |                                    |
| Net income (loss) (Note 2) .....                        | <b>¥ 13.69</b>  | ¥ 1.71   | ¥ (17.35)  | <b>\$ 0.111</b>                    |
| Cash dividends .....                                    | <b>6.00</b>     | —        | —          | <b>0.049</b>                       |

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

# NON-CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

|  | Thousands                        |                 | Millions of yen |                        |                            |
|--|----------------------------------|-----------------|-----------------|------------------------|----------------------------|
|  | Number of shares of common stock | Common stock    | Capital surplus | Legal reserve (Note 8) | Retained earnings (Note 9) |
| BALANCE AT MARCH 31, 1998 .....  | 715,080                          | ¥ 47,586        | ¥ 38,397        | ¥10,779                | ¥ 40,825                   |
| Net loss for the year .....  | —                                | —               | —               | —                      | (12,413)                   |
| Cash dividends paid .....  | —                                | —               | —               | —                      | (2,860)                    |
| Transfer to legal reserve .....  | —                                | —               | —               | 298                    | (298)                      |
| Bonuses to directors .....   | —                                | —               | —               | —                      | (111)                      |
| BALANCE AT MARCH 31, 1999 .....  | 715,080                          | ¥ 47,586        | ¥ 38,397        | ¥11,077                | ¥ 25,143                   |
| Net income for the year .....  | —                                | —               | —               | —                      | 1,228                      |
| Increase resulting from adoption of tax-effect accounting method ..... | —                                | —               | —               | —                      | 6,211                      |
| BALANCE AT MARCH 31, 2000 .....  | 715,080                          | ¥ 47,586        | ¥ 38,397        | ¥11,077                | ¥ 32,582                   |
| Net income for the year .....  | —                                | —               | —               | —                      | 9,793                      |
| <b>BALANCE AT MARCH 31, 2001 .....</b>                                 | <b>715,080</b>                   | <b>¥ 47,586</b> | <b>¥ 38,397</b> | <b>¥11,077</b>         | <b>¥ 42,375</b>            |

|  | Thousands of U.S. dollars (Note 3) |                  |                 |                  |
|--|------------------------------------|------------------|-----------------|------------------|
| BALANCE AT MARCH 31, 2000 .....        | \$386,878                          | \$312,171        | \$90,057        | \$264,894        |
| Net income for the year .....          | —                                  | —                | —               | 79,618           |
| <b>BALANCE AT MARCH 31, 2001 .....</b> | <b>\$386,878</b>                   | <b>\$312,171</b> | <b>\$90,057</b> | <b>\$344,512</b> |

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

# NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS

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## Note 1

### BASIS OF PREPARING NON-CONSOLIDATED FINANCIAL STATEMENTS

The accompanying non-consolidated financial statements have been prepared from accounts maintained by Fuji Electric Co., Ltd. in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with accounting principals and practices generally accepted in Japan, which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing these statements, certain reclassifications and rearrangements have been made to non-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 non-consolidated financial statements include information which is not required under accounting principles generally accepted in Japan.

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## Note 2

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a. 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 and average cost for regular production items. In accordance with accounting practices generally accepted in the heavy electric industry, inventories include items with a manufacturing period exceeding one year.

#### b. Securities

Effective April 1, 2000, the Company adopted a new accounting standard for financial instruments.

In accordance with the new standard, all applicable securities are classified as investment securities in subsidiaries and affiliates and other securities, depending on management's intent, and accounted for as follows:

- i) Investment securities in subsidiaries and affiliates are stated at cost determined by the moving-average method.
- ii) Other securities not classified as either held-to-maturity debt securities or trading securities are stated at cost determined by the moving-average method.

The adoption of the new accounting standards for financial instruments did not have a material effect on the Company's non-consolidated financial statements.

Marketable securities classified as current assets decreased by ¥100,886 million (\$820,211 thousand) and investment securities increased by the same amount as of April 1, 2000.

#### c. Depreciation

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 buildings 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.

#### d. 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.

#### **e. Retirement Benefits**

The Company has contributory funded pension plans and unfunded retirement benefit plans as defined benefit plans.

Under the employees' retirement plans, prior to April 1, 2000, the Company set up a liability for retirement allowances for unfunded retirement benefit plans at 40% of the amount which would be required if all employees voluntarily terminated their employment at the balance sheet date, while payments to contributory funded pension plans are charged to income when made.

Effective April 1, 2000, the Company adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

The actual gains and losses is 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 arises.

As a result, net periodic benefit costs as compared with the prior method, increased by ¥98,439 million (\$800,317 thousand), operating and ordinary income decreased by ¥5,989 million (\$48,691 thousand) and income before income taxes decreased by ¥1,354 million (\$11,008 thousand).

The Company contributed certain available-for-sale securities to employee retirement benefit trust for the pension plans, and recognized a non-cash gain of ¥102,697 million (\$834,935 thousand). The securities held in this trust are qualified as plan assets.

#### **f. Research and Development Costs**

Research and development costs are charged to income as incurred.

#### **g. Leases**

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 is applicable to ordinary operating leases.

#### **h. Revenue Recognition**

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

#### **i. Income Taxes**

The provision for income taxes is computed based on the pretax income included in the non-consolidated statements of income. 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.

#### **j. Foreign Currency Transactions**

Prior to April 1, 2000, short-term receivables and payables denominated in foreign currencies were translated into Japanese yen at the current exchange rates at each balance sheet date, while long-term receivables and payables denominated in foreign currencies were translated at historical rates.

Effective April 1, 2000, the Company adopted a revised accounting standard for foreign currency transactions. In accordance with the revised standard, all short-term and long-term 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.

# NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS

## k. Derivatives and Hedging Activities

The Company enters 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.

Effective April 1, 2000, the Company adopted a new accounting standard for derivative financial instruments and a revised accounting standard for foreign currency transactions. Under these standards,

- a) All derivatives are recognized as either assets or liabilities and measured at fair value, and
- b) 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.

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.

Prior to April 1, 2000, forward contracts applied for forecasted transactions are not recognized as either assets or liabilities in the Company's financial statements.

The adoption of the new accounting standard for derivative financial instruments and the revised accounting standard for foreign currency transactions did not have a material effect on the Company's financial statements.

## l. Net Income (Loss) per Share

Net income (loss) per share is computed, based on the weighted average number of shares outstanding during the respective years.

## Note 3

### U.S. DOLLAR AMOUNTS

The U.S. dollar amounts included in accompanying non-consolidated financial statements and notes thereto represent the arithmetic results of translating yen into dollars at ¥123 = U.S.\$1, the approximate exchange rate at March 31, 2001. The U.S. amounts are presented solely for the convenience of the reader outside Japan.

## Note 4

### SECURITIES

The carrying amounts and aggregate fair values of investment securities in subsidiaries and associated companies whose market values are available at March 31, 2001 were as follows:

|                            | Millions of yen  |              |                        | Thousands of U.S. dollars (Note 3) |              |                        |
|----------------------------|------------------|--------------|------------------------|------------------------------------|--------------|------------------------|
|                            | Carrying amounts | Market value | Unrealized gain (loss) | Carrying amounts                   | Market value | Unrealized gain (loss) |
| Subsidiaries .....         | ¥7,868           | ¥15,729      | ¥7,861                 | \$63,967                           | \$127,878    | \$63,911               |
| Associated companies ..... | 42               | 475          | 433                    | 342                                | 3,862        | 3,520                  |
|                            | ¥7,910           | ¥16,204      | ¥8,294                 | \$64,309                           | \$131,740    | \$67,431               |

Marketable securities classified as other securities are reported at cost.

The carrying amounts and aggregate fair values of those securities were as follows:

|  | Millions of yen        | Thousands of U.S. dollars (Note 3) |
|--|------------------------|------------------------------------|
|  | Carrying amounts ..... | ¥112,063                           |
| Fair value .....                                       | 465,089                | 3,781,211                          |
| Unrealized gain on available-for-sale securities ..... | 204,401                | 1,661,797                          |
| Deferred tax liabilities .....                         | 148,623                | 1,208,317                          |

## Note 5

### INVENTORIES

Inventories at March 31 comprised the following:

|                       | Millions of yen |         | Thousands of<br>U.S. dollars<br>(Note 3) |
|-----------------------|-----------------|---------|--|
|                       | 2001            | 2000    | 2001                                     |
| Finished goods .....  | <b>¥47,390</b>  | ¥44,850 | <b>\$385,285</b>                         |
| Work in process ..... | <b>32,996</b>   | 30,473  | <b>268,260</b>                           |
| Raw materials .....   | <b>7,567</b>    | 6,660   | <b>61,520</b>                            |
|                       | <b>¥87,953</b>  | ¥81,983 | <b>\$715,065</b>                         |

## Note 6

### DEPRECIATION

Depreciation charges for the year ended March 31 were as follows:

|                            | Millions of yen |         | Thousands of<br>U.S. dollars<br>(Note 3) |
|----------------------------|-----------------|---------|--|
|                            | 2001            | 2000    | 2001                                     |
| Depreciation charges ..... | <b>¥20,810</b>  | ¥22,984 | <b>\$169,187</b>                         |

## Note 7

### SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31 consisted of followings:

|                                     | Millions of yen |         | Thousands of<br>U.S. dollars<br>(Note 3) |
|-------------------------------------|-----------------|---------|--|
|                                     | 2001            | 2000    | 2001                                     |
| Loans, principally from banks ..... | <b>¥42,985</b>  | ¥42,985 | <b>\$349,471</b>                         |
| Commercial paper .....              | <b>36,000</b>   | 36,000  | <b>292,683</b>                           |
|                                     | <b>¥78,985</b>  | ¥78,985 | <b>\$642,154</b>                         |

The weighed average interest rates on short-term borrowings at March 31, 2001 and 2000 were 0.53% and 0.32%, respectively.

# NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS

Long-term debt at March 31 consisted of followings:

|  | Millions of yen |                 | Thousands of U.S. dollars (Note 3) |
|--|-----------------|-----------------|------------------------------------|
|  | 2001            | 2000            | 2001                               |
| Loans, principally from banks and insurance companies: |                 |                 |                                    |
| Secured .....  | ¥ 4,312         | ¥ 3,843         | \$ 35,057                          |
| Unsecured .....  | 6,231           | 6,645           | 50,656                             |
| Bonds :  |                 |                 |                                    |
| 2.7% ¥ bonds due 2000 .....                            | —               | 20,000          | —                                  |
| 2.95% ¥ bonds due 2001 .....                           | 20,000          | 20,000          | 162,602                            |
| 2.0% ¥ bonds due 2002 .....                            | 20,000          | 20,000          | 162,602                            |
| 2.05% ¥ bonds due 2002 .....                           | 20,000          | 20,000          | 162,602                            |
| 2.15% ¥ bonds due 2003 .....                           | 20,000          | 20,000          | 162,602                            |
| 2.25% ¥ bonds due 2003 .....                           | 20,000          | 20,000          | 162,602                            |
| 2.35% ¥ bonds due 2004 .....                           | 20,000          | 20,000          | 162,602                            |
|  | <b>130,543</b>  | <b>150,488</b>  | <b>1,061,325</b>                   |
| Less: Portion due within one year .....                | <b>40,477</b>   | <b>21,245</b>   | <b>329,081</b>                     |
|  | <b>¥ 90,066</b> | <b>¥129,243</b> | <b>\$ 732,244</b>                  |

The weighed average interest rates on loans, principally from banks and insurance companies at March 31, 2001 and 2000 were 2.22% and 2.43%, respectively.

The amounts of assets pledged as collateral for long-term debt were as follows:

|  | Millions of yen |               | Thousands of U.S. dollars (Note 3) |
|--|-----------------|---------------|------------------------------------|
|  | 2001            | 2000          | 2001                               |
| Marketable securities (included in short-term investments) and investment securities ..... | ¥ 53            | ¥4,984        | \$ 431                             |
| Property, plant and equipment .....  | 3,793           | 4,157         | 30,837                             |
|  | <b>¥3,846</b>   | <b>¥9,141</b> | <b>\$31,268</b>                    |

## Note 8

### LEGAL RESERVE

The Commercial Code of Japan provides that an amount equal to at least 10% of cash dividends and bonuses paid to directors should be appropriated as a legal reserve until such reserve equals 25% of common stock. This reserve cannot be used except to reduce a deficit or may be transferred to common stock, but is not available for distributions as dividends.

## Note 9

### RETAINED EARNINGS AND DIVIDENDS

Annual appropriation of retained earnings is recorded in the financial year when approved at the shareholders' meeting. Interim dividends and the related appropriation of retained earnings are recorded when declared by the Board of Directors.

## Note 10

### EXTRAORDINARY INCOME (LOSS), NET

Extraordinary income (loss), net for the year ended March 31 comprised the following:

|   | Millions of yen |          |          | Thousands of<br>U.S. dollars<br>(Note 3) |
|---|-----------------|----------|----------|--|
|   | 2001            | 2000     | 1999     | 2001                                     |
| Extraordinary income  |                 |          |          |  |
| Gain on securities contribution to employee<br>retirement benefit trust .....       | ¥102,697        | ¥ —      | ¥ —      | \$ 834,935                               |
| Gain on sales of investment securities  |                 |          |          |  |
| Subsidiaries and affiliates .....   | —               | —        | 521      | —  |
| Others .....  | 7,752           | 21,165   | —        | 63,024                                   |
| Gain on sales of property, plant and equipment .....                                | 2,150           | 11,072   | 6,411    | 17,480                                   |
| Gain on sales of securities .....   | —               | 19,280   | 10,176   | —  |
| Extraordinary loss  |                 |          |          |  |
| Charge for full amount of transitional obligations<br>for retirement benefits ..... | (96,716)        | —        | —        | (786,309)                                |
| Loss on devaluation of investment securities .....                                  | (9,815)         | —        | —        | (79,797)                                 |
| Loss on devaluation of golf club memberships .....                                  | (1,100)         | —        | —        | (8,943)                                  |
| Loss on sales of investment securities .....  | (961)           | —        | —        | (7,813)                                  |
| Extraordinary loss on the conversion<br>of business structure .....                 | —               | (42,735) | (13,845) | —  |
| Loss on devaluation of marketable securities .....                                  | —               | (6,070)  | —        | —  |
| Payments for amortization of past<br>service costs .....                            | —               | (2,728)  | (3,087)  | —  |
| Loss on liquidation of subsidiaries .....   | —               | —        | (180)    | —  |
| Others .....  | (3,786)         | —        | —        | (30,780)                                 |
|   | ¥ 221           | ¥ (16)   | ¥ (4)    | \$ 1,797                                 |

# NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS

## Note 11

### INCOME TAXES

The components of income taxes for the year ended March 31 were as following:

|                | Millions of yen |      |      | Thousands of<br>U.S. dollars<br>(Note 3) |
|----------------|-----------------|------|------|--|
|                | 2001            | 2000 | 1999 | 2001                                     |
| Current .....  | <b>¥4,650</b>   | ¥ 0  | ¥—   | <b>\$37,805</b>                          |
| Deferred ..... | <b>1,905</b>    | 299  | —    | <b>15,488</b>                            |
|                | <b>¥6,555</b>   | ¥299 | ¥—   | <b>\$53,293</b>                          |

## Note 12

### CONTINGENT LIABILITIES

Contingent liabilities at March 31 were as follows:

|                  | Millions of yen |         | Thousands of<br>U.S. dollars<br>(Note 3) |
|------------------|-----------------|---------|--|
|                  | 2001            | 2000    | 2001                                     |
| Guarantees ..... | <b>¥53,239</b>  | ¥55,364 | <b>\$432,837</b>                         |

## Note 13

### LEASES

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance lease, lease expense, depreciation expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2001 and 2000 was as follows:

|                                | Millions of yen               |                               | Thousands of<br>U.S. dollars<br>(Note 3) |
|--------------------------------|-------------------------------|-------------------------------|--|
|                                | 2001                          | 2000                          | 2001                                     |
|                                | Machinery<br>and<br>Equipment | Machinery<br>and<br>Equipment | Machinery<br>and<br>Equipment            |
| Acquisition cost .....         | <b>¥8,779</b>                 | ¥11,376                       | <b>\$71,374</b>                          |
| Accumulated depreciation ..... | <b>5,202</b>                  | 7,154                         | <b>42,293</b>                            |
| Net leased property .....      | <b>¥3,577</b>                 | ¥ 4,222                       | <b>\$29,081</b>                          |

Obligations under finance leases:

|                           | Millions of yen |        | Thousands of<br>U.S. dollars<br>(Note 3) |
|---------------------------|-----------------|--------|--|
|                           | 2001            | 2000   | 2001                                     |
| Due within one year ..... | <b>¥1,542</b>   | ¥2,103 | <b>\$12,537</b>                          |
| Due after one year .....  | <b>2,035</b>    | 2,119  | <b>16,544</b>                            |
| <b>Total .....</b>        | <b>¥3,577</b>   | ¥4,222 | <b>\$29,081</b>                          |

Lease expense and depreciation expense under finance leases:

|                            | Millions of yen |        | Thousands of<br>U.S. dollars<br>(Note 3) |
|----------------------------|-----------------|--------|--|
|                            | 2001            | 2000   | 2001                                     |
| Lease expense .....        | <b>¥1,890</b>   | ¥4,605 | <b>\$15,366</b>                          |
| Depreciation expense ..... | <b>1,890</b>    | 4,605  | <b>15,366</b>                            |

## Note 14

### SUBSEQUENT EVENTS

#### a. Issuance of Bonds

On April 26, 2001, the Company issued ¥20,000 million (\$162,602 thousand) of unsecured 1.02% Japanese yen bonds. The bonds are due April 26, 2006. The issue price of the bonds was 100% of the face value of the bonds.

#### b. Appropriations of Retained Earnings

The following appropriations of retained earnings at March 31, 2001 were approved at the Company's shareholders meeting held on June 28, 2001:

|  | Millions of yen | Thousands of<br>U.S. dollars<br>(Note 3) |
|--|-----------------|--|
| Year-end cash dividends, ¥6.00 (\$0.049) per share ..... | ¥4,290          | \$34,878                                 |
| Bonuses to directors .....                               | 80              | 650                                      |

# REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

*Century Ota Showa & Co.*

**Certified Public Accountants**

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To the Board of Directors  
Fuji Electric Co., Ltd.

We have audited the non-consolidated balance sheets of Fuji Electric Co., Ltd. as of March 31, 2001 and 2000, and the related non-consolidated statements of operations and shareholders' equity for each of the three years in the period ended March 31, 2001, expressed in Japanese yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying non-consolidated financial statements, expressed in yen, present fairly the financial position of Fuji Electric Co., Ltd. at March 31, 2001 and 2000, and the results of its operations for each of the three years in the period ended March 31, 2001, in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As described in note 2 to the non-consolidated financial statements, Fuji Electric Co., Ltd. has adopted new accounting standards for financial instruments and employee's retirement benefits and a revised accounting standard for foreign currency transactions in preparation of their non-consolidated financial statements for the year ended March 31, 2001.

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2001 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 non-consolidated financial statements.

Tokyo Japan  
June 28, 2001

*Century Ota Showa & Co.*

See note 1 to the non-consolidated financial statements which explains the basis of preparing the non-consolidated financial statements of Fuji Electric Co., Ltd. under Japanese accounting principles and practices.

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