



FORWARD WITH A NEW ENERGY

During the year, the group improved its performance in the fields of environmental, information and electric power systems. This, however, failed to offset a significant slowdown in business in industrial systems due to stagnant levels of private sector capital investment. Net sales in the group were stable at ¥413,554 million (\$3,109 million), though, operating income fell 56.9%, to ¥3,235 million (\$24 million).

ENERGY & ELECTRIC
SYSTEMS GROUP

45.7%

Share of Total Net Sales



Standout Performers

A Milestone for High-Voltage Silicon Diodes

Since starting the manufacture of high-voltage silicon diodes in 1971, Fuji Electric has consistently held onto the leading share in the global market. In September 2001, we broke through a new barrier, with total production of these components reaching the 10 billion mark. High-voltage silicon diodes, found in most ordinary TVs in the home and CRT monitors for computers, are used as rectifier components for high-voltage circuits.

Staying Power: Fuji Electric Inverters

Fuji Electric inverters are world class. Nothing proves this more than the achievement of reaching the 5 million unit orders-received mark in March 2002. This success will not distract us from maintaining our leading position in the market or from striving to enhance value for our customers through next-generation inverters and advanced applications.



The group felt the effects of deteriorating conditions in both its domestic and overseas markets. This led to a substantial 19.0% year-on-year decline in net sales, to ¥159,120 million (\$1,196 million). Earnings fell ¥8,699 million to an operating loss of ¥3,360 million (\$25 million).

ED&C-DRIVE SYSTEMS GROUP

17.6%

Share of Total Net Sales

Share of Total Net Sales

14.2%

ELECTRONICS GROUP

Sales in photoconductive drums grew strongly, while magnetic disks maintained last year's level. However, the group could not escape worsening market conditions for its power semiconductor and IC products. Net sales in the group consequently fell 6.9%, to ¥128,425 million (\$966 million), and operating income was down 24.2%, to ¥4,500 million (\$34 million).



A major slump in demand for vending machines and freezing and refrigerated showcases led to a fall in sales volumes. Consequently, net sales in the group were down 9.4% year on year, to ¥129,588 million (\$974 million), and operating income fell 33.8%, to ¥2,501 million (\$19 million).

RETAIL SUPPORT EQUIPMENT & SYSTEMS GROUP

14.3%

Share of Total Net Sales

Share of Total Net Sales

8.2%

OTHERS

Other businesses provide a range of services, primarily to Fuji Electric Group companies. These include logistics, insurance agency, financial, and printing and information-related services, as well as R&D support. Sales in Others declined 4.1%, to ¥75,209 million (\$565 million), while operating income dropped 78.6%, to ¥519 million (\$4 million). This weakened performance mainly



reflected slumping demand for logistics services in the information, communication and machine tool sectors.



President, Energy & Electric Systems Company
HARUO ITO

*We are currently seeking to become a **best-solutions provider** in the fields of industrial systems and social infrastructure. Supplying superior products and services is our constant objective. At the same time, we hope to contribute to industrial and social progress in the 21st century by creating new value through IT and environmental technologies imbued with our experience and know-how. Focusing on three core operations — **information, environment and services** — we are dedicated to working together with customers to make their businesses successful.*

OVERVIEW OF OPERATING ENVIRONMENT AND RESULTS FOR THE YEAR ENDED MARCH 31, 2002

During the year, our strategic focus was on providing optimal solutions and superior service by leveraging strengths in our core areas of expertise: IT and the environment.

In information systems, we faced an extremely severe business climate as companies, affected by the sudden plunge in demand from IT-related segments, reduced their IT investment budgets. Despite this challenging environment, we increased sales above the previous period, helped by an enhanced range of solutions for e-government and e-municipal bodies, and major orders for automated warehousing systems.

Environmental systems were severely affected by cutbacks in public works projects, particularly by local governments. In this contracting market, however, we completed a succession of large contracts for electrical facilities for sludge treatment plants and for the replacement and installation of water treatment monitoring and control systems. As a result, net sales exceeded the previous year.

In electric power systems, the business climate deteriorated significantly, affected by continuing tight controls on investment by Japan's electric power companies and a noticeable decline in demand from the North American market. However, sales rose as we completed a succession of large deliveries of power generation systems for domestic thermal electric power plants, and of thermal power facilities for Independent Power Producers (IPPs).

In industrial systems, we completed major contracts for transformer systems for railways and electrical equipment for rolling stock. However, these were insufficient to offset the impact of sluggish private sector capital investment. This led to markedly lower year-on-year sales.

As a result of the above, net sales in Energy & Electric Systems totaled ¥413.5 billion (\$3,109 million), largely unchanged from the previous fiscal year. Operating income declined 56.9% to ¥3.2 billion (\$24 million).

MEASURES TAKEN DURING THE YEAR UNDER REVIEW

During the year under review, the group took several initiatives toward achieving the goals set in the medium-term management vision, the S21 Plan. These included concentrating management resources in the environment, information and services—designated as strategic growth areas—and efforts to enhance operating structures to strengthen results. In the service field, Fuji Electric Systems Co., Ltd. was established in July 2001, to aid the expansion of the service business and to restructure the industrial plant systems business. This new entity now incorporates the related divisions of these two areas, from marketing through after-sales service.

During the year, the Energy & Electric Systems Group was split into 12 units. The introduction of the Balanced Scorecard method has enabled clearer formulation

MAIN PRODUCTS

Information, Telecommunication and Control Systems ••• Water Treatment and Measuring Systems ••• Electric Power Systems ••• Radiation Monitoring Systems ••• FA and Logistics Systems ••• Environmental Systems ••• Application Systems For Motors ••• Industrial Power Supplies ••• Electrical Equipment for Rolling Stock ••• Clean-room Facilities ••• Laser Devices ••• Visual Equipment ••• Watt-hour Meters ••• Substation Systems ••• Thermal Power Plant Equipment ••• Hydroelectric Power Plant Equipment ••• Nuclear Power Plant Equipment ••• Energy Saving Systems ••• New Energy Generating Systems

A NEW ENERGY

The comprehensive services we offer through our call centers provide customers with powerful backup for their systems.



Fuji Electric call center staff work round the clock—24 hours a day, 365 days a year—to respond to incidents at customer sites and answer customer enquiries. The CTI System provides rapid response to on-site incidents, while our Remote Monitoring Service, which links Fuji Electric call centers to customer systems, provides remote, non-stop monitoring of on-site incidents. Other services in our lineup include the Remote Survey Service, which reduces downtime by securing the situation immediately after an incident.

Leading Products



Power Industry Radiation Monitoring Systems



Geothermal Power Generation Systems



Transformer Rectifier Units



Industrial Melting and Heating Equipment



Water Treatment Systems



Watt-Hour Meters

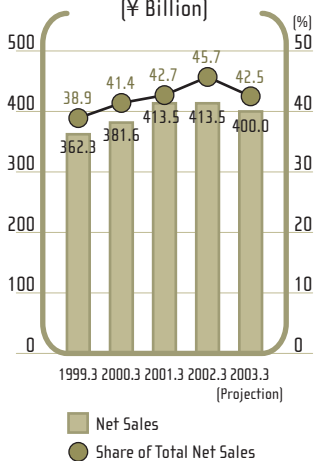


Molded-case Transformers

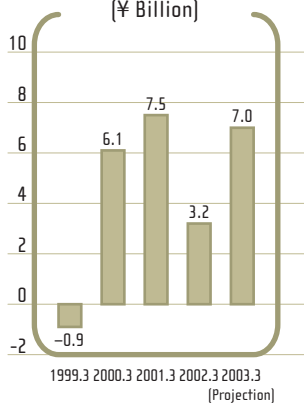
Notes:

1. Projections for the fiscal year ending March 31, 2003 are based on management's estimates as at April 26, 2002.
2. Net sales include inter-segment transactions.
3. For the cautionary statement with respect to forward-looking statements, please see the inside cover page.

Net Sales & Share of Total Net Sales
(¥ Billion)



Operating Income (Loss)
(¥ Billion)



of business strategy and enhanced transparency. This is aimed at enabling each unit to better realize corporate value for the whole group.

EXPANSION IN MAJOR GROWTH AREAS

In information systems, we leveraged expertise nurtured in factory-floor monitoring and control systems to integrate information and network systems. This move is aimed at providing customers with more innovative information solutions and growing our business in IT solutions for e-government, e-municipal bodies, regional information infrastructure and intelligent logistics systems.

On the sales front, in a move to reinforce marketing and technical support systems, we set up the Information Dealers System and assigned system engineers to our dealers in order to strengthen teamwork with partners. We also forged alliances, such as a tie up with Echelon Japan K.K. in LonWorks® platform technology, and strengthened our internal technological resources and IT technologies in order to aggressively expand into new markets.

In environmental systems, our watchwords were "water," "energy" and "waste," areas where we focused on environmental business expansion. Our particular emphasis was on the hydrological environment business, where we leveraged our know-how in systems that use ozone, oil film sensors and biosensors. The energy solutions business targeted clean energy products, such as fuel cells and biogas power generation systems. In the waste processing and recycling-business, we focused on multi-purpose, induction heating-type dry distillation equipment and drink container processing systems, as well as a Global Positioning System (GPS)-based information monitoring system for standard waste and systems for temperature-controlled transportation of food products (HACCP compatible).

In the service area, we formed a partnership with Fuji Electric Systems to expand into online plant-monitoring systems as a preventive maintenance service. This complements our existing lineup of maintenance and after-sales services. In the service solutions area, we initiated several new services, including maintenance lease, the establishment of call centers, and facilities-management-information services in an ASP role. These moves were aimed at enhancing our integrated service business by offering support for the entire lifecycle of a facility, from consulting through after-sales.

BOOSTING PROFITABILITY IN MATURE FIELDS

In electric power systems, we sought to win new customers in the medium-scale thermal power generation market. Here we primarily supply steam turbines and power generation equipment for thermal power plants, and thermal power plants for IPPs. Last year saw our engineering division attain ISO 9001 certification. We are now assuring that ISO 9001 becomes the standard throughout the division and implementing a range of further initiatives aimed at enhancing product quality. Underpinned by our core technologies in power networks, and distribution and Watt-Hour Meters (WHM), and benefiting from deregulation in the electric power industry, we redoubled efforts to create solutions for customers' energy demand needs in power systems control and energy management systems.



Fuji Electric has successfully developed a Biogas Fuel Cell Generating System. The system, which is attracting attention in the industry as a groundbreaking waste processing method, uses biogas generated from the anaerobic processing of organic waste to power fuel cells.



Fuji Electric's SCADA System is helping Tohoku Electric Power Co., Inc. to integrate systems at its Supervisory Control Center, enhance operational efficiency and improve systems.

In July 2001, Fuji Electric teamed up with Hitachi, Ltd. and Meidensha Corporation to establish Japan AE Power Systems Corporation, a joint venture that develops, designs and manufactures electric power transmission and distribution equipment. The three-way joint venture will consolidate the technologies and management resources of the partners and expand our presence in this field.

MANAGEMENT POLICIES AND PROJECTIONS FOR THE FISCAL YEAR ENDING MARCH 31, 2003

FUNDAMENTAL POLICIES REGARDING THE ENERGY & ELECTRIC SYSTEMS GROUP

At a time when the outlook for Japan's economy is anything but clear, we will enhance earning power and strengthen our competitive advantage based on the following primary goals.

- (1) The Energy & Electric Systems Group is reinforcing consolidated management using its unit structure, in an attempt to strengthen group management.
- (2) The group will also steadily restructure its business, which will include reviewing the sales force and rebuilding the manufacturing network.

REORGANIZING OUR OPERATING STRUCTURE

On the management front, the Energy & Electric Systems Group reorganized in April 2002 into three operating groups—Sales Coordination, Environmental Systems and Electric Power Systems, and two divisions—Information Technology, and Transportation & Defense systems. Our business fields were classified into 12 units. These units develop their own strategies and plans to enhance business viability.

ISSUES AND INITIATIVES

We will work to develop our business in information systems and enhance profitability by refocusing on our core technologies. Moreover, in order to provide solutions that answer diversified customer needs, we will expand our information solutions business by expanding the Information Dealers System, strengthening ties among Fuji Electric Group companies, and seeking cooperation with partner firms.

Given a harsh environment in which regional governments are cutting back on investment, our business expansion activities in environmental systems will focus on three areas: "water," "energy," and "waste." Here, we will differentiate ourselves from our competitors by developing both core and new technologies to aid this business growth. We will also help our clients to enhance the corporate value of their businesses by providing support services that enable them to build environmental management systems (e-environmental management systems).

In services, together with Fuji Electric Systems, we aim to provide optimal solutions and services over the entire lifetime of customer facilities. And, in energy solutions services, centered on energy conservation, we will take initiatives to promote the Energy Service Company (ESCO) business.

In electric power systems, we will seek to win new customers in the market for medium-sized thermal power plants, and increase our share of the domestic IPP market. In nuclear power, we will focus on fuel handling facilities and fuel reprocessing facilities, while developing remote-control dismantling technologies for plant decommissionings and an operational high-temperature gas reactor. In power systems control and energy management systems, we will strive to enhance profitability by reinforcing quality control and promote our customer solutions business.

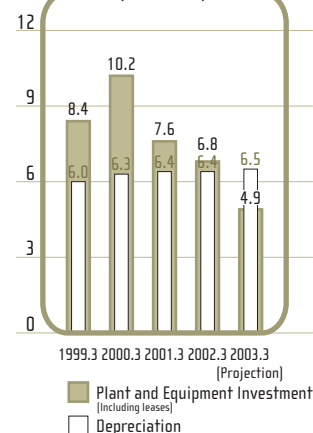
In light of the foregoing, projections for the fiscal year ending March 31, 2003 call for net sales of ¥400 billion and operating income of ¥7 billion.



A generating system boasting a world-class output capability of 600MW, installed as the first generator at the Isogo thermal power station for Electric Power Development Co., Ltd.

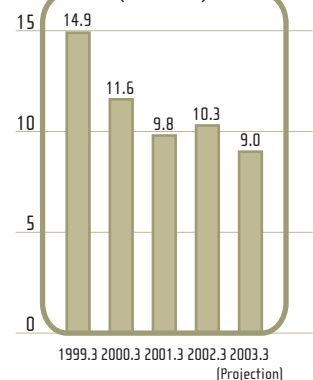
Plant and Equipment Investment (Including leases) / Depreciation

(¥ Billion)

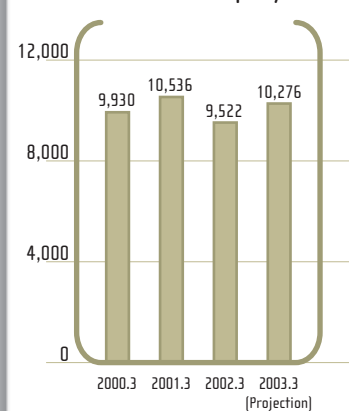


R&D Expenditures

(¥ Billion)



Number of Employees





President, ED&C-Drive Systems Company
SHIGEAKI HORII

*We will contribute to increasing value for customers — from energy transmission and distribution, to factories — by offering **the world's highest levels of quality, performance and services** in automation control, drive and power supply components, and in small- and medium-sized systems made using these components. Low-voltage ED&C components, general-purpose inverters, servo systems, PLCs, UPS and other components will be **promoted globally** as our most distinctive products. We will also work to enhance our systems response capabilities with the view to establishing new value through creative ideas.*

OVERVIEW OF OPERATING ENVIRONMENT AND RESULTS FOR THE YEAR ENDED MARCH 31, 2002

The business environment during the year was exceptionally challenging. IT-related businesses, which were the growth drivers in the Japanese economy in the previous year, particularly the semiconductor industry, experienced a marked decline in performance. This was compounded by anemic private-sector capital investment due to macroeconomic problems in Japan, such as weakness in the banking industry, as well as the government's delayed implementation of economic measures. As a result, weak demand characterized the ED&C-Drive Systems Group's key industrial markets in electronic component and semiconductor manufacturing equipment, precision devices and machine tools. Overseas, a manufacturing slowdown in the U.S. industrial sector that started in the IT-related and automobile industries in the summer of 2000, showed little signs of recovery until the middle of 2001, resulting in a simultaneous drop in global demand. This was exacerbated by the terrorist attacks of September 11, dealing another blow to the fragile operating environment of the group.

Faced with this severe domestic and overseas climate, we launched a number of new products, including the α -TWIN Series, a key line of circuit breakers and earth-leakage circuit breakers; high-intensity command switches; the 660 Series of mid-range UPS (Uninterruptible Power Supply) equipment; and FALDIC- β , an innovative servo system. We worked aggressively to expand sales of these products and win new customers. In a change of tack, we worked to push sales of small- and medium-sized systems that incorporate programmable logic controllers (PLCs), servomotors and inverters, in addition to the distribution and sale of stand-alone products. Despite these efforts, we failed to overcome a worse-than-expected situation in key market segments, evidenced by a significant deterioration in operating results.

During fiscal 2001, ended March 31, 2002, net sales in ED&C-Drive Systems declined 19.0% to ¥159.1 billion (\$1,196 million), while earnings fell ¥8.6 billion to an operating loss of ¥3.3 billion (\$25 million).

MAIN PRODUCTS

Magnetic Contactors ••• Operation Indicators ••• Industrial Relays ••• Time Delay Relays ••• Gas Detectors ••• Molded-case Circuit Breakers ••• Earth-leakage Circuit Breakers ••• Current-limiting Fuses ••• High-voltage Distribution Equipment ••• Power Factor Regulators ••• Energy Monitoring Units ••• AC Power Regulators ••• Switches for Detection ••• Programmable Logic Controllers ••• Programmable Operation Displays ••• Networking Equipment and Systems ••• Induction Motors ••• Synchronous Motors ••• Geared Motors ••• Brake Motors ••• Fans ••• Coolant Pumps ••• Blowers ••• General Purpose Inverters ••• Servomotor Systems ••• Induction Heating Inverters ••• Uninterruptible Power Supplies ••• Mini Uninterruptible Power Supplies

A NEW ENERGY

Our Networked Guidance System is helping to bring about barrier-free communication for people and communities.



Barrier-free facilities, such as stations and airports, are becoming more commonplace by the day. Fuji Electric's Networked Guidance System uses network ID cards linked to voice and visual guidance technology to help the visually- and hearing-impaired, wheelchair users, the elderly and young children to navigate. This system and others that integrate Fuji Electric's extensive range of components and devices are being used for a wide range of new applications in society.

Leading Products



Inverters



Blowers



Magnetic Contactors



Molded-case Circuit Breakers
Earth-leakage Circuit Breakers



Command Switches

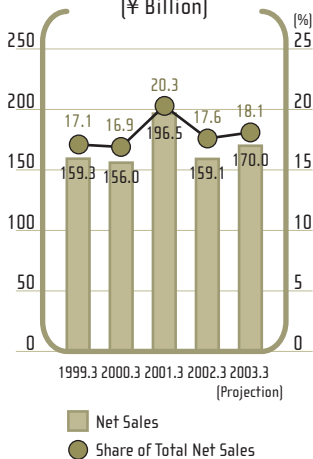


Uninterruptible Power Supplies
(UPS)

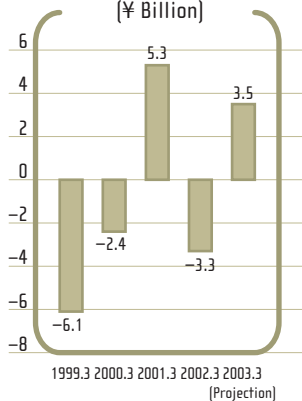
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Net Sales & Share of Total Net Sales
(¥ Billion)



Operating Income (Loss)
(¥ Billion)



MEASURES TAKEN DURING THE YEAR UNDER REVIEW

In response to the challenging climate, the group undertook a restructuring of its operations. These efforts were based on the following three key initiatives.

REORGANIZING MANUFACTURING OPERATIONS

During the year, we carried out a complete review of product lines and production systems at the Fukiage and Otawara factories. We established a Value Engineering Center in the Fukiage area, with the goal of integrating value-creating functions for ED&C products, such as R&D, product planning, production management and procurement. We also consolidated the development and manufacture of power electronics technology products, including power supply systems and high-voltage inverters, at our Kobe Factory.

EXTENDING OUR GLOBAL REACH

In order to strengthen our presence in China, a market forecasted to grow rapidly in the years ahead, we established Fuji Electric (Changshu) Co., Ltd. This company, a three-way joint venture to manufacture and sell contactors and thermal relays, brought us together with Changshu Switchgear Plant, a major low-voltage equipment manufacturer in China, and Friends Union Enterprises Ltd., a Japanese trading firm.

RESTRUCTURING THE MOTOR MANUFACTURING BUSINESS

In April 2002, we took another step to restructure operations, merging our low-voltage motor manufacturing subsidiaries, Fuji Electric Motor Co., Ltd., and Fuji Denki Seiki Co., Ltd. We also transferred the marketing functions for these products to Fuji Electric Motor. Marking a new start for the company, it will take over the manufacturing and marketing of all low-voltage motors. This move, aimed at integrating the dispersed organizations of our motor operations, will enable the business to focus more on core operations and provide closer customer support on the sales side. This has created a setup whereby we can respond more quickly and attentively to the needs of customers.

MANAGEMENT POLICIES AND PROJECTIONS FOR THE FISCAL YEAR ENDING MARCH 31, 2003

FUNDAMENTAL POLICIES REGARDING OUR BUSINESS

With the severe operating environment expected to continue into the current year, we will pull out all the stops to ensure we achieve the goals in our S21 Plan. The following Seven Action Plans will underpin these efforts:

1) Action on profitability

The slump in IT and semiconductor demand during the past year led to a significant drop in sales and profits. Based on our business restructuring efforts so far, we will build an operating structure capable of generating profits regardless of fluctuations in market conditions or sales volumes.



The alpha-TWIN Series of circuit breakers and earth-leakage circuit breakers has been developed to meet the broadest needs in international markets. Incorporating revolutionary technology, these products are practical, compact, safe and environmentally friendly.



The FALDIC-beta Series is a lineup of highly functional, highly accurate servo systems that incorporate real-time tuning to minimize mechanical vibration, and high-speed positioning. Amazingly compact, FALDIC-beta was awarded the mechanical industrial design prize by the Japan Electrical Manufacturers' Association.

2) Action on sales

Traditionally, our approach to sales in ED&C-Drive Systems has rested on using sales channels or distribution networks for general-purpose, stand-alone products. This approach will remain, but we will also offer systems and networked products that meet growing demand for integrated solutions. Based on a range of products and innovative solutions created using our superior technologies, we will move onto the offensive in sales, encouraging every member of our sales team to more actively support customers creating value.

3) Action overseas

In ED&C-Drive Systems, we are working hard to increase our market presence ahead of both domestic rivals and leading overseas manufacturers. This is part of our globalization strategy to increase the ratio of sales generated abroad to more than 30% of total sales. With this target in mind, we will aggressively develop new products that will satisfy the needs of the global market.

4) Action on alliances

By actively forging alliances and tie-ups with other companies, including supplying complementary products, we are aiming for more efficient operations.

5) Action on customer service

In order to offer both new and existing customers support services that they can rely on, we will improve our customer service network, putting in place a system that ensures we are capable of meeting the demands of our customers.

6) Action on Quality Chain Management (QCM)

Enhancing quality and reducing operational losses play an essential role in generating profits during a severe downturn. In ED&C-Drive Systems, we are targeting improvements in these areas by conducting group-wide, quality assurance management activities throughout our manufacturing operations.

7) Action on asset efficiency

As part of our efforts to efficiently utilize resources, we are taking steps to further reduce inventory levels and use assets and capital effectively.

Based on the above initiatives, the ED&C-Drive Systems Group plans a return to profitability in fiscal 2002, with net sales of ¥170 billion and operating income of ¥3.5 billion.

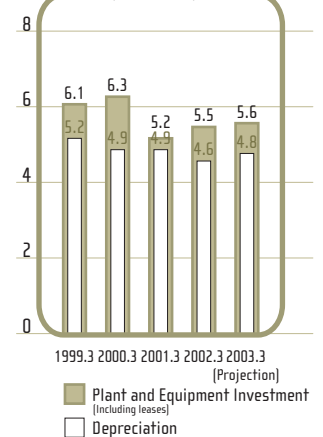


The SPB series of PLCs comes with a high-capacity memory and a myriad of advanced functions, all in a compact body.

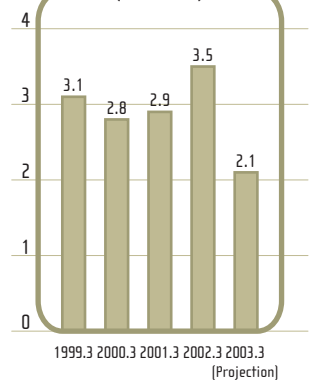


Efficient and quiet, the 660-C Series of UPS equipment lowers the amount of generated heat and incorporates smaller, quieter fans to reduce noise pollution.

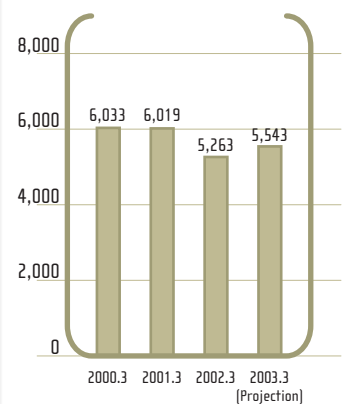
Plant and Equipment Investment (Including leases) / Depreciation (¥ Billion)



R&D Expenditures (¥ Billion)



Number of Employees





President, Electronics Company
AKIRA TAKAI

*We are firmly committed to providing high-quality electronic devices as only Fuji Electric can. These products will meet the most exacting standards expected of a **global player** as we draw on **the world's highest levels of technical prowess** in four core areas: **power semiconductors, ICs, magnetic disks and photoconductive drums**. The world of electronics is dominated by technological innovations that hit the market at breakneck speed. With a presence that extends from industrial to information systems, we will supply customers with creative technologies that anticipate market demands. In particular, we will offer technologies that reduce the size and weight of equipment, boast higher performance and conserve more energy than ever before.*

OVERVIEW OF OPERATING ENVIRONMENT AND RESULTS FOR THE YEAR ENDED MARCH 31, 2002

In the first half of the year, power semiconductors felt the effects of the global slowdown that began to emerge in the U.S. during the previous period. This was reflected in weakening orders for discrete devices such as power MOSFETs (metal-oxide-semiconductor [MOS] field effect transistors [FET]) and high-voltage diodes, and power module products, such as Insulated Gate Bipolar Transistors (IGBTs). In the second half of the year, discrete devices began to recover, buoyed by demand for game consoles and PCs. Power module products however, remained weak, affected by the private sector's continued reluctance to make capital investments. Overall, power semiconductors recorded a significant decline in sales compared with the previous period.

ICs, like power semiconductors, were affected by deteriorating market conditions in the first half of the year. Moving into the latter half of the period, the market began to improve, again due to a game console-led recovery in demand. A strengthening market for IC products for PCs and digital cameras continued to drive growth into the fourth quarter, but this failed to prevent an overall year-on-year decline in sales of IC products. Although power supply ICs achieved record orders and sales, driven by demand for mobile phones, PCs, digital cameras and game consoles, this was offset by falling demand for more conventional IC products in the auto focus and LCD segments.

The climate was also severe in the market for magnetic disks, as the prolonged IT slump brought double-digit growth in the PC and server markets to an end. In fact, the group experienced negative growth in these markets compared to the previous year. This weakening demand was also due to the long-term trend of fewer magnetic disks being used in hard disk drives (HDDs) due to dramatic improvements in recording density per disk. In this environment, we succeeded in maintaining revenue at around last year's level, helped by new products such as a 40GB/platter, 3.5-inch magnetic disk—the first to be launched in the industry—and new customers for aluminum substrates.

Although photoconductive drums could not escape the impact of the global slowdown that also hit power semiconductor products, sales improved on the previous year. This was primarily due to increased demand for office automation (OA) equipment, such as printers and copiers, new organic photo conductor (OPC) products that we launched on the market and success in capturing new customers.

As a result, net sales in Electronics declined 6.9%, year on year, to ¥128.4 billion (\$966 million), while operating income fell 24.2% to ¥4.5 billion (\$34 million).

MEASURES TAKEN DURING THE YEAR UNDER REVIEW

DEVELOPING NEW MARKET-LEADING PRODUCTS IN POWER SEMICONDUCTORS

During the year, we upgraded our lineup of market-leading products with new models of existing devices. This included expanding the Super FAP-G series, which takes power MOSFETs to the very edge of their theoretical limits, and bringing the mass-production and

MAIN PRODUCTS

Magnetic Disks ••• Power Transistors ••• Power Modules ••• Smart Power Devices ••• Rectifier Diodes ••• Monolithic ICs ••• Hybrid ICs ••• Semiconductor Sensors ••• Surge Absorbers ••• Photoconductive Drums for Copiers and Printers

A NEW ENERGY

Fuji Electric power supply ICs are widely used in mobile phones and digital imaging devices, earning a strong reputation from the portable device industry.



The rapidly growing popularity of mobile phones and digital cameras is driving forward technological innovation in the portable device industry. In power supply ICs, we are using proprietary PWM control technology and CMOS analog technology to reduce power consumption by internal control circuits and push forward the boundaries of miniaturization. This innovative approach has helped us to win numerous customers in the field. Now, aiming to become the market leader in power supply ICs, we are further boosting device accuracy and incorporating new, intelligent functions.

Leading Products



Power Supply ICs



Organic Photo Conductor (OPC) Drums



IGBT Modules



High-voltage Silicon Diodes

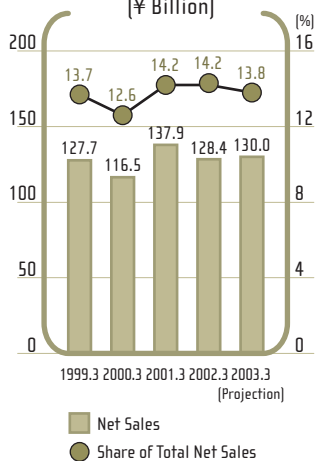


Magnetic Disks

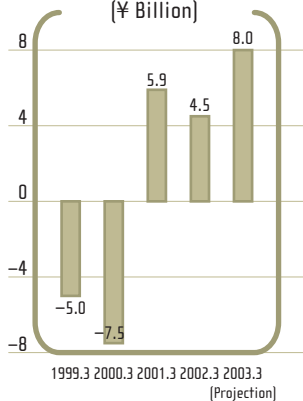
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Net Sales & Share of Total Net Sales
(¥ Billion)



Operating Income (Loss)
(¥ Billion)



supply of R-IPM3 intelligent IGBT modules on line. The R-IPM3 incorporates next-generation IGBT chips. We also completed development of the IPM E series, another intelligent IGBT module that seeks to keep pace with demands for lighter, more compact devices by pushing miniaturization to the limits. We plan to begin manufacturing sample products during the current fiscal year. The year also saw a number of initiatives aimed at strengthening the Electronics Group. These included two key approaches. Firstly, setting our sights on becoming the world's leading power semiconductor company, we focused on a profit-driven management approach founded on a customer-centric philosophy. Secondly, we embarked on the Fuji Enhanced Design-In Program (FEDIP), aimed at realizing this customer-centric philosophy across the group.

NEW POWER SUPPLY IC PRODUCTS FOR MOBILE PHONES AND DIGITAL CAMERAS

In ICs, we worked to expand business by positioning power supply ICs, high-voltage display ICs, hybrid devices and pressure sensors for automobiles as our key segments. In power supply ICs we developed two new products that have already been chosen for use in game consoles. These devices make use of PWM control technology and CMOS analog technology, both developed in-house. CMOS technology enables the operation of power supply ICs under high voltages and to a high level of precision. We also aggressively launched new products for use in mobile phones and digital cameras, expanding our lineup of IC devices for mobile applications. In high-voltage display ICs, we also continued to launch new products. In the second half of the year, this made a major contribution to the growth in sales in this market segment. Meanwhile, healthy domestic demand for hybrid devices with ignition applications for automobiles, and continued, strong overseas demand for pressure sensors meant both of these segments achieved higher sales than the previous period.

CERTIFICATION FOR SEMICONDUCTOR OPERATIONS

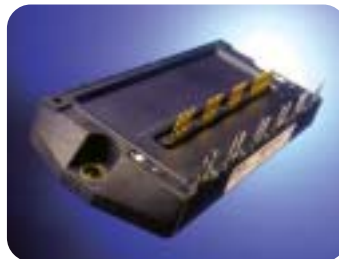
In November 2001, all our semiconductor operations successfully acquired the QS-9000 certification, an international quality standard established by the Automotive Industry Action Group (AIAG). Emboldened by this achievement, we worked to further enhance levels of quality in the Electronics Group.

STRENGTHENING MAGNETIC DISK OPERATIONS BY REORGANIZING MANUFACTURING PROCESSES

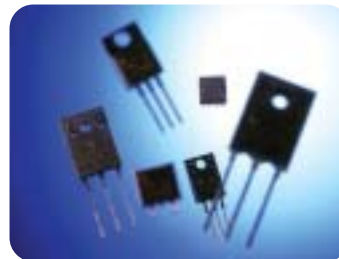
In magnetic disk production, we sought efficiencies by reorganizing manufacturing processes, originally located at three separate facilities—Matsumoto, Yamanashi and Malaysia. Substrate processing was consolidated at the Yamanashi and Malaysian factories and media processing at the Matsumoto and Malaysian factories. This was part of our efforts to restructure the business by eliminating surplus facilities and reducing our workforce. We also continued to achieve steady results in the development of next-generation technologies, pushing forward research into HDDs for home-use audio visual (AV) equipment and network terminals, which are expected to become significant markets in the future.

OFFERING DISTINCTIVE OPC PRODUCTS BY DEVELOPING NEW MATERIALS

In photoconductive drums, we continued to focus on developing new materials and enhancing cooperation between marketing and development divisions. These efforts were aimed at developing distinctive OPC products. This approach paid off, with a number of new products launched during fiscal 2001, the principal



In order to meet demand for more compact servo drive systems, Fuji Electric has developed the IPM E series, a highly compact, intelligent IGBT module.



Using in-house, revolutionary device design technology, Fuji Electric is taking silicon semiconductors to the edge of their theoretical limits with the high-speed switching capabilities of the Super FAP-G series power MOSFET.

one being an OPC product for digital PPCs. Other initiatives included steps to reduce inventories and improve quality throughout the entire group by integrating production management and quality control at our three domestic and overseas manufacturing companies.

MANAGEMENT POLICES AND PROJECTIONS FOR THE FISCAL YEAR ENDING MARCH 31, 2003

In the current fiscal year, we are targeting net sales of ¥130 billion, about the same level as we achieved in the year under review, and operating income of ¥8 billion.

GROWING MARKET SHARE AND INCREASED PROFITS IN POWER SEMICONDUCTORS

In fiscal 2002, ending March 31, 2003, achieving our key management objectives will continue to underpin our efforts to strengthen our operational structure. In order to build a structure capable of weathering a downturn in our operating environment, initiatives in a number of areas will be crucial. These include accelerating the development of new, market-leading products; pushing forward with FEDIP activities; initiating sales expansion projects; and reducing manufacturing lead times. Moreover, we will work to expand market share and boost profits by reassessing development, marketing and manufacturing strategies.

EXPANDING THE IC BUSINESS WITH PRODUCTS THAT RAISE CUSTOMER SATISFACTION

As in the previous period, we will place strategic emphasis on, and seek to expand sales in, four key segments—power supply ICs, high-voltage display ICs, hybrid devices and pressure sensors. In power supply ICs, we will boost sales by introducing new, energy-efficient products for mobile devices that incorporate highly accurate, intelligent functions. This will go hand in hand with marketing activities to build ever-stronger relationships with customers. In high-voltage display ICs, we plan to launch new, low-cost products and expand the volume of business, while increasing customer satisfaction. These goals will also be at the heart of efforts in the hybrid device and pressure sensor fields, where we will focus on the market for electronic automobile components and launch new, cost-competitive products.

ENHANCING STORAGE CAPACITY AND DEVELOPING NEXT-GENERATION TECHNOLOGIES IN MAGNETIC DISKS

Although the PC and server markets are expected to experience a mild recovery during 2002, the market for magnetic disks will remain challenging. In this environment, we plan to commercialize and begin supplying a new 3.5-inch magnetic disk that boasts a capacity of 60-80GB. While maintaining our position as the leading company in the PC and server magnetic disk markets, we will also accelerate the development and improve the efficiency of new products for the AV market, where incorporating next-generation technologies into products is important for success. We have made preparations to preempt our competitors by entering HDD markets that provide opportunities for different applications in the non-traditional PC segment.

BUILDING A STABLE OPERATING STRUCTURE THROUGH CONSOLIDATED MANAGEMENT

Based on our key policy of implementing consolidated management in the photoconductive drum business at our 3 companies based in Japan, the U.S. and Hong Kong, we are striving to build a structure, whereby each company can generate consistent returns to be channeled back to the Electronics Group. Furthermore, we will reclassify the business into three segments: photoconductive drums, photoconductive peripheral equipment and new businesses, and seek to expand our business in each of these areas.

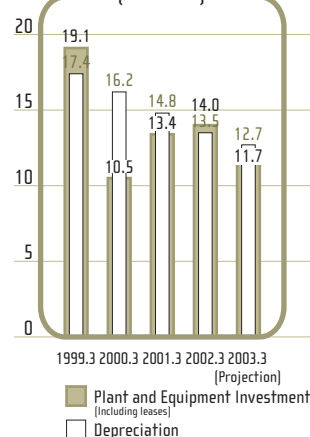


Fuji Electric was the first in the industry to launch a 40GB/platter, 3.5-inch magnetic disk, targeted at the desktop computer market.

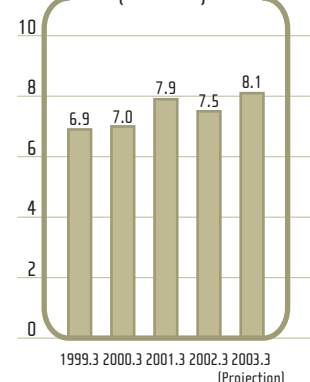


Fuji Electric's durable OPCs and components offer superior imaging for copiers and printers.

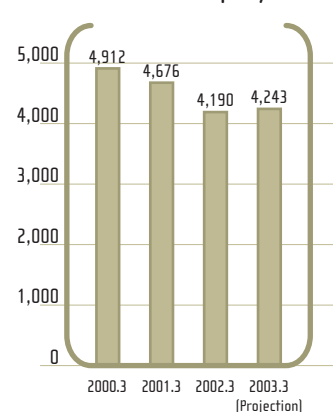
Plant and Equipment Investment (Including leases) / Depreciation (¥ Billion)

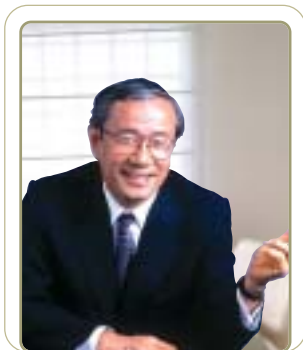


R&D Expenditures (¥ Billion)



Number of Employees





President, Retail Support Equipment & Systems Company
KUNIYASU TAKEDA

The mission of the Retail Support Equipment & Systems Group is to become the "Most Valuable Service Provider" of equipment and systems, primarily vending machines, for which we boast the leading market share, as well as freezing and refrigerated showcases. Our expertise in handling these products will provide the basis for raising efficiency in vending machine operations, management of supermarkets and convenience stores, and food distribution processes. In these and other ways, we will offer far-reaching solutions to customers in the retail sector.

OVERVIEW OF OPERATING ENVIRONMENT AND RESULTS FOR THE YEAR ENDED MARCH 31, 2002

During the year, shipments of vending machines, the group's core product, declined across the industry as a whole. This was mainly due to falling investment in vending machines as customers held off from replacing existing products. This trend was exacerbated by intensifying competition in the industry, leading to further declines in prices. Consequently, there was no let up from the challenging conditions faced by the vending machine segment in the previous fiscal year. In this environment, we expanded our range of dairy beverage vending machines. This bore fruit in the form of a substantial increase in sales. We also recorded strong sales of new products in our cup vending machine lineup. These included a vending machine that automatically attaches lids to cups to prevent spilling, and a newly developed vending machine with a coffee extraction function for espresso. In our mainstay product range—canned beverage vending machines—we introduced a new model with a non-adjustable rack that makes them easier to restock. However, these new models failed to offset the impact of a general slump in demand in this segment, and as a result, overall sales of vending machines declined year on year.

In machines for the foodservices field, we worked aggressively to expand sales, focusing particularly on cold drink dispensers. This led to a strong performance in the category, with sales beating last year's levels.

Lower year-on-year sales of freezing and refrigerated showcases were the result of markedly weaker demand from the supermarket industry. This was due in large part to a slowdown in new store openings and lower investment in store refurbishments following enactment of the Large-Scale Retail Stores Location Law. In response, we actively targeted new small- and medium-sized retail facilities that are outside the scope of the new regulations, as well as large stores carrying out partial refurbishments. This overall decline in demand in the market meant sales were below previous year's levels. In freezing and refrigeration units for convenience stores, there was strong demand as leading convenience store operators continued to expand their chains and implemented store remodeling programs. In addition, this trend was bolstered by demand for exclusive-use refrigeration units for nutritional supplement drinks and freezer units for ice-cream products at existing convenience stores. However, this growth failed to offset a marked decline in demand for exclusive-use units for new products, which was a particularly strong area in the previous year. Consequently, sales in this segment failed to reach the previous year's levels.

In coin & currency systems, sales of coin mechanisms and bill validators fell, as demand associated with the introduction of the new ¥500 coin last year ran its course. This was exacerbated by the general slump in the vending machine industry.

MAIN PRODUCTS

Vending Machines ●●● Freezing and Refrigerated Showcases ●●● Coin Mechanisms ●●● Bill Validators ●●● Currency Handling Systems ●●● Beverage Dispensers
●●● Tea Servers ●●● Hotel Vendor Systems ●●● Card Systems

A NEW ENERGY

Our unique product planning and design capabilities result in vending machines that meet a vast range of consumer needs.



As the leading company in the vending machine manufacturing industry, Fuji Electric continues to surprise with eye-opening, radical designs: Espresso Bar is a cup-type vending machine that incorporates a hybrid brew function, capable of serving both real espresso and regular coffee. The outer casing of the ultra-modern Shell-D model is pressed from a single sheet of metal, similar to processes used in car manufacturing. This casing, made from one sheet of hard material, like a seashell, gave the designers the idea for the product's name.

Leading Products



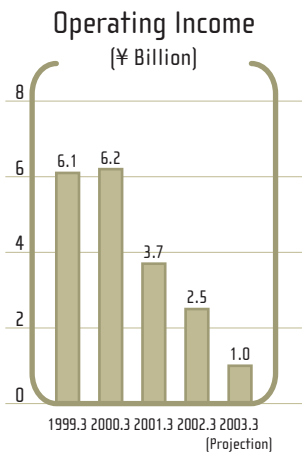
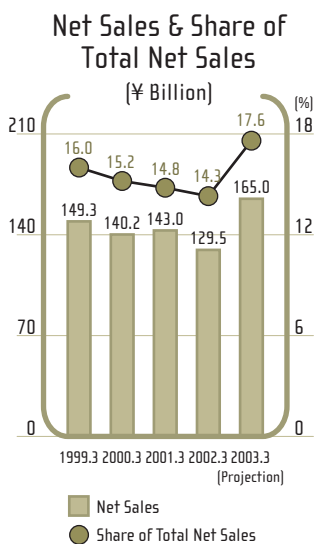
Vending Machines



Coin & Currency Systems

Notes:

1. Projections for the fiscal year ending March 31, 2003 are based on management's estimates as at April 26, 2002.
2. Net sales include inter-segment transactions.
3. For the cautionary statement with respect to forward-looking statements, please see the inside cover page.



On a brighter note, an expanding amusement equipment market and deliveries of change dispensers for ticket vendors drove growth in currency handling systems, which recorded significant year-on-year gains.

Despite strong demand in several product categories, the impact of declining vending machine orders and lower selling prices was hard to shrug off. As a result, sales in the group as a whole fell 9.4% year on year, to ¥129.5 billion (\$974 million), while operating income declined 33.8% to ¥2.5 billion (\$19 million).

MEASURES TAKEN DURING THE YEAR UNDER REVIEW

EFFICIENT MANUFACTURING OPERATIONS AND A RESTRUCTURED ORGANIZATION

As competition intensified, enhancing the performance of our mainstay vending machine business was the most pressing issue we faced in the past year. We instituted a number of measures to restructure our business.

First was rationalization of development and manufacturing operations by integrating the Mie Factory and Fuji Denki Reiki Seizo Co., Ltd. Previously, the two sites carried our operations separately. This move was aimed at improving and speeding up product development; eliminating overlapping activities and lowering costs; creating a flexible manufacturing framework capable of adjusting to seasonal fluctuations in production volumes; and streamlining the workforce. All vending machine activities were concentrated at the Mie Factory, and Fuji Denki Reiki Seizo was dissolved in September 2001. Coinciding with this move, we reorganized the Mie Factory along individual product lines, creating product-specific business units that integrate management, from development and quality assurance, through cost control and delivery. This new organization replaced our existing, function-specific manufacturing approach and more clearly demarcates areas of responsibility.

The second issue we tackled was ending our over-reliance on earnings from the vending machine segment by taking steps to expand and boost earnings from other businesses. More specifically, this entailed strengthening our cold-chain and coin & currency systems businesses.

In cold-chain equipment, we acted to reduce fixed costs to coincide with restructuring at the Mie Factory. Actions centered on reconfiguring production lines and reducing personnel. In coin & currency systems, our R&D division was integrated with Shinshu Fuji Co., Ltd. in April 2001, creating a fully integrated operational structure, from R&D through manufacturing. The company's name was also changed to Shinshu Fuji Electric Co., Ltd.

OFFERING ENHANCED VENDING MACHINE SOLUTIONS

During the year, the group successfully developed a Java-based software platform, which will be instrumental to incorporating IT-based interactive functions in next-generation vending machines. We are currently refining the software to make it more operational and adding various new applications. Joint testing is now underway with customers, with a view to starting full-scale sales in the near future.



The Dual Shop System makes effective use of vending machines and refrigerated showcases to realize seamless conversion from a manned shop during peak hours, to an automatic sales facility during off-peak hours.



Non-contact IC card systems offer diverse applications and are expected to see widespread use, particularly as an integral part of cashless systems at resort facilities.

MANAGEMENT POLICIES AND PROJECTIONS FOR THE FISCAL YEAR ENDING MARCH 31, 2003

ACQUISITION OF SANYO ELECTRIC VENDING MACHINE CO., LTD.

As a leading vending machine manufacturer, we have played a major role in advancing the industry in Japan. In order to maintain this position and ensure our ongoing competitiveness, we decided to initiate a round of restructuring. This led to us to acquire all the outstanding shares of SANYO Electric Co., Ltd. subsidiary SANYO Electric Vending Machine Co., Ltd. on April 1, 2002. The company subsequently began operations under the name Fukiage Fuji Vending Machine Co., Ltd.

This move is aimed at securing an unassailable technological lead in the industry and reducing overlapping investment and operations. We also see opportunities in using economies of scale to rationalize materials procurement and distribution costs.

In order to realize the benefits of the integration as soon as possible, we plan to optimally reorganize R&D and manufacturing functions at our Mie and Fukiage bases along product lines in November this year.

STRATEGIC MOVES IN THE COLD-CHAIN EQUIPMENT BUSINESS

In cold-chain equipment for supermarkets, we aim to boost orders using proposal-based sales to push key products that incorporate unique Fuji Electric technologies. These include ECOMAX V, a total control system for showcases and freezer units, and an associated in-store monitoring system, ECOMAX Net. In the convenience store segment, we will expand the scope of business by capturing bulk orders.

Using manufacturing bases in China, we will also work to increase the ratio of components and materials procured from overseas to enhance the group's cost competitiveness. This will go hand in hand with the introduction of more responsive manufacturing management systems to significantly reduce lead times.

ENHANCING AFTER-SALES SUPPORT IN COIN & CURRENCY SYSTEMS

Strengthening our service business in coin & currency systems will be our first priority in the year ahead. On April 1, 2002 we took an important step in this direction by combining our maintenance divisions, at Fuji Electric Technos Co., Ltd. and Fuji Denki Matsumoto Mechanics Co., Ltd., at one location, Shinshu Fuji Electric Co., Ltd. This has created a maintenance and after-sales service framework capable of responding more quickly and effectively to customer needs.

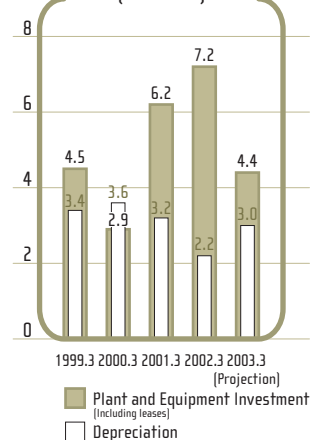
Targeting the wide-ranging applications of non-contact IC cards, a product expected to experience massive growth in the coming years, we plan to significantly expand business in this area.

By taking the above actions, we are projecting net sales in the year ending March 31, 2003, in the Retail Support Equipment & Systems Group, of ¥165 billion and operating income of ¥1 billion.

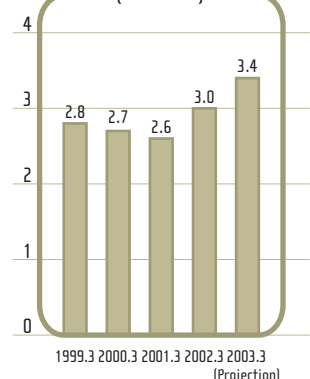


Linked to point-of-sale (POS) cash registers, Fuji Electric's automatic cash management system reduces the time spent at the checkout and improves cash management efficiency by automating all change-handling processes.

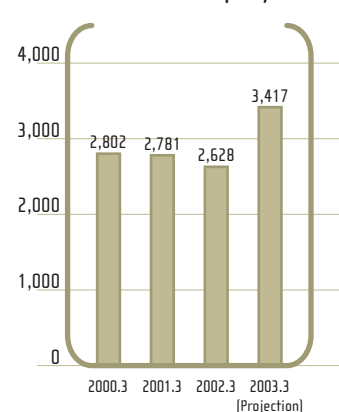
Plant and Equipment Investment (Including leases) / Depreciation (¥ Billion)



R&D Expenditures (¥ Billion)



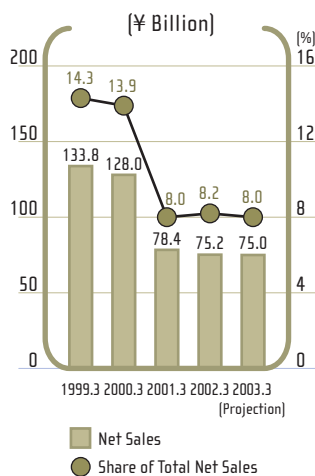
Number of Employees



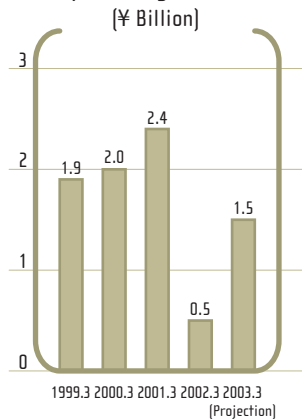
Notes:

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Net Sales & Share of Total Net Sales



Operating Income



OVERVIEW OF OPERATING ENVIRONMENT AND RESULTS FOR THE YEAR ENDED MARCH 31, 2002

The scope of activities in this group extends to logistics, printing and information-related services, as well as insurance agency services, financial services and R&D. The lion's share of its business is conducted with Fuji Electric and member companies of the Fuji Electric Group.

Net sales during the year under review declined 4.1% year on year to ¥75.2 billion (\$565 million), while operating income fell 78.6% to ¥0.5 billion (\$4 million). Summaries of the core activities of the main companies in this business group are outlined below. Net sales and employee figures are as of March 31, 2002.

FUJI LOGISTICS CO., LTD.

Net Sales: ¥29.5 billion

Number of Employees: 490

Fuji Logistics' core business is distribution services such as transport, packaging and storage. It is also involved in international logistics, the sale of equipment for the rationalization of distribution systems, processing products prior to distribution, and real estate leasing. This company is currently expanding services beyond the confines of the Fuji Electric Group with the aim of improving logistics in many industries.

During the year, the distribution industry was affected by declining transportation volumes in almost all industry sectors. Fuji Logistics was no exception, evidenced in lower earnings and profits. In this challenging environment, the company worked to expand its business, based on the slogan "A Dedicated Logistic Pioneer." More specifically, the company reaped the benefits of its lineup of distribution solutions, winning large orders from the Japanese subsidiary of a foreign manufacturer of information systems, and from a leading elevator manufacturer. Fuji Logistics also had success in capturing distribution outsourcing contracts from a financial system equipment maker, and from a trading company dealing in imaging equipment used in broadcasting. Moreover, the company began

offering higher levels of quality in its distribution services by incorporating a customer call center into its existing replacement parts distribution service. Underpinned by a business alliance with a major moving company, efforts were also made to expand orders for the company's new Moving Techno Center Services. As part of its efforts to protect the environment, Fuji Logistics acquired ISO 14001, the internationally recognized standard for environmental management systems, in December 2001.

FUJI ELECTRIC INFORMATION SERVICE CO., LTD.

Net Sales: ¥17.6 billion

Number of Employees: 661

Fuji Electric Information Service Co., Ltd., supplies companies with IT services and solutions, such as the maintenance, development and provision of information systems and networks. The company also offers visual solutions services drawing on superior technology for the design of products, work spaces, catalog production, multimedia content creation, planning and management of exhibitions and other events, and the creation of corporate advertisements. In addition, Fuji Electric Information Services provides a wide range of services and solutions for offices. This support ranges from copying, binding and printing, to document storage, management of technical information and computer support services. The company also sells office equipment and many other products.

During the period under review, the company's clients, affected by the fallout from the bursting of the IT bubble, further reigned in investment budgets and sought management cost savings. In turn, this affected Fuji Electric Information Service's binding, copying and catalog businesses, although not severely. Meanwhile, new businesses centered on IT-related ventures, an area the company has been focusing on for some time, recorded higher earnings and profits than the previous period, thanks to a number of start ups and new enterprises that are just now becoming profitable. In line with Fuji Electric's Medium-Term IT Promotion Plan, the company undertook the development of next-generation accounting systems, new communication

network systems, integrated backoffice systems, Enterprise Resource Planning (ERP) and Supply Chain Management (SCM) systems, and established a specialist R&D center. The company also saw success in expanding sales of some of its new proprietary brands such as the Web-compatible accounting package F-LINE, the new search system VEXT SEARCH, and the K-CASP sales promotion system. Despite an opaque operating environment, Fuji Electric Information Service will build on its medium-term management plan, now being implemented, to further grow its business. This will also include expanding into new business domains.

FUJI LIFE CORP.

Net Sales: ¥9.9 billion

Number of Employees: 158

Fuji Life's activities include life and damage insurance agency operations, as well as real estate sales, leasing and brokerage services. It also offers domestic and overseas travel services and foreign exchange, in addition to office planning and outsourcing services, support and sales relating to office equipment, utensils, gifts and other products.

During the year under review, the terrorist attacks in the U.S. and their ensuing fallout led to bankruptcies in the damage insurance industry. This, in turn, posed serious questions for the travel and insurance industries. Despite this difficult climate, the company's real estate business sold 20 detached houses at the Tatsumidai complex in Ichihara City, Chiba, and began renting 14 newly built condominium units in Tsurumi Ward, Yokohama, and 12 detached houses in Asahigaoka in Hino City, Tokyo. Meanwhile, efforts by the company's travel agency to boost sales through a marketing campaign targeted at local businesses, community groups and individuals, paid off with bookings from some major new customers, helping to contribute to a steady stream of earnings.

The company's nursing care business centered on the Anshinkan facility in Hino City, which began operations in the previous period, recorded a strong increase in sales. This was mainly due to a marked rise in users of its home nursing services.

And, approaching its second year online, the Senior Net Club began issuing an e-mail magazine, which quickly gained popularity among Internet-savvy senior citizens.

FUJI ELECTRIC FINANCE AND ACCOUNTING SUPPORT CO., LTD.

Net Sales: ¥2.0 billion

Number of Employees: 133

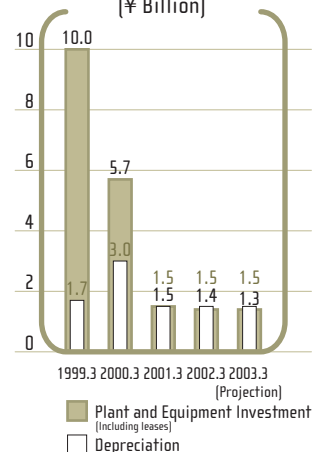
Fuji Electric Finance and Accounting Support Co., Ltd., undertakes finance and accounting-related tasks for the Fuji Electric Group to help raise the efficiency of administrative functions at Group members. Other activities include bill payment services and the centralized management of excess cash held at Fuji Electric Group companies, including the provision of loans to Group members.

The company's total assets as of March 31, 2002, stood at ¥170.6 billion, with ¥104.0 billion in factoring credit, and loans provided to Group companies of ¥56.3 billion. The corporate client base rose by almost one third compared to the previous period, to 12,146 companies.

During the year, the company made further progress on reducing interest expenses and management costs, and integrating administrative functions in the Fuji Electric Group. This was achieved by extending the use of factoring, bill payment services, centralized management of notes receivable, and netting arrangements among Group companies. As the financial arm of the Group, Fuji Electric Finance and Accounting Support also played a vital role in establishing fund procurement channels outside those offered by banks, such as the issuing of commercial paper (CP) and debt liquidation. This role extended to upgrading the Fuji Electric Group's cash management system (CMS) by enhancing linkage with subsystems to encourage greater use.

Looking ahead, the company is planning to introduce a system that projects the Fuji Electric Group's future cash demand, thereby improving the efficiency of fund procurement and management. The ultimate goal is to enhance the management of funds for the entire Fuji Electric Group.

Plant and Equipment Investment (Including leases) / Depreciation (¥ Billion)



Number of Employees

