

At a Glance

Energy & Electric Systems Group

In the year under review, the Energy & Electric Systems Group secured a large number of new orders and sales in core business areas and product categories, particularly for water treatment systems, e-government systems and steam turbine power generation facilities. However, the significant impact of weak private-sector investment, curbs on public works spending and the slowdown in the U.S. economy, was felt across all areas of the group's operating activities, leading to a 7.3% decline in net sales to ¥383.3 billion (US\$3,195 million). Operating income deteriorated ¥3.4 billion to an operating loss of ¥0.1 billion (US\$2 million).

ED&C·Drive Systems Group

In ED&C and power supplies, sales were on a par with the previous year, while sales of control & drive systems were lifted by strong demand from Asia. This contributed to a 0.5% increase in net sales to ¥159.9 billion (US\$1,333 million). Operating income improved ¥4.5 billion to ¥1.1 billion (US\$10 million).

Electronics Group

Sales of ICs, particularly power supply ICs, which posted their best-ever sales figures, power semiconductors and photoconductive drums, all exceeded last year's levels. However this was outweighed by a large fall in magnetic disks, leading to 3.0% decline in net sales to ¥124.5 billion (US\$1,038 million). Despite the fall in sales, the group achieved a 60.4% increase in operating income to ¥7.2 billion (US\$60 million).

Retail Support Equipment & Systems Group

Sales of vending machines grew dramatically following the acquisition of SANYO Electric Vending Machine Co., Ltd. and its integration into the group as Fukiage Fuji Vending Machine Co., Ltd. Sales of freezing and refrigerated showcases were also higher than last year, buoyed by rising demand. These factors combined to boost net sales 19.2% to ¥154.4 billion (US\$1,287 million), while operating income rose 3.8% to ¥2.5 billion (US\$22 million).

Others

Sales edged up 1.2% to ¥76.1 billion (US\$634 million), supported by expanding new businesses at a logistics subsidiary and other factors. Operating income rose 303.5% year on year to ¥2.0 billion (US\$17 million).

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

- > 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

- > Magnetic Disks > Power Transistors > Power Modules
- > Smart Power Devices > Rectifier Diodes > Monolithic ICs
- > Hybrid ICs > Semiconductor Sensors > Surge Absorbers
- > Photoconductive Drums and Peripheral Imaging Devices

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

Products With Leading Market Share

- > 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



Water Treatment Systems



Transformer Rectifier Units



Power Industry Radiation Monitoring Systems

- > Inverters > Blowers > Magnetic Contactors
- > Autobreakers/Earth-Leakage Circuit Breakers
- > Command Switches
- > Uninterruptible Power Supplies (UPS)



Inverters



Magnetic Contactors



Autobreakers/Earth-Leakage Circuit Breakers

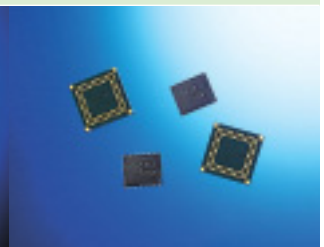
- > Magnetic Disks > High-Voltage Silicon Diodes
- > IGBT Modules
- > Organic Photoconductive Drums (OPCs)
- > Power Supply ICs



Magnetic Disks



IGBT Modules

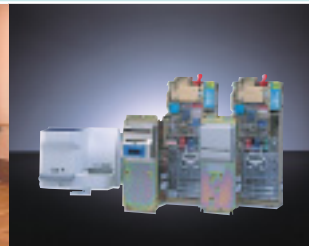


Power Supply ICs

- > Vending Machines > Coin & Currency Systems



Vending Machines



Coin & Currency Systems

President, Energy & Electric
Systems Company

Haruo Ito

Review of Operations

Energy & Electric Systems Group

The Energy & Electric Systems Group is aiming to become a **solutions and service provider** in the industrial, public sector, energy, and transport fields. Using our extensive experience and reservoir of expertise, we are developing a range of industry-leading products and services that inject new value into social infrastructure. Focused on offering solutions in the core areas of **information, the environment, energy, and services**, we are committed to working closely with our customers to make their businesses a success.

Overview of Operating Environment and Results for the Year Ended March 31, 2003

The group faced considerable challenges during the year. In Japan, weakness in capital spending persisted as the hollowing out of the manufacturing sector continued. At the same time, structural changes continued due to falling public works expenditure and other factors. A slowdown in the U.S. economy presented additional challenges.

In environmental systems, there was success with large-scale orders for electrical equipment for advanced water supply purification systems, monitoring and control systems for water purification plants, and electrical equipment for sewerage treatment facilities. However, overall sales declined year on year as industrial waste treatment and recycling facilities faced intensifying competition and electrical equipment for road infrastructure and water treatment facilities bore the brunt of cutbacks in public works spending.

Information systems won orders for a document management system, the core building block of e-government and local government IT systems, as well as an information network system for local governments that links offices, schools, libraries and other key facilities via a high-speed network. However, offsetting this strength was the prolonged downturn in private-sector capital expenditure, which led to weaker orders from the manufacturing and logistics industries for information and control systems, resulting in lower sales compared to the previous year.

In electric power systems, there were significant domestic and overseas orders for steam-turbine power plants and radiation monitoring equipment for nuclear power plants. Notable deliveries included hydroelectric power plants employing the world's first vertical bulb turbine, and a succession of deliveries of electrical equipment and radiation monitoring equipment for nuclear power plants and other facilities. However, total sales in this sector fell as markets for power systems contracted in Japan and North America. Falling demand in the domestic market was primarily the result of curbs on capital spending by electric power companies.

In industrial and transportation systems, overseas contracts were won for transformer rectifier equipment and transformers for electric furnaces. There were also overseas orders of electrical equipment for subway rolling stock and large overseas orders and deliveries of railway substations. However, overall sales in this sector were held back by the substantial effect of weak domestic private-sector capital investment on the group's industrial plant systems business.

The net result of these items was a 7.3% decrease in Energy & Electric Systems net sales to ¥383.3 billion (US\$3,195 million), while operating income deteriorated by ¥3.4 billion to an operating loss of ¥0.1 billion (US\$2 million).

ENERGY & ELECTRIC
SYSTEMS GROUP

Fuji Electric has joined hands with DeWind GmbH of Germany to promote the wider use of wind power in Japan. We also offer a lineup of other new energy solutions using solar power, micro-hydroelectric power generation, and biomass fuel cells, as well as energy-saving Energy Management System (EMS) and Energy Service Company (ESCO) solutions that optimize the use of existing energy sources. In this way, Fuji Electric is helping to prevent global warming.



Measures Taken During the Year Under Review

To cope with the many forces reshaping its operating environment, the group pushed forward with the realignment of its business portfolio. Among many moves to restructure manufacturing activities, the group centralized all printed circuit board operations at Fuji Electronics Creation Support Service Co., Ltd. and unified switchgear and control panel production activities that had been divided across many areas of the group.

In October 2002, the Energy Solutions Division was established to further expand the new energy and energy conservation business field. This business field was subsequently added to our existing strategic growth areas outlined in our medium-term management vision—the environment, information, and services. In addition to channeling resources into businesses earmarked for growth, other initiatives were made to improve profitability in core and mature business fields.

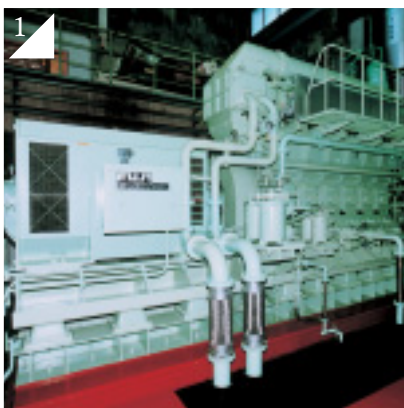
Actions to Expand in Strategic Growth Areas

In information systems, the Japanese government is currently shifting its e-Japan strategy from central government institutions to include regional and municipal governments. In order to tap this new demand, the group is developing a team of consultants, system engineers and sales personnel who have detailed knowledge and experience of local government operations. In document management systems, the core building block of any local government IT system, the group worked to expand its business coverage from a prefectural office-level down to municipal governments. Additionally, the group acted aggressively to make inroads into new businesses and markets. Exemplifying this drive was the joint development by Fukujin Co., Ltd. and Fuji IT Co., Ltd. of an integrated pharmaceutical management system that can handle everything from the ordering of pharmaceuticals to their inventory management and distribution to patients.

In environmental systems, the group began selling an integrated chemical substance management system, which has an extensive database covering environmental laws and regulations. To ensure hygienic water storage at water tanks located at schools, public facilities, large residential buildings and other locations, the group developed and began selling residual chlorine concentration maintenance apparatus that automatically and safely keeps residual chlorine at the appropriate level using electrolysis, thus eliminating the need for chemicals. In another move to protect the water environment, the group launched a service that reduces the volume of water required for cleaning processes at factories.

In services, the group worked closely with Fuji Electric Systems Co., Ltd., an Energy & Electric Systems Group company, to provide a service that offers the best management solutions for customers' facilities over their entire life cycle. The group devised a retrofit device to replace facilities with new technology without disrupting operations. This device enables the simple linkage of the new system with the legacy system. These efforts illustrate how the group is enlarging the scope of its business activities by expanding its service menu, including the development of solutions for recycling-oriented societies and mobile solutions for maintenance services.

In energy solutions services, an alliance with Siemens AG of Germany led to the introduction of the Spectrum PowerCC, an integrated energy management system, which can manage any type of power source. Separately, the group is cooperating with Fuji Electric Group companies and taking other steps to build an operating base capable of growing in fields such as wind power and other types of new energy, as well as energy conservation activities such as those of Energy Service Companies (ESCO).



1 Powering NASDA

Fuji Electric's 2,500kVA diesel-powered generators at the Osaki power plant ensure a reliable power supply to facilities at the Tanegashima Space Center operated by the National Space Development Agency of Japan (NASDA).



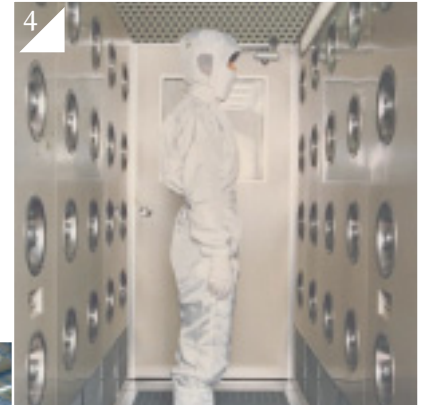
2 Large-Scale Radiation Monitoring System

This system helps to ensure the safe and reliable operation of nuclear power plants by facilitating the gathering and central monitoring of multiple radiation measurements at over 300 points.



3 Combined-Cycle Generation

Fuji Electric's latest combined-cycle generation system is designed to meet rapidly growing demand for facilities in this field. This system channels hot exhaust gas from the steam turbine into the chamber around the gas turbine, resulting in much faster gas turbine firing.



4 Clean Room Construction

Clean rooms play a vital role in the medical, pharmaceutical, food and other industries in preventing atmospheric contamination. Users of clean rooms also require systems that are economical, environmentally friendly, consume less energy, and are safe. Fuji Electric meets these needs with clean room-specific devices and equipment and a range of planning, construction, maintenance and management services.

Measures to Increase Earnings in Core and Mature Business Fields

In the nuclear power equipment and radiation monitoring system field, part of electric power systems, the group developed a means of solidifying low-level radiation boric acid concentrated liquid waste, a nuclear power plant effluent. By mixing and solidifying the waste with cement, this system achieves a density 30 to 40 times higher than with conventional technology. Another advance was the completion of a large-scale radiation monitoring center, which allows the centralized management of radiation measurements at more than 300 points in nuclear power facilities. Through these and other distinctive technologies, the group is setting itself apart from competitors and enhancing profitability.

In other developments, in October 2002, the parent company used the corporate divestiture system to transfer operations related to the research and development, manufacture and inspection of substation systems, as well as certain sales functions, to Japan AE Power Systems Corporation, a joint venture with Hitachi, Ltd. and Meidensha Corporation. In the past year, Japan AE Power Systems Corporation has worked to upgrade its sales framework, enhance development and capital investment by integrating products and streamlining production processes, and combine the respective strengths of all three parent companies in efforts to improve the competitiveness of its product lineup.

Management Policies and Projections for the Fiscal Year Ending March 31, 2004

As part of the transition to a pure holding company structure on October 1, 2003, the Energy & Electric Systems Company will be separated from the parent company and absorbed into Fuji Electric Systems Co., Ltd.

This move will integrate the marketing, technology and service functions that have been split between the in-house Energy & Electric Systems Company and Fuji Electric Systems Co., Ltd. This will help us to increase operating efficiency and expand the range of solutions and services we can offer. Management of the reorganized business will be based on policies described below:

Expanding the solutions business

We plan to offer an expanded range of solutions in the information, environment, energy, and service areas. Building a solutions business that covers the full lifecycle of equipment will require structural reforms and the integration of marketing, technology and service functions.

In addition, we will work to expand our operations worldwide, with the aim of increasing the share of overseas sales to more than 20% of total sales over the medium-term. The Chinese market will be priority area in our global expansion strategy.

Injecting new value into social infrastructure with industry-leading products and services

Our goal is to add value to social infrastructure by leveraging the technology and expertise we have accumulated over the years and maximizing our core technologies to develop innovative products.

Our approach to product development will focus on creating a lineup of strategic products over the medium-term based on the integration of and withdrawal from certain product categories. Corporate resources will be concentrated into key areas to enhance the efficiency of product development.

Nurturing industry-leading human resources for the solutions business

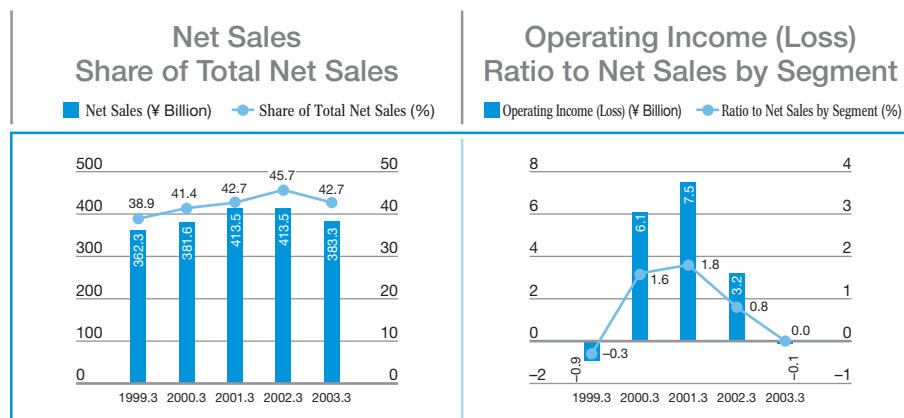
To ensure we offer solutions that meet the diversified needs of our customers and that cover the entire life cycle of our customer's facilities, we will focus on creating a team made up of the best people in the industry. This will be done by raising the specialization, creativity and quality of our employees.

Enhancing earnings capabilities and financial strength

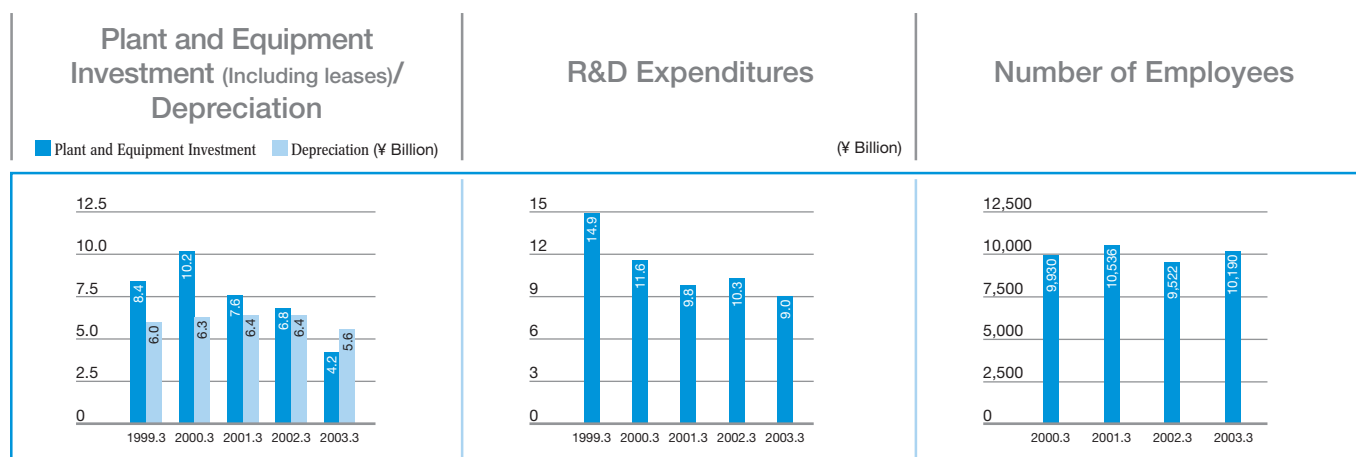
As part of our efforts to enhance earnings capabilities, we will restructure our manufacturing network and raise the productivity of our engineering division to realize a low-cost manufacturing base. At the same time we will pare back interest-bearing debt and enhance the efficiency of asset and fund utilization.

As a result of the above and other initiatives, we are projecting operating income of ¥2 billion on sales of ¥390 billion in fiscal 2003.

Main Data



Note: Net Sales include inter-segment transactions.



Main Consolidated Subsidiaries (For the year ended March 31, 2003)

Company Name	Capital (¥ Billion)	Net Sales (¥ Billion)	Main Business
Fuji Electric Systems Co., Ltd.	6.4	96.2	Planning, building, installation work, testing, servicing and overall maintenance for a variety of plant facilities; operations supervision and other new services
Fuji Denki Sosetsu Co., Ltd.	2.2	65.6	Design and building of facilities; marketing of air-conditioning and OA equipment
Fuji Electric Construction Co., Ltd.	1.9	32.6	Design, building and electrical installation work for a variety of plant facilities
FFC Limited	1.2	61.1	Development, manufacture and marketing of information processing systems
Fuji Electric Instruments Co., Ltd.	0.4	9.6	Development, manufacture and marketing of industrial measuring instruments and information processing terminals



President, ED&C•Drive
Systems Company

Shigeaki Hori

Review of Operations

ED&C•Drive Systems Group

The ED&C•Drive Systems Group supplies a range of components, as well as small- and medium-sized systems using these components, to the industrial automation field. The group's extensive array of products, which demonstrate **industry-leading levels of quality and performance**, include electrical distribution controls, drives, power electronics, motion, and human-machine interface (HMI) components and devices. Underpinned by this product portfolio and a lineup of related services, the group works to create new value for its customers. **The ED&C•Drive Systems Group is also aiming to enhance its presence in a global context** with low-voltage ED&C components, general-purpose inverters and other core products.

Overview of Operating Environment and Results for the Year Ended March 31, 2003

During the year, the operating environment experienced a moderate recovery on the back of exports to the Asian market. However, the overall climate remained difficult as private-sector capital investment, particularly in the IT sector, languished due to uncertainty about the direction of the global economy, and deflationary pressures prevailed.

In electric distribution & control (ED&C) and power supplies, the domestic market showed signs of a recovery in the latter half of the year for some segments, such as semiconductor manufacturing equipment and injection molding machines, but this was canceled out by a delayed recovery in the group's core markets—machine tool manufacturers and switchboard makers—due to generally weak private-sector capital investment. As a result, the group was faced with a persistently low level of demand for its ED&C and power supply products. Meanwhile, UPS (Uninterruptible Power Supply) equipment continued to face a tough business climate, as capital investment in the core IT market remained soft. Against this background, Fuji Electric launched new products in mainstay categories, including the SC-E series of small- and medium-capacity magnetic contactors/thermal relays, and command switches. These product launches were carried out in conjunction with aggressive efforts to expand sales based on proposal-based marketing. Overseas operations were supported by rising demand from Asia, particularly China. As a result of the above, sales of ED&C and power supply products were roughly on a par with the previous period.

In control & drive systems, as in ED&C and power supplies, the domestic market was affected by weak demand from machine tool manufacturers. However, the group worked hard to shake off this impact with the launch of the FRENIC-Mini series of general-purpose micro inverters, the UG30 series of programmable operation displays (PODs) and other new products. Some success was also achieved in winning contracts for small- and medium-sized systems incorporating the group's programmable logic controllers, servomotors and inverters. Again, overseas demand was strong in Asia, notably China. All the above factors combined to lift sales of control & drive systems above last year's level.

As a result, the ED&C•Drive Systems Group posted a 0.5% year-on-year increase in net sales to ¥159.9 billion (US\$1,333 million). And despite falling unit prices, the group moved back into positive territory, recording an improvement of ¥4.5 billion in operating income to ¥1.1 billion (US\$10 million), thanks to lower fixed costs and operating expenses.

ED&C•DRIVE
SYSTEMS GROUP

Fuji Electric offers control and drive components, as well as small- and medium-scale systems using these components, to customers in the industrial automation field. In order to build optimal systems, Fuji Electric works closely with customers from the planning phase to understand the complete flow of their manufacturing systems and required functions in each process. Fuji Electric also offers comprehensive post-delivery support services, thereby contributing to enhanced value for customers.



Measures Taken During the Year Under Review

In a challenging business climate, the group carried out its operational activities with the express goal of realizing Fuji Electric's medium-term management vision. This was the key reason behind the group's improvement in profitability. More specifically, the ED&C•Drive Systems Group focused on the following Seven Action Plans:

Action on profitability

In order to build an operating structure capable of generating profits regardless of fluctuations in market conditions or sales volumes, we took two initiatives: one was to rationalize operations so as to create an optimal product mix and manufacturing system at the Fukiage Value Engineering Center, which was established last year. This included integrating the technology development department—responsible for product planning, design, development and other functions—the production management department, and the materials procurement department in Fukiage, which were previously located at two separate sites. Our second initiative was to lower costs through rationalization at Fuji Electric Motor Co., Ltd. Here, too, we created an integrated manufacturing and marketing structure for the motors business to reduce fixed costs, among other cost reduction actions.

Action on sales

Backed up by our reservoir of advanced technologies, we worked to meet growing market needs for systems and networked products. In the past year, we moved back onto the offensive, encouraging every member of our sales team to renew their customer-oriented approach and actively offer products and solutions that satisfy customer requirements.

Action overseas

In order to successfully compete against the world's top domestic and international players in an increasingly competitive industry, Fuji Electric is developing a globalization strategy aimed at increasing the ratio of overseas sales. In the past year, centered on inverters and other mainstay products, we channeled our combined resources into the development of new products for the international market. The ongoing internalization of our manufacturing framework also continues, with Fuji Electric (Changshu) Co., Ltd., set up in China last year to manufacture and sell magnetic contactors, now operating smoothly.

Action on alliances

Through tie-ups such as our global inverter alliance with General Electric Company (GE) of the U.S., we are forging a range of alliances with partners to help us achieve greater operational efficiency.

Action on customer service

In order to offer both new and existing customers products and services that they can rely on, we have upgraded our technology support capabilities and put in place a network of support centers in Japan, China, Singapore, the U.S. and Europe capable of meeting customer needs.

Action on Quality Chain Management (QCM)

Quality management activities are vital in all areas of our business, from development and manufacturing through sales and service, particularly in the extremely challenging operating environment we currently face. In the past year, we used QCM systems to maintain our high levels of quality and reduce product losses.

Action on asset efficiency

Progress was made in reducing inventories as part of actions to more effectively use resources.

1

General-Purpose Inverters

Our FRENIC-Mini series of ultra-compact, general-purpose inverters, boasting class-leading levels of performance and functionality, satisfies user needs for conveyor systems, fans and pumps with variable drive speeds.



3



2



2

Programmable Operation Displays (PODs)

As production lines become advanced, users are demanding more accurate operational data in an easy-to-read format. Our UG30 series of PODs meets these needs with production line data displayed in real time on full-color screens using 32,768 colors.

3

**Magnetic Contactors/
Thermal Relays**

Fuji Electric has launched the SC-E series—small and medium capacity magnetic contactors/thermal relays and MMS that are highly accurate and reliable. This makes them ideal for use in motor control circuits for machine tools and other equipment.

Management Policies and Projections for the Fiscal Year Ending March 31, 2004**Establishment of New Company**

Completion of the transition to a pure holding company structure on October 1, 2003 will see the in-house ED&C•Drive Systems Company demerged and established as Fuji Electric FA Components & Systems Co., Ltd. Based on this new operating structure, we plan to become the “industry’s strongest specialist” in the industrial automation field, from electrical distribution controls and drive components, to power electronics, motion, and HMI equipment. In this way, we will increase the value we offer to our customers and make important contributions to the communities where we operate.

Basic Management Policies and Principal Business Strategies

While fiscal 2003 is expected to be exceptionally challenging, we will work toward becoming the “industry’s strongest specialist”. We plan to accomplish this through a three-point strategy: creating a more global business; strengthening our position in core products; and reinforcing our management base.

(1) Creating a More Global Business

As the domestic market has matured and demand has stagnated, we have taken steps to make our operations more global in areas such as product development, marketing, and manufacturing. Going forward, we will accelerate this process. Initiatives include developing products for the global market; focusing on Asian markets, particularly China; and increasing operational efficiency through alliances.

1. Developing products for the global market

As a leading manufacturer both at home and abroad, we will channel our efforts into developing products that meet global standards and that can compete at the highest levels on the international stage.

2. Focusing on Asian markets, particularly China

We have positioned China and the rest of Asia as strategic markets due to their excellent growth potential. We will focus on doubling sales in China in the next three years. To achieve this, we will establish a bi-polar marketing structure in the country: a headquarters to oversee marketing in the region, and an export headquarters responsible for promoting exports from China. To bolster marketing in the country, we plan to strengthen our pre- and post-sales service network and technical service network. Simultaneously, we will enhance our manufacturing stance, currently centered on Fuji Electric Dalian Co., Ltd. (breakers, motors and manual motor starters (MMS)), Fuji GE Drives (Wuxi) Co., Ltd. (inverters) and Fuji Electric (Changshu) Co., Ltd. (magnetic contactors and thermal relays), to ensure we supply products tailored to the needs of the Chinese and other Asian markets.

3. Increasing operational efficiency through alliances

Forging alliances will help to enhance operational efficiency by leveraging economies of scale, reducing development and manufacturing costs, and mutually reinforcing product lines.

(2) Strengthening Our Position in Core Products

In core products, we aim to capture a 30% share of the domestic market and a 10% share of the global market. In low-voltage ED&C products, following on from the launch of MMS in fiscal 2002, we plan to introduce several next-generation, global-standard products such as magnetic contactors and circuit breakers. In inverters, we intend to build on the momentum generated by the launch of the FRENIC-Mini series in fiscal 2002 with the development and launch of several new products for the global market.

(3) Reinforcing Our Management Base

Three initiatives will support efforts to maximize the efficient utilization of resources and strengthen our management base.

1. Rebuilding our product development and manufacturing network

In fiscal 2002, we established the Fukiage Value Engineering Center to integrate product development, design, production and quality control at a single site. In April 2003, the Inverter Value Engineering Center was established in Suzuka to consolidate inverter-related activities. Going forward, we will continue to create new added value for our customers based on this kind of continuous organizational reform. Moreover, we will seek to put in place an optimum global manufacturing network by reorganizing and consolidating our domestic and overseas manufacturing networks.

2. Raising customer satisfaction through QCM

In order to raise customer satisfaction and generate stronger profits in the current challenging operating environment, it is essential that we raise the quality of our products further while at the same time minimizing losses in the production process. Toward this goal, we plan to promote stricter quality control in all processes, from development and manufacturing to sales and after-sales service, in order to ensure that we deliver products that satisfy customer needs.

3. Reducing total assets

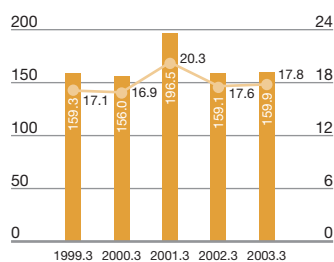
To reinforce our management base through the optimum utilization of resources, we plan to further reduce total assets to improve the return on assets and capital.

Based on expected benefits from the above initiatives, we are projecting operating income of ¥2 billion on sales of ¥165 billion in fiscal 2003.

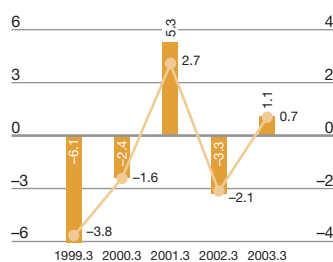
Main Data

Net Sales
Share of Total Net Sales

■ Net Sales (¥ Billion) ● Share of Total Net Sales (%)

Operating Income (Loss)
Ratio to Net Sales by Segment

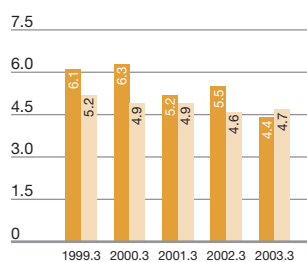
■ Operating Income (Loss) (¥ Billion) ● Ratio to Net Sales by Segment (%)



Note: Net Sales include inter-segment transactions.

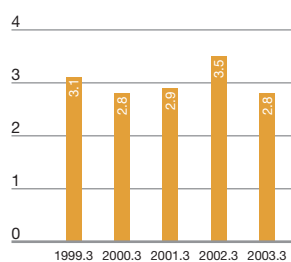
Plant and Equipment
Investment (Including leases)/
Depreciation

■ Plant and Equipment Investment ■ Depreciation (¥ Billion)

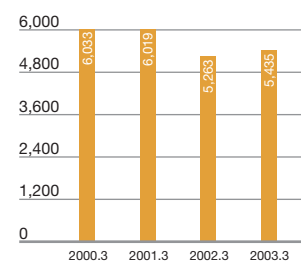


R&D Expenditures

(¥ Billion)



Number of Employees



Main Consolidated Subsidiaries (For the year ended March 31, 2003)

Company Name	Capital (¥ Billion)	Net Sales (¥ Billion)	Main Business
Fuji Electric Dalian Co., Ltd.	2.7	3.4	Manufacture of low-voltage circuit breakers and motors
Fuji Electric Motor Co., Ltd.	2.5	20.5	Development, manufacture, marketing and after-sales services related to small- to medium-capacity industrial motors
Chichibu Fuji Co., Ltd.	0.8	9.1	Manufacture and marketing of control equipment, lead frames for semiconductors and plastic products
Hakko Electronics Co., Ltd.	0.06	6.7	Development, manufacture and marketing of electronic control boards
Fuji Electric Technica Co., Ltd.	0.05	8.6	Marketing of equipment and control products, and repair services for drive system products



President, Electronics Company

Akira Takai

Review of Operations

Electronics Group

Leveraging its core competence—technological expertise—the **Electronics Group is aiming to become the world leader in the semiconductor, storage and imaging device fields.** This will mean maximizing our unique reservoir of key technologies to develop high-quality products that offer high added-value. In short, our goal is to create a range of world-leading products that satisfy customer needs for high-performance, compact, energy-efficient products in the industrial, automobile and information device fields.

Overview of Operating Environment and Results for the Year Ended March 31, 2003

In the first half of the year, demand for power semiconductors was strong in the information, consumer electronics, industrial, and automotive electronics fields. This primarily reflected expectations of a turnaround in the PC market, an increase in demand for TV and imaging devices related to the 2002 FIFA World Cup Korea/Japan™ and healthy car exports. However, the second half of the year witnessed a significant drop off in demand in the information and consumer electronics fields due to falling production of game consoles and TVs, and weak PC sales. This was compounded by continuing curbs on capital investment in the industrial field, although there was robust demand from both the domestic and overseas automotive electronics field. The overall effect of these factors was an increase in sales of power semiconductors compared to the previous period.

In IC products, demand was generally strong for power supply ICs for mobile devices and game consoles in the first half of the year, while rapidly growing demand for digital cameras also significantly boosted sales. Despite a slowdown in the second half of the year as market conditions deteriorated, we still achieved record-breaking orders and sales during the year. Healthy demand for hybrid devices and pressure sensors for automobile applications also helped to lift overall sales of IC products above last year's level.

In magnetic disks, the PC and server market returned to positive growth in the second half of the year. Despite this development, sales were significantly lower than in the previous year due to a soft market in the first-half and the continuing impact of dramatic improvements in recording density, which means fewer magnetic disks are used in HDDs.

Sales of photoconductive drums grew year on year buoyed by the increasing use of office automation (OA) equipment such as printers and copiers. This was mainly the result of strong demand for organic photoconductive drums (OPCs) and peripheral imaging devices such as photocopier cartridges, following the launch of new products and success in winning new business.

As a result, operating income in the Electronics Group surged 60.4% to ¥7.2 billion (US\$60 million), despite a 3.0% dip in net sales to ¥124.5 billion (US\$1,038 million).



ELECTRONICS
GROUP

Fuji Electric leads the industry with advanced technologies in power module products, the building blocks of power electronics. Nothing demonstrates this better than our U-series of fifth-generation IGBTs, which have earned praise in the industry for their ultra-low power-loss characteristics. Specializing in power management products for the industrial, automotive and IT device fields, we offer customers world-leading semiconductor products for all their needs.

Measures Taken During the Year Under Review

Continuous development of new power semiconductor devices and execution of business strategy

In the power semiconductor field, we continued our fiscal 2001 development program aimed at creating devices capable of capturing leading market share. The year under review saw progress with the completion of 600V variants for two devices: the R-IPM3 and Econo IPM intelligent IGBT modules. These devices incorporate the latest IGBT chips and newly configured soft recovery diodes. Our latest R-IPM3 device, which is interchangeable with existing products and packages, achieves a 20% improvement in power loss minimization compared to existing products and boasts a low radiated noise. We also achieved a significant improvement in the dimensions of Econo IPM: compared to legacy components, we reduced the mounting area by 30% and the height by 23%, to realize an ultra-compact and slim body that is 46% smaller. Meanwhile, we also expanded the range of products in our MOSFET Super FAP-G series, which takes silicon semiconductors close to their theoretical performance limits.

As in the previous fiscal year, we continued to channel our energies into building a resilient operating structure capable of succeeding in the harshest of operating environments. Underpinned by our business strategy of becoming the world's leading power semiconductor company, we renewed our focus on profit-driven management founded on a customer-oriented philosophy. Concrete initiatives included: accelerating the development of new products capable of capturing leading market share; promoting the Fuji Enhanced Design-In Program (FEDIP); rolling out a sales expansion project; and reducing manufacturing lead-times.

Expanding our IC business with new technologies and products

In the past year, we continued to expand our business in five key product segments—power supply ICs, high-voltage plasma display ICs, autofocus ICs, hybrid devices for automobile applications, and pressure sensors. In power supply ICs, we developed and launched a raft of new products for the mobile device field that use less energy, have more channels, and are more compact. To achieve these improvements, we used PWM control technology and CMOS analog technology, which are suitable for the operation of power supply ICs to a high level of precision under high voltages. These efforts were helped by strong demand in the market in the first half of the year, leading to double-digit growth in sales of power supply ICs and our best ever performance in

this category. Although falling unit prices for high-voltage plasma display ICs resulted in lower sales than in fiscal 2001, we pushed forward with the development of new devices designed to drive future growth in this category. In autofocus ICs, we actively introduced a number of new devices specifically designed for digital cameras and put in place new manufacturing capacity to prepare for an increase in production volume. Domestic and overseas demand for hybrid devices for automobile applications and pressure sensors continued to expand, and this combined with the launch of new products in both categories to fuel double-digit sales growth. Pressure sensors were particular standout performers, recording their best-ever sales. Meanwhile, in silicon wafer manufacturing, we focused on expanding output with additional investment to boost production of our 6-inch line, and a new investment program for our 8-inch line.



1
Intelligent Power Modules
With our highly reliable R-IPM3, we have developed the world's first all-silicon semiconductor power device. Plans are on the table to lower power loss even more using cutting-edge chip technology.



2
Power Supply ICs
Our CMOS devices, which are capable of operating efficiently under high voltages, are helping our customers in the digital camera and mobile phone industries to design more compact products with lower power consumption.

3

High-Performance Autofocus Modules

These modules have been developed to meet demand for compact, high-performance ambient light autofocus devices for digital cameras.

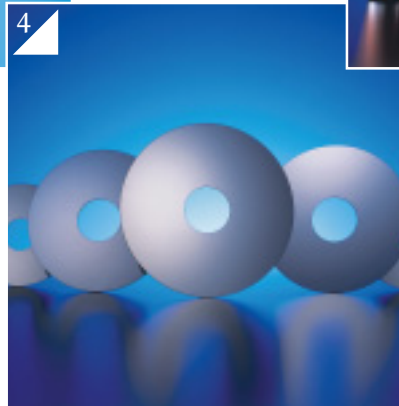


3

4

Magnetic Disks

We have developed 80GB 3.5-inch disks by employing a magnetic layer with an antiferromagnetic coupling (AFC) structure.



4

5



5

OPCs and Peripheral Imaging devices

Responsive and environmentally stable, these high-quality, long-life products are ideal for a wide range of applications.

Improving performance in the magnetic disk business through restructuring

The group continued to implement a restructuring program, launched in fiscal 2001, aimed at boosting profitability in the magnetic disk business. This program involved a realignment of product development and sales structures, necessitated by shifts in our customer portfolio due to industry realignment. And in an increasingly challenging business climate, restructuring was also designed to enhance competitiveness by strengthening fundamental development capabilities and boosting cost competitiveness. In the 80GB product category, which is our mainstay product category, a number of important steps were taken to develop a comprehensive lineup of next-generation specifications; create reliable manufacturing technology by encouraging close cooperation between product development and manufacturing divisions; and quickly bring stable production on stream. We also continued the development of products designed for promising new high-growth fields and the consumer electronics market.

Developing new materials and strengthening the financial base in the photoconductive drum business

In the photoconductive drum field, we pushed forward with the development of new materials aimed at enhancing the resolution and sensitivity of negative charging OPCs. We also expanded the range of products we offer with the launch of OPC products for color printers and digital PPCs, and introduced a new positive charging OPC product that achieves further improvements in sensitivity. In the past year, Fuji Electric took steps to enhance cooperation between the three manufacturing and sales companies located in Japan, the U.S. and China, by strengthening their respective capabilities and putting in place a framework that enables a stable allocation of operational duties.

Management Policies and Projections for the Fiscal Year Ending March 31, 2004

As part of the transition to a pure holding company structure on October 1, 2003, the in-house Electronics Company will be separated from the parent company and restart operations as Fuji Electric Device Technology Co., Ltd. This new company's management policy is designed to leverage Fuji Electric's distinctive and predominant technologies to propel it into the

leading ranks of the industry in three key business fields: semiconductor devices, incorporating power semiconductors and ICs; storage devices, predominantly magnetic disks; and imaging devices, mainly photoconductive drums and peripheral imaging devices. Strategies for each product line in these business fields are as follows:

Power semiconductors: building new clean room facilities for next-generation products

In addition to our existing fundamental management strategy, we are aiming to generate stronger cash flows in the power semiconductor field. Fuji Electric Device Technology will build a new supply chain management (SCM) system founded on the creation of a new corporate culture, the reduction of manufacturing lead-times and other objectives. Further steps will also be taken to make the operating structure more robust against fluctuations in the business environment. Plans are also on the table to build new clean room facilities for next-generation products with a view to boosting manufacturing output.

IC devices: growing the business by strengthening manufacturing, technological and marketing capabilities

The new company will remain focused on five key product segments in the IC device field—power supply ICs, high-voltage plasma display ICs, autofocus ICs, hybrid devices for automobile applications, and pressure sensors. In order to help customers further enhance the efficiency of their electronic systems, Fuji Electric Device Technology will incorporate highly precise intelligent functions into power ICs that achieve lower power consumption. This will coincide with efforts to win new business for power supply ICs used in portable devices such as mobile phones.

We plan to achieve this latter objective with a 50% increase in new product development in fiscal 2003. New products using groundbreaking technologies, including micro DC/DC converter modules for mobile devices, which integrate external inductor components and ICs into a single power supply module, will be part of this expanded development pipeline. And in order to increase customer loyalty to Fuji Electric IC products, we will set up new sales divisions for each market segment and roll out sales strategies designed to further raise customer satisfaction. In high-voltage plasma display ICs and autofocus ICs, we plan to begin shipments of newly developed products in fiscal 2003. On the manufacturing side, facilities capable of mass-producing new 8-inch silicon wafers came on line, significantly enhancing our ability to reliably supply these products to customers. Lead-times in this new wafer foundry are substantially shorter compared to existing facilities, allowing us to respond more flexibly to customer requirements. Meanwhile, in the core automotive market for hybrid devices and pressure sensors, we will begin shipping new hybrid devices to new customer in fiscal 2003. The current fiscal year will also see the planned full-scale production and shipment of our latest pressure sensors that use digital trimming techniques.

Magnetic disks: stable production of 80GB disks and product development to cultivate new markets

Technological progress in the industry means that fewer magnetic disks are required per HDD. Despite this trend, the market for magnetic disks is projected to remain stable going forward, supported by a general recovery in demand for HDDs. In this climate, we expect customers to demand further quality improvements and price reductions, coupled with ongoing competition in the industry to develop new products with ever-greater memory. In response, we will work to ensure steady production levels of our core product, 80GB disks, and work ahead of rivals to build a comprehensive lineup of magnetic disk products incorporating next-generation specifications. Ensuring volume production of these products will help to improve our results. And in order to win new business in emerging markets, we will accelerate and improve the efficiency of development programs.

Photoconductive drums: taking steps to grow the business

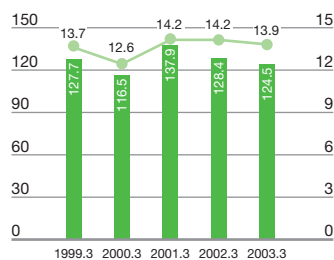
We have positioned fiscal 2003 as the first year of a drive to expand our business in the photoconductive drum field. This will involve dividing photoconductive drum operations into three separate businesses—photoconductive drums, peripheral imaging devices and new businesses—and driving growth in all categories. More specifically, we will steadily ramp up the production capacity of photoconductive drums at our new plant in China, which is scheduled to come on stream in 2004, and work to enhance manufacturing efficiency and pare back costs.

Based on the above measures, we are projecting operating income of ¥10 billion on net sales of ¥135 billion in fiscal 2003, ending March 31, 2004.

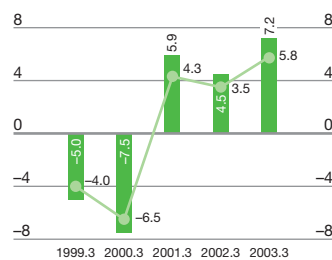
Main Data

Net Sales
Share of Total Net Sales

■ Net Sales (¥ Billion) ● Share of Total Net Sales (%)

Operating Income (Loss)
Ratio to Net Sales by Segment

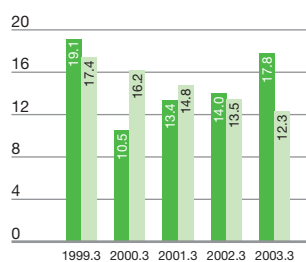
■ Operating Income (Loss) (¥ Billion) ● Ratio to Net Sales by Segment (%)



Note: Net Sales include inter-segment transactions.

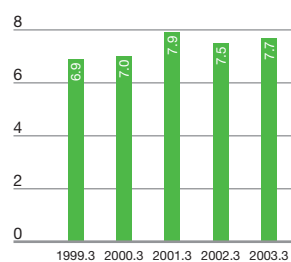
Plant and Equipment
Investment (Including leases)/
Depreciation

■ Plant and Equipment Investment ● Depreciation (¥ Billion)

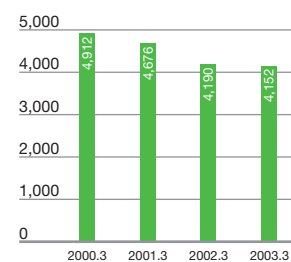


R&D Expenditures

(¥ Billion)



Number of Employees



Main Consolidated Subsidiaries (For the year ended March 31, 2003)

Company Name	Capital (¥ Billion)	Net Sales (¥ Billion)	Main Business
Fuji Electric (Malaysia) Sdn. Bhd.	8.8	6.5	Manufacture of magnetic disks
Fuji Electric Storage Device Co., Ltd.	5.0	14.8	Development and manufacture of magnetic disks
Fuji Electric Imaging Device Co., Ltd.	3.0	10.8	Development, manufacture and marketing of photoconductive drums and peripheral imaging devices
Fuji Electric Philippines, Inc.	2.4	3.1	Manufacture of power semiconductors
Hong Kong Fujidenki Co., Ltd.	1.1	6.1	Manufacture and marketing of photoconductive drums and peripheral imaging devices
U.S. Fuji Electric Inc.	1.1	5.2	Manufacture and marketing of photoconductive drums and peripheral imaging devices



President, Fuji Electric
Retail Systems Co., Ltd.

Akira Yoshimasu

Review of Operations

Retail Support Equipment & Systems Group

On April 1, 2003, the Fuji Electric Co., Ltd. in-house Retail Support Equipment & Systems Company was demerged and absorbed by Fuji Electric Retail Systems Co., Ltd.

Focusing on three core businesses: vending machines, where **Fuji Electric has the leading share in the domestic market**, freezing and refrigerated showcases, and coin & currency systems, **we are working to support society through the creation of innovative and convenient retail spaces**. And as the business partner closest to the needs of customers in the industry, we are striving for maximum satisfaction by offering new solutions and other services that enhance vending machine operations and store management efficiency in many areas of the retail sector.

Overview of Operating Environment and Results for the Year Ended March 31, 2003

In the core vending machine sector, the group continued to face a very challenging operating environment as curbs on investment eroded overall demand for these products. This led to intensifying competition based on price. In this climate, the group sought to further solidify its position as the industry leader by fully integrating the operations of SANYO Electric Vending Machine Co., Ltd., which was acquired in April 2002, into the group structure. Due to this acquisition, there were substantial increases in both sales and shipments of vending machines. Results in the canned beverage vending machine category were buoyed by the popularity of the NewS series, which offers low energy consumption, a reinforced body and improved usability. The group also recorded much higher sales of cup-type soft drink vending machines and cigarette vending machines. This success and other factors helped to significantly lift sales of vending machines year on year.

In machines for the foodservice field, the group achieved strong growth in sales of soft drink dispensers and automatic tea servers, but a downturn in demand for beer dispensers caused sector sales to decline.

In the cold-chain business, demand was bolstered by the construction of new stores as supermarket chains took advantage of regulations in the Large-Scale Retail Stores Location Law. There was also a high level of investment in major refurbishments of existing stores outside the scope of the new law. To capitalize on the growth in demand, the group conducted a high-profile consulting-based sales campaign targeting the three major retailing sectors: new large-scale stores, complete renovations of existing stores, and new small-scale stores outside the scope of the new law. These efforts translated into a sharp increase in sales of freezing and refrigerated showcases. Equipment for convenience stores also recorded strong sales growth as the group concentrated on offering a full range of solutions for specific requirements. Major sources of demand were strong new store openings and full-scale renovations of existing stores by leading convenience store chains, and partial redesigns of stores that acquired new liquor licenses, following deregulation of liquor retail regulations. Also driving sales higher were healthy orders for freezer units for ice-cream products and the popularity of solution products such Ecolo Unit, a unitized store system.



RETAIL SUPPORT
EQUIPMENT & SYSTEMS
GROUP

In retail systems, Fuji Electric Retail Systems is actively developing vending machines that are compatible with Edy prepaid e-money IC smart cards. We are also developing a broad lineup of Edy-compatible POS payment terminals for convenience stores, restaurants and other businesses. By maximizing the advantages of non-contact IC cards in a wide range of situations in the retail sector, we believe we can create a new and more convenient shopping experience.

In coin & currency systems, demand was strong for currency handling systems at service stations. Together with solid orders from the retailing sector, this led to a sharp increase in sales. There was also a rise in deliveries of equipment for non-contact IC cards, a new business area for the group, for use in vending machines. However, these factors driving sales were offset by significantly lower demand for amusement equipment as users postponed new purchases. Consequently, overall sales in this sector were down year on year.

Due to these factors, and including the impact of the April 2002 merger on vending machine results, there was a 19.2% increase in net sales to ¥154.4 billion (US\$1,287 million) and a 3.8% increase in operating income to ¥2.5 billion (US\$22 million).

Measures Taken During the Year Under Review

Integration of Development, Manufacturing, Sales and Service Operations in Retailing Products

(1) Integration of SANYO Electric Vending Machine

On April 1, 2002, Fuji Electric acquired all the outstanding shares of SANYO Electric Vending Machine Co., Ltd., the vending machine manufacturing subsidiary of SANYO Electric Co., Ltd. This company was then renamed Fukiage Fuji Vending Machine. This action was taken in accordance with Fuji Electric's belief, as the leading player in the field, that a decisive step to realign the industry was required in order to further develop the market. The merger was also aimed at ensuring Fuji Electric retained its prominent market position and competitive edge. As a result of this move, the group now has a preeminent technological lead over its competitors. In November 2002, the group's vending machine manufacturing and development system was also reorganized to achieve an optimal operating framework. This was done by reallocating development and manufacturing activities, which were divided between Fuji Electric's Mie Factory and Fukiage Fuji Vending Machine's factory, along product category lines. The Mie Factory now handles can vending machines, while the Fukiage Fuji factory is responsible for cup vending and food vending machine product lines. Additionally, similar Fuji Electric and SANYO Electric models will be combined to increase output of individual models. These actions are eliminating overlapping functions, reducing capital investment, and paring back procurement and logistics expenses by reaping economies of scale.

(2) Combining manufacturing and sales functions

Steps have also been taken to strengthen our position in the retailing industry centered on the foodservice and coin & currency systems fields. This included converting Fuji Denki Reiki Co., Ltd. into a wholly owned subsidiary on January 1, 2003 through an exchange of shares, and then merging the company with the in-house Retail Support Equipment & Systems Company and the previously integrated Fukiage Fuji Vending Machine in April 2003. The resulting company was renamed Fuji Electric Retail Systems Co., Ltd., making a start as the first operating company in the new Fuji Electric Group. Fuji Electric Retail Systems is guided by the principle of creating innovative retail spaces for customers in the industry.



1

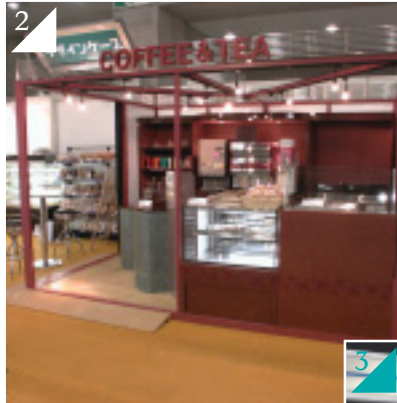
Unitized Store System

Ecolo Unit, a unitized store system, reduces construction time, cuts back the cost of new store openings, and improves construction site environments, thereby allowing convenience store operators to accelerate the development of their store networks.

2

Mini Store Construction System

R-CUBE allows users to rapidly and easily create standalone in-store retail spaces in supermarkets and other large retail premises.



3

Dual Shop System

A first in the industry, this retail system is a manned shop with refrigerated showcases during peak hours that can be converted into a conventional vending machine facility during off-peak hours.

**Strategic development of the cold-chain business**

To serve supermarket operators, the group will focus on consulting-based sales. At the heart of this drive will be two product lines: the ECOMAX V total control system for showcases and freezer units, a proprietary Fuji Electric technology; and ECOMAX-Net, an associated in-store monitoring system. For the convenience store sector, the group generated a strong market response with its Ecolo Unit, a new unitized store system. As of March 2003, this system had been installed in 50 convenience stores. The order backlog is climbing as more companies take advantage of its short installation period and reusability.

Growing new markets with non-contact IC card technology

In coin & currency systems, the first priority is upgrading service-based businesses. One step in this direction was the combination of maintenance divisions at Fuji Electric Technos Co., Ltd. and Fuji Denki Matsumoto Mechanics Co., Ltd., at one location, Shinshu Fuji Electric Co., Ltd. on April 1, 2002. This has created a maintenance and after-sales service framework capable of responding more quickly and effectively to customer needs.

In non-contact IC cards, a technology with many potential applications and immense growth prospects, the Fuji Electric Group has invested in Sony Group's bitWallet, Inc., a company providing prepaid e-money services using Edy IC smart cards. In a related development, the Fuji Electric Group is rolling out vending machines that accept these IC cards.

Management Policies and Projections for the Fiscal Year Ending March 31, 2004 Strengthening the Retail Support Equipment & Systems Business Base

In order to further strengthen our business base, centered on vending machines, the in-house Retail Support Equipment & Systems Company was separated from Fuji Electric and integrated with Fuji Denki Reiki Co., Ltd. and Fukiage Fuji Vending Machine Co., Ltd. on April 1, 2003 to form Fuji Electric Retail Systems Co., Ltd. This new operating company incorporates all operations related to the development, manufacture and marketing of retail equipment and systems, as well as their maintenance and after-sales service.

We have further enhanced our dominant technological position in the field through the April 2002 acquisition of SANYO Electric Vending Machine Co. Ltd., formerly a subsidiary of SANYO Electric Co., Ltd. The merger has also resulted in an operating structure more in tune with customers, thanks to the integration of manufacturing and marketing functions. The new operating structure will allow the company to create a more appealing product lineup—environmental friendly products for example, which are easier to recycle and use less energy. Fuji Electric Retail Systems will also develop its IT solutions business and expand services for the maintenance, overhaul and renewal of retail equipment and systems. These initiatives are aimed at ensuring that Fuji Electric Retail Systems, as the market leader in vending machines, can actively and rapidly expand across all areas of the value chain.

The new company will work to expand sales in the foodservices device field, including beverage dispensers, through the development of new dispensers that are compatible with new drink formats and ingredients.

A New Business Model Tailored to the Creation of Innovative Retail Spaces

In the cold-chain business, we plan to raise sales by expanding orders for completely integrated systems that cover everything from the construction of retail outlets to maintenance and after-sales service. We plan to offer proposal-based solutions that will help customers to cope with the changing environment in retail store operations. Our products here include: Ecolo Unit, a highly popular unitized store system for convenience stores launched last year, which significantly reduce construction time and sharply cut construction costs; and R-CUBE, a mini store construction system that offers design variations to suit specific retailing sectors and environments.

In coin & currency systems, the group offers a wide range of currency handling systems, including coin mechanisms and bill validators for vending machines, to meet the needs of customers in numerous industries. In fiscal 2003, we will upgrade our lineup of currency handling systems as we seek to win new sales from volume retailers, supermarkets and gasoline station chains.

We have positioned the non-contact IC-card field as a potential growth area. To grow our business in this field, we will concentrate on developing key components such as card reader/writers, terminals for vending machines, POS payment terminals for retail stores, and coin mechanisms.

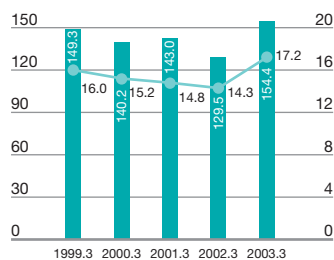
Underpinned by the above initiatives, we are forecasting operating income of ¥2.5 billion on sales of ¥155 billion.

Fuji Electric Retail Systems will work to offer people greater convenience in their everyday lives by creating innovative retail spaces and environments.

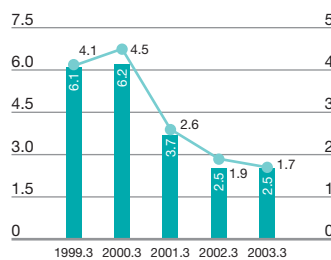
Main Data

Net Sales
Share of Total Net Sales

■ Net Sales (¥ Billion) ● Share of Total Net Sales (%)

Operating Income
Ratio to Net Sales by Segment

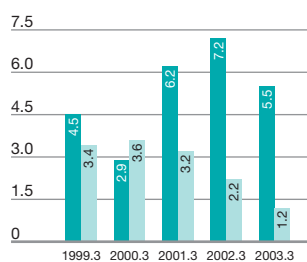
■ Operating Income (¥ Billion) ● Ratio to Net Sales by Segment (%)



Note: Net Sales include inter-segment transactions.

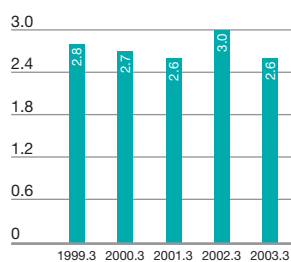
Plant and Equipment
Investment (Including leases)/
Depreciation

■ Plant and Equipment Investment ■ Depreciation (¥ Billion)

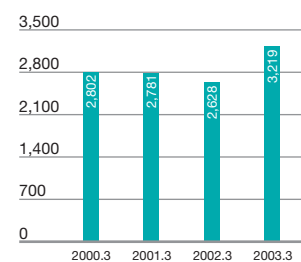


R&D Expenditures

(¥ Billion)



Number of Employees



Main Consolidated Subsidiaries (For the year ended March 31, 2003)

Company Name	Capital (¥ Billion)	Net Sales (¥ Billion)	Main Business
Fuji Denki Reiki Co., Ltd.	9.7	150.4	Marketing of vending machines, refrigerated showcases and retail information systems
Fukiage Fuji Vending Machine Co., Ltd.	6.3	30.2	Manufacture of vending machines
Shinshu Fuji Electric Co., Ltd.	0.09	9.7	Manufacture and repair of currency equipment

Overview of Operating Environment and Results for the Year Ended March 31, 2003

Activities in this business group cover logistics, information-related services, insurance agency services, financial services and R&D. These services are extended primarily to Fuji Electric and other members of the Fuji Electric Group.

Net sales increased 1.2% to ¥76.1 billion (US\$634 million) and operating income rose more than threefold to ¥2.0 billion (US\$17 million). Summaries of the core activities of the major companies in this business group are outlined below. All net sales and employee figures are for the year ended March 31, 2003.

Fuji Logistics Co., Ltd.

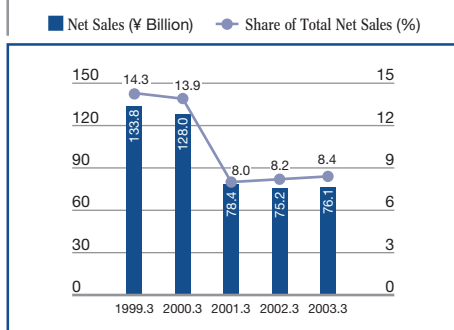
[Net Sales: ¥34.0 billion/Number of Employees: 803] *On a consolidated basis

The core business of Fuji Logistics and its nine subsidiaries is logistics services such as transport, packaging and storage. These companies are also involved in international logistics, the sale of equipment for rationalizing distribution systems, processing products prior to their distribution, and real estate leasing. Logistics services are conducted based on the primary aim of becoming a company that makes a valuable and necessary contribution to society.

During the year, the distribution industry in Japan experienced a decline in transportation volumes as slumping capital expenditures affected shipments at manufacturers and construction companies. Fuji Logistics took numerous steps to achieve growth in line with its vision of becoming “A Dedicated Logistics Pioneer.” Actions were also guided by the management philosophy of serving as a company capable of helping customers implement innovations in every area of the logistics process. Among notable accomplishments were the signing of logistics outsourcing contracts with the Japanese subsidiary of a foreign maker of information systems, a trading company that handles video equipment for broadcasters, and a manufacturer of optical devices. Another highlight was the addition of a customer call center to the company’s existing 365-day, 24-

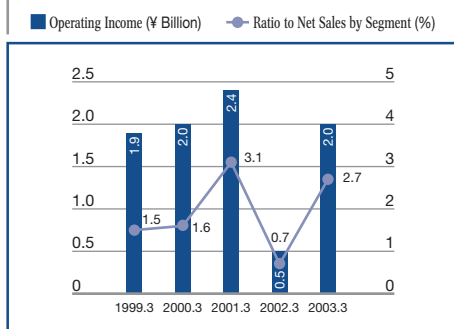
hour replacement parts service. By enhancing the quality of logistics services, this move will better enable Fuji Logistics to win new business. Operations were further aided by management reforms designed to raise efficiency and improve overall operational capabilities. This resulted in increases in both sales and earnings in logistics activities.

Net Sales
Share of Total Net Sales



Note: Net Sales include inter-segment transactions.

Operating Income
Ratio to Net Sales by Segment



Fuji Electric Information Service Co., Ltd.

[Net Sales: ¥16.9 billion/Number of Employees: 658]

Fuji Electric Information Service supplies IT services and solutions, including the operation and development of information systems. The company also offers visual solutions services drawing on superior design technology to create a range of catalogs and other media. In addition, this company provides a wide range of services and solutions for offices such as copying, binding and printing, as part of its extensive lineup of information services and solutions.

During the past fiscal year, the company faced a difficult market as Japanese companies stepped up efforts to hold down investments and cut costs. In response, additional streamlining measures were initiated and priority was placed on launching new businesses associated with the information sphere. This stance led to more IT-related activities, producing growth in catalog production and higher sales of nursing care products and devices.

Several important business sectors achieved solid successes: a high-speed support system providing the latest patent information to raise the efficiency of patent-related operations; new functions incorporated into the Karuwaza database information search software; new content production technology for an e-Learning IT-compatible education system; and the Web-compatible F-LINE accounting package, which was upgraded with a broader range of functions.

The net result of the above was an improvement in profitability despite a 3.9% decline in sales. Earnings were aided by efforts to lessen the company’s reliance on external vendors and a broad-based cost reduction campaign.

Fuji Life Corp.

[Net Sales: ¥10.1 billion/Number of Employees: 150]

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 services, and support and sales relating to office equipment and gifts and other products. Other businesses are food (for lounges, lodges and other facilities), and nursing care and welfare services.

Amid difficult market conditions in the insurance industry during the past fiscal year, Fuji Life concentrated on upgrading services and conducting consulting-based sales. Specific actions included offering more comprehensive insurance policies, increasing sales from business transaction credit insurance and restructuring the life insurance sales system. In the real estate sector, conditions became even more challenging as official land assessment values in Japan fell for the twelfth consecutive year. During the fiscal year, Fuji Life sold 25 housing sites in Ichihara City, Chiba, and 16 sites at Fukiage in Saitama prefecture. In addition, leasing began at 38 newly constructed detached houses: 14 in Yokohama, 12 in Hino City, Tokyo, and 12 in Yokkaichi City, Mie prefecture. In the travel agency business, efforts focused on capturing more orders for business and group travel from customers outside the Fuji Electric Group, as well as on selling more travel packages created by Fuji Life.

Steady growth continued in the nursing care business as operations were shifted to a subsidiary called Fuji Life Carenet. Already operating a facility in the Tama area in suburban Tokyo, the company opened a new day-care center for the elderly, in Matsumoto, Nagano prefecture.

These activities led to increases in sales and earnings in the past fiscal year.

Fuji Electric Finance and Accounting Support Co., Ltd.

[Net Sales: ¥2.3 billion/Number of Employees: 129]

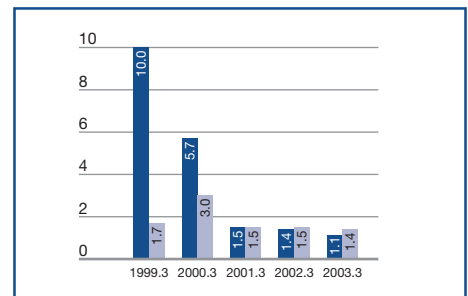
Fuji Electric Finance and Accounting Support is the primary provider of financial services to Fuji Electric Group companies. Activities cover many operations involving finance and accounting, including the provision of cash management systems (CMS), payment services for accounts payable, the extension of loans and the management of excess funds. This company also handles finance and accounting tasks on an outsourcing basis to raise the efficiency of administrative functions at Group companies.

As of March 31, 2003, the company's total assets were ¥173.4 billion, mainly consisting of ¥106.3 billion in factoring credit and ¥62.9 billion in loans to Group companies.

During the year, the company extended the use of CMS to more Group companies and introduced a system that predicts demand for funds at Group companies. This allows the company to procure and manage funds even more efficiently. In addition, this company offers a CMS-based payment service so that more salary and other payments by Group companies can be conducted at once. The factoring system was upgraded to allow use with the Internet, thus making this service more convenient for users. To supply lower-cost funds to Group companies, this company continued to use a variety of procurement methods, including bank loans, commercial paper and the sale of asset-backed securities.

Plant and Equipment Investment (Including leases)/ Depreciation

■ Plant and Equipment Investment ■ Depreciation (¥ Billion)



Number of Employees

