

Non-Consolidated Balance Sheets

As of March 31, 2003, 2002 and 2001	Millions of yen			Thousands of U.S. dollars (Note 3)
	2003	2002	2001	2003
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	¥ 1,206	¥ 11,711	¥ 13,454	\$ 10,054
Short-term investments (Notes 2, 4 and 7)	0	0	200	3
Trade receivables:				
Subsidiaries and affiliates	38,296	52,406	58,579	319,141
Others	65,210	77,302	106,739	543,420
Allowance for doubtful accounts	(414)	(740)	(1,135)	(3,455)
Inventories (Notes 2 and 5)	83,411	78,502	87,953	695,105
Advance payments to suppliers	4,543	8,461	7,283	37,861
Deferred income taxes (Note 11)	6,158	5,107	3,231	51,317
Other current assets	48,681	32,178	36,220	405,646
TOTAL CURRENT ASSETS	247,091	264,927	312,524	2,059,092
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 6 and 7):				
Land	15,152	15,578	15,767	126,274
Buildings and structures	115,941	118,905	117,465	966,188
Machinery and equipment	215,463	236,748	234,368	1,795,532
Construction in progress	2,308	7,073	3,299	19,213
	348,864	378,304	370,899	2,907,207
Less accumulated depreciation	(244,809)	(257,958)	(247,592)	(2,040,074)
NET PROPERTY, PLANT AND EQUIPMENT	104,055	120,346	123,307	867,133
INVESTMENTS AND OTHER ASSETS:				
Investment securities (Notes 2, 4 and 7):				
Subsidiaries and affiliates	105,856	68,734	58,409	882,134
Other	136,101	296,835	115,770	1,134,177
Long-term loans receivable	768	379	448	6,410
Deferred income taxes (Note 11)	-	-	775	-
Prepaid pension expense	50,419	23,298	-	420,166
Other investments and other assets	9,219	9,171	8,545	76,799
Allowance for doubtful accounts	(1)	(1)	(2)	(8)
TOTAL INVESTMENTS AND OTHER ASSETS	302,362	398,416	183,945	2,519,678
	¥ 653,508	¥ 783,689	¥ 619,776	\$ 5,445,903

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

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2003	2002	2001	2003
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Short-term debt (Note 7)	¥108,685	¥107,685	¥ 78,985	\$ 905,708
Current portion of long-term debt (Note 7)	41,110	42,059	40,477	342,583
Trade payables:				
Subsidiaries and affiliates	106,393	93,431	112,477	886,616
Others	42,788	48,037	50,899	356,562
Advances from customers	44,373	44,003	45,191	369,775
Accrued income taxes (Notes 2 and 11)	395	290	3,540	3,300
Accrued expenses	36,603	38,486	40,313	305,029
Other current liabilities	11,649	15,503	12,815	97,058
TOTAL CURRENT LIABILITIES	391,996	389,494	384,697	3,266,631
LONG-TERM DEBT (Note 7)	98,897	91,907	90,066	824,142
DEFERRED TAX LIABILITIES (Note 11)	6,824	71,677	–	56,871
LIABILITY FOR SEVERANCE PAYMENTS	–	–	5,578	–
TOTAL LIABILITIES	497,717	553,078	480,341	4,147,644

CONTINGENT LIABILITIES (Note 12)

SHAREHOLDERS' EQUITY (Notes 8 and 14):

Common stock:

Authorized–1,600,000,000 shares

Issued– 746,484,957 shares as of March 31, 2003	47,586	–	–	396,551
715,080,369 shares as of March 31, 2002	–	47,586	–	–
715,080,369 shares as of March 31, 2001	–	–	47,586	–
Capital surplus	56,777	38,397	38,397	473,147
Legal reserve	11,515	11,515	11,077	95,960
Retained earnings	39,556	39,430	42,375	329,636
Unrealized gain on other securities, net of taxes	7,237	93,695	–	60,303
Treasury stock–at cost–30,914,918 shares as of March 31, 2003	(6,880)	–	–	(57,338)
Treasury stock–at cost– 43,678 shares as of March 31, 2002	–	(12)	–	–
TOTAL SHAREHOLDERS' EQUITY	155,791	230,611	139,435	1,298,259
	¥653,508	¥783,689	¥619,776	\$5,445,903

Non-Consolidated Statements of Operations

Years ended March 31, 2003, 2002 and 2001	Millions of yen			Thousands of U.S. dollars (Note 3)
	2003	2002	2001	2003
NET SALES (Note 2)	¥451,780	¥469,338	¥509,809	\$3,764,838
COST OF SALES (Note 9)	369,207	384,778	410,432	3,076,727
GROSS PROFIT	82,573	84,560	99,377	688,111
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 9)	74,424	78,456	84,161	620,201
OPERATING INCOME	8,149	6,104	15,216	67,910
NON-OPERATING INCOME (EXPENSES):				
Interest and dividends income	2,812	4,020	4,311	23,443
Interest expense	(2,771)	(3,107)	(3,755)	(23,108)
Other, net	(1,603)	(720)	355	(13,349)
	(1,562)	193	911	(13,014)
ORDINARY INCOME	6,587	6,297	16,127	54,896
EXTRAORDINARY INCOME, NET (Note 10)	113	223	221	938
INCOME BEFORE INCOME TAXES	6,700	6,520	16,348	55,834
INCOME TAXES (Notes 2 and 11)	2,950	2,869	6,555	24,584
NET INCOME	¥ 3,750	¥ 3,651	¥ 9,793	\$ 31,250
PER SHARE AMOUNTS:				
Net income (Note 2)	¥ 5.19	¥ 5.11	¥ 13.69	\$ 0.042
Cash dividends	5.00	5.00	6.00	0.042

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

Non-Consolidated Statements of Shareholders' Equity

	Thousands	Millions of yen					
	Number of shares of common stock	Common stock	Capital surplus	Legal reserve (Note 8)	Retained earnings (Note 9)	Unrealized gain on other securities, net of taxes	Treasury stock
BALANCE AT MARCH 31, 2000	715,080	¥ 47,586	¥ 38,397	¥ 11,077	¥ 32,582	-	-
Net income for the year	-	-	-	-	9,793	-	-
BALANCE AT MARCH 31, 2001	715,080	¥ 47,586	¥ 38,397	¥ 11,077	¥ 42,375	-	-
Net income for the year	-	-	-	-	3,651	-	-
Transfer to legal reserve	-	-	-	438	(438)	-	-
Cash dividends	-	-	-	-	(6,078)	-	-
Bonuses to directors	-	-	-	-	(80)	-	-
Change in the current period of unrealized gain on other securities, net of taxes	-	-	-	-	-	93,695	-
Purchase and sales of treasury stock	-	-	-	-	-	-	(12)
BALANCE AT MARCH 31, 2002	715,080	¥ 47,586	¥ 38,397	¥ 11,515	¥ 39,430	¥ 93,695	¥ (12)
Net income for the year	-	-	-	-	3,750	-	-
Increase resulting from share exchange	31,404	-	18,380	-	-	-	-
Cash dividends	-	-	-	-	(3,564)	-	-
Bonuses to directors	-	-	-	-	(60)	-	-
Change in the current period of unrealized gain on other securities, net of taxes	-	-	-	-	-	(86,458)	-
Purchase and sales of treasury stock	-	-	-	-	-	-	(6,868)
BALANCE AT MARCH 31, 2003	746,484	¥47,586	¥56,777	¥11,515	¥39,556	¥ 7,237	¥(6,880)

	Thousands of U.S. dollars (Note 3)						
BALANCE AT MARCH 31, 2002	\$ 396,551	\$ 319,980	\$ 95,960	\$ 328,586	\$ 780,792	\$	(105)
Net income for the year	-	-	-	31,250	-	-	-
Increase resulting from share exchange	-	153,167	-	-	-	-	-
Cash dividends	-	-	-	(29,700)	-	-	-
Bonuses to directors	-	-	-	(500)	-	-	-
Change in the current period of unrealized gain on other securities, net of taxes	-	-	-	-	(720,489)	-	-
Purchase and sales of treasury stock	-	-	-	-	-	-	(57,233)
BALANCE AT MARCH 31, 2003	\$396,551	\$473,147	\$95,960	\$329,636	\$ 60,303	\$	\$(57,338)

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

Notes to the Non-Consolidated Financial Statements

Note 1

BASIS OF PREPARING NON-CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Note 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Inventories

Raw materials are stated at cost determined by the most recent purchase price method. Finished goods and work in process are stated at actual cost determined by accumulated production cost for contract items and average cost for regular production items. In accordance with accounting practices generally accepted in the heavy electric industry, inventories include items with a manufacturing period exceeding one year.

b. Securities

Prior to April 2001, all applicable securities are classified as investment securities in subsidiaries and affiliates and other securities, depending on management's intent, and accounted for as follows:

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

Effective April 1, 2001, the Company adopted a new valuation method relating to marketable securities classified as other securities. Under the new valuation method, marketable securities classified as other securities are carried at fair market value, with the unrealized gain or loss, net of taxes, reported in a separate component of shareholders' equity.

c. Depreciation

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

d. Allowance for Doubtful Accounts

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

e. Retirement Benefits

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

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

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

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

The contributory funded defined benefit pension plan, which is established under the Japanese Welfare Pension Insurance Law, covers a substitutional portion of the governmental pension program managed by the Company on behalf of the government and a corporate portion established at the discretion of the Company. According to the enactment of the Defined Benefit Pension Plan Law in April 2002, the Company applied for an exemption from obligation to pay benefits for future employee services related to the substitutional portion which would result in the transfer of the pension obligations and related assets to the government by another subsequent application. The Company obtained an approval of exemption from future obligation by the Minister of Health, Labour and Welfare on January 17, 2003.

The Company applies the transitional provisions as prescribed in paragraph 47-2 of "Practical Guidelines of Accounting for Retirement Benefits (Interim Report)" (Accounting Committee Report No.13 issued by the Japanese Institute of Certified Public Accountants) and the settlement of the substitutional portion was recognized at the date of the approval from the Minister of Health, Labour and Welfare.

As a result of this adoption, the Company and certain subsidiaries recognized a gain on exemption from future pension obligation of the governmental program in the amount of ¥14,617 million (\$121,809 thousand).

The decrease in fair value plan assets was ¥89,480 million (\$745,673 thousand) at March 31, 2003.

f. Research and Development Costs

Research and development costs are charged to income as incurred.

g. Leases

Finance leases other than those that are deemed to transfer the ownership of the leased assets to the lessees are accounted for by the method that is applicable to ordinary operating leases.

h. Revenue Recognition

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

i. Income Taxes

The provision for income taxes is computed based on the pretax income included in the non-consolidated statements of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

j. Foreign Currency Transactions

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

k. Derivatives and Hedging Activities

The Company enters into derivative financial instruments ("derivatives"), including foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies.

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

- a) All derivatives are recognized as either assets or liabilities and measured at fair value, and
- b) Forward contracts applied for forecasted transactions are measured at fair value but the unrealized gains/losses are deferred until the underlying transactions are completed if the forward contracts qualify for hedge accounting.

Trade receivables and trade payables denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations are translated at the contracted rate if the forward contracts qualify for hedge accounting.

l. Accounting for Consumption Taxes and Excise Tax

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

m. Treasury Stock

Prior to April 1, 2001, treasury stock was included in "Other current assets" as an asset.

Effective April 1, 2001, such stock is presented as a separate component of shareholders' equity in accordance with the new disclosure requirement for treasury stock.

n. Accounting for Treasury Stock and Reversal of Legal Reserves

Effective April 1, 2002, the Company adopted Financial Accounting Standard No.1, "Accounting Standard on Treasury Stock and Reversal of Legal Reserves." The effect on net income of adopting this standard was insignificant.

o. The Amendment of Regulations Concerning the Terminology, Forms and Preparation Methods of Financial Statements

Due to the amendment of Regulations Concerning the Terminology, Forms and Preparation Methods of Financial Statements, the Company discloses the shareholders' equity section in the non-consolidated balance sheet as at March 31, 2003 in accordance with the revised regulations.

p. Net Income per Share

Effective April 1, 2002, the Company adopted a new accounting standard for earnings per share of common stock issued by the Accounting Standards Board of Japan. Under the new standard, basic net income per share is computed by dividing net income available to common shareholders, which is more precisely computed than under previous practices, by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Basic net income per share for the year ended March 31, 2003 is computed in accordance with the new standard.

Diluted net income per share is not disclosed because it is anti-dilutive.

Cash dividends per share presented in the accompanying non-consolidated statements of operations are dividends applicable to the respective years including dividends to be paid after the end of the year.

Note 3

U.S. DOLLAR AMOUNTS

The U.S. dollar amounts included in accompanying non-consolidated financial statements and notes thereto represent the arithmetic results of translating yen into dollars at ¥120=U.S.\$1, the approximate exchange rate at March 31, 2003. The U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Notes to the Non-Consolidated Financial Statements

Note 4

SECURITIES

The carrying amounts and aggregate fair values of investment securities in subsidiaries and affiliates whose market values were available at March 31, 2003, 2002 and 2001 were as follows:

	Millions of yen								
	2003			2002			2001		
	Carrying amount	Market value	Unrealized gain	Carrying amount	Market value	Unrealized gain	Carrying amount	Market value	Unrealized gain
Subsidiaries.....	¥2,578	¥4,040	¥1,462	¥7,868	¥15,446	¥7,578	¥7,868	¥15,729	¥7,861
Affiliates	42	254	212	42	346	304	42	475	433
	¥2,620	¥4,294	¥1,674	¥7,910	¥15,792	¥7,882	¥7,910	¥16,204	¥8,294

Thousands of U.S. dollars (Note 3)

	2003		
	Carrying amount	Market value	Unrealized gain
Subsidiaries.....	\$21,481	\$33,668	\$12,187
Affiliates	353	2,123	1,770
	\$21,834	\$35,791	\$13,957

The carrying amounts and aggregate fair values of those securities at March 31, 2001 were as follows:

	Millions of yen
Carrying amounts	¥112,063
Fair value	465,089
Unrealized gain on marketable securities classified as other securities	204,401
Deferred tax liabilities.....	148,623

Note 5

INVENTORIES

Inventories at March 31, 2003, 2002 and 2001 comprised the following:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2003	2002	2001	2003
Finished goods	¥46,743	¥41,254	¥47,390	\$389,531
Work in process	29,288	30,002	32,996	244,073
Raw materials	7,380	7,246	7,567	61,501
	¥83,411	¥78,502	¥87,953	\$695,105

Note 6

DEPRECIATION

Depreciation charges for the year ended March 31, 2003, 2002 and 2001 were as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2003	2002	2001	2003
Depreciation charges	¥16,620	¥18,917	¥20,810	\$138,501

Note 7

SHORT-TERM DEBT AND LONG-TERM DEBT

Short-term debt at March 31, 2003, 2002 and 2001 consisted of the following:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2003	2002	2001	2003
Loans, principally from banks	¥ 38,685	¥ 41,685	¥42,985	\$322,375
Commercial debt	70,000	66,000	36,000	583,333
	¥108,685	¥107,685	¥78,985	\$905,708

The weighed average interest rates on short-term debt at March 31, 2003, 2002 and 2001 were 0.23%, 0.30% and 0.53%, respectively.

Long-term debt at March 31, 2003, 2002 and 2001 consisted of the following:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2003	2002	2001	2003
Loans, principally from banks and insurance companies:				
Secured	¥ 5,804	¥ 6,100	¥ 4,312	\$ 48,367
Unsecured	14,203	7,866	6,231	118,357
Bonds :				
2.95% Yen bonds due 2001	—	—	20,000	
2.00% Yen bonds due 2002	—	—	20,000	
2.05% Yen bonds due 2002	—	20,000	20,000	
2.15% Yen bonds due 2003	—	20,000	20,000	
2.25% Yen bonds due 2003	20,000	20,000	20,000	166,667
2.35% Yen bonds due 2004	20,000	20,000	20,000	166,667
1.02% Yen bonds due 2006	20,000	20,000	—	166,667
1.06% Yen bonds due 2006	20,000	20,000	—	166,667
1.11% Yen bonds due 2007	12,000	—	—	100,000
1.07% Yen bonds due 2007	8,000	—	—	66,667
1.12% Yen bonds due 2007	7,000	—	—	58,333
1.15% Yen bonds due 2007	13,000	—	—	108,333
	140,007	133,966	130,543	1,166,725
Less: Portion due within one year	41,110	42,059	40,477	342,583
	¥ 98,897	¥ 91,907	¥ 90,066	\$ 824,142

The weighed average interest rates on loans, principally from banks and insurance companies, at March 31, 2003, 2002 and 2001 were 1.45%, 1.88% and 2.22%, respectively.

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

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2003	2002	2001	2003
Investment securities	¥ 400	¥ 1,005	¥ 53	\$ 3,333
Property, plant and equipment	14,367	12,023	3,793	119,728
	¥14,767	¥13,028	¥3,846	\$123,061

Notes to the Non-Consolidated Financial Statements

Note 8

SHAREHOLDERS' EQUITY

The Company is subject to the Japanese Commercial Code (the "Code") to which certain amendments became effective from October 1, 2001.

Prior to October 1, 2001, the Code also provided that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other cash payments which are made as an appropriation of retained earnings applicable to each fiscal period shall be appropriated and set aside as a legal reserve until such reserve equals 25% of stated capital. Effective October 1, 2001, the revised Code allows for such appropriations to be set aside as a legal reserve until the total capital surplus and legal reserve equals 25% of stated capital. The amount of total capital surplus and legal reserve which exceeds 25% of stated capital can be transferred to retained earnings by resolution of the shareholders, which may be available for dividends.

Prior to October 1, 2001, the Code imposed certain restrictions on the repurchase and use of treasury stock. Effective October 1, 2001, the Code eliminated these restrictions, allowing the Company to repurchase treasury stock by a resolution of the shareholders at the general shareholders' meeting and dispose of such treasury stock by resolution of the Board of Directors after March 31, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of stated capital, capital surplus or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders' meeting.

The Code permits the Company to transfer a portion of capital surplus and legal reserve to stated capital by resolution of the Board of Directors. The Code also permits the Company to transfer a portion of unappropriated retained earnings, available for dividends, to stated capital by resolution of the shareholders.

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

Note 9

RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥24,035 million (\$200,292 thousand), ¥26,022 million and ¥25,556 million for the years ended March 31, 2003, 2002 and 2001, respectively.

Note 10

EXTRAORDINARY INCOME, NET

Extraordinary income, net, for the years ended March 31, comprised the following:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2003	2002	2001	2003
Extraordinary income				
Gain on securities contribution to employee retirement benefit trust	¥ 21,004	¥ 22,088	¥102,697	\$ 175,033
Gain on approval of exemption of the substitutional portion of the contributory funded defined benefit pension plan	14,617	–	–	121,809
Gain on transfer of business by spin-off	12,663	–	–	105,530
Gain on sales of property, plant and equipment	3,285	6,046	2,150	27,378
Gain on sales of investment securities	494	14,487	7,752	4,117
Others	5	174	–	51
Extraordinary loss				
Recognized actuarial loss	(23,861)	(17,909)	–	(198,843)
Loss on devaluation of investment securities	(10,749)	(4,497)	(9,815)	(89,581)
Extra termination benefits	(3,450)	(10,000)	–	(28,756)
Loss on restructuring production system	(2,841)	(2,105)	–	(23,678)
Loss on sales of property, plant and equipment	(1,341)	(2,226)	–	(11,176)
Loss on liquidation of subsidiaries and affiliates	–	(3,241)	–	–
Charge for full amount of transitional obligations for retirement benefits	–	–	(96,716)	–
Others	(9,713)	(2,594)	(5,847)	(80,946)
	¥ 113	¥ 223	¥ 221	\$ 938

Note 11

INCOME TAXES

The components of income taxes for the years ended March 31, 2003, 2002 and 2001 were as follows:

	Millions of yen			U.S. dollars (Note 3)
	2003	2002	2001	2003
Current.....	¥ 200	¥ 420	¥4,650	\$ 1,667
Deferred.....	2,750	2,449	1,905	22,917
	¥2,950	¥2,869	¥6,555	\$24,584

The Company is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 42% for the years ended March 31, 2003, 2002 and 2001.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2003, 2002 and 2001 were as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2003	2002	2001	2003
Deferred tax assets:				
Investment securities	¥ 3,723	¥ 1,829	¥ 3,507	\$ 31,033
Liability for severance payments	27,437	48,034	-	228,641
Accrued employee benefits	2,788	1,929	2,695	23,235
Loss carried forward	7,854	1,800	-	65,451
Property, plant and equipment	1,214	-	-	10,121
Other	3,827	2,808	313	31,878
Total deferred tax assets	¥ 46,843	¥ 56,400	¥ 6,515	\$ 390,359
Deferred tax liabilities:				
Unrealized gain on other securities, net of taxes	¥ (4,925)	¥ (68,127)	¥ -	\$ (41,047)
Gain on securities contribution to employee retirement benefit trust	(42,584)	(52,535)	-	(354,866)
Retained earnings appropriated for tax deductible reserves	-	(2,258)	(2,429)	-
Special depreciation reserve	-	(50)	(80)	-
Total deferred tax liabilities	¥(47,509)	¥(122,970)	¥(2,509)	\$(395,913)
Net deferred tax assets (liabilities)	¥ (666)	¥ (66,570)	¥ 4,006	\$ (5,554)

Reconciliation of the difference between the statutory tax rate and the effective income tax rate for the years ended March 31, 2003, 2002 and 2001 is not disclosed because it is not material.

Japan's Local Tax Law was amended and pro forma standard taxation will be effective from April 1, 2004. The statutory tax rate used for the calculation of deferred tax assets and liabilities, which is based on temporary difference reversing within March 31, 2004, was the rate before the amendment (42.1%). Long-term deferred tax assets and liabilities reversing after April 1, 2004 were based on the rate after the amendment (40.5%).

Due to the change in tax rate, deferred tax liabilities (net of deferred tax assets) decreased by ¥263 million (\$2,197 thousand), deferred income tax decreased by ¥69 million (\$575 thousand) and unrealized gain on other securities, net of taxes, increased by ¥194 million (\$1,622 thousand).

Notes to the Non-Consolidated Financial Statements

Note 12

CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2003, 2002 and 2001 were as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2003	2002	2001	2003
Guarantees	¥54,788	¥65,330	¥53,239	\$456,569

Note 13

LEASES

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance lease, lease expense, depreciation expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2003, 2002 and 2001 were as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2003	2002	2001	2003
	Machinery and Equipment	Machinery and Equipment	Machinery and Equipment	Machinery and Equipment
Acquisition cost	¥24,500	¥11,201	¥8,779	\$204,172
Accumulated depreciation	9,544	4,749	5,202	79,531
Net leased property	¥14,956	¥ 6,452	¥3,577	\$124,641

Obligations under finance leases:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2003	2002	2001	2003
Due within one year	¥ 4,343	¥2,370	¥1,542	\$ 36,196
Due after one year	10,890	4,082	2,035	90,747
Total	¥15,233	¥6,452	¥3,577	\$126,943

Lease expense and depreciation expense under finance leases:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2003	2002	2001	2003
Lease expense	¥4,161	¥1,893	¥1,890	\$34,675
Depreciation expense	3,915	1,893	1,890	32,627
Interest expense	230	–	–	1,918

The minimum rental commitments under noncancellable operating leases at March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2003	2002	2003
Due within one year	¥246	¥269	\$2,058
Due after one year	–	247	–
Total	¥246	¥516	\$2,058

Note 14

SUBSEQUENT EVENTS

a. On December 26, 2002, the Company sought application for approval of introducing consolidated tax return.

b. According to the contract of the spin-off that concluded on January 30, 2003, the retail support equipment & systems business was separated and absorbed by Fuji Denki Reiki Co., Ltd., on April 1, 2003.

(1) Object of the spin-off

Fuji Denki Reiki Co., Ltd. became a wholly-owned subsidiary of the Company by means of a share exchange on January 1, 2003, and Retail Support Equipment & Systems Company (net sales of retail support equipment & systems business were ¥90,121 million (\$751,015 thousand) for the year ended March 31, 2003) was separated and absorbed by Fuji Denki Reiki Co., Ltd., on April 1, 2003.

In the aftermath of these transitions, on April 1, 2003 Fuji Denki Reiki Co., Ltd. merged with Fukiage Fuji Vending Machine Co., Ltd. Fuji Denki Reiki Co., Ltd. retained control over all pertinent business functions. (development, manufacture, sales and maintenance).

As a result of the above, this business became the operating company of Fuji Electric Holdings Co., Ltd., and Fuji Denki Reiki Co., Ltd. changed its corporate name to Fuji Electric Retail Systems Co., Ltd.

(2) Method of the spin-off

Retail Support Equipment & Systems Company was separated and absorbed by Fuji Denki Reiki Co., Ltd., a wholly owned subsidiary of the Company.

(3) Rights and duties assumed by operating company

Fuji Denki Reiki Co., Ltd., assumed the rights and duties, other than land, of development, manufacture, sales and maintenance of vending machines, beverage dispensers, freezing and refrigerated showcases, coin mechanisms, bill validators and others.

As a result, Fuji Denki Reiki Co., Ltd. assumed assets of ¥32,605 million (\$271,712 thousand) and liabilities of ¥32,504 million (\$270,873 thousand).

c. The Board of Directors of the Company, meeting on May 22, 2003, resolved to restructure the Company into a holding company to be called Fuji Electric Holdings Co., Ltd. This move will involve the reorganization of the Energy & Electric Systems Company, ED&C•Drive Systems Company, Electronics Company, and the information systems development and production technology research divisions as separate companies. The holding company will function solely as a holding company. The transition to the new structure will be made on October 1, 2003. The transition was approved at the Company's shareholders' meeting held on June 27, 2003.

(1) Reason for transition to a holding company structure

In this kind of environment, the Company restructured into a holding company to achieve the desired objectives of 1. realization of autonomous management, 2. optimization of business portfolio, and 3. optimal working conditions in all areas of operation.

Together with Fuji Electric Retail Systems Co., Ltd., which was formed on April 1, 2003 through the spin-off of the retail support equipment & systems business and its integration with Fuji Denki Reiki Co., Ltd., the group will have four operating companies.

Net sales that separated the three main operating companies for the year ended March 31, 2003 were as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)		
	2003			2003		
	Energy & Electric Systems	ED&C•Drive Systems	Electronics	Energy & Electric Systems	ED&C•Drive Systems	Electronics
Net sales	¥197,554	¥80,857	¥83,246	\$1,646,291	\$673,814	\$693,717

(2) Method of transition

1. The Energy & Electric Systems Company will be separated and absorbed by Fuji Electric Systems Co., Ltd., a wholly owned subsidiary of the Company.

2. The ED&C•Drive Systems Company will be separated and integrated with the newly established Fuji Electric A&D Co., Ltd.

3. The Electronics Company will be separated and integrated with the newly established Fuji Electric Device Technology Co., Ltd.

4. The information systems development division and the production technology development division will be separated from their current companies and integrated with Fuji Electric Corporate Research and Development Ltd., a wholly owned subsidiary of the Company. Fuji Electric Corporate Research and Development will change its name to Fuji Electric Advanced Technology Co., Ltd.

Notes to the Non-Consolidated Financial Statements

(3) Rights and duties assumed by operating companies

Operating company	Rights and duties assumed
Fuji Electric Systems	Development, design, manufacture, installation, sales, maintenance, inspection, repair, modification and the management and operation of energy & electric systems business, along with other rights and duties of that business, including potential liabilities and contingent liabilities, other than claims arising from trade notes receivable and claims attributed to the same.
Fuji Electric A&D	Development, design, manufacture, installation, sales, maintenance, inspection, repair, modification and the management and operation of ED&C•Drive systems, along with other rights and duties attributable to that business, including potential liabilities and contingent liabilities, other than claims arising from trade notes receivable and claims attributed to the same.
Fuji Electric Device Technology	Development, design, manufacture, installation, sales, maintenance, inspection, repair, modification and the management and operation of the electronic devices business, along with other rights and duties attributable to that business, including potential liabilities and contingent liabilities, other than claims arising from trade notes receivable and claims attributed to the same.
Fuji Electric Advanced Technology (currently Fuji Electric Corporate Research and Development Ltd.)	Development of information and other systems and production technologies now being conducted at the business development department and the production technology development department, along with other rights and duties attributable to that business, including potential liabilities and contingent liabilities, other than claims arising from trade notes receivable and claims attributed to the same.

The account of assets and liabilities of rights and duties assumed by operating companies will be settled on the basis of the balance sheet as of March 31, 2003, after inclusion of adjustments for estimated changes between the said balance sheet date and the date of the transition to a holding company.

d. Issuance of Bonds

On June 16, 2003, the Company issued ¥10,000 million (\$83,333 thousand) of unsecured 0.83% Japanese Yen Bonds which are due June 16, 2008, and ¥10,000 million (\$83,333 thousand) of unsecured 1.14% Japanese Yen Bonds which are due June 16, 2010. The issue prices of these bonds were 100% of the face value of the bonds.

e. Appropriations of Retained Earnings

The following appropriations of retained earnings at March 31, 2003 were approved at the Company's shareholders' meeting held on June 27, 2003:

	Millions of yen	Thousands of U.S. dollars (Note 3)
Year-end cash dividends, ¥2.5 (\$0.021) per share	¥1,788	\$14,907
Bonuses to directors	50	416

Independent Auditors' Report



Certified Public Accountants

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The Board of Directors
Fuji Electric Co., Ltd.

We have audited the accompanying non-consolidated balance sheets of Fuji Electric Co., Ltd. as of March 31, 2003, 2002 and 2001, and the related non-consolidated statements of operations and shareholders' equity for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of Fuji Electric Co., Ltd. at March 31, 2003, 2002 and 2001, and the non-consolidated results of their operations for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

See Note 14 to the non-consolidated financial statements, Fuji Electric Co., Ltd. was formed on April 1, 2003 through the spin-off of the retail support equipment & systems business and its integration with Fuji Denki Reiki Co., Ltd., and Fuji Electric Co., Ltd. resolved to restructure Fuji Electric Co., Ltd. into a holding company which will be formed on October 1, 2003, at the Board of Directors of Fuji Electric Co., Ltd. meeting on May 22, 2003.

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2003 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the non-consolidated financial statements.

A handwritten signature in cursive script that reads "Shin Nihon & Co.".

June 27, 2003

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

Fuji Electric Co., Ltd.

<http://www.fujielectric.co.jp/eng/>

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