

Overview of Operating Environment and Results for Fiscal 2003, Ended March 31, 2004

Activities in this business group are centered on logistics, real estate, insurance agency services, travel services, financial services and information-related services. Although the group primarily provides these services to Fuji Electric Group companies, it is also working to grow sales to external customers.

In fiscal 2003, the group posted an 11.7% increase in operating income year on year to ¥2.3 billion (U.S.\$22 million), on net sales of ¥75.7 billion (U.S.\$721 million), 0.5% lower compared to the previous period. Summaries of the core activities of major companies in this business group are outlined below, as well as initiatives taken in the past year. All net sales and employee figures are for fiscal 2003.

Fuji Logistics Co., Ltd.

[Net Sales: ¥34.0 billion/Number of Employees: 800] *On a consolidated basis

As a comprehensive logistics services company, Fuji Logistics aims to become a logistics provider that accurately responds to the needs of diverse customers with advanced proposal-based capabilities.

Although there were signs of a turnaround in some areas of the logistics industry during the year under review, estimates of total transportation volume in fiscal 2003 point to a year-on-year decline. Despite a challenging operating environment, Fuji Logistics posted sales largely on a par with the previous year. This was the result of active steps to expand its logistics solutions business, leading to success in winning new 3PL (third-party logistics) outsourcing contracts from a general wholesaler of interior goods and other customers, and ongoing efforts to win new orders in the sector for round-the-clock logistics support. By focusing on securing contracts that offer greater returns and paring back operating costs, Fuji Logistics recorded a year-on-year increase in operating income.

In March 2004, Fuji Electric Holdings Co., Ltd., TOYOTA INDUSTRIES CORPORATION and Fuji Logistics formed an operational and capital alliance. As part of this tie-up, Fuji Electric Holdings sold part of its holding in Fuji Logistics, 6,491 thousand shares and representing 26.8% of voting rights, to TOYOTA INDUSTRIES. Fuji Electric Holdings retains 6,840 thousand shares in the company, representing 28.2% of the voting rights. Consequently, Fuji Logistics is now treated as an equity-method affiliate.

Fuji Life Corp.

[Net Sales: ¥11.0 billion/Number of Employees: 144]

Fuji Life's activities include life and non-life insurance agency operations, as well as real estate sales, leasing and brokerage services. It also offers domestic and overseas travel services and foreign exchange, as well as office planning services, and sells office equipment, gifts and other products. Other businesses are food (for lounges, lodges and other facilities) and nursing care services.

In the insurance business, following the Fuji Electric Group's adoption of a holding company system, Fuji Life carried out a review of each operating company's insurance profile, making proposals for reducing insurance premium costs and hedging risk. In the real estate business, Fuji Life sold 16 housing sites in Ichihara City, Chiba Prefecture, and 12 sites in Fukiage, Saitama Prefecture. In Yokohama City, Kanagawa Prefecture, 18 new houses were constructed and offered for leasing. Meanwhile, in Hino City, Tokyo, the company began constructing a hybrid facility that will offer nursing care for the elderly and childcare. In the travel agency business, Fuji Life worked to boost sales to customers outside the Fuji Electric Group. Initiatives to capture new customers included the launch of a range of marketing campaigns by head office and sales branches, longer opening hours, and active sales activities targeting local businesses. In the nursing care business, the subsidiary responsible for operating the company's nursing homes, Fuji Life Carenet, continued to reinforce its operating base with the opening of four new facilities and other initiatives. As a result of the above activities, Fuji Life reported higher sales and operating income.

Fuji Electric Finance and Accounting Support Co., Ltd.

[Net Sales: ¥3.0 billion/Number of Employees: 125]

Fuji Electric Finance and Accounting Support is the primary provider of financial services to Fuji Electric Group companies. In this capacity, it has introduced a cash management system (CMS) for the Group. Other activities include payment

services for accounts payable for Group companies, the extension of loans to Group companies, and the management of surplus funds. The company also handles finance and accounting tasks for Group companies to raise the efficiency of business processes at Group companies.

Following the Fuji Electric Group's transition to a holding company system, this company was given the role of supplying funds to operating companies and other customers. In light of this enhanced role, the company increased its capital in July 2003 to strengthen its creditworthiness and enhance its fund procurement capabilities. The company uses a variety of methods to procure funds for supply to operating and other Group companies. In addition to receiving a portion of the funds procured by Fuji Electric Holdings through the issue of corporate bonds and commercial paper, the company also borrows from banks, issues commercial paper and sells asset-backed securities. With the adoption of the holding company system, Fuji Electric Finance and Accounting Support is now playing a wider role as the core financial services arm of the Fuji Electric Group. In line with this, the company's total assets increased ¥102.9 billion to ¥276.3 billion (U.S.\$2,632 million) as of March 31, 2004. The balance of factored receivables totaled ¥91.2 billion (U.S.\$869 million), and loans to Group companies stood at ¥169.3 billion (U.S.\$1,613 million).

Fuji Electric Information Service Co., Ltd.

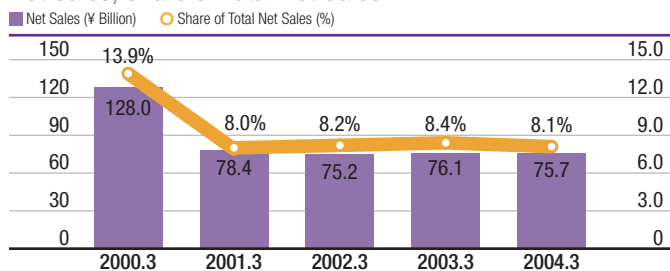
[Net Sales: ¥16.4 billion/Number of Employees: 656]

Fuji Electric Information Service supplies IT services and solutions, including the development and operation of information systems. It also offers visual solutions, drawing on design technology to create a range of content, and provides a wide range of services and solutions for offices such as copying and printing.

In fiscal 2003, the operating environment remained challenging, characterized by efforts by companies to curb capital investment and reduce operating expenses. During the year, Fuji Electric Information Service secured and delivered a number of new orders. These included an accounting information system for a leading bank and e-learning systems for universities and welfare facilities, as well as the production of commemorative publications for corporate customers. However, weak demand led to a drop in both sales and operating income year on year.

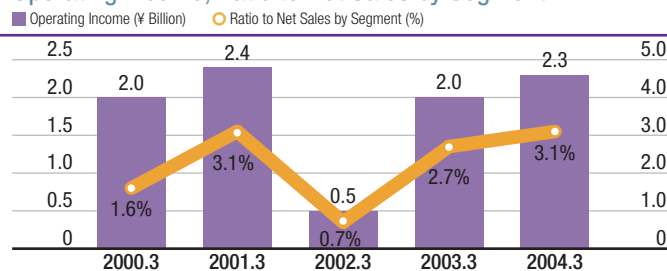
Fuji Electric Information Service, in the head office site, received ISO 14001 certification during the year under review. In the web hosting, operation and management category, the company received Information Security Management System (ISMS; international standard: BS7799) certification, aimed at enhancing the reliability of information security systems.

Net Sales, Share of Total Net Sales

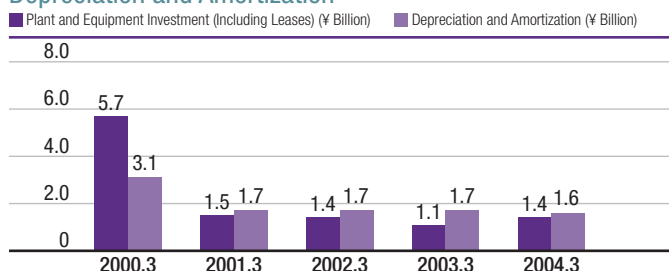


Note: Net sales include inter-segment transactions.

Operating Income, Ratio to Net Sales by Segment



Plant and Equipment Investment (Including Leases), Depreciation and Amortization



Number of Employees

