

Consolidated Seven-year Summary

	Millions of yen							Thousands of U.S. dollars**1
	2004.3	2003.3	2002.3	2001.3	2000.3	1999.3	1998.3	2004.3
Net sales	¥856,198	¥832,414	¥839,135	¥891,086	¥851,830	¥852,060	¥982,763	\$8,154,269
Cost of sales	690,948	666,604	677,033	709,481	692,132	692,309	773,839	6,580,457
[Ratio to net sales (%)	80.7	80.1	80.7	79.6	81.3	81.3	78.7	—
Selling, general and administrative expenses	147,803	152,901	154,613	156,598	155,555	163,878	185,561	1,407,646
[Ratio to net sales (%)	17.3	18.3	18.4	17.6	18.2	19.2	18.9	—
Operating income (loss)	17,447	12,909	7,489	25,007	4,143	(4,127)	23,363	166,166
[Ratio to net sales (%)	2.0	1.6	0.9	2.8	0.5	(0.5)	2.4	—
Ordinary income (loss)	13,928	8,984	5,791	22,522	(948)	(6,044)	18,707	132,656
[Ratio to net sales (%)	1.6	1.1	0.7	2.5	(0.1)	(0.7)	1.9	—
Income (loss) before income taxes and minority interests	12,887	7,074	231	21,319	(4,092)	(11,665)	18,762	122,739
[Ratio to net sales (%)	1.5	0.8	0.0	2.4	(0.5)	(1.4)	1.9	—
Net income (loss)	5,519	3,911	(3,217)	9,711	(7,423)	(17,388)	7,487	52,568
[Ratio to net sales (%)	0.6	0.5	(0.4)	1.1	(0.9)	(2.0)	0.8	—
Total assets	908,060	921,121	1,104,871	964,211	937,233	994,761	981,332	8,648,192
Asset turnover (times)	0.94	0.82	0.81	0.94	0.88	0.86	1.02	—
Shareholders' equity	191,774	161,188	248,049	161,707	153,945	157,425	178,241	1,826,427
Shareholders' equity ratio (%)	21.1	17.5	22.5	16.8	16.4	15.8	18.2	—
Debt	363,010	438,864	460,121	443,538	447,697	461,957	390,807	3,457,250
Debt ratio (%)	39.9	47.6	41.6	46.0	47.8	46.4	39.8	—
Debt-to-equity ratio (times)	1.9	2.7	1.9	2.7	2.9	2.9	2.2	—
Return on assets (%)	0.6	0.4	(0.3)	1.0	(0.8)	(1.8)	0.8	—
Return on equity (%)	3.1	1.9	(1.6)	6.2	(4.8)	(10.4)	4.2	—

	Yen							U.S. dollars**1
Net income (loss) per share	¥ 7.46	¥ 5.28	¥ (4.50)	¥ 13.58	¥ (10.38)	¥ (24.31)	¥ 10.47	\$ 0.071
Cash dividends per share	5.00	5.00	5.00	6.00	0.00	0.00	8.00	0.048
Payout ratio (%)**2	67.0	94.7	—	44.2	—	—	76.4	—
Shareholders' equity per share	267.80	225.06	346.91	226.13	215.28	220.15	249.26	2.55

	Millions of yen							Thousands of U.S. dollars
Plant and equipment investment**3	¥ 26,973	¥ 33,233	¥ 35,104	¥ 34,231	¥ 35,851	¥ 48,319	¥ 54,446	\$ 256,889
Depreciation and amortization	17,675	27,202	29,826	32,608	35,297	34,059	31,833	168,342
R&D expenditures	28,568	26,780	28,064	27,017	28,252	34,776	36,003	272,076
Number of employees	24,601	25,822	24,505	27,103	27,641	28,173	25,939	—

*1 The U.S. dollar amounts represent the arithmetic results of translating yen into dollars at ¥105=U.S.\$1, the approximate exchange rate at March 31, 2004.

*2 Payout ratio: cash dividends per share of Fuji Electric Holdings Co., Ltd./consolidated net income per share

*3 Plant and equipment investment is the total of investment in tangible fixed assets and acquisition amounts for lease contracts.

Consolidated Financial Review

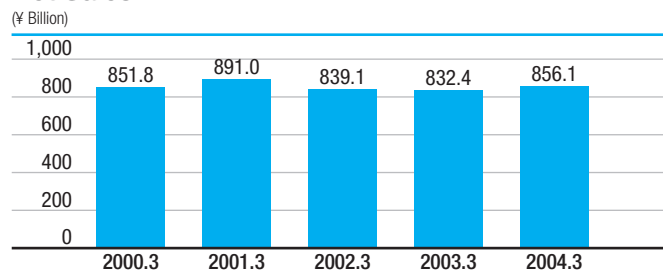
Operating Results

Net Sales

In fiscal 2003, the year ended March 31, 2004, consolidated net sales increased 2.9% to ¥856,198 million (U.S.\$8,154 million). Sales rose year on year in three key business groups: Energy & Electric Systems, on the back of major orders for thermal power generation plants; ED&C·Drive Systems, supported by strong sales of ED&C components and drive systems; and Electronics, buoyed by strong demand for semiconductors and the start of full-scale volume production of 80GB magnetic disks. Net sales in the Others Group were largely unchanged from the previous fiscal year. Sales in the Retail Support Equipment & Systems Group, however, were down on fiscal 2002, due to sluggish sales of vending machines and cold-chain equipment, as well as intensifying competition that dragged unit prices lower.

Overseas sales increased 8.5% to ¥129,283 million (U.S.\$1,231 million), accounting for 15.1% of total consolidated sales.

Net Sales



Income

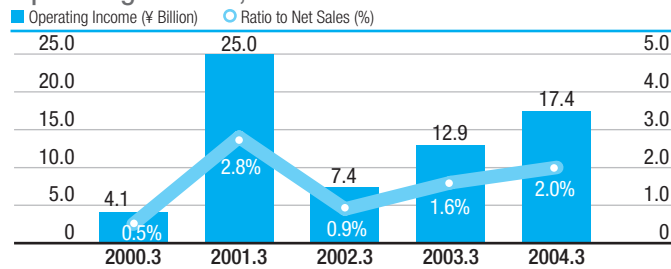
Cost of sales increased 3.7% to ¥690,948 million (U.S.\$6,580 million), resulting in a cost of sales ratio of 80.7%, 0.6 of a percentage point higher than the previous year. This was primarily the result of higher sales and deteriorating cost performance in large-scale plant projects. Selling, general and administrative (SG&A)

expenses decreased 3.3% to ¥147,803 million (U.S.\$1,407 million), primarily due to benefits from streamlining. SG&A expenses represented 17.3% of net sales, down 1.0% from the previous year.

Operating income was up 35.2% to ¥17,447 million (U.S.\$166 million), as actions to cut fixed costs and other expenses offset the impact of the strong yen and other adverse factors on earnings. By segment, the Energy & Electric Systems Group saw an improvement in industrial and transportation systems, as well as in plant facility construction, due mainly to rationalization measures. Higher sales combined with the benefits of streamlining boosted profits in the ED&C·Drive Systems Group, while the Electronics Group benefited significantly from a marked improvement in profitability in magnetic disks. Operating income rose in the Others Group as profitability improved in logistics services. However, operating income fell in the Retail Support Equipment & Systems Group amid declining volume and falling unit prices.

Non-operating income (expenses) improved ¥406 million from net expenses of ¥3,925 million in the previous year, to net expenses of ¥3,519 million (U.S.\$33 million) in the year under review. This was due to improved net financial expenses reflecting lower interest expenses in

Operating Income, Ratio to Net Sales



line with a reduction in interest-bearing liabilities, despite higher foreign exchange and inventory losses. As a result, ordinary income surged 55.0% year on year, to ¥13,928 million (U.S.\$132 million).

Fuji Electric recorded extraordinary profit of ¥23,447 million (U.S.\$223 million) for fiscal 2003, ¥31,178 million

less than the previous year. The major components were a gain on securities contribution to employee retirement benefit trust, gain on sales of property, plant and equipment and gain on sales of investment securities. The decline in extraordinary profit reflected significant gains recorded in the previous year from gain on approval of exemption of the substitutional portion of the contributory funded defined benefit pension plans, and gain on transfer of business by spin-off.

The extraordinary loss of ¥24,488 million (U.S.\$233 million), ¥32,047 million less than the previous year, mainly consisted of a recognized actuarial loss on retirement benefits, the disposal of fixed assets and restructuring of production systems. This drop in the extraordinary loss was mainly due to a decline in recognized actuarial loss on retirement benefits, loss on devaluation of investment securities, and extra termination benefits compared to fiscal 2002.

As a result of the above, income before income taxes and minority interests rose 82.2%, to ¥12,887 million (U.S.\$122 million). Income taxes were ¥7,323 million (U.S.\$69 million), and minority interests in net income of consolidated subsidiaries were ¥45 million (U.S.\$0.4 million). Net income increased 41.1%, to ¥5,519 million (U.S.\$52 million).

Segment Information

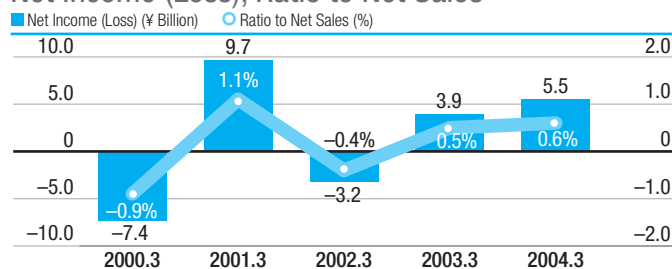
Energy & Electric Systems Group

Net sales of electric power systems rose sharply from the previous fiscal year, as the group won large orders for steam turbine power plants in Japan and overseas and nuclear power plant-related facilities. Despite strong order growth, operating income fell short of the previous fiscal year due to deteriorating profitability resulting from slower sales in the first half of the year, and strong pressures on margins due to intensifying price competition.

In environmental systems, the group completed large projects for electrical equipment employed in advanced water treatment systems and monitoring control systems for water treatment plants, as well as electrical equipment for sewage treatment facilities, although structural changes in the market such as intensifying market competition and curbs on public sector investment caused a sales slowdown compared with the previous fiscal year. In information systems, profit margins shrank as market prices for software and services fell sharply. Combined with a sharp deterioration in profit margins in large-scale projects such as production control systems, net sales and operating income fell substantially compared with the previous fiscal year. As a result, environmental and information systems posted an overall operating loss and marginally lower sales.

In industrial and transportation systems, the delivery of large orders for railroad transformer equipment and success in winning service contracts contributed to sales, but failed to offset the decline in sales of plant systems for industrial facilities. As a result, net sales in industrial and transportation systems were lower. Operating income rose on the back of cost reduction measures and rationalization.

Net Income (Loss), Ratio to Net Sales



In plant facility construction, sales were slightly lower compared to the previous fiscal year, against a backdrop of weak domestic demand. However, benefits emerging from efforts to streamline operations and improvements to project management systems helped to reverse the operating loss of the previous year.

As a result of the above, net sales in Energy & Electric Systems rose 5.2% from the previous fiscal year to ¥403,149 million (U.S.\$3,839 million), while operating income was ¥500 million (U.S.\$4 million), reversing the previous fiscal year's operating loss by ¥680 million.

ED&C-Drive Systems Group

In ED&C components, there was an increase in sales as the group enhanced the competitiveness of its product lineup by: launching global products designed to conform with international standards; increasing production of low-voltage circuit breakers and magnetic contactors in China; and expanding the number of products certified under the China Compulsory Certification (CCC) standard, China's industrial standard. These steps helped to boost sales volume in Japan and expand sales in overseas markets, particularly China. Supported by these measures, as well as higher demand from machinery manufacturers in Japan, particularly machine tool builders, and growth in China and other Asian markets, sales of the group's mainstay magnetic contactors and low-voltage circuit breakers increased year on year. However, operating income decreased amid continuing unit price declines centered on the domestic market.

In control & drive systems, new products were launched for the global market, production and sales of inverters expanded in China, and the group began sales of servomotor systems in China and other Asian markets. At the same time, the group worked to win contracts for new small- and medium-sized systems that integrate programmable logic controllers, servomotor systems, inverters and other components. The success of these strategies was reflected in higher sales in all mainstay products, helping to push up total sales and operating income in control & drive systems.

As a result of the above, net sales in ED&C-Drive Systems rose 5.1% to ¥168,062 million (U.S.\$1,600 million), while operating income increased 99.0% year on year to ¥2,378 million (U.S.\$22 million).

Electronics Group

In the power semiconductor field, the group launched various new products and, supported by strong demand for industrial applications and information technology devices, sales and profits in power semiconductors exceeded the previous fiscal year.

In IC products, the group achieved sales growth by introducing new products, with a focus on mainstay power supply ICs and high-voltage ICs for plasma display panels. Combined with strong demand for ICs for digital consumer electronics, including digital cameras and flat-screen televisions, total sales of IC products were up on the previous fiscal year. Operating income was lower, primarily due to an increase in capital expenditure related to bringing a new clean room for 8-inch wafers onstream.

In magnetic disks, the group concentrated on stabilizing volume production of 80GB magnetic disks, winning new customers and actively taking steps to pare back costs. Underpinned by growing demand for hard disk drives (HDDs), which was supported by a recovery in the personal computer market and the wider adoption of digital consumer electronic devices, the operating loss was reduced significantly and sales rose year on year.

In photoconductive drums, both sales and operating income fell, primarily due to lower unit prices for mainstay organic photoconductive drums (OPCs) used in copiers and printers in the North American and European markets.

As a result of the above, net sales in the Electronics Group rose 4.1% to ¥129,675 million (U.S.\$1,235 million), while operating income was up 35.5% to ¥9,779 million (U.S.\$93 million).

Retail Support Equipment & Systems Group

In vending machines, food service equipment, and currency handling systems, the mainstay can vending machine category saw models in the NewS Series achieve strong popularity in the market, reflecting their low energy consumption and enhanced security features. This, however, failed to prevent a drop in sales of vending machines due to declining prices. In currency handling systems, although sales were affected by sluggish demand for amusement equipment and weaker demand for coin mechanisms and bill validators for vending machines, sales of currency handling systems to large customers were strong and sales of non-contact IC cards rose, helping to push up sales of currency handling systems year on year. However, overall sales and operating income in this field were both lower than in the previous fiscal year. In China, the group established a joint-venture firm in Dalian in September 2003 to commence the local production of vending machines.

Cold-chain equipment benefited from increased investment by supermarkets as more new stores were opened and existing stores were refurbished. Intensifying price competition, however, meant there was only a modest increase in sales. Sales to convenience store chains were down year on year. As a result, there was an overall drop in sales and operating income from cold-chain equipment compared to the previous year.

As a result of the above factors, operating income in the Retail Support Equipment & Systems Group declined 20.0% to ¥2,077 million (U.S.\$19 million), on a 2.4% drop in net sales to ¥150,760 million (U.S.\$1,435 million).

Others

The business results of the key companies in this group during the year under review are as follows.

Net sales at Fuji Logistics Co., Ltd. were largely unchanged from the previous fiscal year as the company focused on expanding its logistics solutions services at a time when the total cargo volume in the market is declining. However, operating income rose as the company pared back operating expenses and shifted to a policy of emphasizing profitability through more critical customer selection. In March 2004, the Company sold part of its holding in Fuji Logistics (6,491 thousand shares representing 26.8% of voting rights) to TOYOTA INDUSTRIES CORPORATION, reducing the Fuji Electric Group's stake in the company to 28.2%.

Fuji Life Corp. reported favorable results in its real estate business, primarily from residential lot development and real estate leasing. The company also aggressively expanded its insurance and travel agency businesses, leading to an increase in sales and operating income year on year.

Following the transition to the holding company system, Fuji Electric Finance and Accounting Support Co., Ltd. increased its capital and took other steps to enhance the company's role as the core financial services provider for the Fuji Electric Group.

As a result of the above, net sales in this group dipped 0.5% year on year to ¥75,734 million (U.S.\$721 million), while operating income rose 11.7% to ¥2,331 million (U.S.\$22 million), reflecting improved profitability in logistics services.

Plant and Equipment Investment

In fiscal 2003, plant and equipment investment amounted to ¥26,973 million (U.S.\$256 million), including lease acquisitions of ¥15,231 million (U.S.\$145 million), and represented 3.2% of net sales. By group, plant and equipment investment totaled ¥4,718 million (U.S.\$44 million) in the Energy & Electric Systems Group, ¥4,027 million (U.S.\$38 million) in the ED&C-Drive Systems Group, ¥14,045 million (U.S.\$133 million) in the Electronics Group, ¥2,715 million (U.S.\$25 million) in the Retail Support Equipment & Systems Group, and ¥1,468 million (U.S.\$13 million) in Others.

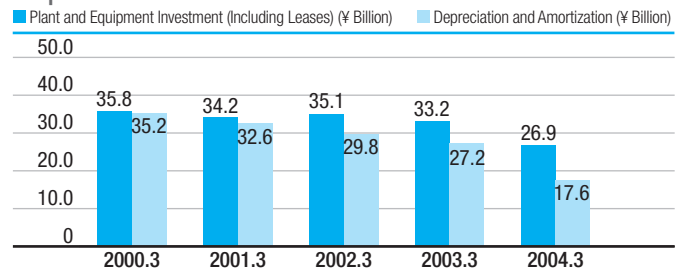
Expenditures were channeled into a number of areas. One project in the semiconductor field entailed enlarging a clean room to increase production of IGBT/MOSFET devices. Other significant investments were made to raise production efficiency of thermal power plant equipment and motors, and to increase the output capacity

of a low-voltage circuit breaker automated production line in response to an increase in orders. A trial production line was also installed to verify volume-production technology for OLEDs.

Depreciation and amortization expense in the year under review amounted to ¥17,675 million (U.S.\$168 million).

1. Plant and equipment investment is the total of investment in tangible fixed assets and acquisition amounts for lease contracts.
2. Depreciation expense is the total of the amortization of tangible fixed assets and intangible assets.

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

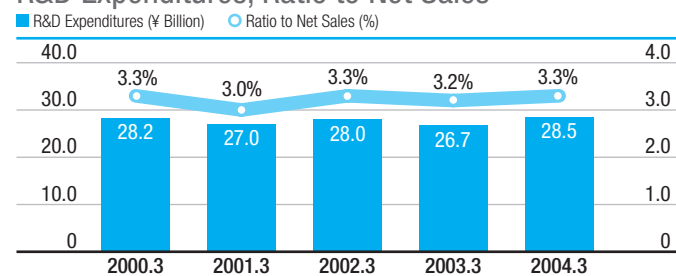


R&D Expenditures

R&D expenditures amounted to ¥28,568 million (U.S.\$272 million) in fiscal 2003, representing 3.3% of net sales. By group, expenditures totaled ¥10,362 million (U.S.\$98 million) in the Energy & Electric Systems Group, ¥4,500 million (U.S.\$42 million) in the ED&C·Drive Systems Group, ¥7,896 million (U.S.\$75 million) in the Electronics Group and ¥4,614 million (U.S.\$43 million) in the Retail Support Equipment & Systems Group. Expenditures in R&D in new technologies that do not fall under any one segment, such as the development of new products and in core research, amounted to ¥1,196 million (U.S.\$11 million).

Major R&D projects included driving forward the development of our water purification membrane filtration system in the water treatment field, part of the environmental sector. This system completely removes disease-causing microorganisms from water supplies and realizes energy savings in the water-quality management process. In the waste treatment field, we have developed systems that convert organic waste into a useable resource using core anaerobic methane fermentation technology. In the information technology field, we developed a manufacturing solutions system that vertically combines production line monitoring control systems and higher-level production management systems. In the semiconductor field, we developed a multi-channel DC/DC converter control IC with optimum efficiency for use in VTR cameras and a low-loss super-high-speed MOSFET device designed for PDP sustain circuits. In magnetic disks, we channeled efforts into advancing our perpendicular magnetic recording technology, achieving the world's highest area storage density of 170Gbit per square inch.

R&D Expenditures, Ratio to Net Sales



Financial Position

Total assets as of March 31, 2004 stood at ¥908,060 million (U.S.\$8,648 million), ¥13,061 million less than a year earlier. Current assets totaled ¥451,682 million (U.S.\$4,301 million), a decrease of ¥21,540 million that was mainly attributable to a reduction in inventories. Property, plant and equipment, net, declined ¥36,411 million to ¥153,810 million (U.S.\$1,464 million), chiefly reflecting the shift to the leasing of production equipment with the aim of reducing plant and equipment. Investments and other assets increased ¥44,890 million to ¥302,568 million (U.S.\$2,881 million). This was primarily caused by a marked increase in the market value of investment securities and other, as many investments were revalued because of rising stock prices.

Total liabilities were ¥707,795 million (U.S.\$6,740 million), ¥37,683 million less than one year earlier. The main reason was a decrease of ¥75,854 million in interest-bearing liabilities, mainly short-term borrowings, which was partially offset by a ¥20,777 million increase in long-term deferred income taxes associated with the revaluation of investment securities and other, and a ¥12,967 million increase in trade payables. Interest-bearing liabilities on March 31, 2004 amounted to ¥363,010 million (U.S.\$3,457 million), a decrease of 7.7 percentage points to 39.9% of total assets.

As of March 31, 2004, minority interests were ¥8,491 million (U.S.\$80 million), ¥5,964 million less than one year earlier. This decline was mainly attributable to the conversion of Fuji Logistics Co., Ltd. into an equity-method affiliate.

As of March 31, 2004, shareholders' equity was ¥191,774 million (U.S.\$1,826 million), ¥30,586 million higher than a year earlier. This was mainly because unrealized gain on other securities, net of taxes, rose ¥29,695 million due to the revaluation of investment securities and other. The result was a 3.6 percentage-point increase in the equity ratio to 21.1%.

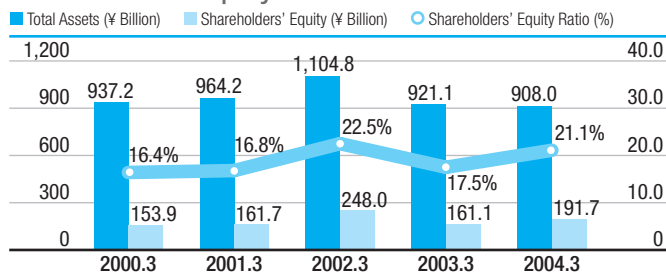
Cash Flows

In fiscal 2003, free cash flows, the sum of operating and investing cash flows, totaled ¥88,392 million (U.S.\$841 million), a sharp increase from ¥24,122 million one year earlier.

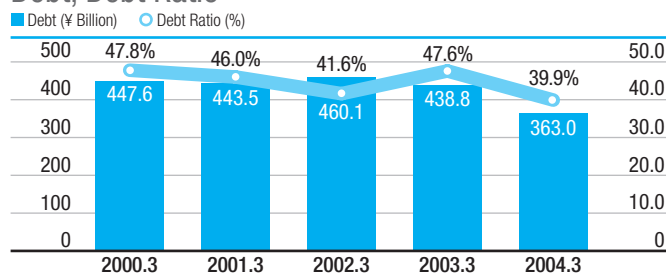
Cash Flows From Operating Activities

Operating activities provided net cash and cash equivalents (cash) of ¥66,468 million (U.S.\$633 million), compared with ¥38,576 million in the previous fiscal year. The main contributing factors were funds retained from depreciation and amortization, and income before income taxes and minority interests, as well as a reduction in inventories.

Total Assets, Shareholders' Equity and Shareholders' Equity Ratio



Debt, Debt Ratio



Cash Flows From Investing Activities

Investing activities provided net cash of ¥21,924 million (U.S.\$208 million), compared with ¥14,454 million used in the previous fiscal year. This reversal was mainly attributable to proceeds from sales of property, plant and equipment accompanying the shift to the leasing of equipment.

Cash Flows From Financing Activities

Financing activities used net cash of ¥76,808 million (U.S.\$731 million), compared with ¥47,832 million in the previous fiscal year. Cash was used mainly to reduce short-term borrowings.

Cash at March 31, 2004 amounted to ¥27,240 million (U.S.\$259 million), ¥12,202 million more than one year earlier.

Risk Factors

The Fuji Electric Group works to mitigate business risk and other risk in a systematic and methodical manner. However, before making an investment decision, investors should be aware of various risks, including those listed below, which could have a negative impact on the operating results and financial position of the Fuji Electric Group. As of March 31, 2004, the following factors were judged to have a potential future impact on the operations of the Fuji Electric Group.

(1) Risks related to changes in the operating environment

(a) Material and component prices in international markets have been rising due to rapidly increasing demand for raw materials associated with economic expansion in China, and geopolitical instability related to conditions in Iraq. In response, taking into account supply trends and capital expenditure plans, Fuji Electric is implementing effective procurement initiatives, ensuring adequate inventory levels of items in short supply, seeking possible alternatives, implementing cost reduction initiatives (reverse auctions, joint purchasing, logistics streamlining) and taking other steps in its procurement activities. However, an increase in raw material and component prices above a certain level may have a negative impact on operating results.

(b) The Fuji Electric Group is involved in BtoB business activities in a wide range of fields. Customers include domestic and overseas municipal and central governments and corporations active in the electric power, manufacturing and assembly, industrial equipment, transport, logistics, and service industries. The Group's main businesses are: Energy & Electric Systems, including electric power and distribution, industrial systems, and control systems; ED&C-Drive Systems, including low-voltage switches, drive and control systems; Electronic Devices, including semiconductors and magnetic disks; and, Retail Support Equipment & Systems, including vending machines and cold-chain equipment.

The Fuji Electric Group is faced with continued curbs on public works spending and ongoing cutbacks in investment by power utilities in its operating environment. This is leading to intensifying competition for orders and a consequent decline in unit prices. In response, the Group is actively implementing initiatives in both production and marketing to drive an improvement in earnings. However, there is a possibility that operating results may be affected by economic trends or a further decline in unit prices.

Meanwhile, due to robust exports centered on China and strong earnings results related to domestic market conditions, industrial machinery manufacturers, primarily machine tool makers, digital consumer electronics manufacturers and other companies are showing a high level of interest in the Group's switching equipment, drive and control systems, semiconductors and other products. Consequently, the Fuji Electric Group is actively working to win new orders and boosting output of these products. However, due to Chinese government policies

designed to slow down the country's overheating economy, there are concerns about a deterioration in market conditions in China, while there are also fears of a weakening in the domestic digital consumer electronics market. Any manifestation of these concerns may have an impact on the operating results of the Fuji Electric Group.

- (c) Based on an established set of basic management criteria for the Group's exchange rate transactions, the Fuji Electric Group systematically employs forward-exchange contracts to minimize the risk of exchange rate fluctuations on its operating results. However, the forward-exchange contract policy in the basic management criteria is not capable of entirely mitigating exchange-rate risk. Consequently, fluctuations in exchange rates, primarily between the yen and the U.S. dollar, may have a negative impact on the operating results and financial position of the Fuji Electric Group.

(2) Risks related to product quality

The Fuji Electric Group's approach to quality control is underpinned by the fundamental policy of manufacturing and selling products that ensure the highest level of customer satisfaction in the industry. The Group has put in place a quality assurance system in line with this thinking covering all stages of the product cycle, from market studies and product planning, through sales and after-sales services. However, the Group cannot guarantee that all the products it manufactures are free of defects, or that problems will not occur in the future. Although the Group has taken precautions in the form of insurance to provide compensation for product liability claims, there is no guarantee that this insurance will cover the entire amount of required compensation. In the event that defects are found in any Fuji Electric products, this may have a negative impact on the Group's operating results and financial position.

(3) Risks related to overseas business activities

As outlined in its medium-term management plan, the Fuji Electric Group is seeking to expand its overseas presence, with a particular focus on the Chinese market, in order to strengthen its earnings capabilities. Specifically, the Group is developing its energy & electric system, ED&C-drive system, electronics and retail support equipment & system businesses mainly in China and other Asian markets. Consequently, in these and other countries, Fuji Electric is exposed to the following risks, which may have a negative impact on the Group's operating results and financial position.

- Unforeseeable changes to laws, regulations and tax systems that may have a detrimental effect on the Group
- Disadvantages arising from political conditions
- Social turmoil related to terrorist incidents, war and other events

(4) Risks related to intellectual property

The Fuji Electric Group manages its intellectual property rights based on internal regulations that define its policy for protecting and utilizing intellectual property assets. In R&D and design, the Group also carries out systematic studies of patents held by third parties. In addition, Fuji Electric uses training programs to encourage greater awareness among employees of the patent system and respect for third-party intellectual assets. Based on these kinds of initiatives, the Group is working to effectively protect its own intellectual assets and efficiently and successfully develop new products that do not infringe third-party patent rights.

However, because the Group possesses technologies and products in a wide range of fields, the pace of technological innovation is accelerating, and the Group's operations are becoming more global, the possibility of dispute over intellectual property rights is increasing. Dispute of this kind may have a negative impact on the Group's operating results and financial position.

Consolidated Balance Sheets

As of March 31, 2004, 2003 and 2002	Millions of yen			Thousands of U.S. dollars (Note 3)
	2004	2003	2002	2004
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents (Note 2)	¥ 27,240	¥ 15,038	¥ 38,109	\$ 259,435
Short-term investments (Notes 2, 4 and 6)	367	1,087	2,386	3,501
Trade receivables	253,215	250,447	277,156	2,411,574
Allowance for doubtful accounts	(1,504)	(1,834)	(1,735)	(14,328)
Inventories (Notes 2 and 5)	125,910	152,427	145,453	1,199,152
Deferred income taxes (Notes 2 and 12)	14,999	16,396	11,572	142,849
Other current assets	31,455	39,661	39,040	299,555
TOTAL CURRENT ASSETS	451,682	473,222	511,981	4,301,738
PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 6):				
Land	37,966	39,971	35,703	361,588
Buildings and structures	186,036	193,055	193,287	1,771,772
Machinery and equipment	185,601	279,158	300,497	1,767,634
Construction in progress	3,365	2,533	8,631	32,050
	412,968	514,717	538,118	3,933,044
Less accumulated depreciation	(259,158)	(324,496)	(333,353)	(2,468,179)
NET PROPERTY, PLANT AND EQUIPMENT	153,810	190,221	204,765	1,464,865
INVESTMENTS AND OTHER ASSETS:				
Investment securities (Notes 2, 4 and 6):				
Unconsolidated subsidiaries and affiliates	29,871	26,952	17,534	284,494
Other	185,857	143,775	315,424	1,770,059
Long-term loans receivable	3,261	3,410	2,689	31,058
Deferred income taxes (Notes 2 and 12)	8,170	7,924	6,685	77,810
Other investments and other assets	76,775	76,908	46,767	731,186
Allowance for doubtful accounts	(1,366)	(1,291)	(974)	(13,018)
TOTAL INVESTMENTS AND OTHER ASSETS	302,568	257,678	388,125	2,881,589
	¥ 908,060	¥ 921,121	¥ 1,104,871	\$ 8,648,192

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

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2004	2003	2002	2004
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Short-term debt (Note 7)	¥181,005	¥252,140	¥ 276,304	\$1,723,859
Current portion of long-term debt (Note 7)	4,283	52,092	52,661	40,797
Trade payables	181,596	168,629	170,837	1,729,490
Advances from customers	33,768	51,177	51,587	321,605
Accrued income taxes (Notes 2 and 12)	6,511	3,137	1,950	62,010
Deferred income taxes (Notes 2 and 12)	—	—	2	—
Other current liabilities	80,539	61,384	60,290	767,029
TOTAL CURRENT LIABILITIES	487,702	588,559	613,631	4,644,790
LONG-TERM DEBT (Note 7)	177,722	134,632	131,156	1,692,594
LIABILITY FOR SEVERANCE PAYMENTS (Notes 2 and 8)	6,816	6,155	4,906	64,919
DEFERRED INCOME TAXES (Notes 2 and 12)	27,935	7,158	72,855	266,052
OTHER LONG-TERM LIABILITIES	7,620	8,974	2,226	72,540
TOTAL LIABILITIES	707,795	745,478	824,774	6,740,895
MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES	8,491	14,455	32,048	80,870
CONTINGENT LIABILITIES (Note 15)				
SHAREHOLDERS' EQUITY (Notes 9 and 19):				
Common stock:				
Authorized — 1,600,000,000 shares				
Issued — 746,484,957 shares as of March 31, 2004	47,586	—	—	453,201
746,484,957 shares as of March 31, 2003	—	47,586	—	—
715,080,369 shares as of March 31, 2002	—	—	47,586	—
Capital surplus	46,710	46,694	38,397	444,858
Retained earnings	71,172	69,275	68,189	677,835
Unrealized gain on other securities, net of taxes	36,617	6,922	95,493	348,736
Foreign currency translation adjustments	(3,574)	(2,602)	(1,604)	(34,038)
	198,511	167,875	248,061	1,890,592
Treasury stock at cost: 31,057,361 shares as of March 31, 2004	(6,737)	—	—	(64,165)
30,914,918 shares as of March 31, 2003	—	(6,687)	—	—
43,678 shares as of March 31, 2002	—	—	(12)	—
TOTAL SHAREHOLDERS' EQUITY	191,774	161,188	248,049	1,826,427
	¥908,060	¥921,121	¥1,104,871	\$8,648,192

Consolidated Statements of Operations

Years ended March 31, 2004, 2003 and 2002	Millions of yen			Thousands of U.S. dollars (Note 3)
	2004	2003	2002	2004
NET SALES (Note 2)	¥856,198	¥832,414	¥839,135	\$8,154,269
COST OF SALES (Note 10)	690,948	666,604	677,033	6,580,457
GROSS PROFIT	165,250	165,810	162,102	1,573,812
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 10) . . .	147,803	152,901	154,613	1,407,646
OPERATING INCOME	17,447	12,909	7,489	166,166
NON-OPERATING INCOME (EXPENSES):				
Interest and dividend income	1,813	2,009	3,493	17,283
Interest expense	(3,066)	(4,173)	(5,007)	(29,209)
Other, net	(2,266)	(1,761)	(184)	(21,584)
	(3,519)	(3,925)	(1,698)	(33,510)
ORDINARY INCOME	13,928	8,984	5,791	132,656
EXTRAORDINARY LOSS, NET (Note 11)	(1,041)	(1,910)	(5,560)	(9,917)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS . .	12,887	7,074	231	122,739
INCOME TAXES (Notes 2 and 12)	7,323	3,071	4,440	69,737
INCOME (LOSS) BEFORE MINORITY INTERESTS	5,564	4,003	(4,209)	53,002
MINORITY INTERESTS IN NET (INCOME) LOSS OF CONSOLIDATED SUBSIDIARIES	(45)	(92)	992	(434)
NET INCOME (LOSS)	¥ 5,519	¥ 3,911	¥ (3,217)	\$ 52,568

Years ended March 31, 2004, 2003 and 2002	Yen			U.S. dollars (Note 3)
	2004	2003	2002	2004
PER SHARE AMOUNTS:				
Net income (loss) (Note 2)	¥ 7.46	¥ 5.28	¥ (4.50)	\$ 0.071

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

Consolidated Statements of Shareholders' Equity

	Thousands	Millions of yen					
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings (Note 8)	Unrealized gain on other securities, net of taxes	Foreign currency translation adjustments	Treasury stock
BALANCE AT MARCH 31, 2001	715,080	¥47,586	¥38,397	¥77,616	¥ 156	¥(2,048)	¥ 0
Net loss for the year	-	-	-	(3,217)	-	-	-
Increase resulting from the merger of a consolidated subsidiary with a non-consolidated subsidiary	-	-	-	25	-	-	-
Cash dividends	-	-	-	(6,078)	-	-	-
Bonuses to directors	-	-	-	(157)	-	-	-
Change of unrealized gain on other securities, net of taxes	-	-	-	-	95,337	-	-
Change of foreign currency translation adjustments	-	-	-	-	-	444	-
Purchase and sale of treasury stock	-	-	-	-	-	-	(12)
BALANCE AT MARCH 31, 2002	715,080	¥47,586	¥38,397	¥68,189	¥95,493	¥(1,604)	¥ (12)
Net income for the year	-	-	-	3,911	-	-	-
Increase resulting from share exchange	31,404	-	8,297	-	-	-	-
Retained earnings of consolidated subsidiaries previously not consolidated at beginning of year	-	-	-	866	-	-	-
Retained earnings of consolidated subsidiaries previously consolidated of beginning of year	-	-	-	(2)	-	-	-
Cash dividends	-	-	-	(3,564)	-	-	-
Bonuses to directors	-	-	-	(125)	-	-	-
Change of unrealized gain on other securities, net of taxes	-	-	-	-	(88,571)	-	-
Change of foreign currency translation adjustments	-	-	-	-	-	(998)	-
Purchase and sale of treasury stock	-	-	-	-	-	-	(6,675)
BALANCE AT MARCH 31, 2003	746,484	¥47,586	¥46,694	¥69,275	¥ 6,922	¥(2,602)	¥(6,687)
Net income for the year	-	-	-	5,519	-	-	-
Surplus from the sales of treasury stock	-	-	16	-	-	-	-
Retained earnings of consolidated subsidiaries previously not consolidated at beginning of year	-	-	-	97	-	-	-
Cash dividends	-	-	-	(3,577)	-	-	-
Bonuses to directors	-	-	-	(142)	-	-	-
Change of unrealized gain on other securities, net of taxes	-	-	-	-	29,695	-	-
Change of foreign currency translation adjustments	-	-	-	-	-	(972)	-
Purchase and sale of treasury stock	-	-	-	-	-	-	(50)
BALANCE AT MARCH 31, 2004	746,484	¥47,586	¥46,710	¥71,172	¥36,617	¥(3,574)	¥(6,737)
		Thousands of U.S. dollars (Note 3)					
BALANCE AT MARCH 31, 2003	\$453,201	\$444,710	\$659,767	\$ 65,933	\$ (24,796)	\$ (63,687)	
Net income for the year	-	-	52,568	-	-	-	-
Surplus from the sales of treasury stock	-	-	148	-	-	-	-
Retained earnings of consolidated subsidiaries previously not consolidated at beginning of year	-	-	-	930	-	-	-
Cash dividends	-	-	-	(34,073)	-	-	-
Bonuses to directors	-	-	-	(1,357)	-	-	-
Change of unrealized gain on other securities, net of taxes	-	-	-	-	282,803	-	-
Change of foreign currency translation adjustments	-	-	-	-	-	(9,242)	-
Purchase and sale of treasury stock	-	-	-	-	-	-	(478)
BALANCE AT MARCH 31, 2004	\$453,201	\$444,858	\$677,835	\$348,736	\$ (34,038)	\$ (64,165)	

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

Consolidated Statements of Cash Flows

Years ended March 31, 2004, 2003 and 2002	Millions of yen			Thousands of U.S. dollars (Note 3)
	2004	2003	2002	2004
CASH FLOWS FROM OPERATING ACTIVITIES:				
Income before income taxes and minority interests	¥ 12,887	¥ 7,074	¥ 231	\$ 122,739
Depreciation and amortization	17,675	27,202	29,826	168,342
Increase (decrease) in allowance for doubtful receivables	(216)	323	(507)	(2,061)
Interest and dividend income	(1,814)	(2,009)	(3,493)	(17,283)
Interest expense	3,066	4,173	5,007	29,209
Exchange (gain) loss	39	25	(180)	373
Gain on securities contribution to employee retirement benefit trust	(14,693)	(21,004)	(22,088)	(139,934)
Gain on transfer of business by spin-off	—	(12,687)	—	—
Gain on sales of property, plant and equipment	(6,390)	(1,064)	(7,833)	(60,864)
Gain on sales of investment securities	(2,064)	(805)	(15,521)	(19,665)
Recognized actuarial loss	13,927	23,861	17,909	132,645
Loss on devaluation of investment securities	—	11,996	5,368	—
Extraordinary loss/other	4,137	3,959	3,921	39,408
Changes in operating assets and liabilities:				
Trade receivables	(7,132)	40,472	47,986	(67,930)
Inventories	26,021	1,932	12,257	247,826
Trade payables	13,504	(10,311)	(24,028)	128,610
Advances from customers	(17,380)	(422)	(468)	(165,529)
Other, net	30,215	(28,439)	(25,465)	287,750
Cash generated from operations	71,782	44,276	22,922	683,636
Interest and dividends received	1,852	1,982	3,598	17,642
Interest paid	(3,201)	(4,244)	(5,274)	(30,487)
Income taxes paid	(3,965)	(3,438)	(11,516)	(37,762)
Net cash provided by operating activities	66,468	38,576	9,730	633,029
CASH FLOWS FROM INVESTING ACTIVITIES:				
Payments for purchase of marketable securities	—	—	(1,749)	—
Proceeds from sales of marketable securities	440	6,748	1,843	4,196
Additions to property, plant and equipment	(12,252)	(17,074)	(23,961)	(116,693)
Proceeds from sales of property, plant and equipment	28,629	6,181	8,910	272,659
Payments for purchase of investment securities	(2,397)	(9,414)	(63,526)	(22,838)
Payments for purchase of investments in subsidiaries	—	(2,497)	—	—
Proceeds from the sale of a consolidated subsidiary resulting in change in the scope of consolidation	2,266	—	—	21,583
Proceeds from sales of investment securities	7,462	3,361	49,514	71,068
Disbursements for long-term loans	(10,431)	(11,155)	(26,718)	(99,344)
Decrease in long-term loans	8,853	12,112	24,360	84,318
Other, net	(646)	(2,716)	(2,092)	(6,148)
Net cash provided by (used in) investing activities	21,924	(14,454)	(33,419)	208,801
CASH FLOWS FROM FINANCING ACTIVITIES:				
Increase (decrease) in short-term debt	(69,988)	(40,884)	22,470	(666,554)
Proceeds from long-term debt	14,926	15,100	7,550	142,154
Repayment of long-term debt	(57,752)	(52,098)	(53,595)	(550,027)
Proceeds from issuance of bonds	40,000	41,000	40,000	380,952
Purchased of common stock in treasury	(138)	(6,674)	(12)	(1,316)
Proceeds from the sale of treasury stock	103	—	—	986
Cash dividends paid	(3,577)	(3,564)	(6,078)	(34,073)
Dividends paid to minorities	(163)	(470)	(470)	(1,554)
Other, net	(219)	(242)	(212)	(2,073)
Net cash provided by (used in) financing activities	(76,808)	(47,832)	9,653	(731,505)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(452)	(213)	355	(4,311)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,132	(23,923)	(13,681)	106,014
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	15,038	38,109	51,760	143,224
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES	1,070	852	—	10,197
INCREASE RESULTING FROM THE MERGER OF A CONSOLIDATED SUBSIDIARY WITH A NON-CONSOLIDATED SUBSIDIARY	—	—	30	—
CASH AND CASH EQUIVALENTS AT END OF YEAR	¥ 27,240	¥ 15,038	¥ 38,109	\$ 259,435

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

Due to the immateriality of the balance for 'Loss on devaluation of investment securities', the amount was included in 'Other, net' of 'CASH FLOWS FROM OPERATING ACTIVITIES' for the year ended March 31, 2004.

Notes to the Consolidated Financial Statements

Note 1

BASIS OF PREPARING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Fuji Electric Holdings Co., Ltd. (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company

as required by the Securities and Exchange Law of Japan.

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

Note 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Principles of Consolidation

The consolidated financial statements as of March 31, 2004 include the accounts of the Company and its 59 significant subsidiaries (58 in 2003 and 60 in 2002) (together, the "Companies"). The Company sold a significant portion of the ownership of Fuji Logistics Co., Ltd. As the result of the sale, Fuji Logistics Co., Ltd. was excluded from consolidation as of March 31, 2004 and accounted for by the equity method. Fuji Logistics Co., Ltd.'s, results of operations and cash flows for the years ended March 31, 2004, 2003 and 2002 were included in the accompanying consolidated statements of operations and cash flows as the Company consolidated Fuji Logistics Co., Ltd., during those periods.

Under the control or influence concept, the accompanying consolidated financial statements include the accounts of the Company and, with minor exceptions, those of its subsidiaries, whether directly or indirectly controlled, and those companies over which the Companies has the ability to exercise significant influence are accounted for by the equity method. All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Companies is eliminated. The Company does not consolidate nor applies the equity method to subsidiaries or affiliates whose gross assets, net sales, net income (loss) and retained earnings are not significant to the consolidated financial statements.

Investments in unconsolidated subsidiaries and affiliates are accounted for by the cost method.

The balance sheet date of the certain consolidated subsidiaries is December 31. If necessary, the significant transactions

that arose during the period from January 1 through March 31 have been adjusted.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

The excess of the Company's equity in the net assets at the respective dates of acquisition over the cost of its investments in consolidated subsidiaries, is being amortized over a period of 5 years. The amount of excess is included in "OTHER LONG-TERM LIABILITIES" on the consolidated balance sheets at March 31, 2004.

The amount of excess was ¥5,363 million (\$51,084 thousand) at March 31, 2004.

b. Cash Equivalents

For the purpose of the statement of cash flows, the Companies consider all short-term, highly liquid instruments with a maturity of three months or less to be cash equivalents.

c. 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 or average cost for regular production items, except that finished goods of certain consolidated subsidiaries are priced by the most recent purchase price method. In accordance with accounting practices generally accepted in the heavy electric industry, inventories include items with a manufacturing period exceeding one year.

d. Securities

Securities classified as other securities are stated at fair value. Unrealized gains and losses, net of taxes, are reported in a component of shareholders' equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

e. 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 of the Company and domestic subsidiaries 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.

f. Allowance for Doubtful Accounts

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

g. Retirement Benefits

The Company and its domestic consolidated subsidiaries have contributory funded pension plans, non-contributory funded pension plans and unfunded retirement benefit plans as defined benefit plans. Certain domestic subsidiaries have defined contribution pension plans.

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

The transitional obligation, determined as of April 1, 2000, is being amortized over ten years.

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. Amortization of actuarial difference was classified as extraordinary loss due to the significance of the amount at March 31, 2003 and the prior year. However, due to the reorganization of the Company's structure, the Company was divided into a holding company and subsidiaries during the year ended March 31, 2004. Due to the change, the actuarial difference recorded at the Company was transferred to the holding company and subsidiaries. The actuarial difference was, then, amortized at each subsidiary level based on the amortization periods set by each subsidiary.

As a result, amortization expense for the year ended March 31, 2004 was no longer significant. Accordingly, the amortization expense for the actuarial differences were included in "cost of sales" and "selling, general and administrative expenses" for the year ended March 31, 2004.

The Company and its certain domestic consolidated subsidiaries contributed certain marketable securities with the carrying amount of ¥3,663 million (\$34,890 thousand) to the employee retirement benefit trust for the pension plans, and recognized a non-cash gain of ¥14,693 million (\$139,934 thousand). The securities held in this trust are qualified as plan assets.

In March 2002, a certain domestic consolidated subsidiary converted its lump-sum payment plan and tax-qualified pension plan into a defined contribution pension plan pursuant to the Defined Contribution Pension Law of Japan and adopted a new accounting standard for transition between pension plans.

h. Research and Development Costs

Research and development costs are charged to income as incurred.

i. 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.

j. 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.

k. Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. The Company filed a joint tax return at the beginning of the fiscal year ended March 31, 2004, which allows companies to file tax payments on the combined basis of profits or losses of the parent company and its wholly owned domestic subsidiaries. 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. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

I. Foreign Currency Transactions

All 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.

m. Foreign Currency Financial Statements

Assets, liabilities, revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders' equity, which is translated at the historical rate.

Differences arising from such translation are included in minority interests in consolidated subsidiaries and "Foreign currency translation adjustments" as a separate component of shareholders' equity.

n. Derivatives and Hedging Activities

The Companies enter 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 and interest rate swap agreements as a means of managing its interest rate exposures on certain assets and liabilities.

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 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.

- b) 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.
- c) The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

o. Accounting for Consumption Taxes

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

p. Net Income (Loss) per Share

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.

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

Note 3

U.S. DOLLAR AMOUNTS

The U.S. dollar amounts included in accompanying consolidated financial statements and notes thereto represent the arithmetic results of translating yen into dollars at ¥105=U.S.\$1, the

approximate exchange rate at March 31, 2004. The U.S. dollar amounts are presented solely for the convenience of the readers outside Japan.

Note 4

SECURITIES

Information regarding the marketable securities classified as other securities at March 31, 2004, 2003 and 2002 were as follows:

	Millions of yen			
	Cost	Carrying amounts	Unrealized gains	Unrealized losses
March 31, 2004				
Marketable securities classified as other securities				
Equity securities	¥108,865	¥170,522	¥61,657	¥ -
Debt securities	7	7	0	-
Others	154	162	8	-
	¥109,026	¥170,691	¥61,665	¥ -
March 31, 2003				
Equity securities	¥117,064	¥128,426	¥11,362	¥ -
Debt securities	257	257	0	-
Others	363	344	-	(19)
	¥117,684	¥129,027	¥11,362	¥(19)
March 31, 2002				
Equity securities	¥136,993	¥301,796	¥164,803	¥ -
Debt securities	1,969	1,971	2	-
Others	1,418	1,413	-	(5)
	¥140,380	¥305,180	¥164,805	¥ (5)

	Thousands of U.S. dollars (Note 3)			
	Cost	Carrying amounts	Unrealized gains	Unrealized losses
March 31, 2004				
Marketable securities classified as other securities				
Equity securities	\$1,036,815	\$1,624,021	\$587,206	\$ -
Debt securities	67	67	0	-
Others	1,464	1,547	83	-
	\$1,038,346	\$1,625,635	\$587,289	\$ -

Other securities and held-to-maturity securities whose fair value is not readily determinable as of March 31, 2004, 2003 and 2002 were as follows:

	Carrying amounts			Thousands of U.S. dollars (Note 3)
	Millions of yen			
	2004	2003	2002	2004
Held-to-maturity				
Bond offered through private placement	¥ -	¥ -	¥ 5,000	\$ -
Others				
Unquoted securities	4,616	4,620	4,364	43,962
Preferred shares	5,500	5,500	3,000	52,381
Preferred stock	5,050	5,050	-	48,095
Total	¥15,166	¥15,170	¥12,364	\$144,438

Sales of held-to-maturity debt securities:

Proceeds from sales of held-to-maturity debt securities for the year ended March 31, 2002 were ¥1,554 million, with the carrying amount of ¥1,397 million. Gross realized gains were ¥156 million. A certain subsidiary sold these securities to meet financial requirements.

Sales of other securities:

Proceeds from sales of other securities for the years ended March 31, 2004, 2003 and 2002 were ¥25,334 million

(\$241,282 thousand), ¥32,139 million and ¥72,084 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥16,323 million (\$155,457 thousand) and ¥290 million (\$2,676 thousand), respectively, for the year ended March 31, 2004, ¥21,804 million and ¥242 million, respectively, for the year ended March 31, 2003 and ¥37,277 million and ¥521 million, respectively, for the year ended March 31, 2002, always excepting the sales of public bond investment trusts and money management funds.

The carrying values of debt securities by contractual maturities for securities classified as other securities and held-to-maturity at March 31, 2004, 2003 and 2002 were as follows:

	Millions of yen						Thousands of U.S. dollars (Note 3)	
	Debt securities	Other securities	Debts securities	Other securities	Debt securities	Other securities	Debts securities	Other securities
	2004		2003		2002		2004	
Due in one year or less	¥7	¥-	¥250	¥ -	¥ 704	¥ -	\$70	\$ -
Due after one year through five years	1	-	8	9	6,268	9	12	-
Due after five years through ten years	1	4	1	3	1	4	12	42
Due after ten years	-	-	-	-	0	-	-	-
Total	¥9	¥4	¥259	¥12	¥6,973	¥13	\$94	\$42

Note 5

INVENTORIES

Inventories at March 31, 2004, 2003 and 2002 comprised the following:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2004	2003	2002	2004
	Finished goods	¥ 57,497	¥ 79,767	¥ 73,178
Work in process	54,160	56,374	58,179	515,818
Raw materials	14,253	16,286	14,096	135,738
	¥125,910	¥152,427	¥145,453	\$1,199,152

Note 6

PLEGDED ASSETS AND FINANCIAL ASSETS ACCEPTED AS COLLATERAL

The amounts of assets pledged as collateral for trade payables, short-term debt and long-term debt were as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2004	2003	2002	2004
Time deposits	¥ 270	¥ 540	¥ 434	\$ 2,571
Investment securities	245	826	1,677	2,337
Property, plant and equipment	31,595	31,587	29,772	300,904
	¥32,110	¥32,953	¥31,883	\$305,812

Note 7

SHORT-TERM DEBT AND LONG-TERM DEBT

Short-term debt at March 31, 2004, 2003 and 2002 consisted of the following:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2004	2003	2002	2004
Loans, principally from banks	¥ 86,705	¥146,640	¥170,304	\$ 825,764
Commercial paper	94,300	105,500	106,000	898,095
	¥181,005	¥252,140	¥276,304	\$1,723,859

The weighted average interest rates on short-term debt at March 31, 2004, 2003 and 2002 were 0.29%, 0.32% and 0.40%, respectively.

Long-term debt at March 31, 2004, 2003 and 2002 consisted of the following:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2004	2003	2002	2004
Loans, principally from banks and insurance companies	¥ 62,005	¥ 65,724	¥ 63,817	\$ 590,534
Bonds issued by the Companies:				
2.05% Yen bonds due 2002	—	—	20,000	—
2.15% Yen bonds due 2003	—	—	20,000	—
2.25% Yen bonds due 2003	—	20,000	20,000	—
0.48% Yen bonds due 2004	—	100	—	—
2.35% Yen bonds due 2004	—	20,000	20,000	—
1.02% Yen bonds due 2006	20,000	20,000	20,000	190,476
1.06% Yen bonds due 2006	20,000	20,000	20,000	190,476
1.07% Yen bonds due 2007	8,000	8,000	—	76,190
1.11% Yen bonds due 2007	12,000	12,000	—	114,286
1.12% Yen bonds due 2007	7,000	7,000	—	66,667
1.15% Yen bonds due 2007	13,000	13,000	—	123,810
0.89% Yen bonds due 2008	—	500	—	—
0.48% Yen bonds due 2008	—	400	—	—
0.83% Yen bonds due 2008	10,000	—	—	95,238
1.08% Yen bonds due 2009	20,000	—	—	190,476
1.14% Yen bonds due 2010	10,000	—	—	95,238
	182,005	186,724	183,817	1,733,391
Less: Portion due within one year	4,283	52,092	52,661	40,797
	¥177,722	¥134,632	¥131,156	\$1,692,594

The weighted average interest rates on loans, principally from banks and insurance companies at March 31, 2004, 2003 and 2002 were 1.53%, 1.91% and 2.11%, respectively.

As of March 31, 2004, the aggregate annual maturities of long-term debt during the next five years are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 3)
2005	¥ 4,283	\$ 40,797
2006	19,805	188,626
2007	44,981	428,398
2008	56,010	533,435
2009 thereafter	56,926	542,135
	¥182,005	\$1,733,391

Note 8

RETIREMENT BENEFITS

The Company and its domestic consolidated subsidiaries have welfare pension fund plans, tax-qualified pension plans and lump-sum payment plans as defined benefit plans. A certain

subsidiary has a defined contribution pension plan.

In addition, the Companies pay other retirement benefits other than the above plans.

The liability (asset) for employees' retirement benefits at March 31, 2004, 2003 and 2002 consisted of the following:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2004	2003	2002	2004
Projected benefit obligation	¥(216,555)	¥(231,355)	¥(388,740)	\$(2,062,431)
Fair value of plan assets	178,118	105,245	273,247	1,696,356
Excess projected benefit obligation over plan assets	(38,437)	(126,110)	(115,493)	(366,075)
Unrecognized transitional obligation	8,710	12,407	19,771	82,956
Unrecognized actuarial loss	80,579	161,263	124,200	767,426
Unrecognized prior service cost	(1,671)	(1,811)	(10,086)	(15,920)
Carrying amount	49,181	45,749	18,392	468,387
Prepaid pension expense	55,997	51,904	23,298	533,306
Net liability	¥ (6,816)	¥ (6,155)	¥ (4,906)	\$ (64,919)

The substitutional portion of the governmental pension program managed by the Company on behalf of the government has been included in the amounts shown in the above table for the year ended March 31, 2002.

According to the approbation of exemption of the substitutional portion of the contributory funded benefit, the substitutional portion of the governmental pension program managed by the Company on behalf of the government has been excluded from the above table for the years ended March 31, 2004 and 2003.

In March 2000, there were revisions of the Japanese Welfare Pension Insurance Law and also the Company and its certain subsidiaries in Japan revised their defined benefit pension plans. These amendments reduced the projected benefit obligation of the pension plans for the Company and certain subsidiaries. These effects of the reductions in the projected benefit obligation have been reflected as a prior service cost not yet recognized, for the year ended March 31, 2002.

In computing projected benefit obligation, several simplified methods are permitted to small companies, and certain subsidiaries have adopted such methods.

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 and its certain domestic consolidated subsidiaries 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 and its certain domestic consolidated subsidiaries 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 and its certain domestic consolidated subsidiaries obtained an approval of exemption from future obligation by the Minister of Health, Labor and Welfare on January 17, 2003.

The Company and its certain domestic consolidated subsidiaries 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, Labor and Welfare.

The effects of the approval of exemption of the substitutional portion of the contributory funded defined benefit pension plan for the year ended March 31, 2003 were as follows:

	Millions of yen 2003
Decrease in project benefit obligation	¥178,124
Decrease in fair value plan assets	(118,797)
Unrecognized transitional obligation	(5,822)
Unrecognized actuarial gain	(42,359)
Unrecognized prior service cost	7,648
Decrease in liability for severance payments	¥ 18,794

The decrease in fair value plan assets were ¥114,880 million at March 31, 2003.

Certain domestic subsidiaries converted their lump-sum payment plan and tax-qualified pension plan into a defined

contribution pension plan pursuant to the Defined Contribution Pension Law of Japan and adopted a new accounting standard for transition between pension plans for the year ended March 31, 2002.

The effects of this transition were as follows:

	Millions of yen
	2002
Decrease in projected benefit obligation	¥ 4,039
Unrecognized transitional obligation	(3,181)
Unrecognized actuarial gain	(380)
Unrecognized prior service cost	-
Decrease in liability for severance payments	¥ 478

The components of net periodic benefit costs for the years ended March 31, 2004, 2003 and 2002 were as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2004	2003	2002	2004
Service cost	¥ 7,914	¥ 9,526	¥11,740	\$ 75,378
Interest cost	5,568	11,996	13,140	53,029
Expected return on plan assets	(1,516)	(6,860)	(8,279)	(14,445)
Amortization of transitional obligation	1,745	2,454	2,675	16,625
Recognized actuarial (gain) loss	21,551	24,832	17,709	205,256
Amortization of prior service cost	(139)	(1,459)	(722)	(1,336)
Net periodic benefit costs	35,123	40,489	36,263	334,507
Loss on transition to a defined contribution pension plan	-	-	1,655	-
Contributory portion to a defined contribution pension plan	69	64	-	664
Gain on approval of exemption of the substitutonal portion of the contributory funded defined benefit pension plan	-	(18,794)	-	-
Loss on transition to the basis methods from the simplified methods are permitted to small companies	-	292	-	-
Loss on end of retirement benefits plans	335	(145)	-	3,190
Total	¥35,527	¥ 21,906	¥37,918	\$338,361

Special additional termination benefits which have been excluded from the amounts shown in the above table were ¥2,844 million (\$27,094 thousand), ¥6,021 million and ¥14,745 million for the years ended March 31, 2004, 2003 and 2002,

respectively, and were charged to income as paid.

The employees' contributory portion has been excluded from the components of net periodic pension and severance costs.

Assumptions used for the years ended March 31, 2004, 2003 and 2002 were set forth as follows:

	2004	2003	2002
Decrease in projected benefit obligation	2.5%	2.5%	mainly 3.5%
Decrease in liability for severance payments	mainly 2.5%	mainly 4.0%	mainly 4.0%

The transitional obligation, determined as of the beginning of the year, is being amortized over ten years. 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.

Note 9

SHAREHOLDERS' EQUITY

Prior to October 1, 2001, the Code also provided that an amount at least equal to 10% of the aggregate amount to 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 equal 25% of stated capital, which cannot be available for dividends.

Appropriations of retained earnings are reflected in the financial statements for the following year upon shareholders' approval.

Note 10

RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥28,568 million (\$272,076 thousand), ¥26,780 million and ¥28,064 million for the years ended March 31, 2004, 2003 and 2002, respectively.

Note 11

EXTRAORDINARY LOSS, NET

Extraordinary loss, net, for the years ended March 31, 2004, 2003 and 2002 was as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2004	2003	2002	2004
Extraordinary income				
Gain on securities contribution to employee retirement benefit trust . . .	¥ 14,693	¥ 21,004	¥ 22,088	\$ 139,934
Gain on sales of property, plant and equipment	6,390	1,064	7,833	60,864
Gain on sales of investment securities	2,064	805	15,521	19,665
Gain on approval of exemption of the substitutional portion of the contributory funded defined benefit pension plan	—	18,794	—	—
Gain on transfer of business by spin-off	—	12,687	—	—
Others	300	271	—	2,860
Extraordinary loss				
Recognized actuarial loss	(13,927)	(23,861)	(17,909)	(132,645)
Loss on sales of property, plant and equipment	(2,805)	(3,304)	(2,540)	(26,720)
Loss on restructuring production system	(1,906)	(4,596)	(2,056)	(18,160)
Loss on devaluation of investment securities	—	(11,996)	(5,368)	—
Extra termination benefits	—	(5,104)	(13,461)	—
Loss on liquidation of subsidiaries and affiliates	—	—	(2,803)	—
Others	(5,850)	(7,674)	(6,865)	(55,715)
	¥ (1,041)	¥ (1,910)	¥ (5,560)	\$ (9,917)

Due to the immateriality of the balance for 'Loss on devaluation of investment securities' and 'Extra termination benefits', the amount was included in 'Others' of 'Extraordinary loss' for the year ended March 31, 2004.

Note 12

INCOME TAXES

The components of income taxes for the years ended March 31, 2004, 2003, and 2002 were as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2004	2003	2002	2004
Current	¥7,489	¥ 4,166	¥3,457	\$71,329
Deferred	(166)	(1,095)	983	(1,592)
	¥7,323	¥ 3,071	¥4,440	\$69,737

The Company and domestic subsidiaries are subject to corporate income tax, prefectural and municipal inhabitants' taxes and enterprise tax, based on income.

The significant components of deferred tax assets and liabilities at March 31, 2004, 2003 and 2002 were as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2004	2003	2002	2004
Deferred tax assets				
Liability for severance payments	¥ 32,236	¥ 31,773	¥ 52,241	\$ 307,013
Investment securities	3,105	4,704	2,835	29,579
Inventories	3,528	4,513	5,477	33,607
Tax loss carryforwards	11,902	10,969	5,049	113,360
Accrued employee benefits	7,370	6,175	4,123	70,191
Tangible fixed assets	3,222	4,077	1,407	30,692
Unrealized gain on other securities	-	420	194	-
Other	4,650	5,808	4,341	44,261
Gross deferred tax assets	66,013	68,439	75,667	628,703
Less: Valuation allowance	(3,906)	(1,113)	(3,175)	(37,206)
Total deferred tax assets	¥ 62,107	¥ 67,326	¥ 72,492	\$ 591,497
Deferred tax liabilities				
Unrealized gain on other securities	(25,024)	(4,996)	(69,557)	(238,324)
Gain on securities contribution to employee retirement benefit trust	(41,402)	(44,668)	(54,696)	(394,305)
Retained earning appropriated for tax deductible reserves	(397)	(426)	(2,695)	(3,784)
Others	(50)	(74)	(143)	(477)
Gross deferred tax liabilities	(66,873)	(50,164)	(127,091)	(636,890)
Net deferred tax assets (liabilities)	¥ (4,766)	¥ 17,162	¥ (54,599)	\$ (45,393)

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

The reconciliation for the years ended March 31, 2004 and 2002 were as follows:

	2004	2003	2002
Statutory income tax rate	42.1%	-	42.1%
Permanent difference resulting from expenses not deductible for income tax purposes	11.2	-	992.3
Permanent difference resulting from non-taxable income, including dividends received	(14.3)	-	-
Valuation allowance	17.9	-	331.4
Taxation on per capita basis	-	-	197.6
Other	(0.1)	-	356.7
Effective income tax rate	56.8%	-	1920.1%

Japanese local income tax law was amended and the pro forma standard taxation was 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 the tax rate, deferred tax liabilities (net of deferred tax assets) decreased by ¥123 million, deferred income tax increased by ¥53 million and unrealized gain on other securities, net of taxes, increased by ¥176 million.

Note 13

SUPPLEMENTAL CASH FLOW INFORMATION

a. The Company sold a significant portion of the ownership of Fuji Logistics Co., Ltd., which was excluded from consolidation as of March 31, 2004. The breakdown of assets and liabilities of Fuji Logistics Co., Ltd., as of March 31, 2004 was as follows.

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2004	2004
Current assets	¥11,753	\$111,940
Fixed assets	10,726	102,155
Total assets	22,479	214,095
Current liabilities	8,273	78,792
Long-term liabilities	3,829	36,470
Total liabilities	¥12,102	\$115,262

- b. The Company acquired additional stock of Fukiage Fuji Vending Machine Co., Ltd., which was newly consolidated in 2003. The breakdown of assets and liabilities of Fukiage Fuji Vending Machine Co., Ltd., as of April 1, 2002 was as follows.

	Millions of yen 2003
Current assets	¥ 34,627
Non-current assets	9,297
The excess of cost of the Company's investments in Fukiage Fuji Vending Machine Co., Ltd., over its equity in the net assets at the date of acquisition	3,177
Current liabilities	(37,343)
Long-term liabilities	(388)
Acquisition of stock	9,370
Cash and cash equivalent of Fukiage Fuji Vending Machine Co., Ltd.	(6,873)
Net cash decrease by acquisition of stock	¥ 2,497

- c. The breakdown of assets and liabilities of Japan AE Power Systems Corporation assumed through a spin-off for the year ended March 31, 2003 was as follows.

The acquisition of stock of Japan AE Power Systems Corporation was ¥11,716 million.

	Millions of yen 2003
Current assets	¥3,154
Non-current assets	5,747
Total assets	¥8,901
Current liabilities	¥4,420
Total liabilities	¥4,420

Note 14

SIGNIFICANT NON-CASH TRANSACTIONS

a. The Company contributed certain other securities with a carrying amount of ¥3,663 million (\$34,890 thousand), ¥7,897 million and ¥42,944 million for the years ended March 31, 2004, 2003 and 2002, respectively, to employees' retirement benefit trusts for the Company's contributory pension plans, and recognized a non-cash gain of ¥14,693 million (\$139,934

thousand), ¥21,004 million and ¥22,088 million for the years ended March 31, 2004, 2003 and 2002, respectively.

b. The Company implemented a share exchange with the shareholders' of Fuji Denki Reiki Co., Ltd. As a result of this share exchange, the capital surplus increased by ¥8,297 million for the year ended March 31, 2003.

Note 15

CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2004, 2003 and 2002 were as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2004	2003	2002	2004
Notes discounted and endorsed	¥ 575	¥ 658	¥ 990	\$ 5,480
Guarantees	12,596	16,861	19,618	119,971

Note 16

LEASES

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance lease, lease expense, depreciation expense and interest 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, 2004, 2003 and 2002 were as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2004	2003	2002	2004
	Machinery and Equipment	Machinery and Equipment	Machinery and Equipment	Machinery and Equipment
Acquisition cost	¥78,110	¥63,096	¥54,040	\$743,905
Accumulated depreciation	22,838	30,449	29,405	217,502
Net leased property	¥55,272	¥32,647	¥24,635	\$526,403

Obligations under finance leases:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2004	2003	2002	2004
Due within one year	¥14,854	¥10,475	¥10,548	\$141,467
Due after one year	41,488	22,849	14,670	395,128
Total	¥56,342	¥33,324	¥25,218	\$536,595

Lease expense, depreciation expense and interest expense under finance leases:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2004	2003	2002	2004
Lease expense	¥14,726	¥11,625	¥12,012	\$140,248
Depreciation expense	14,234	11,055	11,334	135,571
Interest expense	1,147	613	674	10,930

The minimum rental commitments under noncancellable operating leases at March 31, 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2004	2003	2004
Due within one year	¥165	¥412	\$1,581
Due after one year	319	485	3,030
Total	¥484	¥897	\$4,611

Note 17

DERIVATIVES

The Companies, which operate globally, are exposed to market risk arising from fluctuations in foreign currency exchange rates and enter into derivative financial instruments for the purpose of reducing such risk. The Companies also enter into interest rate swap agreements as a means of managing their interest rate exposure. The Companies do not hold or issue derivatives for speculative or dealing purposes.

Because the counterparties to these derivatives are limited to authentic financial institutions, the Companies do not anticipate any losses arising from credit risk.

All derivative transactions are entered into to hedge foreign currency exposures incorporated within business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities. Derivative transactions entered into by the Companies have been made in accordance with the Companies' policies. The execution and control of derivatives, which is based on the application of each section, are controlled by the Finance Department. Each derivative transaction is periodically reported to the management and each section.

Fair Value of Derivative Financial Instruments:

The fair value of the Companies' derivative financial instruments at March 31, 2004, 2003 and 2002 were as follows:

	Millions of yen								
	2004			2003			2002		
	Contract Amount	Fair Value	Unrealized Gain/Loss	Contract Amount	Fair Value	Unrealized Gain/Loss	Contract Amount	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:									
Receivables:									
US dollars	¥4,472	¥4,306	¥166	¥1,291	¥1,274	¥ 17	¥4,361	¥4,629	¥(268)
Euro	1,185	1,133	52	910	951	(41)	922	956	(34)
Canada dollars	126	124	2	47	51	(4)	-	-	-
Payables:									
Yen	-	-	-	47	48	1	-	-	-
US dollars	-	-	-	-	-	-	0	0	0
Total	¥ -	¥ -	¥220	¥ -	¥ -	¥(27)	¥ -	¥ -	¥(302)

	Thousands of U.S. dollars (Note 3)		
	2004		
	Contract Amount	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:			
Receivables:			
US dollars	\$ 42,598	\$41,014	\$1,584
Euro	11,298	10,799	499
Canada dollars	1,205	1,185	20
Total	\$ -	\$ -	\$2,103

Foreign currency forward contracts which qualify for hedge accounting for the years ended March 31, 2004, 2003 and 2002 and such amounts which are assigned to the associated assets and liabilities and were recorded on the balance sheets at March 31, 2004, 2003 and 2002, are excluded from disclosure of market value information.

Note 18

SEGMENT INFORMATION

The Companies' primary business activities include (1) Energy & Electric Systems, (2) ED&C-Drive Systems, (3) Electronics, (4) Retail Support Equipment & Systems and (5) Others. A summary of net sales, operating costs and expenses, and operating income (loss) by segment of business activities for the years ended March 31, 2004, 2003 and 2002 were as follows:

	Millions of yen							
	Energy & Electric Systems	ED&C-Drive Systems	Electronics	Retail Support Equipment & Systems	Others	Total	Elimination and Corporate	Consolidated Total
2004								
Sales								
Unaffiliated customers	¥393,689	¥157,272	¥126,738	¥150,199	¥28,300	¥856,198	¥ -	¥856,198
Intersegment	9,460	10,790	2,937	561	47,434	71,182	(71,182)	-
Total sales	403,149	168,062	129,675	150,760	75,734	927,380	(71,182)	856,198
Operating costs and expenses . .	402,649	165,684	119,896	148,683	73,403	910,315	(71,564)	838,751
Operating income	¥ 500	¥ 2,378	¥ 9,779	¥ 2,077	¥ 2,331	¥ 17,065	¥ 382	¥ 17,447
Total assets	¥313,066	¥137,800	¥131,062	¥106,521	¥51,321	¥739,770	¥168,290	¥908,060
Depreciation and amortization . .	¥ 4,023	¥ 2,261	¥ 7,904	¥ 1,441	¥ 1,666	¥ 17,295	¥ 380	¥ 17,675
Capital expenditure	¥ 4,236	¥ 1,523	¥ 6,219	¥ 728	¥ 1,513	¥ 14,219	¥ 240	¥ 14,459

	Millions of yen							
	Energy & Electric Systems	ED&C-Drive Systems	Electronics	Retail Support Equipment & Systems	Others	Total	Elimination and Corporate	Consolidated Total
2003								
Sales								
Unaffiliated customers	¥379,701	¥148,786	¥122,652	¥154,016	¥27,259	¥832,414	¥ -	¥832,414
Intersegment	3,681	11,161	1,923	419	48,881	66,065	(66,065)	-
Total sales	383,382	159,947	124,575	154,435	76,140	898,479	(66,065)	832,414
Operating costs and expenses . .	383,562	158,752	117,358	151,838	74,053	885,563	(66,058)	819,505
Operating income (loss)	¥ (180)	¥ 1,195	¥ 7,217	¥ 2,597	¥ 2,087	¥ 12,916	¥ (7)	¥ 12,909
Total assets	¥358,409	¥139,922	¥140,269	¥111,732	¥73,577	¥823,909	¥97,212	¥921,121
Depreciation and amortization . .	¥ 6,361	¥ 4,928	¥ 12,485	¥ 1,622	¥ 1,718	¥ 27,114	¥ 88	¥ 27,202
Capital expenditure	¥ 2,987	¥ 3,530	¥ 7,479	¥ 1,705	¥ 1,142	¥ 16,843	¥ 20	¥ 16,863

	Millions of yen							
	Energy & Electric Systems	ED&C-Drive Systems	Electronics	Retail Support Equipment & Systems	Others	Total	Elimination and Corporate	Consolidated Total
2002								
Sales								
Unaffiliated customers	¥408,994	¥147,354	¥125,557	¥129,200	¥28,030	¥839,135	¥ -	¥ 839,135
Intersegment	4,560	11,766	2,868	388	47,179	66,761	(66,761)	-
Total sales	413,554	159,120	128,425	129,588	75,209	905,896	(66,761)	839,135
Operating costs and expenses . .	410,319	162,480	123,925	127,087	74,690	898,501	(66,855)	821,646
Operating income (loss)	¥ 3,235	¥ (3,360)	¥ 4,500	¥ 2,501	¥ 519	¥ 7,395	¥ 94	¥ 7,489
Total assets	¥369,110	¥133,559	¥142,499	¥101,278	¥75,274	¥821,720	¥283,151	¥1,104,871
Depreciation and amortization . .	¥ 7,043	¥ 4,772	¥ 13,743	¥ 2,420	¥ 1,754	¥ 29,732	¥ 94	¥ 29,826
Capital expenditure	¥ 5,856	¥ 4,971	¥ 11,005	¥ 3,384	¥ 1,500	¥ 26,716	¥ 19	¥ 26,735

Thousands of U.S. dollars (Note 3)								
2004	Energy & Electric Systems	ED&C-Drive Systems	Electronics	Retail Support Equipment & Systems	Others	Total	Elimination and Corporate	Consolidated Total
Sales								
Unaffiliated customers	\$3,749,428	\$1,497,837	\$1,207,030	\$1,430,475	\$269,499	\$8,154,269	\$ -	\$8,154,269
Intersegment	90,095	102,760	27,978	5,336	451,754	677,923	(677,923)	-
Total sales	3,839,523	1,600,597	1,235,008	1,435,811	721,253	8,832,192	(677,923)	8,154,269
Operating costs and expenses	3,834,757	1,577,945	1,141,871	1,416,021	699,066	8,669,660	(681,557)	7,988,103
Operating income	\$ 4,766	\$ 22,652	\$ 93,137	\$ 19,790	\$ 22,187	\$ 162,532	\$ 3,634	\$ 166,166
Total assets	\$2,981,589	\$1,312,387	\$1,248,217	\$1,014,494	\$488,749	\$7,045,436	\$1,602,756	\$8,648,192
Depreciation and amortization	\$ 38,321	\$ 21,537	\$ 75,279	\$ 13,725	\$ 15,860	\$ 164,722	\$ 3,620	\$ 168,342
Capital expenditure	\$ 40,345	\$ 14,508	\$ 59,232	\$ 6,942	\$ 14,397	\$ 135,424	\$ 2,289	\$ 137,713

Overseas sales, which include export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of the foreign consolidated subsidiaries, for the years ended March 31, 2004, 2003 and 2002 were summarized as follows:

Year ended March 31, 2004	Millions of yen				
	North America	Europe	Asia	Other	Total
Overseas sales	¥19,249	¥16,197	¥88,602	¥5,235	¥129,283
Consolidated net sales					856,198
Overseas sales as a percentage of consolidated net sales	2.2%	1.9%	10.3%	0.7%	15.1%

Year ended March 31, 2003	Millions of yen				
	North America	Europe	Asia	Other	Total
Overseas sales	¥25,747	¥12,580	¥71,437	¥9,379	¥119,143
Consolidated net sales					832,414
Overseas sales as a percentage of consolidated net sales	3.1%	1.5%	8.6%	1.1%	14.3%

Year ended March 31, 2002	Millions of yen				
	North America	Europe	Asia	Other	Total
Overseas sales	¥16,096	¥11,977	¥73,471	¥8,896	¥110,440
Consolidated net sales					839,135
Overseas sales as a percentage of consolidated net sales	1.9%	1.4%	8.8%	1.1%	13.2%

Year ended March 31, 2004	Thousands of U.S. dollars (Note 3)				
	North America	Europe	Asia	Other	Total
Overseas sales	\$183,326	\$154,265	\$843,836	\$49,841	\$1,231,269
Consolidated net sales					8,154,269
Overseas sales as a percentage of consolidated net sales	2.2%	1.9%	10.3%	0.7%	15.1%

GEOGRAPHIC INFORMATION

For the years ended March 31, 2004, 2003 and 2002, sales from operations in Japan represented more than 90% of

consolidated net sales. As a result, geographic information is not required to be disclosed in accordance with accounting principles generally accepted in Japan.

Note 19**SUBSEQUENT EVENTS**

Appropriations of Retained Earnings

The following appropriations of retained earnings at March 31, 2004 were approved at the Company's shareholders' meeting held on June 25, 2004:

	Millions of yen	Thousands of U.S. dollars (Note 3)
Year-end cash dividends, ¥2.5 (\$0.024) per share	¥1,788	\$17,034
Bonuses to directors	50	476

Independent Auditors' Report

Certified Public Accountants

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The Board of Directors
Fuji Electric Holdings Co., Ltd.

We have audited the accompanying consolidated balance sheets of Fuji Electric Holdings Co., Ltd. and consolidated subsidiaries as of March 31, 2004, 2003 and 2002, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards 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 consolidated financial position of Fuji Electric Holdings Co., Ltd. and consolidated subsidiaries at March 31, 2004, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2004 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 consolidated financial statements.

Shin Nihon & Co.

June 25, 2004