

# Consolidated Seven-year Summary

Years ended or as of March 31	Millions of yen							Thousands of U.S. dollars*1
	2005.3	2004.3	2003.3	2002.3	2001.3	2000.3	1999.3	2005.3
Net sales . . . . .	<b>¥844,200</b>	¥856,198	¥832,414	¥ 839,135	¥891,086	¥851,830	¥852,060	<b>\$7,889,725</b>
Cost of sales . . . . .	<b>665,774</b>	690,948	666,604	677,033	709,481	692,132	692,309	<b>6,222,183</b>
[Ratio to net sales (%)] . . . . .	<b>78.9</b>	80.7	80.1	80.7	79.6	81.3	81.3	–
Selling, general and administrative expenses . . . . .	<b>151,608</b>	147,803	152,901	154,613	156,598	155,555	163,878	<b>1,416,902</b>
[Ratio to net sales (%)] . . . . .	<b>17.9</b>	17.3	18.3	18.4	17.6	18.2	19.2	–
Operating income (loss) . . . . .	<b>26,818</b>	17,447	12,909	7,489	25,007	4,143	(4,127)	<b>250,640</b>
[Ratio to net sales (%)] . . . . .	<b>3.2</b>	2.0	1.6	0.9	2.8	0.5	(0.5)	–
Ordinary income (loss) . . . . .	<b>22,222</b>	13,928	8,984	5,791	22,522	(948)	(6,044)	<b>207,691</b>
[Ratio to net sales (%)] . . . . .	<b>2.6</b>	1.6	1.1	0.7	2.5	(0.1)	(0.7)	–
Income (loss) before income taxes and minority interests . . . . .	<b>16,254</b>	12,887	7,074	231	21,319	(4,092)	(11,665)	<b>151,909</b>
[Ratio to net sales (%)] . . . . .	<b>1.9</b>	1.5	0.8	0.0	2.4	(0.5)	(1.4)	–
Net income (loss) . . . . .	<b>7,797</b>	5,519	3,911	(3,217)	9,711	(7,423)	(17,388)	<b>72,874</b>
[Ratio to net sales (%)] . . . . .	<b>0.9</b>	0.6	0.5	(0.4)	1.1	(0.9)	(2.0)	–
Total assets . . . . .	<b>882,412</b>	908,060	921,121	1,104,871	964,211	937,233	994,761	<b>8,246,843</b>
Asset turnover (times) . . . . .	<b>0.94</b>	0.94	0.82	0.81	0.94	0.88	0.86	–
Shareholders' equity . . . . .	<b>195,741</b>	191,774	161,188	248,049	161,707	153,945	157,425	<b>1,829,356</b>
Shareholders' equity ratio (%) . . . . .	<b>22.2</b>	21.1	17.5	22.5	16.8	16.4	15.8	–
Debt . . . . .	<b>318,433</b>	363,010	438,864	460,121	443,538	447,697	461,957	<b>2,976,014</b>
Debt ratio (%) . . . . .	<b>36.1</b>	39.9	47.6	41.6	46.0	47.8	46.4	–
Debt-to-equity ratio (times) . . . . .	<b>1.6</b>	1.9	2.7	1.9	2.7	2.9	2.9	–
Return on assets (%) . . . . .	<b>0.9</b>	0.6	0.4	(0.3)	1.0	(0.8)	(1.8)	–
Return on equity (%) . . . . .	<b>4.0</b>	3.1	1.9	(1.6)	6.2	(4.8)	(10.4)	–

	Yen							U.S. dollars*1
Net income (loss) per share . . . . .	<b>¥ 10.69</b>	¥ 7.46	¥ 5.28	¥ (4.50)	¥ 13.58	¥ (10.38)	¥ (24.31)	<b>\$ 0.100</b>
Cash dividends per share . . . . .	<b>5.00</b>	5.00	5.00	5.00	6.00	0.00	0.00	<b>0.047</b>
Payout ratio (%)*2 . . . . .	<b>46.8</b>	67.0	94.7	–	44.2	–	–	–
Shareholders' equity per share . . . . .	<b>273.47</b>	267.80	225.06	346.91	226.13	215.28	220.15	<b>2.56</b>

	Millions of yen							Thousands of U.S. dollars*1
Plant and equipment investment*3 . . . . .	<b>¥ 35,662</b>	¥ 26,973	¥ 33,233	¥ 35,104	¥ 34,231	¥ 35,851	¥ 48,319	<b>\$ 333,291</b>
Depreciation and amortization . . . . .	<b>16,545</b>	17,675	27,202	29,826	32,608	35,297	34,059	<b>154,633</b>
R&D expenditures . . . . .	<b>27,224</b>	28,568	26,780	28,064	27,017	28,252	34,776	<b>254,434</b>
Number of employees . . . . .	<b>24,597</b>	24,601	25,822	24,505	27,103	27,641	28,173	–

\*1 The U.S. dollar amounts represent the arithmetic results of translating yen into dollars at ¥107=U.S.\$1, the approximate exchange rate at March 31, 2005.

\*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 2004, the year ended March 31, 2005, consolidated net sales fell 1.4% to ¥844,200 million (US\$7,889 million). Sales increased year on year in three business groups: ED&C-Drive Systems, Electronic Devices, and Retail Systems. However, Energy & Electric Systems reported lower sales as restrictions on public-sector capital investment and tighter spending by power utilities led to a decline in large projects.

Overseas sales increased 10.3% to ¥142,540 million (US\$1,332 million). Overseas net sales accounted for 16.9% of consolidated net sales, up 1.8 percentage point compared to a year earlier.

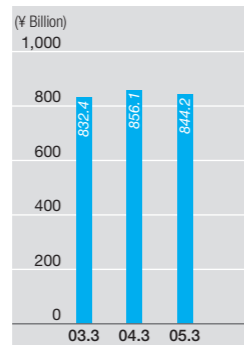
By region, sales declined in North America and Europe, but increased in Asia. In Other Areas, sales were significantly higher year on year on the back of a large order for electrical machinery plant systems to the Middle East.

### Income

Cost of sales declined 3.6% to ¥665,774 million (US\$6,222 million) due to the drop in consolidated net sales and the benefits of efforts to pare back costs. This resulted in a cost of sales ratio of 78.9%, 1.8 percentage point lower than a year earlier.

Selling, general and administrative (SG&A) expenses increased 2.6% to ¥151,608 million (US\$1,416 million), mainly due to higher research and development costs. SG&A expenses represented 17.9% of net sales, up 0.6 of a percentage point from the previous year.

Net Sales



Operating Income, Ratio to Net Sales



Operating income jumped 53.7% to ¥26,818 million (US\$250 million). By segment, the ED&C-Drive Systems and Retail Systems groups both reported marked increases in operating income on the back of increases in sales volumes, as well as lower operating and management costs resulting from structural reforms and Group-wide initiatives to innovate in manufacturing. Energy & Electric Systems also reported a significant improvement in operating income.

Non-operating income (expenses) increased ¥1,077 million from net expenses of ¥3,519 million in the previous year to net expenses of ¥4,596 million (US\$42 million) in the year under review. This mainly reflected equity in losses of affiliates that outweighed a decline in foreign exchange losses.

As a result, ordinary income surged 59.5% year on year, to ¥22,222 million (US\$207 million).

Fuji Electric recorded extraordinary gains of ¥10,329 million (US\$96 million) for fiscal 2004, ¥13,118 million less than the previous year when it recorded a gain on securities contribution to an employee retirement benefit trust. The major components of extraordinary gains in fiscal 2004 were gain on sales of property, plant and equipment, gain on sales of investment securities and recognized actuarial gain.

Extraordinary losses of ¥16,297 million (US\$152 million) mainly consisted of loss on sales of property, plant and equipment, special termination benefits, loss on devaluation of investment securities and disposal of inventories. Extraordinary losses were ¥8,191 million lower than a year earlier, mainly reflecting the absence of a recognized actuarial loss booked in fiscal 2003.

As a result of the above, income before income taxes and minority interests increased 26.1%, to ¥16,254 million (US\$151 million). After deducting income taxes of ¥8,698 million (US\$81 million) and recording minority interests in net loss of consolidated subsidiaries of ¥241 million (US\$2 million), net income increased 41.3%, to ¥7,797 million (US\$72 million).

Net Income, Ratio to Net Sales



## Segment Information

### Energy & Electric Systems Group

Net sales in Energy & Electric Systems dropped 7.0% from the previous fiscal year to ¥374,794 million (US\$3,502 million), and operating income increased ¥2,704 million to ¥3,204 million (US\$29 million).

The group's operating environment continued to undergo structural change in the year under review as drivers of demand continued to shift from public-sector capital investment and spending by power utilities to private-sector companies. Against this backdrop, Energy & Electric Systems realigned its business by channeling resources into core and strategic products, and worked to boost operational efficiency with structural reforms.

The group also took a number of steps to build an operating structure capable of generating higher earnings. First, in order to more clearly define business operations in each field, the group put in place an organizational framework based on four strategic business units. Second, a cross-divisional group was established to tackle the common issues of reinforcing manufacturing capabilities and enhancing the competitiveness of each product line. This group is also responsible for generating synergies through a shared marketing strategy to boost sales volume.

In e-solutions, business handled by the group's various information-related companies was realigned to enhance operational efficiency, while the information business of group subsidiary Fuji Denki Sosetsu Co., Ltd. was spun off and established as Fuji Electric IT Solutions Co., Ltd. These initiatives created an integrated management structure for operations in the e-solutions field.

Amid these changes, sales of e-solutions were slightly down year on year. Although there was success in winning orders for document management systems, the main building block for e-government and local government information systems, there was a decrease in major contracts for radiation monitoring facilities. Despite the drop in sales, e-solutions posted a marked improvement in operating income due to the benefits of business restructuring and measures to boost profitability and reduce costs. This also had a significant positive impact on overall profitability in Energy & Electric Systems.

In environmental systems, the group actively forged alliances in the water environment business, including an equity-based business tie-up with Tsukishima Kikai Co., Ltd. Collaborative efforts with academia also continued apace as the group linked up with Tsinghua University in China and Hokkaido and Hiroshima universities in Japan.

However, major contracts for environmental systems declined due to falling public-sector capital investment and intensifying competition. As a result, both sales and operating income fell year on year.

In industrial and transportation systems, in a move to raise the competitiveness of the power supply systems business, operations for small-capacity uninterruptible power supply (UPS) products handled by ED&C-Drive Systems were transferred to the group. This created an integrated operating structure for small-, medium- and large-capacity UPS products.

Against this backdrop, sales and operating income in industrial and transportation systems were both up year on year. This reflected new and additional orders for clean room facilities, and electrical and measuring equipment for the steel, chemical and other materials industries on the back of rising investment in the private sector. In addition, there were major overseas orders for transformer rectifier units.

Net sales in electric power systems were down from fiscal 2003 as new domestic orders for thermal power plants could not compensate for a year-on-year decrease in large orders for steam turbine power plants in Japan and overseas and equipment for nuclear power-related facilities. However, there was a marked improvement in operating income as efforts to boost profitability and rationalize operations paid off.

In the plant facility construction business, sales increased due to higher orders for work on industrial air-conditioning systems. However, operating income declined due to the impact of intensifying competition and a rapid rise in material procurement costs.

### ED&C-Drive Systems Group

Net sales in ED&C-Drive Systems rose 6.1% to ¥178,293 million (US\$1,666 million), while operating income increased ¥4,274 million year on year to ¥6,652 million (US\$62 million).

During the year, the group stepped up its activities in the growing Asian region, including China, which has been positioned as a strategic market. In Japan, where market conditions varied significantly depending on the industry, the group targeted the automotive, machine tools and other sectors where capital investment is buoyant. Furthermore, seeing the stricter regulatory environment as a business opportunity, typified by revisions to the Energy Conservation Law, the group initiated a proposal-based sales drive.

With the aim of reinforcing the group's operating structure, a Quality Improvement Campaign was launched to enhance product quality as well as quality in terms of business processes and compliance and other societal aspects of operations.

As part of initiatives to build a stronger presence in China and the rest of Asia, two overseas sales companies were made wholly owned subsidiaries and a local logistics network was established.

In ED&C components, the group worked to increase sales in Japan with the launch of autobreakers and earth-leakage circuit breakers with measurement displays, the provision of solutions for energy monitoring systems and other initiatives. The group was also active overseas. Initiatives included expanding the lineup of global products, reinforcing sales capabilities in China and setting up a joint venture in low-voltage circuit breakers with Schneider Electric Industries S.A.S. of France.

Against this backdrop, sales of ED&C components increased year on year due to an increase in sales volume to equipment makers in Japan, the group's core customer segment in the country. Sales were centered on mainstay products such as magnetic contactors and low-voltage circuit breakers. Operating income was also substantially higher compared to a year earlier due to the higher sales volume and a more focused and streamlined product lineup.

In control & drive systems, although demand was strong in the first half, the market slowed in the second half as some industries entered recession and interest rates were raised in China.

Despite this environment, the benefits of a stronger lineup of inverters and servomotor systems, sales of systems that integrate programmable logic controllers with other products, and efforts to boost sales of core products to growing industry sectors supported higher year-on-year sales and operating income.

#### Electronic Devices Group

Net sales in the Electronic Devices Group increased 10.5% to ¥143,236 million (US\$1,338 million), while operating income dipped 2.9% to ¥9,498 million (US\$88 million).

This group's operating environment is characterized by the rapid pace of innovation and severe fluctuations in demand. Consequently, ensuring growth and generating earnings are key issues in this business. To achieve these goals, the group constantly focuses on developing new products and design-in activities, as well as reforming its manufacturing cost structure.

Further, in order to deliver sustained growth, the group is building a volume production and supply structure targeting growth markets and developing its business on a global scale.

In semiconductors, the group implemented tightly focused marketing activities designed to boost sales of automotive MOSFETs and other products in the expanding automotive component sector. Leveraging a larger range of IGBT modules that incorporate unique Fuji Electric technologies such as field-stop, the group also worked to increase sales to customers in the industrial sector. And in the IT and power supply sector, the group worked to expand sales of ICs for plasma display panels (PDPs) used in digital consumer electronics and other products.

As a result of these and other efforts, sales of semiconductor products grew year on year, supported by a buoyant automotive market in North America that cancelled out the impact of a second-half wind-down in inventories in the digital consumer electronics sector. Operating income dropped, however, reflecting falling sales prices and an increase in fixed costs such as depreciation and lease expenses, and R&D expenses.

In magnetic disks, the group increased production capacity of aluminum substrate disks and began volume production of glass substrate disks. In addition to more actively identifying customer needs and designing in their specifications to new products, the group worked to build a more robust operating base by accelerating the development of small-diameter glass substrate disks and perpendicular magnetic recording technology.

Sales and operating income in magnetic disks both increased significantly compared to fiscal 2003, helped by recovery in the PC market and the growing number of digital consumer electronics products incorporating hard disk drives (HDDs).

In imaging devices, the group worked to develop its presence in China. Steps included bringing a new organic photoconductive drum (OPC) production line fully onstream at the Shenzhen Plant, launching marketing activities, and transferring the production of models aimed at Japanese companies based in the region to this plant.

Despite these efforts, sales and operating income both dropped year on year, primarily reflecting more intense competition overseas.

#### Retail Systems Group

Net sales in Retail Systems increased 11.5% to ¥168,112 million (US\$1,571 million), while operating income jumped by ¥5,372 million to ¥7,449 million (US\$69 million).

Although Retail Systems commands the leading share in Japan in vending machines, its core product, the group must reinforce its ability to generate earnings and develop new markets in response to a maturing market that is slowly contracting.

Since April 2002, the group has taken a number of steps in this direction, including the acquisition of SANYO Electric Vending Machine Co., Ltd., business rationalization aimed at deriving maximum synergies from integrated manufacturing and sales operations, and business expansion in China.

In vending machines, food service equipment, and currency handling systems, the year under review was used to put the finishing touches to structural reforms. Projects were launched to reduce inventories, rationalize logistics and raise product quality. The result was a significant reduction in costs. And in an environment of rapidly rising prices for steel products, the group focused on securing a stable supply of steel panels for its vending machines. In China, operations got under way at a joint-venture manufacturing and sales company in Dalian, while a vending machine operations company, another joint venture, began sales activities. These were just some of the initiatives taken during fiscal 2004 aimed at building a stronger presence in China's vending machine market.

Against this backdrop, the group recorded a marked year-on-year rise in net sales. This was attributable to large orders for cigarette vending machines, a significant increase in demand for currency handling systems related to the issue of redesigned yen bills in Japan, and replacement demand for mainstay vending machines. Operating income was also substantially higher compared to fiscal 2003 thanks to the increase in sales volume and the aforementioned measures to reduce costs that mitigated negative factors such as a drop in sales prices and the rapidly rising price of steel products.

In cold-chain equipment, the group actively worked to increase sales to secure a larger share of the freezing and refrigerated showcase market.

Sales rose, helped by higher demand for Ecolo Unit, a modularized store construction system, and stronger sales in the service division. However, operating income dropped due to a decrease in convenience store openings and refurbishments, and higher management costs related to sales promotion activities.

#### Others

Net sales and operating income in this group both fell substantially due to the impact of Fuji Logistics Co., Ltd. becoming an equity-method affiliate. Sales dropped 39.6% year on year to ¥45,758 million (US\$427 million), while operating income declined 25.4% to ¥1,738 million (US\$16 million).

Fuji Life Corp. is currently strengthening its welfare business as part of efforts to support local communities. In September 2004, this company opened a new hybrid facility in Hino City, Tokyo, which offers nursing care for the elderly and childcare. Many people have already taken advantage of the services on offer.

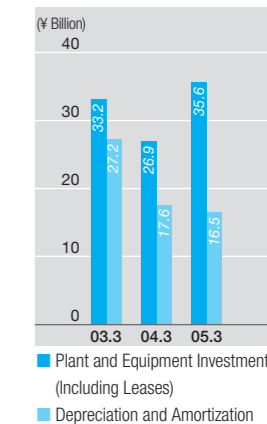
Following the transition to the holding company system, Fuji Electric Finance and Accounting Support Co., Ltd. has worked to conduct smooth fund procurement activities, supply these funds to Group companies, and increase the overall efficiency of funding operations as the core financial services provider for the Fuji Electric Group.

During fiscal 2004, Fuji Electric Information Service Co., Ltd. worked to create and provide optimal IT solutions and offer support, mainly related to manufacturing, to venture companies and entrepreneurs through its Incubation Office in Hino City, Tokyo.

#### Plant and Equipment Investment

In fiscal 2004, plant and equipment investment amounted to ¥35,662 million (US\$333 million), including lease acquisitions of ¥22,612 million (US\$211 million). Plant and equipment investment represented 4.2% of net sales. By group, plant and equipment investment totaled ¥3,746 million (US\$35 million) in Energy & Electric Systems, ¥4,171 million (US\$38 million) in ED&C-Drive Systems, ¥22,909 million (US\$214 million) in Electronic Devices, ¥3,315 million (US\$30 million) in Retail Systems, and ¥1,521 million (US\$14 million) in Others.

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



The main components of this investment were the installation of additional production lines for glass substrate magnetic disks in response to rising demand for HDDs; upgrades to facilities manufacturing power generation turbine blades; increased production capacity for next-generation low-voltage circuit breakers; and the realignment of vending machine production lines. Production equipment for MOSFETs and IGBTs was also installed in a new cleanroom completed in the previous fiscal year. Demand for these devices is expected to grow, especially for MOSFETs from the automotive components sector.

Depreciation and amortization expense in the year under review amounted to ¥16,545 million (US\$154 million).

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

### R&D Expenditures

R&D expenditures amounted to ¥27,224 million (US\$254 million) in fiscal 2004, representing 3.2% of net sales. By group, expenditures totaled ¥9,191 million (US\$85 million) in Energy & Electric Systems, ¥3,730 million (US\$34 million) in ED&C-Drive Systems, ¥8,749 million (US\$81 million) in Electronic Devices, ¥3,763 million (US\$35 million) in Retail Systems and ¥60 million (US\$0.5 million) in Others. Expenditures in R&D in new technologies and other areas that do not fall under any one segment, amounted to ¥1,731 million (US\$16 million).

Major R&D projects included the following. In the new energy field, the Group pushed forward with the commercialization of glassless amorphous silicon solar cell modules—one of Fuji Electric's flagship technologies. During the year, the Group developed and launched two versions of these cells: the largest cell in Japan integrated with a metal roof panel, and another employing a lightweight film substrate. In power supply ICs, we developed micro-power supply technology that integrates an inductor and IC in a single device. This technology was used to launch the industry's smallest DC/DC converter. In magnetic disks, we focused on improving our perpendicular magnetic recording technology, achieving the world's highest storage density of in excess of 200Gbit per square inch. We plan



to launch this product sometime in fiscal 2006. In drive systems, we developed a range of new products including an advanced, high-performance compact inverter for use in automated conveyor systems. And lastly, in vending machines we created new can vending machine models that clear Top Runner Program targets determined by the Energy Conservation Law. On average, we expect fiscal 2005 models to clear these targets by 10%.

### Financial Position

Total assets as of March 31, 2005 stood at ¥882,412 million (US\$8,246 million), ¥25,648 million less than a year earlier.

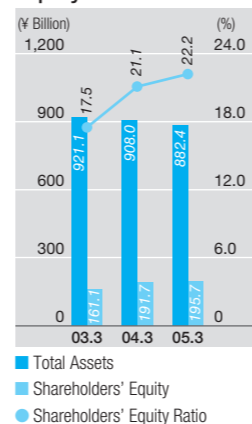
Current assets totaled ¥437,649 million (US\$4,090 million), a decrease of ¥14,033 million compared to a year earlier. This was mainly attributable to a decrease in trade receivables of ¥11,395 million related to efforts to recover receivables earlier.

Property, plant and equipment, net, declined ¥2,907 million to ¥150,903 million (US\$1,410 million). This was mainly the result of keeping capital expenditure of ¥15,814 million (US\$147 million) below the level of depreciation and amortization of ¥16,545 million (US\$154 million).

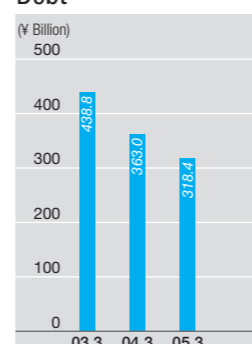
Investments and other assets declined ¥8,708 million to ¥293,860 million (US\$2,746 million). This was primarily caused by a decline of ¥5,177 million in deferred income taxes compared to fiscal 2003.

Total liabilities were ¥678,585 million (US\$6,341 million), ¥29,210 million less than one year earlier. This chiefly reflected efforts to reduce interest-bearing liabilities, primarily short-term debt. Interest-bearing liabilities at March 31, 2005 amounted to ¥318,433 million (US\$2,976 million), a decrease of ¥44,577 million. These liabilities represented 36.1% of total assets, a decrease of 3.8 percentage points from a year earlier.

### Total Assets, Shareholders' Equity and Shareholders' Equity Ratio



### Debt



As of March 31, 2005, minority interests in consolidated subsidiaries were ¥8,086 million (US\$75 million), ¥405 million less than one year earlier. This was mainly attributable to the booking of ¥241 million (US\$2 million) in minority interests in net loss of consolidated subsidiaries.

As of the fiscal year-end, shareholders' equity was ¥195,741 million (US\$1,829 million), ¥3,967 million more than a year earlier. This was mainly due to an increase in retained earnings of ¥3,403 million. As a result, the shareholders' equity ratio rose 1.1 percentage point to 22.2%.

### Cash Flows

In fiscal 2004, free cash flows, the sum of operating and investing cash flows, totaled ¥38,480 million (US\$359 million), a decrease of ¥49,912 million compared to free cash flows of ¥88,392 million in the previous year.

#### Cash Flows From Operating Activities

Operating activities provided net cash and cash equivalents (cash) of ¥42,274 million (US\$395 million). This represented a decrease of ¥24,194 million from ¥66,468 million in the previous fiscal year. Despite an increase in inventories in preparation for sales from fiscal 2005, cash was mostly provided by income before income taxes and minority interests, as well as efforts to recover trade receivables, and depreciation and amortization.

#### Cash Flows From Investing Activities

Investing activities used net cash of ¥3,794 million (US\$35 million), ¥25,718 million less than the cash provided of ¥21,924 million in the previous fiscal year. This was mainly due to the decline of proceeds from sales of property, plant and equipment accompanying the shift to the leasing of equipment in the previous fiscal year after the Company adopted the holding company structure, as well as targeted capital expenditures centered on the Electronic Devices Group in the year under review.

#### Cash Flows From Financing Activities

Financing activities used net cash of ¥49,740 million (US\$464 million), compared with ¥76,808 million in the previous fiscal year. This mainly reflected a reduction in short-term debt.

Cash and cash equivalents at March 31, 2005 amounted to ¥16,215 million (US\$151 million), ¥11,025 million less 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, there are various risks, such as those listed below, which could have a negative impact on the operating results and financial position of the Fuji Electric Group. These risks could have a bearing on an investor's investment decision. As of March 31, 2005, 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 and capital expenditure trends, the Group 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 the operating results of the Group.
- (b) The Fuji Electric Group is involved in so-called B-to-B business activities in a wide range of fields. Customers include domestic and overseas municipal and central governments and corporations active in the power generation, manufacturing and assembly, industrial equipment, transport, retail, and service industries. The Group's main businesses are: Energy & Electric Systems, including electric power and substation systems, industrial systems, and control systems; ED&C-Drive Systems, including low-voltage switches, drive and control components; Electronic Devices, including semiconductors and magnetic disks; and Retail Systems, including vending machines and cold-chain equipment.

The Fuji Electric Group is faced with continued curbs on public works spending and ongoing cut-backs in investment by power utilities in its operating environment. This is leading to intensifying competition for orders and a consequent decline in unit prices. Demand in the industry is increasingly being driven by the private sector. In response to these changes in its operating environment, the Group is actively implementing further restructuring measures, and initiatives in both production and marketing to drive an improvement in earnings. However, there is a possibility that the operating results of the Group may be affected by economic trends or a further decline in unit prices.

Meanwhile, underpinned by strong operating results due to robust exports centered on China and buoyant domestic market conditions, industrial machinery manufacturers, primarily machine tool makers, automakers and other companies are showing a high level of interest in the Group's switching, drive and control components, semiconductors and other products. Consequently, the Fuji Electric Group is actively working to increase sales volume and boost 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. Any manifestation of these concerns may have an impact on the operating results of the 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 Group.
- (d) In its medium-term management plan, the Fuji Electric Group has set a target of reducing interest-bearing liabilities to less than ¥300 billion by the end of fiscal 2005, and is currently implementing a range of

measures to attain this goal. However, a rising trend in interest rates may lead to a significant additional interest payment burden, which could have an impact on the operating results of the Group.

- (e) As part of its business activities, the Fuji Electric Group holds shares in and invests in many companies. Consequently, the operating results and the financial position of the Group may be affected by deterioration in the financial health of investees or by fluctuations in stock markets.

## (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. Fuji Electric has also formulated regulations on product safety, and is using these regulations to further guarantee the high quality of its products. Although the Group has taken precautions in the form of insurance to provide compensation for product liability claims, 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 ability to generate earnings. Specifically, the Group is developing its Energy & Electric Systems, ED & C-Drive Systems, Electronic Devices and Retail Systems 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.

- Unforeseen 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 a dispute over intellectual property rights is increasing. A dispute of this nature may have a negative impact on the Group's operating results and financial position.

## (5) Risks related to the leak of personal information

As part of its business activities, the Fuji Electric Group handles personal information for numerous individuals, including customers and employees. In order to ensure appropriate compliance with regulations and guidelines related to the full enforcement of the Act for Protection of Computer Processed Personal Data held by Administrative Organs (Personal Information Protection Law) in April 2005 in Japan, which is concerned with the acquisition, use and management of personal information, Fuji Electric formulated the Fuji Electric Group Regulations for the Protection of Personal Information. Based on the Group-wide application of these regulations, Fuji Electric has created and is operating systems that ensure all possible precautions are taken in the management of personal information. However, the Group cannot entirely rule out the possibility that such information may be leaked due to unforeseen circumstances. Any leak of this kind could damage trust in the Group and have a negative impact on the Group's operating results.

## (6) Risks related to major natural disasters

In fiscal 2004, Fuji Electric formulated the Fuji Electric Group Disaster Guidelines and put in place an emergency response system. In preparation for serious earthquakes and other major natural disasters, these guidelines determine the initial

rapid and appropriate responses to be taken by the entire Group under the instruction of senior management and based first and foremost on protecting human life. Fuji Electric is also reinforcing the buildings and facilities at plants and other business sites against the effect of earthquakes. However, in the event of a major earthquake, operations at manufacturing sites may be halted, shipments of products may be delayed and other problems may occur. Any or all of these situations could have a significant impact on the operating results and financial position of the Group.

## (7) Risks related to soil contamination

Based on ISO 14001, the international standard for environmental management systems, the Group works to prevent, measure and monitor soil contamination at its operating sites. Prior to selling any land, Fuji Electric carries out soil surveys and takes other appropriate steps in accordance with regulations and conditions related to the Soil Contamination Countermeasures Law. However, as a result of these measurements and surveys, Fuji Electric may incur costs for soil remediation measures, which could have a negative impact on the operating results of the Group.

## (8) Risks related to retirement benefit liabilities

The Fuji Electric Group has a lump-sum payment plan and a corporate pension plan for its employees when they retire. Retirement benefit costs and liabilities are calculated on the assumption that they are accepted as reasonable on the basis of actuarial calculations. Fuji Electric and certain domestic consolidated subsidiaries have also entrusted listed marketable securities in employee retirement benefit trusts. Consequently, changes in the discount rate, the expected rate of return on pension assets and stock prices that are used as the basis for computing pension benefit obligations, differences between these expectations and actual performance, changes in the prices of entrusted listed marketable securities and other items, could have a negative impact on the operating results and financial position of the Fuji Electric Group.

## Consolidated Balance Sheets

As of March 31, 2005, 2004 and 2003	Millions of yen			Thousands of U.S. dollars (Note 3)
	2005	2004	2003	2005
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents (Note 2) . . . . .	¥ 16,215	¥ 27,240	¥ 15,038	\$ 151,542
Short-term investments (Notes 2, 4 and 6) . . . . .	123	367	1,087	1,159
Trade receivables . . . . .	241,820	253,215	250,447	2,260,000
Allowance for doubtful accounts (Note 2) . . . . .	(955)	(1,504)	(1,834)	(8,928)
Inventories (Notes 2 and 5) . . . . .	135,076	125,910	152,427	1,262,396
Deferred income taxes (Notes 2 and 12) . . . . .	16,372	14,999	16,396	153,018
Other current assets . . . . .	28,998	31,455	39,661	270,992
<b>TOTAL CURRENT ASSETS</b> . . . . .	<b>437,649</b>	<b>451,682</b>	<b>473,222</b>	<b>4,090,179</b>
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 6):</b>				
Land . . . . .	36,900	37,966	39,971	344,861
Buildings and structures . . . . .	190,604	186,036	193,055	1,781,355
Machinery and equipment . . . . .	179,729	185,601	279,158	1,679,716
Construction in progress . . . . .	1,631	3,365	2,533	15,235
	408,864	412,968	514,717	3,821,167
Less accumulated depreciation . . . . .	(257,961)	(259,158)	(324,496)	(2,410,858)
<b>NET PROPERTY, PLANT AND EQUIPMENT</b> . . . . .	<b>150,903</b>	<b>153,810</b>	<b>190,221</b>	<b>1,410,309</b>
<b>INVESTMENTS AND OTHER ASSETS:</b>				
Investment securities (Notes 2, 4 and 6):				
Unconsolidated subsidiaries and affiliates . . . . .	26,403	29,871	26,952	246,762
Other . . . . .	192,770	185,857	143,775	1,801,591
Long-term loans receivable . . . . .	3,321	3,261	3,410	31,040
Deferred income taxes (Notes 2 and 12) . . . . .	2,993	8,170	7,924	27,977
Other investments and other assets . . . . .	69,425	76,775	76,908	648,817
Allowance for doubtful accounts (Note 2) . . . . .	(1,052)	(1,366)	(1,291)	(9,832)
<b>TOTAL INVESTMENTS AND OTHER ASSETS</b> . . . . .	<b>293,860</b>	<b>302,568</b>	<b>257,678</b>	<b>2,746,355</b>
	¥882,412	¥908,060	¥921,121	\$8,246,843

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)
	2005	2004	2003	2005
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>CURRENT LIABILITIES:</b>				
Short-term debt (Note 7) . . . . .	¥142,733	¥181,005	¥252,140	\$1,333,954
Current portion of long-term debt (Note 7) . . . . .	8,610	4,283	52,092	80,470
Trade payables . . . . .	176,575	181,596	168,629	1,650,236
Advances from customers . . . . .	32,980	33,768	51,177	308,230
Accrued income taxes (Notes 2 and 12) . . . . .	2,678	6,511	3,137	25,036
Other current liabilities . . . . .	104,436	80,539	61,384	976,019
<b>TOTAL CURRENT LIABILITIES</b> . . . . .	<b>468,012</b>	<b>487,702</b>	<b>588,559</b>	<b>4,373,945</b>
<b>LONG-TERM DEBT (Note 7)</b> . . . . .	<b>167,090</b>	<b>177,722</b>	<b>134,632</b>	<b>1,561,590</b>
<b>LIABILITY FOR SEVERANCE PAYMENTS (Notes 2 and 8)</b> . . . . .	<b>8,291</b>	<b>6,816</b>	<b>6,155</b>	<b>77,487</b>
<b>DEFERRED INCOME TAXES (Notes 2 and 12)</b> . . . . .	<b>28,694</b>	<b>27,935</b>	<b>7,158</b>	<b>268,174</b>
<b>OTHER LONG-TERM LIABILITIES</b> . . . . .	<b>6,498</b>	<b>7,620</b>	<b>8,974</b>	<b>60,714</b>
<b>TOTAL LIABILITIES</b> . . . . .	<b>678,585</b>	<b>707,795</b>	<b>745,478</b>	<b>6,341,910</b>
<b>MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES</b> . . . . .	<b>8,086</b>	<b>8,491</b>	<b>14,455</b>	<b>75,577</b>
<b>CONTINGENT LIABILITIES (Note 15)</b>				
<b>SHAREHOLDERS' EQUITY (Notes 9 and 19):</b>				
Common stock:				
Authorized — 1,600,000,000 shares				
Issued — 746,484,957 shares as of March 31, 2005 . . . . .	47,586	—	—	444,730
746,484,957 shares as of March 31, 2004 . . . . .	—	47,586	—	—
746,484,957 shares as of March 31, 2003 . . . . .	—	—	47,586	—
Capital surplus . . . . .	46,711	46,710	46,694	436,556
Retained earnings . . . . .	74,575	71,172	69,275	696,968
Unrealized gain on other securities, net of taxes . . . . .	36,957	36,617	6,922	345,400
Foreign currency translation adjustments . . . . .	(3,291)	(3,574)	(2,602)	(30,767)
	202,538	198,511	167,875	1,892,887
Treasury stock at cost: 31,266,513 shares as of March 31, 2005 . . . . .	(6,797)	—	—	(63,531)
31,057,361 shares as of March 31, 2004 . . . . .	—	(6,737)	—	—
30,914,918 shares as of March 31, 2003 . . . . .	—	—	(6,687)	—
<b>TOTAL SHAREHOLDERS' EQUITY</b> . . . . .	<b>195,741</b>	<b>191,774</b>	<b>161,188</b>	<b>1,829,356</b>
	¥882,412	¥908,060	¥921,121	\$8,246,843

## Consolidated Statements of Income

Years ended March 31, 2005, 2004 and 2003	Millions of yen			Thousands of U.S. dollars (Note 3)
	2005	2004	2003	2005
<b>NET SALES</b> (Note 2) . . . . .	<b>¥844,200</b>	¥856,198	¥832,414	<b>\$7,889,725</b>
<b>COST OF SALES</b> (Note 10) . . . . .	<b>665,774</b>	690,948	666,604	<b>6,222,183</b>
<b>GROSS PROFIT</b> . . . . .	<b>178,426</b>	165,250	165,810	<b>1,667,542</b>
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b> (Note 10) . . . . .	<b>151,608</b>	147,803	152,901	<b>1,416,902</b>
<b>OPERATING INCOME</b> . . . . .	<b>26,818</b>	17,447	12,909	<b>250,640</b>
<b>NON-OPERATING INCOME (EXPENSES):</b>				
Interest and dividend income . . . . .	2,379	1,813	2,009	22,234
Interest expense . . . . .	(3,049)	(3,066)	(4,173)	(28,502)
Other, net . . . . .	(3,926)	(2,266)	(1,761)	(36,681)
	(4,596)	(3,519)	(3,925)	(42,949)
<b>ORDINARY INCOME</b> . . . . .	<b>22,222</b>	13,928	8,984	<b>207,691</b>
<b>EXTRAORDINARY LOSS, NET</b> (Note 11) . . . . .	<b>(5,968)</b>	(1,041)	(1,910)	<b>(55,782)</b>
<b>INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS</b> . . . . .	<b>16,254</b>	12,887	7,074	<b>151,909</b>
<b>INCOME TAXES</b> (Notes 2 and 12) . . . . .	<b>8,698</b>	7,323	3,071	<b>81,297</b>
<b>INCOME BEFORE MINORITY INTERESTS</b> . . . . .	<b>7,556</b>	5,564	4,003	<b>70,612</b>
<b>MINORITY INTERESTS IN NET LOSS (INCOME) OF CONSOLIDATED SUBSIDIARIES</b> . . . . .	<b>241</b>	(45)	(92)	<b>2,262</b>
<b>NET INCOME</b> . . . . .	<b>¥ 7,797</b>	¥ 5,519	¥ 3,911	<b>\$ 72,874</b>
		Yen		U.S. dollars (Note 3)
	2005	2004	2003	2005
<b>PER SHARE AMOUNTS:</b>				
Net income (Note 2) . . . . .	¥ 10.69	¥ 7.46	¥ 5.28	\$ 0.10

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

## Consolidated Statements of Shareholders' Equity

	Thousands Number of shares of common stock	Millions of yen					Treasury stock
		Common stock	Capital surplus	Retained earnings	Unrealized gain on other securities, net of taxes	Foreign currency translation adjustments	
<b>BALANCE AT MARCH 31, 2002</b> . . . . .	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 at beginning of year . . . . .	—	—	—	(2)	—	—	—
Cash dividends . . . . .	—	—	—	(3,564)	—	—	—
Bonuses to directors . . . . .	—	—	—	(125)	—	—	—
Change in the current period of unrealized gain on other securities, net of taxes . . . . .	—	—	—	—	(88,571)	—	—
Change in the current period of foreign currency translation adjustments . . . . .	—	—	—	—	—	(998)	—
Purchase and sale of treasury stock . . . . .	—	—	—	—	—	—	(6,675)
<b>BALANCE AT MARCH 31, 2003</b> . . . . .	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 . . . . .	—	—	—	—	29,965	—	—
Change of foreign currency translation adjustments . . . . .	—	—	—	—	—	(972)	—
Purchase and sale of treasury stock . . . . .	—	—	—	—	—	—	(50)
<b>BALANCE AT MARCH 31, 2004</b> . . . . .	746,484	¥47,586	¥46,710	¥71,172	¥36,617	¥(3,574)	¥(6,737)
Net income for the year . . . . .	—	—	—	7,797	—	—	—
Gain on disposal of treasury stock . . . . .	—	—	1	—	—	—	—
Change from merger of consolidated and unconsolidated subsidiaries . . . . .	—	—	—	(8)	—	—	—
Change from increase in consolidated subsidiaries previously not consolidated at the beginning of year . . . . .	—	—	—	(618)	—	—	—
Decrease of an affiliate newly accounted for by the equity method . . . . .	—	—	—	(22)	—	—	—
Cash dividends . . . . .	—	—	—	(3,576)	—	—	—
Bonuses to directors . . . . .	—	—	—	(170)	—	—	—
Change of unrealized gain on other securities, net of taxes . . . . .	—	—	—	—	340	—	—
Change of foreign currency translation adjustments . . . . .	—	—	—	—	—	283	—
Purchase and sale of treasury stock . . . . .	—	—	—	—	—	—	(60)
<b>BALANCE AT MARCH 31, 2005</b> . . . . .	746,484	¥47,586	¥46,711	¥74,575	¥36,957	¥(3,291)	¥(6,797)
		Thousands of U.S. dollars (Note 3)					
<b>BALANCE AT MARCH 31, 2004</b> . . . . .		\$444,730	\$436,543	\$665,165	\$342,218	\$(33,401)	\$(62,965)
Net income for the year . . . . .		—	—	72,874	—	—	—
Gain on disposal of treasury stock . . . . .		—	13	—	—	—	—
Change from merger of consolidated and unconsolidated subsidiaries . . . . .		—	—	(81)	—	—	—
Change from increase in consolidated subsidiaries previously not consolidated at the beginning of year . . . . .		—	—	(214)	—	—	—
Decrease of an affiliate newly accounted for by the equity method . . . . .		—	—	(5,758)	—	—	—
Cash dividends . . . . .		—	—	(33,429)	—	—	—
Bonuses to directors . . . . .		—	—	(1,589)	—	—	—
Change of unrealized gain on other securities, net of taxes . . . . .		—	—	—	3,182	—	—
Change of foreign currency translation adjustments . . . . .		—	—	—	—	2,634	—
Purchase and sale of treasury stock . . . . .		—	—	—	—	—	(566)
<b>BALANCE AT MARCH 31, 2005</b> . . . . .		<b>\$444,730</b>	<b>\$436,556</b>	<b>\$696,968</b>	<b>\$345,400</b>	<b>\$(30,767)</b>	<b>\$(63,531)</b>

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

## Consolidated Statements of Cash Flows

Years ended March 31, 2005, 2004 and 2003	Millions of yen			Thousands of U.S. dollars (Note 3)
	2005	2004	2003	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Income before income taxes and minority interests	¥16,254	¥12,887	¥ 7,074	\$151,909
Depreciation and amortization	16,545	17,675	27,202	154,633
Increase (decrease) in allowance for doubtful receivables	(874)	(216)	323	(8,169)
Interest and dividend income	(2,379)	(1,814)	(2,009)	(22,234)
Interest expense	3,049	3,066	4,173	28,502
Exchange (gain) loss	(40)	39	25	(376)
Gain on securities contribution to employee retirement benefit trust	-	(14,693)	(21,004)	-
Gain on transfer of business by spin-off	-	-	(12,687)	-
Gain on sales of property, plant and equipment	(1,131)	(6,390)	(1,064)	(10,576)
Gain on sales of investment securities	(4,893)	(2,064)	(805)	(45,734)
Adjustment for recognized actuarial gain	(3,554)	-	-	(33,224)
Recognized actuarial loss	-	13,927	23,861	-
Loss on devaluation of investment securities	2,598	-	11,996	24,281
Extraordinary loss/other	2,889	4,137	3,959	27,002
Changes in operating assets and liabilities:				
Trade receivables	11,762	(7,132)	40,472	109,933
Inventories	(8,491)	26,021	1,932	(79,363)
Trade payables	(5,445)	13,504	(10,311)	(50,893)
Advances from customers	(788)	(17,380)	(422)	(7,369)
Other, net	25,633	30,215	(28,439)	239,580
Cash generated from operations	51,135	71,782	44,276	477,902
Interest and dividends received	2,354	1,852	1,982	22,007
Interest paid	(3,047)	(3,201)	(4,244)	(28,482)
Income taxes paid	(8,168)	(3,965)	(3,438)	(76,342)
Net cash provided by operating activities	42,274	66,468	38,576	395,085
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Proceeds from sales of marketable securities	5	440	6,748	50
Additions to property, plant and equipment	(12,959)	(12,252)	(17,074)	(121,117)
Proceeds from sales of property, plant and equipment	2,101	28,629	6,181	19,641
Payments for purchase of investment securities	(5,807)	(2,397)	(9,414)	(54,273)
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	-	-
Proceeds from sales of investment securities	13,305	7,462	3,361	124,347
Disbursements for long-term loans	(17,368)	(10,431)	(11,155)	(162,326)
Decrease in long-term loans	18,605	8,853	12,112	173,882
Other, net	(1,676)	(646)	(2,716)	(15,670)
Net cash provided by (used in) investing activities	(3,794)	21,924	(14,454)	(35,466)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Increase in short-term debt	(39,581)	(69,988)	(40,884)	(369,925)
Proceeds from long-term debt	9,462	14,926	15,100	88,436
Repayment of long-term debt	(15,845)	(57,752)	(52,098)	(148,086)
Proceeds from issuance of bonds	-	40,000	41,000	-
Proceeds from the sale of treasury stock	7	103	-	70
Purchased of common stock in treasury	(66)	(138)	(6,674)	(622)
Cash dividends paid	(3,576)	(3,577)	(3,564)	(33,429)
Dividends paid to minorities	(141)	(163)	(470)	(1,319)
Other, net	-	(219)	(242)	-
Net cash used in financing activities	(49,740)	(76,808)	(47,832)	(464,875)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>205</b>	<b>(452)</b>	<b>(213)</b>	<b>1,924</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(11,055)</b>	<b>11,132</b>	<b>(23,923)</b>	<b>(103,332)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>27,240</b>	<b>15,038</b>	<b>38,109</b>	<b>254,585</b>
<b>CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES</b>	<b>12</b>	<b>1,070</b>	<b>852</b>	<b>112</b>
<b>INCREASE RESULTING FROM THE MERGER OF A CONSOLIDATED SUBSIDIARY WITH AN UNCONSOLIDATED SUBSIDIARY</b>	<b>18</b>	<b>-</b>	<b>-</b>	<b>177</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>¥16,215</b>	<b>¥27,240</b>	<b>¥15,038</b>	<b>\$151,542</b>

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

## 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, 2005 include the accounts of the Company and its 61 significant subsidiaries (59 in 2004 and 58 in 2003) (together, the "Companies").

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 have 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 sheet at March 31, 2005.

The amount of excess was ¥4,060 million (\$37,948 thousand) at March 31, 2005.

##### 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. 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 years ended March 31, 2004 and 2005.

By the same token, the plan assets significantly exceeded project benefit obligation. As a result, unrecognized actuarial gain became extremely large mainly because the Company's employees decreased to a large extent. To eliminate this excess, in April 2004, marketable securities held in the employee retirement benefit trust were returned to the Company. Due to the large decrease in the number of employees, the unrecognized actuarial gain calculated by the proportion of the plan assets to trusted assets was recognized in the accompanying profit and loss as an extraordinary gain.

In March 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.

#### 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 as delivery is made. Sales of installation products are recognized 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 income. 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.

#### l. 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 income.

#### p. Net Income 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-dilutive.

### 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 ¥107=U.S.\$1,

the approximate exchange rate at March 31, 2005. 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, 2005, 2004 and 2003 were as follows:

	Millions of yen			
	Cost	Carrying amounts	Unrealized gains	Unrealized losses
<b>March 31, 2005</b>				
Marketable securities classified as other securities				
Equity securities	¥114,866	¥177,358	¥62,492	¥ -
Debt securities	-	-	-	-
Others	101	105	4	-
	¥114,967	¥177,463	¥62,496	¥ -
<b>March 31, 2004</b>				
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	¥ -
<b>March 31, 2003</b>				
Equity securities	¥117,064	¥128,426	¥11,362	¥ -
Debt securities	257	257	0	-
Others	363	344	-	(19)
	¥117,684	¥129,027	¥11,362	¥(19)

	Thousands of U.S. dollars (Note 3)			
	Cost	Carrying amounts	Unrealized gains	Unrealized losses
<b>March 31, 2005</b>				
Marketable securities classified as other securities				
Equity securities	\$1,073,519	\$1,657,565	\$584,046	\$ -
Debt securities	-	-	-	-
Others	946	977	31	-
	\$1,074,465	\$1,658,542	\$584,077	\$ -

Other securities and held-to-maturity securities whose fair value is not readily determinable as of March 31, 2005, 2004 and 2003 were as follows:

	Carrying amounts			Thousands of U.S. dollars (Note 3)
	Millions of yen			
	2005	2004	2003	2005
Held-to-maturity				
Bond offered through private placement	¥ -	¥ -	¥ -	\$ -
Others				
Unquoted securities	4,753	4,616	4,620	44,446
Preferred shares	5,500	5,500	5,500	51,402
Preferred stock	5,050	5,050	5,050	47,196
<b>Total</b>	<b>¥15,303</b>	<b>¥15,166</b>	<b>¥15,170</b>	<b>\$143,044</b>

Sales of other securities:

Proceeds from sales of other securities for the years ended March 31, 2005, 2004 and 2003 were ¥12,613 million (\$117,885 thousand), ¥25,334 million and ¥32,139 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥4,892 million (\$45,722

thousand) and ¥25 million (\$241 thousand), respectively, for the year ended March 31, 2005, ¥16,323 million and ¥290 million, respectively, for the year ended March 31, 2004 and ¥21,804 million and ¥242 million, respectively, for the year ended March 31, 2003, 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, 2005, 2004 and 2003 were as follows:

	Millions of yen						Thousands of U.S. dollars (Note 3)	
	Debt securities		Other securities		Debt securities		Other securities	
	2005	2004	2005	2004	2005	2004	2005	2004
Due in one year or less	¥0	¥-	¥7	¥-	¥250	¥ -	\$ 3	\$ -
Due after one year through five years	1	-	1	-	8	9	11	-
Due after five years through ten years	1	-	1	4	1	3	9	-
Due after ten years	-	-	-	-	-	-	-	-
<b>Total</b>	<b>¥2</b>	<b>¥-</b>	<b>¥9</b>	<b>¥4</b>	<b>¥259</b>	<b>¥12</b>	<b>\$23</b>	<b>\$-</b>

**Note 5****INVENTORIES**

Inventories at March 31, 2005, 2004 and 2003 comprised the following:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2005	2004	2003	2005
Finished goods	¥ 55,651	¥ 57,497	¥ 79,767	\$ 520,104
Work in process	63,126	54,160	56,374	589,960
Raw materials	16,299	14,253	16,286	152,332
	¥135,076	¥125,910	¥152,427	\$1,262,396

**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)
	2005	2004	2003	2005
Time deposits	¥ 60	¥ 270	¥ 540	\$ 561
Investment securities	492	245	826	4,605
Property, plant and equipment	33,037	31,595	31,587	308,756
	¥33,589	¥32,110	¥32,953	\$313,922

**Note 7****SHORT-TERM DEBT AND LONG-TERM DEBT**

Short-term debt at March 31, 2005, 2004 and 2003 consisted of the following:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2005	2004	2003	2005
Loans, principally from banks	¥ 65,733	¥ 86,705	¥146,640	\$ 614,328
Commercial paper	77,000	94,300	105,500	719,626
	¥142,733	¥181,005	¥252,140	\$1,333,954

The weighted average interest rates on short-term debt at March 31, 2005, 2004 and 2003 were 0.34%, 0.29% and 0.32%, respectively.

Long-term debt at March 31, 2005, 2004 and 2003 consisted of the following:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2005	2004	2003	2005
Loans, principally from banks and insurance companies	¥ 55,700	¥ 62,005	¥ 65,724	\$ 520,565
Bonds issued by the Companies:				
2.25% Yen bonds due 2003	—	—	20,000	—
0.48% Yen bonds due 2004	—	—	100	—
2.35% Yen bonds due 2004	—	—	20,000	—
1.02% Yen bonds due 2006	20,000	20,000	20,000	186,916
1.06% Yen bonds due 2006	20,000	20,000	20,000	186,916
1.07% Yen bonds due 2007	8,000	8,000	8,000	74,766
1.11% Yen bonds due 2007	12,000	12,000	12,000	112,150
1.12% Yen bonds due 2007	7,000	7,000	7,000	65,421
1.15% Yen bonds due 2007	13,000	13,000	13,000	121,494
0.89% Yen bonds due 2008	—	—	500	—
0.48% Yen bonds due 2008	—	—	400	—
0.83% Yen bonds due 2008	10,000	10,000	—	93,458
1.08% Yen bonds due 2009	20,000	20,000	—	186,916
1.14% Yen bonds due 2010	10,000	10,000	—	93,458
	175,700	182,005	186,724	1,642,060
Less: Portion due within one year	8,610	4,283	52,092	80,470
	¥167,090	¥177,722	¥134,632	\$1,561,590

The weighted average interest rates on loans, principally from banks and insurance companies at March 31, 2005, 2004 and 2003 were 1.22%, 1.53% and 1.91%, respectively.

As of March 31, 2005, the aggregate annual maturities of long-term debt during the next five years are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 3)
2006	¥ 8,610	\$ 80,471
2007	45,598	426,158
2008	58,336	545,197
2009	41,216	385,200
2010 thereafter	21,940	205,034
	¥175,700	\$1,642,060

**Note 8****RETIREMENT BENEFITS**

The Company and its domestic consolidated subsidiaries have corporate pension, 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, 2005, 2004 and 2003 consisted of the following:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2005	2004	2003	2005
Projected benefit obligation	¥(206,994)	¥(216,555)	¥(231,355)	\$(1,934,526)
Fair value of plan assets	177,759	178,118	105,245	1,661,296
Excess projected benefit obligation over plan assets	(29,235)	(38,437)	(126,110)	(273,230)
Unrecognized transitional obligation	7,266	8,710	12,407	67,913
Unrecognized actuarial loss	75,262	80,579	161,263	703,383
Unrecognized prior service cost	(10,442)	(1,671)	(1,811)	(97,590)
Carrying amount	42,851	49,181	45,749	400,476
Prepaid pension expense	51,142	55,997	51,904	477,963
Net liability	¥ (8,291)	¥ (6,816)	¥ (6,155)	\$ (77,487)

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

Due to the reorganization of the Companies, the Company was divided into a holding company and its subsidiaries during the year ended March 31, 2004. By the same token, the plan assets significantly exceeded project benefit obligation. As a result, unrecognized actuarial gain became extremely large

mainly because the Company's employees decreased to a large extent. To eliminate this excess, in April 2004, marketable securities held in the employee retirement benefit trust were returned to the Company. Due to the large decrease in the number of employees, the unrecognized actuarial gain calculated by the proportion of the plan assets to trusted assets was recognized in the accompanying statement of income as an extraordinary gain. The effect of this transaction is as follows:

	Thousands of U.S. dollars (Note 3)	
	Millions of yen 2005	2005
Decrease in plan assets	¥(10,440)	\$(97,575)
Recognized actuarial gain	3,555	33,224
Increase in liability for severance payments	¥ (6,885)	\$(64,351)

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 apply 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 components of net periodic benefit costs for the years ended March 31, 2005, 2004 and 2003 were as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2005	2004	2003	2005
Service cost	¥ 6,940	¥ 7,914	¥ 9,526	\$ 64,861
Interest cost	5,042	5,568	11,996	47,126
Expected return on plan assets	(2,470)	(1,516)	(6,860)	(23,091)
Amortization of transitional obligation	1,443	1,745	2,454	13,493
Recognized actuarial loss	6,471	21,551	24,832	60,486
Amortization of prior service cost	(1,019)	(139)	(1,459)	(9,529)
Net periodic benefit costs	16,407	35,123	40,489	153,346
Gain on withdrawing pension assets in trust	(3,554)	-	-	(33,224)
Gain on transferring the substitutional portion of the pension obligations and related assets to the government	(297)	-	-	(2,780)
Contributory portion to a defined contribution pension plan	101	69	64	951
Gain on approval of exemption of the substitutional 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)	-
Total	¥12,657	¥35,527	¥ 21,906	\$118,293

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, 2005, 2004 and 2003,

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, 2005, 2004 and 2003 were as follows:

	2005	2004	2003
Decrease in projected benefit obligation	2.5%	2.5%	2.5%
Decrease in liability for severance payments	mainly 2.5%	mainly 2.5%	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**

Japanese companies are subject to the Japanese Commercial Code (the "Code").

The Code also provides that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings)

until such reserve and additional paid-in capital equals 25% of common stock.

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

**Note 10****RESEARCH AND DEVELOPMENT COSTS**

Research and development costs charged to income were ¥27,224 million (\$254,434 thousand), ¥28,568 million and ¥26,780 million for the years ended March 31, 2005, 2004 and 2003, respectively.

**Note 11****EXTRAORDINARY LOSS, NET**

Extraordinary loss, net, for the years ended March 31, 2005, 2004 and 2003 was as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2005	2004	2003	2005
Extraordinary income				
Gain on sales of property, plant and equipment	¥ 1,131	¥ 6,390	¥ 1,064	\$ 10,576
Gain on sales of investment securities	4,893	2,064	805	45,734
Recognized actuarial gain	3,554	-	-	33,223
Gain on securities contribution to employee retirement benefit trust	-	14,693	21,004	-
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	751	300	271	7,020
Extraordinary loss				
Loss on sales of property, plant and equipment	(2,657)	(2,805)	(3,304)	(24,836)
Special termination benefits	(2,721)	-	(5,104)	(25,436)
Loss on devaluation of investment securities	(2,598)	-	(11,996)	(24,281)
Loss on disposal of inventories	(4,511)	-	-	(42,162)
Recognized actuarial loss	-	(13,927)	(23,861)	-
Loss on restructuring production system	-	(1,906)	(4,596)	-
Others	(3,810)	(5,850)	(7,674)	(35,620)
	¥(5,968)	¥ (1,041)	¥ (1,910)	\$ (55,782)

Due to the materiality of the balance for special severance payments, the amount was presented as a separate item for the years ended March 31, 2005 and 2003.

Due to the immateriality of the balance for 'Loss on devaluation of investment securities' and 'Special 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, 2005, 2004 and 2003 were as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2005	2004	2003	2005
Current	¥4,331	¥7,489	¥ 4,166	\$40,479
Deferred	4,367	(166)	(1,095)	40,818
	¥8,698	¥7,323	¥ 3,071	\$81,297

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, 2005, 2004 and 2003 were as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2005	2004	2003	2005
Deferred tax assets				
Liability for severance payments	¥ 29,048	¥ 32,236	¥ 31,773	\$ 271,483
Investment securities	3,719	3,105	4,704	34,763
Inventories	3,869	3,528	4,513	36,162
Tax loss carryforwards	7,017	11,902	10,969	65,588
Accrued employee benefits	7,851	7,370	6,175	73,376
Tangible fixed assets	2,894	3,222	4,077	27,056
Unrealized gain on other securities	-	-	420	-
Other	6,505	4,650	5,808	60,765
Gross deferred tax assets	60,903	66,013	68,439	569,193
Less: Valuation allowance	(4,732)	(3,906)	(1,113)	(44,238)
Total deferred tax assets	56,171	62,107	67,326	524,955
Deferred tax liabilities				
Unrealized gain on other securities	(25,301)	(25,024)	(4,996)	(236,460)
Gain on securities contribution to employee retirement benefit trust	(36,246)	(41,402)	(44,668)	(338,756)
Investment securities	(3,549)	-	-	(33,172)
Retained earning appropriated for tax deductible reserves	(360)	(397)	(426)	(3,368)
Others	(43)	(50)	(74)	(385)
Gross deferred tax liabilities	(65,499)	(66,873)	(50,164)	(612,141)
Net deferred tax assets (liabilities)	¥ (9,328)	¥ (4,766)	¥ 17,162	\$ (87,186)

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

The reconciliation for the years ended March 31, 2005 and 2004 were as follows:

	2005	2004	2003
Statutory income tax rate	40.7%	42.1%	-
Permanent difference resulting from expenses not deductible for income tax purposes	9.0	11.2	-
Permanent difference resulting from non-taxable income, including dividends received	(3.4)	(14.3)	-
Valuation allowance	5.1	17.9	-
Other	2.1	(0.1)	-
Effective income tax rate	53.5%	56.8%	-

### 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, 2005. The breakdown of assets and liabilities of Fuji Logistics Co., Ltd. as of March 31, 2004 was as follows:

	Millions of yen 2004
Current assets	¥11,753
Fixed assets	10,726
Total assets	¥22,479
Current liabilities	¥ 8,273
Long-term liabilities	3,829
Total liabilities	¥12,102

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 and ¥7,897 million for the years ended March 31, 2004 and 2003, respectively, to employees' retirement benefit trusts for the Company's contributory pension plans, and recognized a non-cash gain of ¥14,693 million and ¥21,004 million for the years ended March 31, 2004 and 2003, 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, 2005, 2004 and 2003 were as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2005	2004	2003	2005
Notes discounted and endorsed	¥ 649	¥ 575	¥ 658	\$ 6,068
Guarantees	9,948	12,596	16,861	92,977

**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, 2005, 2004 and 2003 were as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2005	2004	2003	2005
	Machinery and Equipment	Machinery and Equipment	Machinery and Equipment	Machinery and Equipment
Acquisition cost	¥89,348	¥78,110	¥63,096	\$835,032
Accumulated depreciation	31,739	22,838	30,449	296,629
Net leased property	¥57,609	¥55,272	¥32,647	\$538,403

Obligations under finance leases:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2005	2004	2003	2005
Due within one year	¥15,853	¥14,854	¥10,475	\$148,160
Due after one year	42,948	41,488	22,849	401,386
Total	¥58,801	¥56,342	¥33,324	\$549,546

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

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2005	2004	2003	2005
Lease expense	¥17,745	¥14,726	¥11,625	\$165,847
Depreciation expense	17,003	14,234	11,055	158,916
Interest expense	1,402	1,147	613	13,104

The minimum rental commitments under noncancellable operating leases at March 31, 2005, 2004 and 2003 were as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2005	2004	2003	2005
Due within one year	¥-	¥165	¥412	\$-
Due after one year	-	319	485	-
Total	¥-	¥484	¥897	\$-

**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, 2005, 2004 and 2003 were as follows:

	Millions of yen								
	2005			2004			2003		
	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	¥3,217	¥3,267	¥(50)	¥4,472	¥4,306	¥166	¥1,291	¥1,274	¥17
Euro	415	414	1	1,185	1,133	52	910	951	(41)
Canada dollars	-	-	-	126	124	2	47	51	(4)
Payables:									
Yen	-	-	-	-	-	-	47	48	1
US dollars	-	-	-	-	-	-	-	-	-
Total	¥	-	¥	-	¥	-	¥	-	¥(27)

	Thousands of U.S. dollars (Note 3)		
	2005		
	Contract Amount	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:			
Receivables:			
US dollars	\$30,061	\$30,537	\$(476)
Euro	3,884	3,870	14
Canada dollars	-	-	-
Total	\$	-	\$(462)

Foreign currency forward contracts which qualify for hedge accounting for the years ended March 31, 2005, 2004 and 2003 and such amounts which are assigned to the associated assets and liabilities and were recorded on the balance sheets at March 31, 2005, 2004 and 2003, 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) Electronic Devices, (4) Retail 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, 2005, 2004 and 2003 were as follows:

2005	Millions of yen							
	Energy & Electric Systems	ED&C-Drive Systems	Electronic Devices	Retail Support Equipment & Systems	Others	Total	Elimination and Corporate	Consolidated Total
<b>Sales</b>								
Unaffiliated customers . . . .	¥361,410	¥165,757	¥137,599	¥167,208	¥12,226	¥844,200	¥ -	¥844,200
Intersegment . . . . .	13,384	12,536	5,637	904	33,532	65,993	(65,993)	-
<b>Total sales . . . . .</b>	<b>374,794</b>	<b>178,293</b>	<b>143,236</b>	<b>168,112</b>	<b>45,758</b>	<b>910,193</b>	<b>(65,993)</b>	<b>844,200</b>
<b>Operating costs and expenses . . . . .</b>								
	371,590	171,641	133,738	160,663	44,020	881,652	(64,270)	817,382
<b>Operating income . . . . .</b>	<b>¥ 3,204</b>	<b>¥ 6,652</b>	<b>¥ 9,498</b>	<b>¥ 7,449</b>	<b>¥ 1,738</b>	<b>¥ 28,541</b>	<b>¥ (1,723)</b>	<b>¥ 26,818</b>
<b>Total assets . . . . .</b>	<b>¥307,428</b>	<b>¥131,665</b>	<b>¥128,497</b>	<b>¥106,191</b>	<b>¥48,801</b>	<b>¥722,582</b>	<b>¥159,830</b>	<b>¥882,412</b>
<b>Depreciation and amortization . . . . .</b>								
	4,428	1,933	7,633	1,271	842	16,107	438	16,545
<b>Capital expenditure . . . . .</b>	<b>¥ 3,767</b>	<b>¥ 1,813</b>	<b>¥ 7,950</b>	<b>¥ 1,200</b>	<b>¥ 545</b>	<b>¥ 15,275</b>	<b>¥ 539</b>	<b>¥ 15,814</b>

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

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

2005	Thousands of U.S. dollars (Note 3)							
	Energy & Electric Systems	ED&C-Drive Systems	Electronic Devices	Retail Support Equipment & Systems	Others	Total	Elimination and Corporate	Consolidated Total
<b>Sales</b>								
Unaffiliated customers . . . .	\$3,377,666	\$1,549,139	\$1,285,977	\$1,562,695	\$114,248	\$7,889,725	\$ -	\$7,889,725
Intersegment . . . . .	125,082	117,157	52,686	8,452	313,383	616,760	(616,760)	-
<b>Total sales . . . . .</b>	<b>3,502,748</b>	<b>1,666,296</b>	<b>1,338,663</b>	<b>1,571,147</b>	<b>427,631</b>	<b>8,506,485</b>	<b>(616,760)</b>	<b>7,889,725</b>
<b>Operating costs and expenses . . . . .</b>								
	3,472,797	1,604,120	1,249,887	1,501,525	411,415	8,239,744	(600,659)	7,639,085
<b>Operating income . . . . .</b>	<b>\$ 29,951</b>	<b>\$ 62,176</b>	<b>\$ 88,776</b>	<b>\$ 69,622</b>	<b>\$ 16,216</b>	<b>\$ 266,741</b>	<b>\$ (16,101)</b>	<b>\$ 250,640</b>
<b>Total assets . . . . .</b>	<b>\$2,873,164</b>	<b>\$1,230,514</b>	<b>\$1,200,907</b>	<b>\$ 992,441</b>	<b>\$456,077</b>	<b>\$6,753,103</b>	<b>\$1,493,740</b>	<b>\$8,246,843</b>
<b>Depreciation and amortization . . . . .</b>								
	41,387	18,071	71,344	11,884	7,849	150,535	4,098	154,633
<b>Capital expenditure . . . . .</b>	<b>\$ 35,209</b>	<b>\$ 16,952</b>	<b>\$ 74,305</b>	<b>\$ 11,222</b>	<b>\$ 5,070</b>	<b>\$ 142,758</b>	<b>\$ 5,039</b>	<b>\$ 147,797</b>

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, 2005, 2004 and 2003 were summarized as follows:

Year ended March 31, 2005	Millions of yen				
	North America	Europe	Asia	Other	Total
Overseas sales . . . . .	¥14,735	¥12,843	¥101,906	¥13,056	¥142,540
<b>Consolidated net sales . . . . .</b>					<b>844,200</b>
Overseas sales as a percentage of consolidated net sales . . . . .	1.7%	1.5%	12.1%	1.6%	16.9%

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
<b>Consolidated net sales . . . . .</b>					<b>856,198</b>
Overseas sales as a percentage of consolidated net sales . . . . .	2.2%	1.9%	10.3%	0.7%	15.1%

## Report of Independent Auditors

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, 2005	Thousands of U.S. dollars (Note 3)				
	North America	Europe	Asia	Other	Total
Overseas sales	\$137,717	\$120,032	\$952,400	\$122,001	\$1,332,150
Consolidated net sales	7,889,725				
Overseas sales as a percentage of consolidated net sales	1.7%	1.5%	12.1%	1.6%	16.9%

### GEOGRAPHIC INFORMATION

For the years ended March 31, 2005, 2004 and 2003, 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, 2005 were approved at the Company's shareholders' meeting held on June 28, 2005:

	Millions of yen	Thousands of U.S. dollars (Note 3)
Year-end cash dividends, ¥2.5 (\$0.023) per share	¥1,788	\$16,711
Bonuses to directors	50	467

**Certified Public Accountants**  
Hibiya Kokusai Bldg.  
2-2-3, Uchisaiwai-cho  
Chiyoda-ku, Tokyo 100-0011  
C.P.O. Box 1196, Tokyo 100-8641

Phone: 03 3503-1100

Fax: 03 3503-1197

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, 2005, 2004 and 2003, and the related consolidated statements of income, 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, 2005, 2004 and 2003, 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, 2005 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.

*Ernst & Young ShinNihon*

June 28, 2005

# Consolidated Subsidiaries and Equity-method Affiliates

(As of March 31, 2005)

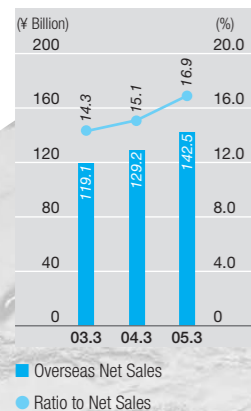
The Fuji Electric Group comprises 61 consolidated subsidiaries, 45 of which are based in Japan and 16 overseas. Fuji Electric Construction Co., Ltd. is listed on the Second Section of the Tokyo Stock Exchange (TSE). The Group also includes two equity-method affiliates, Fuji Logistics Co., Ltd., listed on the Second Section of the TSE, and Japan AE Power Systems Corporation.

Business Segment	Company Name	Main Business
ENERGY & ELECTRIC SYSTEMS GROUP	<b>Fuji Electric Systems Co., Ltd.</b>	Development, manufacture and marketing of equipment and systems related to social infrastructure in the industrial, public works, energy and transport fields, and the provision of related services
	FFC Limited	Development, manufacture and marketing of information processing systems
	FFC Systems Limited	Development and manufacture of information processing systems
	Fuji IT Co., Ltd.	Total solutions for information systems, data control and electronic information equipment
	Fuji Denki Sosetsu Co., Ltd.	Design and building of facilities; marketing of air-conditioning
	Fuji Electric IT Solutions Co., Ltd.	Marketing of computers and communication equipment, development of information processing systems and provision of related total solutions
	Tottori Electric Manufacturing Co., Ltd.	Manufacture of clean room equipment and control devices for vehicles
	Fuji Electric Power Engineering & Service Co., Ltd.	Engineering, maintenance and after-sales services for thermal power generation plant equipment
	Fuji Gas Turbine Research Center Co., Ltd.	Research and development related to gas turbine power generation facilities
	Azumi Fuji Co., Ltd.	Manufacture, marketing and after-sales service of electric machinery and equipment
	Fuji Electric Chiba Tech. Co., Ltd.	Maintenance, inspection and repair of substation equipment; manufacturing and processing of tanks, machinery and equipment
	Fuji Electric Instruments Co., Ltd.	Development, manufacture and marketing of industrial measuring instruments
	Tochigi Fuji Co., Ltd.	Manufacture and marketing of industrial and electrical measuring instruments
	Ibaraki Fuji Co., Ltd.	Manufacture and marketing of power distributors and control equipment
	Fuji Electric Construction Co., Ltd.	Design, building and electrical installation work for a variety of plant facilities
	Japan AE Power Systems Corporation*Equity-method affiliate	Research and development, design, manufacture, engineering, sales, installation and maintenance services related to substation equipment and devices
ED&C-DRIVE SYSTEMS GROUP	<b>Fuji Electric FA Components &amp; Systems Co., Ltd.</b>	Development, manufacture and marketing of electric distribution & control, control & drive, power supply and gas-related equipment
	Fuji Electric Technica Co., Ltd.	Marketing of equipment and control products, and repair services for drive system products
	Chichibu Fuji Co., Ltd.	Manufacture and marketing of control equipment, lead frames for semiconductors and plastic products
	Fuji Electric F-Tech Co., Ltd.	Manufacture of production lines, casts and jigs; design, manufacture and repair of power distributors and control equipment
	Fuji Electric Motor Co., Ltd.	Development, manufacture, marketing and after-sales service related to small- to medium-capacity industrial motors
	Fuji Electric Hi-Tech Corp.	Manufacture and marketing of direct-current stabilized power supply systems
	Hakko Electronics Co., Ltd.	Development, manufacture and marketing of electronic control boards
	Fuji Electric FA Singapore Private Ltd.	Marketing of power distributors, control equipment and inverters in Southeast Asia
	Fuji Electric FA Taiwan Co., Ltd.	Marketing of power distributors, control equipment and inverters in Taiwan
	Fuji Electric (Shanghai) Co., Ltd.	Marketing of power distributors, control equipment and inverters in China
Fuji Electric Dalian Co., Ltd.	Manufacture of low-voltage circuit breakers and motors	
ELECTRONIC DEVICES GROUP	<b>Fuji Electric Device Technology Co., Ltd.</b>	Development, manufacture and marketing of semiconductor, storage and imaging devices
	Fuji Electric Storage Device Co., Ltd.	Development and manufacture of storage devices (magnetic disks)
	Fuji Electric (Malaysia) Sdn. Bhd.	Manufacture of storage devices (magnetic disks)
	Fuji Electric Imaging Device Co., Ltd.	Development and manufacture of imaging devices (photoconductive drums)
	U.S. Fuji Electric Inc.	Manufacture and marketing of imaging devices (photoconductive drums and peripheral imaging devices)
	Hong Kong Fujidenki Co., Ltd.	Manufacture and marketing of imaging devices (photoconductive drums and peripheral imaging devices)
	Fuji Electric (Shenzhen) Co., Ltd.	Manufacture of imaging devices (photoconductive drums and peripheral image devices)
	Hokuriku Fuji Co., Ltd.	Manufacture of semiconductor devices

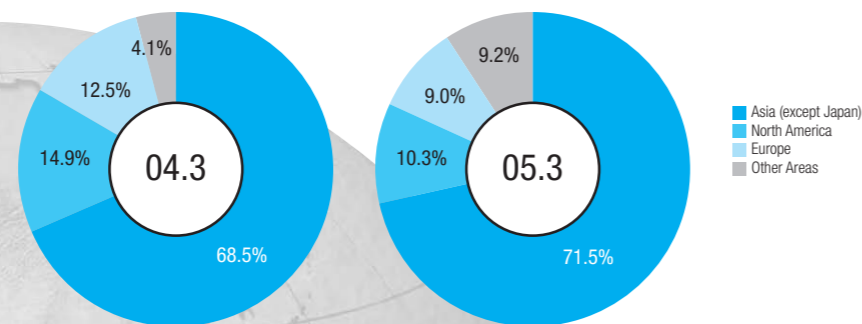
Business Segment	Company Name	Main Business
ELECTRONIC DEVICES GROUP	Iiyama Fuji Co., Ltd.	Manufacture of semiconductor devices
	Omachi Fuji Co., Ltd.	Manufacture of semiconductor devices
	Fuji Electric Philippines, Inc.	Manufacture of semiconductor devices
	Fuji Electric (Scotland) Ltd.	Manufacture and marketing of semiconductor devices
	Fuji Electric Taiwan Co., Ltd.	Marketing of semiconductor devices
	Fuji Semiconductor, Inc.	Marketing of semiconductor devices
	Fuji Electric Singapore Private Ltd.	Marketing of semiconductor devices
	Fuji Electric Matsumoto Mechanics Co., Ltd.	Design, manufacture and marketing of automatic equipment, labor-saving equipment, production lines, casts and jigs, and semiconductor application devices
SYSTEMS GROUP	<b>Fuji Electric Retail Systems Co., Ltd.</b>	Development, manufacture and marketing of vending machines, cold-chain equipment and retail information systems, and provision of related services
	Fuji Electric V&C Altec Co., Ltd.	Manufacture, marketing, installation and maintenance of cold-chain equipment; renewal, overhaul and upgrade of vending machines
	Shinshu Fuji Electric Co., Ltd.	Manufacture and repair of currency handling equipment
	Hoei Plastics Co., Ltd.	Processing of plastics and sheet molding
OTHERS	Fuji Electric Advanced Technology Co., Ltd.	Research and development of basic technologies, new technologies and products
	Fuji Life Corp.	Handling of insurance, real estate, travel planning, currency exchange, commodity sales, nursing care, hotel operations and employee benefits
	Fuji Electric Finance and Accounting Support Co., Ltd.	Handling of accounts receivable and accounts payable functions for finance departments of Fuji Electric Group companies; loan provision and other financial services for Fuji Electric Group companies
	Fuji Electric Information Service Co., Ltd.	Provision of a wide range of information-related solutions such as the development and operation of information systems, production of catalogs and other content, copying and printing
	Asahi Keiki Co., Ltd.	Manufacture, marketing and OEM production of thermostats, digital panel meters and signal converter equipment
	Fuji Logistics Co., Ltd.*Equity-method affiliate	General physical distribution operations including shipping, packing, storage, other logistics processing, and collection and transport of industrial waste
CONSOLIDATED SUBSIDIARIES RELATED TO MULTIPLE SEGMENTS	Fuji EIC Co., Ltd.	Marketing, installation and repair of electrical machinery, control systems and electronic components
	Nishinohon Fuji Electric Co., Ltd.	Marketing, installation and repair of electrical machinery, control systems and electronic components
	Hoei Denki Co., Ltd.	Marketing, installation and repair of electrical machinery, control systems and electronic components
	Chubu Fuji Electric Co., Ltd.	Marketing, installation and repair of electrical machinery, control systems and electronic components
	Kyushu Fuji Electric Co., Ltd.	Marketing, installation and repair of electrical machinery, control systems and electronic components
	Hokkaido Fuji Electric Co., Ltd.	Marketing, installation and repair of electrical machinery, control systems and electronic components
	Tohoku Fuji Electric Co., Ltd.	Marketing, installation and repair of electrical machinery, control systems and electronic components
	Fuji Electric GmbH	Marketing of semiconductor devices, imaging devices (photoconductive drums and peripheral imaging devices) and inverters
	Fuji Electric (Asia) Co., Ltd.	Marketing of inverters, power distributors and control equipment, and semiconductor devices
	Fuji Electric Corp. of America	Marketing of power distributors and control equipment and blowers, handling of heavy electrical equipment and systems, and procurement activities

# Global Activities

## Overseas Net Sales, Ratio to Net Sales



## Share of Overseas Net Sales by Region



## Asia (Except Japan)

### MAJOR PRODUCTS SOLD DURING THE YEAR

- Transformer rectifier units
- Clean room facilities
- Steam turbines and power generation facilities
- Power distributors and control equipment
- Inverters
- Semiconductor devices
- Storage devices (magnetic disks)
- Imaging devices (photoconductive drums and peripheral imaging devices)

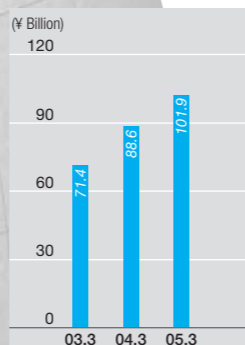
### MAJOR MANUFACTURING COMPANIES

- ◆ Fuji Electric Dalian Co., Ltd.
- ◆ Shanghai Fuji Electric Switchgear Co., Ltd.
- ◆ Fuji GE Drives (Wuxi) Co., Ltd.
- ◆ Atai Fuji Electric Co., Ltd.
- ◆ Shanghai General Fuji Refrigeration Equipment Co., Ltd.
- ◆ Hong Kong Fujidenki Co., Ltd.
- ◆ Fuji Electric (Malaysia) Sdn. Bhd.
- ◆ Fuji Electric Philippines, Inc.
- ◆ P.T. Fuji Dharma Electric

### MAJOR SALES COMPANIES

- ◆ Fuji Electric (Asia) Co., Ltd.
- ◆ Fuji Electric (Shanghai) Co., Ltd.
- ◆ Fuji Electric FA Taiwan Co., Ltd.
- ◆ Fuji Electric Taiwan Co., Ltd.
- ◆ Fuji Electric Singapore Private Ltd.
- ◆ Fuji Electric FA Singapore Private Ltd.

## Net Sales



### MAJOR BUSINESS

- Low-voltage circuit breakers and motors
- Power distribution panels and switchgear
- Inverters
- Small- to medium-capacity industrial motors
- Refrigerated showcases
- Imaging devices (photoconductive drums and peripheral imaging devices)
- Storage devices (magnetic disks)
- Semiconductor devices
- Watt-hour meters

### MAJOR BUSINESS

- Inverters, power distributors and control equipment, and semiconductor devices
- Power distributors and control equipment, and inverters in China
- Power distributors and control equipment, and inverters in Taiwan
- Semiconductor devices
- Semiconductor devices
- Power distributors and control equipment, and inverters in Southeast Asia

## North America

### MAJOR PRODUCTS SOLD DURING THE YEAR

- Inverters
- Semiconductor devices
- Storage devices (magnetic disks)
- Imaging devices (photoconductive drums and peripheral imaging devices)

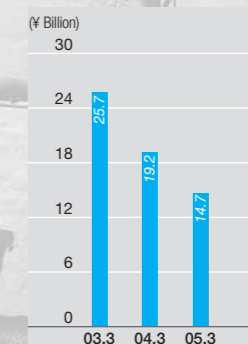
### MAJOR MANUFACTURING COMPANIES

- ◆ U.S. Fuji Electric Inc.
- ◆ GE Fuji Drives America S.A. de C.V.

### MAJOR SALES COMPANIES

- ◆ Fuji Electric Corp. of America
- ◆ GE Fuji Drives USA, Inc.
- ◆ Fuji Semiconductor, Inc.

## Net Sales



### MAJOR BUSINESS

- Imaging devices (photoconductive drums and peripheral imaging devices)
- Inverters

### MAJOR BUSINESS

- Power distributors and control equipment, blowers, heavy electrical equipment and systems, and procurement
- Inverters
- Semiconductor devices

## Europe

### MAJOR PRODUCTS SOLD DURING THE YEAR

- Inverters
- Semiconductor devices
- Imaging devices (photoconductive drums and peripheral imaging devices)

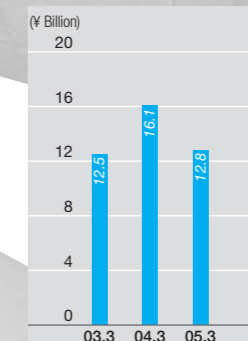
### MAJOR MANUFACTURING COMPANIES

- ◆ Fuji Electric (Scotland) Ltd.
- ◆ Fuji Electric France S.A.

### MAJOR SALES COMPANIES

- ◆ Fuji Electric GmbH

## Net Sales



### MAJOR BUSINESS

- Semiconductor devices
- Measuring instruments

### MAJOR BUSINESS

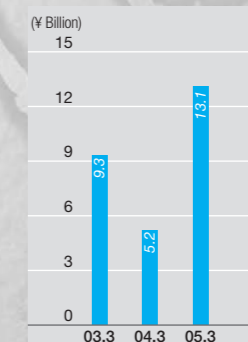
- Semiconductor devices, imaging devices (photoconductive drums and peripheral imaging devices) and inverters

## Other Areas (Oceania, Central & South America, Africa and Middle East)

### MAJOR PRODUCTS SOLD DURING THE YEAR

- Transformer rectifier units
- Steam turbines and power generation facilities

## Net Sales



## Stock Information (As of March 31, 2005)

### Overview

- Authorized Shares: 1,600,000,000
- Issued and Outstanding Shares:
  - Issued and outstanding shares 746,484,957
  - Paid-in capital ¥47,586,067,310
- Number of Shareholders: 63,326
- Share Distribution by Shareholder Type:

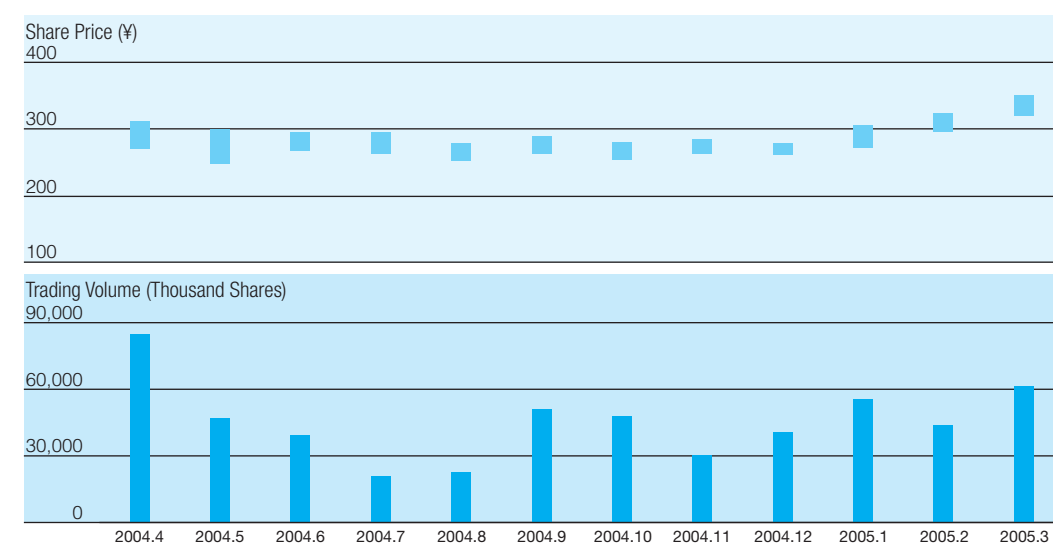
Type	Number of Shareholders	Number of Shares	Holding (%)
Financial Institutions	104	300,207,110	40.22
Securities Companies	47	3,462,887	0.46
Other Domestic Corporations	751	137,061,909	18.36
Foreigners	288	108,979,563	14.60
Individuals and Other	62,136	196,773,488	26.36
<b>Total</b>	<b>63,326</b>	<b>746,484,957</b>	<b>100.00</b>

### 5. Major Shareholders:

	Investment in Fuji Electric Holdings	
	Number of Shares (1,000s)	Holding (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	78,905	10.57
Fujitsu Limited	74,333	9.96
The Master Trust Bank of Japan, Ltd. (Trust Account)	49,184	6.59
SSB Client Omnibus OMO4	24,587	3.29
Asahi Mutual Life Insurance Co.	23,266	3.12
Mizuho Trust & Banking Co., Ltd. (Employee Retirement Benefit Trust, Mizuho Corporate Bank Account)	14,600	1.96
The Furukawa Electric Co., Ltd.	13,422	1.80
Fanuc Ltd.	13,421	1.80
Furukawa Co., Ltd.	11,025	1.48
Mizuho Corporate Bank, Ltd.	10,874	1.46

Note: 31,266 thousand shares of treasury stock are not shown in the above table.

### Share Price Fluctuations (Tokyo Stock Exchange)



## Corporate Overview (As of March 31, 2005)

### Company Name:

Fuji Electric Holdings Co., Ltd.

### Established:

August 29, 1923

### Head Office:

1-1, Tanabe Shinden, Kawasaki-ku, Kawasaki-shi 210-9530, Japan

### Head Office Business Address:

Gate City Ohsaki, East Tower, 11-2, Osaki 1-chome, Shinagawa-ku, Tokyo 141-0032, Japan

### Stock Code:

6504

### Employees (Consolidated):

24,597

## Investor Information

### Enquiries:

Fuji Electric Holdings Co., Ltd.

Corporate Communications

Gate City Ohsaki, East Tower, 11-2, Osaki 1-chome, Shinagawa-ku, Tokyo 141-0032, Japan

Tel: +81-(03)-5435-7206

Fax: +81-(03)-5435-7486

IR Website: <http://www.fujielectric.co.jp/eng/ir/>

### Fiscal Year-end:

March 31

### Ordinary General Meeting of Shareholders:

June

### Shareholder Meeting Record Date:

March 31

### Year-end Dividend Payment Record Date:

March 31

### Interim Dividend Payment Record Date:

September 30

### Corporate Announcements

Fuji Electric Holdings makes corporate announcements electronically via its corporate website (<http://www.fujielectric.co.jp>). In the event that this is not possible, the Company will publish the information in *The Nihon Keizai Shimbun*.

### Stock Transfer Agent:

The Chuo Mitsui Trust and Banking Company, Limited  
33-1, Shiba 3-chome, Minato-ku, Tokyo 105-8574, Japan

### Agency's Administration Office

(Postal address and telephone enquiries):

The Chuo Mitsui Trust and Banking Company, Limited  
Stock Transfer Agency Dept.

8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-0063, Japan

Tel: +81-(03)-3323-7111

### Secondary Agents:

Nationwide branches of the Chuo Mitsui Trust and Banking Company, Limited  
Head office and nationwide branches of Japan Securities Agents, Ltd.

### Share Listings:

Tokyo, Osaka, Nagoya and Fukuoka stock exchanges