

ORDERS AND NET SALES

Orders during fiscal year 1995 were ¥584,651 million, a 1.9% decline from the previous term. Net sales also declined, by 3.6%, to ¥561,266 million. Export orders were ¥88,194 million, nearly unchanged from the previous fiscal year, and accounted for 15.1% of total orders. Export sales, on the other hand, grew 8.1% to ¥76,396 million, which was 13.6% of net sales.

Orders for Electrical Equipment decreased 5.4% to ¥272,717 million, while sales were down 12.2% to ¥251,205 million. Orders for Control/Information Systems and Electronic Devices edged up 0.8% to ¥228,635 million, while sales grew 5.7% to ¥226,976 million. In Consumer-related and Other Products, orders increased 2.9% to ¥83,297 million, while sales rose 1.9% to ¥83,084 million.

NET INCOME

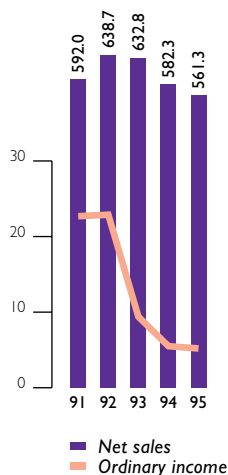
As a result of all-out efforts during the past two or three years to rationalize operations, cut costs and lower the breakeven point, the operating income margin improved from 1.1% to 1.4% and operating income increased 20.5% to ¥8,031 million.

Ordinary income declined 6.5% to ¥5,187 million and income before income taxes was ¥5,175 million.

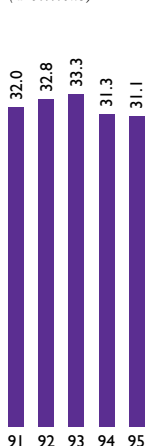
To strengthen its earnings structure, Fuji Electric withdrew from unprofitable business lines, streamlined its management and workforce and implemented an exhaustive program to improve production efficiency. Extraordinary losses of ¥14,958 million related to these measures were offset by an extraordinary gain of ¥14,946 million on the sale of marketable securities.

Net income was ¥2,505 million, down 6.9% from fiscal 1994. Shares issued and outstanding increased during the term by 4.77 million to 715 million shares following the conversion of convertible bonds.

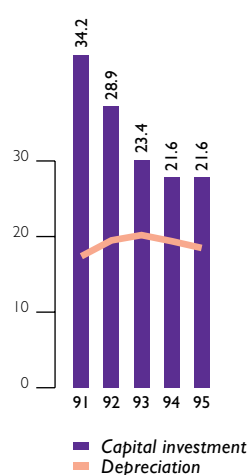
Net sales & Ordinary income
(¥ billions)



R&D expenditures
(¥ billions)



Capital investment & Depreciation
(¥ billions)



R&D

Fuji Electric maintained its commitment to secure future growth by investing in research and development. Research efforts were focused on improving electronics and information processing technology and developing original products. In fiscal 1995, the Company's R&D expenditures totaled ¥31,090 million, equal to 5.5% of total net sales, up 0.1 percentage point from fiscal 1994.

CAPITAL INVESTMENT

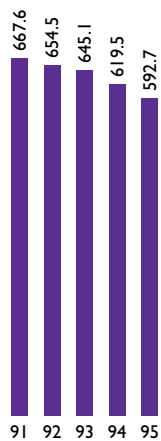
The Company made capital investments of ¥21,582 million during the period, primarily to expand production capacity for such electronic components as high-voltage silicon diodes and power devices and to establish production capacity for next-generation magnetic disks.

FINANCIAL POSITION

Total assets at the end of fiscal 1995 were ¥592,719 million, down ¥26,789 million from ¥619,508 million at the close of fiscal 1994. Total shareholders' equity as a percentage of total assets rose from 22.6% to 23.4%.

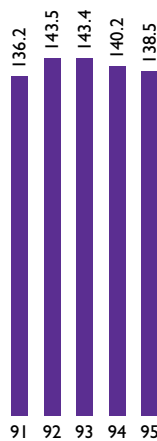
Total assets

(¥ billions)



Total shareholders' equity

(¥ billions)



NON-CONSOLIDATED BALANCE SHEETS

Fuji Electric Co., Ltd.

Thousands of
U.S. dollars
(Note 3)

As of March 31, 1995 and 1994

	Millions of yen		
	1995	1994	1995
ASSETS			
CURRENT ASSETS:			
Cash and time deposits	¥ 70,321	¥107,640	\$ 781,344
Marketable securities, at cost (Notes 2 and 6)	80,900	63,754	898,889
Trade receivables:			
Notes and accounts	81,895	85,091	909,945
Subsidiaries and affiliates	42,340	39,644	470,444
Allowance for doubtful receivables	(1,374)	(1,579)	(15,266)
Inventories (Notes 2 and 4)	110,423	118,496	1,226,922
Advance payments to suppliers	11,360	12,690	126,222
Other current assets	33,681	36,851	374,233
TOTAL CURRENT ASSETS	429,546	462,587	4,772,733
PROPERTY, PLANT AND EQUIPMENT, AT COST (Notes 2, 5 and 6):			
Land	9,414	8,263	104,600
Buildings and structures	91,574	81,548	1,017,489
Machinery and equipment	209,662	210,553	2,329,578
Construction in progress	2,075	7,623	23,055
	312,725	307,987	3,474,722
Less accumulated depreciation	(208,834)	(203,667)	(2,320,377)
TOTAL PROPERTY, PLANT AND EQUIPMENT	103,891	104,320	1,154,345
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 2 and 6):			
Subsidiaries and affiliates	32,953	24,827	366,144
Other	14,982	14,815	166,466
Long-term loans receivable	2,021	2,597	22,455
Other investments and other assets	9,880	10,925	109,778
Allowance for losses on overseas investments	(539)	(539)	(5,988)
Allowance for doubtful receivables	(15)	(24)	(166)
TOTAL INVESTMENTS AND OTHER ASSETS	59,282	52,601	658,689
	¥592,719	¥619,508	\$6,585,767

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

Thousands of
U.S. dollars
(Note 3)

	<i>Millions of yen</i>		
	1995	1994	1995
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Note 6)	¥ 68,535	¥ 67,880	\$ 761,500
Current portion of long-term debt (Note 6)	2,472	34,564	27,467
Trade payables:			
Notes and accounts	90,977	88,836	1,010,855
Subsidiaries and affiliates	64,432	58,753	715,911
Advances from customers	67,274	63,896	747,489
Accrued income taxes (Notes 2 and 10)	2,532	2,298	28,133
Employees' savings deposits	14,373	12,842	159,700
Other current liabilities	50,955	55,160	566,167
TOTAL CURRENT LIABILITIES	<u>361,550</u>	<u>384,229</u>	<u>4,017,222</u>
LONG-TERM DEBT (Note 6)	<u>78,450</u>	<u>80,922</u>	<u>871,667</u>
LIABILITY FOR SEVERANCE PAYMENTS (Note 2)	<u>14,193</u>	<u>14,119</u>	<u>157,700</u>
CONTINGENT LIABILITIES (Note 11)			
SHAREHOLDERS' EQUITY:			
Common stock, ¥50 par value:			
Authorized—1,600,000,000shares			
Issued—715,059,495 shares as of March 31, 1995	47,585	—	528,722
710,288,272 shares as of March 31, 1994	—	46,779	—
Capital surplus	38,392	37,593	426,578
Legal reserve (Note 7)	9,032	8,448	100,356
Retained earnings (Note 8)	43,517	47,418	483,522
TOTAL SHAREHOLDERS' EQUITY	<u>138,526</u>	<u>140,238</u>	<u>1,539,178</u>
	<u>¥592,719</u>	<u>¥619,508</u>	<u>\$6,585,767</u>

NON-CONSOLIDATED STATEMENTS OF INCOME

Fuji Electric Co., Ltd.

Thousands of
U.S. dollars
(Note 3)

Years ended March 31, 1995 and 1994

	Millions of yen		1995
	1995	1994	
NET SALES (Note 2)	¥561,266	¥582,266	\$6,236,288
COST OF SALES	<u>451,327</u>	<u>475,565</u>	<u>5,014,744</u>
GROSS PROFIT	109,939	106,701	1,221,544
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>101,908</u>	<u>100,036</u>	<u>1,132,311</u>
OPERATING INCOME	8,031	6,665	89,233
NON-OPERATING INCOME (EXPENSES):			
Interest and dividends received	6,603	7,339	73,366
Interest expense	(8,858)	(10,533)	(98,422)
Other, net	<u>(589)</u>	<u>2,078</u>	<u>(6,544)</u>
	<u>(2,844)</u>	<u>(1,116)</u>	<u>(31,600)</u>
ORDINARY INCOME	5,187	5,549	57,633
EXTRAORDINARY LOSS, NET (Note 9)	<u>(12)</u>	<u>(377)</u>	<u>(133)</u>
INCOME BEFORE INCOME TAXES	5,175	5,172	57,500
INCOME TAXES (Notes 2 and 10)	<u>2,670</u>	<u>2,480</u>	<u>29,667</u>
NET INCOME	<u>¥ 2,505</u>	<u>¥ 2,692</u>	<u>\$ 27,833</u>

U.S. dollars
(Note 3)

PER SHARE AMOUNTS:

	Yen		
Net income (Note 2)	¥3.52	¥3.79	\$0.039
Cash dividends	<u>8.00</u>	<u>8.00</u>	<u>0.088</u>

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

NON-CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Fuji Electric Co., Ltd.

Years ended March 31, 1995 and 1994	<i>Thousands</i>	<i>Millions of yen</i>			
	<i>Number of shares of common stock</i>	<i>Common stock</i>	<i>Capital surplus</i>	<i>Legal reserve (Note 7)</i>	<i>Retained earnings (Note 8)</i>
BALANCE AT MARCH 31, 1993	710,282	¥ 46,778	¥ 37,592	¥ 7,863	¥ 51,153
Net income for the year	—	—	—	—	2,692
Cash dividends paid	—	—	—	—	(5,682)
Transfer to legal reserve	—	—	—	585	(585)
Bonuses to directors	—	—	—	—	(160)
Common stock issued on conversion of bonds	6	1	1	—	—
BALANCE AT MARCH 31, 1994	710,288	¥ 46,779	¥ 37,593	¥ 8,448	¥ 47,418
Net income for the year	—	—	—	—	2,505
Cash dividends paid	—	—	—	—	(5,682)
Transfer to legal reserve	—	—	—	584	(584)
Bonuses to directors	—	—	—	—	(140)
Common stock issued on conversion of bonds	4,771	806	799	—	—
BALANCE AT MARCH 31, 1995	715,059	¥ 47,585	¥ 38,392	¥ 9,032	¥ 43,517

	<i>Thousands of U.S. dollars (Note 3)</i>			
BALANCE AT MARCH 31, 1994	\$519,766	\$417,700	\$ 93,867	\$526,866
Net income for the year	—	—	—	27,833
Cash dividends paid	—	—	—	(63,133)
Transfer to legal reserve	—	—	6,489	(6,489)
Bonuses to directors	—	—	—	(1,555)
Common stock issued on conversion of bonds	8,956	8,878	—	—
BALANCE AT MARCH 31, 1995	\$528,722	\$426,578	\$100,356	\$483,522

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

NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS

Fuji Electric Co., Ltd.

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

The accompanying non-consolidated financial statements have been prepared in accordance with the provisions set forth in the Commercial Code of Japan and in conformity with accounting principles and practices generally accepted in Japan. In preparing these statements, certain reclassifications and rearrangements have been made to the non-consolidated financial statements prepared domestically in Japan in order to present these statements in a form that is more familiar to readers outside Japan. In addition, the accompanying notes include additional information which is not required under accounting principles and practices generally accepted in Japan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Foreign currency translation

Current receivables and payables denominated in foreign currencies are translated into Japanese yen at exchange rates in effect at the respective balance-sheet dates. All other accounts denominated in foreign currencies are translated into Japanese yen at historical exchange rates. The resulting exchange losses and gains are charged or credited to income.

b. Inventories

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

c. Marketable securities and investment securities

Marketable securities and investment securities are stated at cost determined by the moving average method.

d. Depreciation

Depreciation is computed by the declining-balance method at rates based on the estimated useful lives of the assets.

e. Liability for severance payments and pension plan

Employees who terminate their service with the Company are, under most circumstances, entitled to lump-sum severance payments determined by reference to their current basic rate of pay and length of service. The Company generally provides for this liability to the extent of 40% of the amount (equal to the maximum amount permitted under Japanese income tax regulations) which would be required to be paid if all employees voluntarily terminated their service at the balance-sheet date. In addition to lump-sum severance payments, the Company operates a contributory pension plan to supplement the public welfare pension plan. Payments to the pension fund, including amortization of past service costs, are charged to income when made.

f. Research and development costs

Research and development costs are charged to income as incurred.

g. Revenue recognition

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

h. Income taxes

Income taxes are provided for amounts currently payable for each year. Deferred income taxes related to timing differences are not recognized.

i. Net income per share

Net income per share is computed based on the weighted average number of shares outstanding during the respective years.

3. U.S. DOLLAR AMOUNTS

The U.S. dollar amounts included herein are solely for the convenience of the reader outside Japan and have been translated from the Japanese yen amounts at the rate of ¥90.00=U.S.\$1, the approximate exchange rate on March 31, 1995.

4. INVENTORIES

Inventories at March 31 comprised the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	1995	1994	1995
Finished goods	¥ 53,459	¥ 64,169	\$ 593,989
Work in process	47,962	45,830	532,911
Raw materials	9,002	8,497	100,022
	<u>¥110,423</u>	<u>¥118,496</u>	<u>\$1,226,922</u>

5. DEPRECIATION

Depreciation charges were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	1995	1994	1995
Depreciation charges	<u>¥18,464</u>	<u>¥19,341</u>	<u>\$205,156</u>

6. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans are unsecured and represented by short-term notes issued by the Company to banks. Long-term debt at March 31 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	1995	1994	1995
Loans, principally from banks and insurance companies due 1995 to 2001 with interest rates from 4.55% to 6.90%:			
Secured	¥ 2,491	¥ 2,916	\$ 27,678
Unsecured	4,131	4,385	45,900
8.25% U.S.\$ bonds due 1996	14,400	14,400	160,000
6.1% ¥ bonds due 1997	30,000	30,000	333,333
5.25% DM bonds with warrants due 1994	—	32,232	—
3.7% ¥ convertible bonds due 1995	—	1,653	—
5.5% U.S.\$ convertible bonds due 1996	5	5	56
5.3% ¥ convertible bonds due 1996	29,895	29,895	332,167
	80,922	115,486	899,134
Less: Portion due within one year	2,472	34,564	27,467
	<u>¥78,450</u>	<u>¥ 80,922</u>	<u>\$871,667</u>

The current conversion prices of the 5.5% and 5.3% convertible bonds are ¥284.40 and ¥841.00 per share, respectively. These prices are subject to adjustment in certain circumstances, including stock splits.

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

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	1995	1994	1995
Marketable securities and investment securities	¥ 2,984	¥2,107	\$ 33,155
Property, plant and equipment	7,082	7,141	78,689
	<u>¥10,066</u>	<u>¥9,248</u>	<u>\$111,844</u>

As of March 31, 1995, the aggregate annual maturities of long-term debt (except convertible bonds) during the next five years are as follows:

<i>Year ending March 31</i>	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
1996	¥ 2,467	\$ 27,411
1997	15,662	174,022
1998	31,712	352,356
1999	709	7,878
2000 and thereafter	472	5,244
	<u>¥51,022</u>	<u>\$566,911</u>

7. LEGAL RESERVE

The Commercial Code of Japan provides that an amount equal to at least 10% of cash dividends and bonuses to directors paid be appropriated as a legal reserve until such reserve equals 25% of common stock. This reserve may be used to reduce a deficit or may be transferred to common stock, but is not available for distributions as dividends.

8. RETAINED EARNINGS AND DIVIDENDS

Annual appropriation of retained earnings is recorded in the financial year when approved at the shareholders' meeting. Interim dividends and the related appropriation of retained earnings are recorded when declared by the Board of Directors. On June 29, 1995, the shareholders authorized (1) payment of a cash dividend to shareholders of record on March 31, 1995 at the rate of ¥4.00 (\$0.04) per share, or a total of ¥2,860 million (\$31,778 thousand), and (2) a transfer from retained earnings to the legal reserve of ¥296 million (\$3,289 thousand).

9. EXTRAORDINARY LOSS

Extraordinary income (loss) comprised the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<i>1995</i>	<i>1994</i>	<i>1995</i>
Gain on sales of marketable securities	¥14,946	¥ —	\$166,067
Gain on sales of property, plant and equipment	—	3,048	—
Extraordinary loss on the conversion of business structure	(10,749)	(3,040)	(119,433)
Loss on liquidation of a subsidiary	(4,209)	—	(46,767)
Other, net	—	(385)	—
	<u>¥ (12)</u>	<u>¥ (377)</u>	<u>\$ (133)</u>

10. INCOME TAXES

The Company is subject to corporate income tax, prefectural and municipal inhabitant taxes and enterprise tax, based on income. Enterprise tax was included in selling, general and administrative expenses in accordance with accounting principles and practices generally accepted in Japan.

11. CONTINGENT LIABILITIES

Contingent liabilities at March 31 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<i>1995</i>	<i>1994</i>	<i>1995</i>
Notes discounted and endorsed	¥ 8,132	¥ 7,735	\$ 90,356
Guarantees	<u>27,218</u>	<u>24,244</u>	<u>302,422</u>

Showa Ota & Co.

A MEMBER OF ERNST & YOUNG INTERNATIONAL

Certified Public Accountants

Hibiya Kokusai Bldg.

2-3 Uchisaiwai-cho 2-chome

Chiyoda-ku, Tokyo 100

Telephone: (03) 3503-1100

Fax: (03) 3503-1197

To the Board of Directors

Fuji Electric Co., Ltd.

We have examined the non-consolidated balance sheets of Fuji Electric Co., Ltd. as of March 31, 1995 and 1994, and the related non-consolidated statements of income and shareholders' equity for the years then ended, expressed in Japanese yen. Our examinations were made in accordance with auditing standards generally accepted in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned non-consolidated financial statements present fairly the financial position of Fuji Electric Co., Ltd. at March 31, 1995 and 1994 and the results of its operations for the years then ended, in conformity with accounting principles generally accepted in Japan applied on a consistent basis.

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 1995, are presented solely for convenience. Our examination also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the non-consolidated financial statements.

Showa Ota & Co.

Tokyo, Japan

June 29, 1995

CONSOLIDATED BALANCE SHEETS

Fuji Electric Co., Ltd. and consolidated subsidiaries

Thousands of
U.S. dollars
(Note 3)

As of March 31, 1995 and 1994

	Millions of yen		
	1995	1994	1995
ASSETS			
CURRENT ASSETS:			
Cash and time deposits	¥ 90,291	¥ 122,801	\$ 1,003,233
Marketable securities, at cost (Notes 2 and 6)	95,291	76,525	1,058,789
Trade receivables:			
Notes and accounts	232,216	205,457	2,580,178
Unconsolidated subsidiaries and affiliates	11,069	17,300	122,989
Allowance for doubtful receivables	(2,849)	(2,879)	(31,655)
Inventories (Notes 2 and 4)	151,624	150,997	1,684,711
Advance payments to suppliers	5,943	8,384	66,033
Other current assets (Note 10)	31,553	33,998	350,589
TOTAL CURRENT ASSETS	615,138	612,583	6,834,867
PROPERTY, PLANT AND EQUIPMENT, AT COST (Notes 2, 5 and 6):			
Land	16,050	15,647	178,333
Buildings and structures	127,161	104,823	1,412,900
Machinery and equipment	255,632	258,327	2,840,355
Construction in progress	5,910	9,727	65,667
	404,753	388,524	4,497,255
Less accumulated depreciation	(255,738)	(247,312)	(2,841,533)
TOTAL PROPERTY, PLANT AND EQUIPMENT	149,015	141,212	1,655,722
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 2 and 6):			
Unconsolidated subsidiaries and affiliates	14,315	15,824	159,055
Other	8,192	18,745	91,022
Long-term loans receivable	2,325	3,601	25,833
Other investments and other assets (Note 10)	38,435	23,437	427,055
Allowance for losses on overseas investments	(539)	(539)	(5,988)
Allowance for doubtful receivables	(166)	(146)	(1,844)
TOTAL INVESTMENTS AND OTHER ASSETS	62,562	60,922	695,133
	¥ 826,715	¥ 814,717	\$ 9,185,722

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

Thousands of
U.S. dollars
(Note 3)

	<i>Millions of yen</i>		
	1995	1994	1995
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans	¥122,179	¥111,019	\$1,357,544
Current portion of long-term debt (Note 6)	8,937	40,358	99,300
Trade payables:			
Notes and accounts	195,552	164,450	2,172,800
Unconsolidated subsidiaries and affiliates	23,945	36,734	266,055
Advances from customers	74,012	68,556	822,356
Accrued income taxes (Notes 2 and 10)	7,286	6,075	80,956
Other current liabilities	70,072	69,408	778,578
TOTAL CURRENT LIABILITIES	<u>501,983</u>	<u>496,600</u>	<u>5,577,589</u>
LONG-TERM DEBT (Note 6)	<u>98,335</u>	<u>95,935</u>	<u>1,092,611</u>
LIABILITY FOR SEVERANCE PAYMENTS (Note 2)	<u>20,143</u>	<u>18,512</u>	<u>223,811</u>
OTHER LONG-TERM LIABILITIES	<u>2,084</u>	<u>1,870</u>	<u>23,156</u>
MINORITY INTERESTS	<u>27,170</u>	<u>26,761</u>	<u>301,889</u>
CONTINGENT LIABILITIES (Note 11)			
SHAREHOLDERS' EQUITY:			
Common stock, ¥50 par value:			
Authorized—1,600,000,000 shares			
Issued—715,059,495 shares as of March 31, 1995	47,585	—	528,722
710,288,272 shares as of March 31, 1994	—	46,779	—
Capital surplus	38,392	37,593	426,578
Legal reserve (Note 7)	10,001	9,173	111,122
Retained earnings (Note 8)	81,022	81,494	900,244
	<u>177,000</u>	<u>175,039</u>	<u>1,966,666</u>
Less shares of common stock held by the Company	<u>(0)</u>	<u>(0)</u>	<u>(0)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>177,000</u>	<u>175,039</u>	<u>1,966,666</u>
	<u>¥826,715</u>	<u>¥814,717</u>	<u>\$9,185,722</u>

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

Fuji Electric Co., Ltd. and consolidated subsidiaries

Thousands of
U.S. dollars
(Note 3)

Years ended March 31, 1995 and 1994

	Millions of yen		
	1995	1994	1995
NET SALES (Note 2)	¥856,305	¥834,015	\$9,514,500
COST OF SALES	667,629	656,508	7,418,100
GROSS PROFIT	188,676	177,507	2,096,400
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	170,462	161,711	1,894,022
OPERATING INCOME	18,214	15,796	202,378
NON-OPERATING INCOME (EXPENSES):			
Interest and dividends received	6,762	7,439	75,133
Interest expense	(12,344)	(13,621)	(137,156)
Other, net	330	4,515	3,667
	(5,252)	(1,667)	(58,356)
ORDINARY INCOME	12,962	14,129	144,022
EXTRAORDINARY LOSS, NET (Note 9)	(153)	(3,282)	(1,700)
INCOME BEFORE INCOME TAXES	12,809	10,847	142,322
INCOME TAXES (Notes 2 and 10)	7,905	5,962	87,833
	4,904	4,885	54,489
MINORITY INTERESTS IN NET INCOME OF CONSOLIDATED SUBSIDIARIES	(1,084)	(1,239)	(12,045)
NET INCOME	3,820	3,646	42,444
RETAINED EARNINGS (Note 8):			
BALANCE AT BEGINNING OF THE YEAR	81,494	86,884	905,489
INCREASE RESULTING FROM INCREASE OF CONSOLIDATED SUBSIDIARIES	659	—	7,322
DECREASE RESULTING FROM CHANGES IN EQUITY INTEREST IN CONSOLIDATED SUBSIDIARIES	(1,576)	(2,387)	(17,511)
INCREASE RESULTING FROM RECOGNITION OF DEFERRED INCOME TAXES (Note 2)	3,444	—	38,266
TRANSFER TO LEGAL RESERVE (Note 7)	(675)	(678)	(7,500)
CASH DIVIDENDS	(5,682)	(5,682)	(63,133)
BONUSES TO DIRECTORS	(262)	(289)	(2,911)
DECREASE RESULTING FROM TRANSLATION OF FOREIGN SUBSIDIARIES	(200)	—	(2,222)
BALANCE AT END OF THE YEAR	¥ 81,022	¥ 81,494	\$ 900,244
PER SHARE AMOUNTS:			
Net income (Note 2)	¥5.37	¥5.13	\$0.060

Yen

U.S. dollars
(Note 3)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Fuji Electric Co., Ltd. and consolidated subsidiaries

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with accounting principles and practices generally accepted in Japan and from the consolidated financial statements filed with the Minister of Finance in 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 accompanying notes include additional information which is not required under accounting principles and practices generally accepted in Japan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and all of its significant majority-owned subsidiaries (the “Companies”). All significant intercompany accounts and transactions have been eliminated in consolidation. The Company’s remaining subsidiaries whose net and gross assets and net sales are not significant in the aggregate in relation to the comparable figures in the consolidated financial statements, have not been consolidated. Investments in unconsolidated subsidiaries and affiliates are not accounted for by the equity method. The excess of the Company’s investments in consolidated subsidiaries over its equity in the net assets at the date of acquisition was not material and has been fully amortized.

b. Foreign currency translation

Current receivables and payables denominated in foreign currencies are translated into Japanese yen at exchange rates in effect at the respective balance-sheet dates. All other accounts denominated in foreign currencies are translated into Japanese yen at historical exchange rates. The resulting exchange losses and gains are charged or credited to income.

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 and 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. Marketable securities and investment securities

Marketable securities and investment securities are stated generally 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.

f. Liability for severance payments and pension plan

Employees who terminate their service with the Companies are, under most circumstances, entitled to lump-sum severance payment determined by reference to their current basic rate of pay and length of service. The Companies generally provide for this liability to the extent of 40% of the amount (equal to the maximum amount permitted under Japanese income tax regulations) which would be required to be paid if all employees voluntarily terminated their service at the balance-sheet date. In addition to lump-sum severance payments, the Companies generally operate pension plans to supplement the public welfare pension plan. Payments to the pension fund, including amortization of past service costs, are charged to income when made.

g. Research and development costs

Research and development costs are charged to income as incurred.

h. Revenue recognition

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

i. Income taxes

Income taxes are provided for amounts currently payable for each year.

For the year ended March 31, 1995 the Company has recognized deferred income taxes related to elimination of unrealized intercompany profit arising from consolidation procedure.

j. Net income per share

Net income per share is computed based on the weighted average number of shares outstanding during the respective years.

3. U.S. DOLLAR AMOUNTS

The U.S. dollar amounts included herein are solely for the convenience of the reader outside Japan and have been translated from the Japanese yen amounts at the rate of ¥90.00=U.S. \$1, the approximate exchange rate on March 31, 1995.

4. INVENTORIES

Inventories at March 31 comprised the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	1995	1994	1995
Finished goods	¥ 73,185	¥ 76,043	\$ 813,166
Work in process	67,748	65,514	752,756
Raw materials	10,691	9,440	118,789
	<u>¥151,624</u>	<u>¥150,997</u>	<u>\$1,684,711</u>

5. DEPRECIATION

Depreciation charges were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	1995	1994	1995
Depreciation charges	<u>¥23,352</u>	<u>¥27,899</u>	<u>\$259,467</u>

6. LONG-TERM DEBT

Long-term debt at March 31 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	1995	1994	1995
Loans, principally from banks and insurance companies	¥ 32,972	¥ 28,108	\$ 366,355
8.25% U.S.\$ bonds due 1996	14,400	14,400	160,000
6.1% ¥ bonds due 1997	30,000	30,000	333,333
5.25% DM bonds with warrants due 1994	—	32,232	—
3.7% ¥ convertible bonds due 1995	—	1,653	—
5.5% U.S.\$ convertible bonds due 1996	5	5	56
5.3% ¥ convertible bonds due 1996	29,895	29,895	332,167
	<u>107,272</u>	<u>136,293</u>	<u>1,191,911</u>
Less: Portion due within one year	<u>8,937</u>	<u>40,358</u>	<u>99,300</u>
	<u>¥ 98,335</u>	<u>¥ 95,935</u>	<u>\$1,092,611</u>

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

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	1995	1994	1995
Marketable securities and investment securities	¥ 3,959	¥ 4,147	\$ 43,989
Property, plant and equipment	10,496	7,551	116,622
	<u>¥14,455</u>	<u>¥11,698</u>	<u>\$160,611</u>

7. LEGAL RESERVE

The Commercial Code of Japan provides that an amount equal to at least 10% of cash dividends and bonuses to directors paid be appropriated as a legal reserve until such reserve equals 25% of common stock. This reserve may be used to reduce a deficit or may be transferred to common stock, but is not available for distribution as dividends. The legal reserve includes a proportionate share of changes in the legal reserve of consolidated subsidiaries since the date of acquisition.

8. RETAINED EARNINGS AND DIVIDENDS

Annual appropriation of retained earnings is recorded in the financial year when approved by the shareholders' meeting. Interim dividends and the related appropriation of retained earnings are recorded when declared by the Board of Directors. On June 29, 1995, the shareholders of the Company authorized (1) payment of a cash dividend to shareholders of record on March 31, 1995 at the rate of ¥4.00 (\$0.04) per share, or a total of ¥2,860 million (\$31,778 thousand), and (2) a transfer from retained earnings to the legal reserve of ¥296 million (\$3,289 thousand).

9. EXTRAORDINARY LOSS

Extraordinary income (loss) comprised the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<i>1995</i>	<i>1994</i>	<i>1995</i>
Gain on sales of marketable securities	¥14,946	¥ —	\$ 166,067
Gain on sales of property, plant and equipment	0	196	0
Extraordinary loss on the conversion of business structure	(10,842)	(3,040)	(120,467)
Loss on liquidation of subsidiaries	(4,257)	—	(47,300)
Other, net	—	(438)	—
	<u>¥ (153)</u>	<u>¥(3,282)</u>	<u>\$ (1,700)</u>

10. INCOME TAXES

The Companies are subject to corporate income tax, prefectural and municipal inhabitant taxes and enterprise tax, based on income. Enterprise tax was included in selling, general and administrative expenses in accordance with accounting principles and practices generally accepted in Japan. As described in Note 2 (i), in the year ended March 31, 1995, the Company changed its method of accounting for income taxes. This change in accounting increased net income for the year ended March 31, 1995 by ¥200 million (\$2,222 thousand).

Deferred income taxes as of March 31, 1995 are reflected in the accompanying consolidated balance sheet under the following captions:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Other current assets	¥5,200	\$57,778
Other investments and other assets	<u>2,790</u>	<u>31,000</u>

11. CONTINGENT LIABILITIES

Contingent liabilities at March 31 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<i>1995</i>	<i>1994</i>	<i>1995</i>
Notes discounted and endorsed	¥36,284	¥29,117	\$403,156
Guarantees	<u>28,268</u>	<u>24,991</u>	<u>314,089</u>

Showa Ota & Co.

A MEMBER OF ERNST & YOUNG INTERNATIONAL

Certified Public Accountants

Hibiya Kokusai Bldg.

2-3 Uchisaiwai-cho 2-chome

Chiyoda-ku, Tokyo 100

Telephone: (03) 3503-1100

Fax: (03) 3503-1197

To the Board of Directors
Fuji Electric Co., Ltd.

We have examined the consolidated balance sheets of Fuji Electric Co., Ltd. and consolidated subsidiaries as of March 31, 1995 and 1994, and the related consolidated statements of income and retained earnings for the years then ended, expressed in Japanese yen. Our examinations were made in accordance with auditing standards generally accepted in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Fuji Electric Co., Ltd. and consolidated subsidiaries at March 31, 1995 and 1994, and the results of their operations for the years then ended, in conformity with accounting principles generally accepted in Japan applied on a consistent basis, except for the change, with which we concur, in the method of accounting for income taxes as described in Note 2 to the consolidated financial statements.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 1995, are presented solely for convenience. Our examination 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.

Showa Ota & Co.

Tokyo, Japan
June 29, 1995