

To fortify our overseas operations, we are aggressively working to position ourselves in the Chinese market to take advantage of that country's high growth prospects. In 1994, we established a subsidiary in Dalian, China, as a production base for control equipment, electrical distribution equipment and standard motors. Following that, we founded a subsidiary in Suzhou to market measuring instruments and, in Fuchunjiang, we established a subsidiary to manufacture and market hydraulic turbines and generators as well as an inverter repair and service center in Shenzhen. In 1996, we spun off Fuji Electric (Asia) Co., Ltd. from Hong Kong Fujidenki Co., Ltd. to serve as a marketing base for a wide range of products, including control equipment, electrical distribution equipment, general-purpose inverters and semiconductors. We now have bases in 14 leading Chinese cities and are working to expand our marketing network to 40 locations and to increase our sales by constructing a direct sales network in China.

The electric power market in China has grown rapidly in recent years, and electric power demand is expected to increase well into the 21st century. In line with this, the construction of power plants and reinforcement of power transmission and distribution networks are proceeding at a brisk pace. To meet this surging demand, to expand our sales to electric power companies and the petrochemicals industry and to increase our market share, we established Shanghai Fuji Electric Switchgear Co., Ltd. and Shanghai Fuji Electric Transformer Co., Ltd. in May 1997. These two companies will produce and market distribution panels, vacuum circuit breakers and molded transformers.

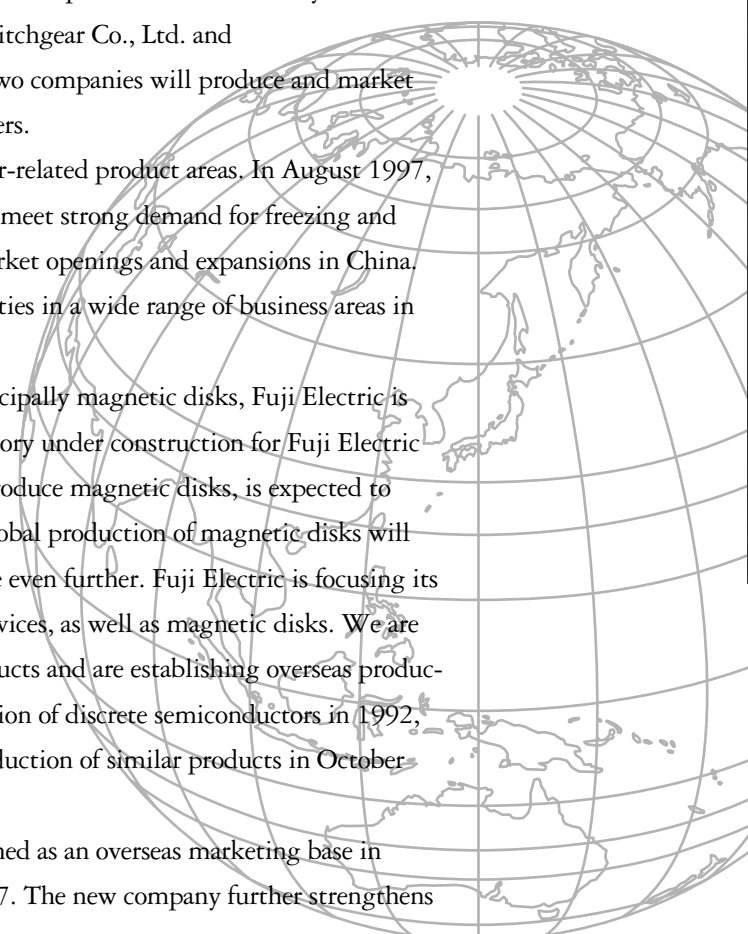
Fuji Electric is also expanding overseas operations in consumer-related product areas. In August 1997, we established a manufacturing and marketing base in Shanghai to meet strong demand for freezing and refrigerated showcases resulting from the sharp increase in supermarket openings and expansions in China.

We intend to continue taking advantage of market opportunities in a wide range of business areas in the robust Chinese market.

In information-related equipment and electronic devices, principally magnetic disks, Fuji Electric is increasing production and globalizing its production system. A factory under construction for Fuji Electric (Malaysia) Sdn. Bhd., which was established in February 1996 to produce magnetic disks, is expected to come on line early in 1998. When operating at full capacity, our global production of magnetic disks will reach 100 million per year, allowing us to increase our market share even further. Fuji Electric is focusing its energies on power semiconductors, the mainstay of its electronic devices, as well as magnetic disks. We are striving to strengthen our domestic production bases for these products and are establishing overseas production bases. Fuji Electric (Scotland) Ltd., which commenced production of discrete semiconductors in 1992, has been joined by Fuji Electric Philippines, Inc., which began production of similar products in October 1996 and doubled its production volume in July 1997.

In Taiwan, Fuji Electric Taiwan Co., Ltd., which was established as an overseas marketing base in October 1996, began full-scale marketing activities in January 1997. The new company further strengthens our service operations in Taiwan.

Fuji Electric is entering a strategic global alliance with General Electric (GE) to achieve a 20% share of the global market for inverters. As part of our alliance, GE Fuji Drives America S.A. de C.V., a joint venture established in Mexico, began manufacturing and marketing general-purpose inverters in January 1997 for the North, Central and South American markets. We intend to set up joint ventures in Asia and Europe.





### Global Presence

Fuji Electric is accelerating its global activities as it looks toward the challenges of the 21st century. We are aggressively expanding our business by bolstering cooperation and joint ventures with overseas partners in our areas of strength, such as electric power equipment, magnetic disks, power semiconductors and general-purpose inverters.

