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Five-Year Summary

Fuji Electric Co., Ltd. and consolidated subsidiaries

Thousands of
U.S. dollars

Years ended March 31	Millions of yen					1999
	1999	1998	1997	1996	1995	
Net sales	¥852,060	¥982,763	¥945,382	¥890,413	¥856,305	\$7,100,500
Cost of sales	692,309	773,839	733,690	692,781	667,628	5,769,242
[Ratio to net sales (%)]	81.3	78.7	77.6	77.8	78.0	
Selling, general and administrative (SG&A) expenses	163,879	185,561	186,075	176,114	170,462	1,365,650
[Ratio to net sales (%)]	19.2	18.9	19.7	19.8	19.9	
Operating income (loss)	(4,127)	23,363	25,616	21,517	18,214	(34,392)
[Ratio to net sales (%)]	(0.5)	2.4	2.7	2.4	2.1	
Ordinary income (loss)	(6,044)	18,707	21,480	16,409	12,962	(50,367)
[Ratio to net sales (%)]	(0.7)	1.9	2.3	1.8	1.5	
Income (loss) before income taxes	(11,665)	18,762	21,440	17,065	12,809	(97,208)
[Ratio to net sales (%)]	(1.4)	1.9	2.3	1.9	1.5	
Net income (loss)	(17,388)	7,487	8,189	5,870	3,820	(144,900)
[Ratio to net sales (%)]	(2.0)	0.8	0.9	0.7	0.4	
			<i>Yen</i>			<i>U.S. dollars</i>
Net income (loss) per share	¥(24.31)	¥10.47	¥11.45	¥8.21	¥5.37	\$(0.203)
Cash dividends per share	0.00	8.00	8.00	8.00	8.00	0.000
Payout ratio (%)	—	76.4	69.8	97.4	149.2	
			<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
Plant and equipment investment (including leases)	¥ 48,319	¥ 54,446	¥ 58,703	¥ —	¥ —	\$ 402,658
Depreciation	33,993	31,808	28,467	25,234	—	283,275
R&D expenditures	34,831	36,003	35,951	—	—	290,258
Return on equity (%)	—	4.2	4.6	3.3	2.2	
Total assets	994,761	981,332	936,552	880,026	826,715	8,289,675
Asset turnover (times)	0.86	1.02	1.04	1.04	1.04	
Debt	461,957	390,807	303,339	249,364	229,450	3,849,642
Debt ratio (%)	46.4	39.8	32.4	28.3	27.8	
Number of employees	28,173	25,939	26,389	27,127	28,082	

Consolidated Financial Review

The consolidated financial statements of Fuji Electric Co., Ltd. for the fiscal year ended March 31, 1999, include the accounts of 62 subsidiaries, an increase of 18 companies, comprising 11 domestic and seven overseas companies, compared with the previous fiscal year.

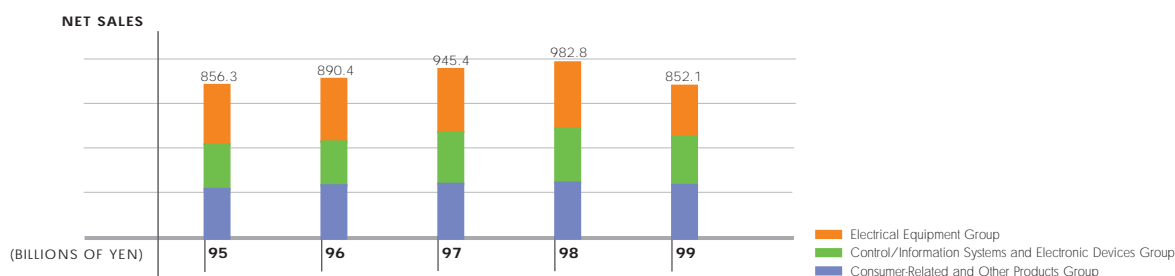
NET SALES

Consolidated net sales declined 13.3% to ¥852,060 million. The largest factor in this decline was a 14.7% fall in parent company sales to ¥525,041 million. Consolidated net sales by product group was as follows.

In Electrical Equipment, sales to the electric power industry were sharply below the previous fiscal year, despite contributions from thermal power generation equipment for a customer in India and Japan's first geothermal power plant in outlying islands. In industrial systems, the Company delivered equipment and systems for large-scale electrical engineering and air-conditioning projects for buildings related to urban redevelopment. However, sales recorded a year-on-year decline. In the electric distribution & control (ED&C) and drive systems area as well, sales were sharply lower, despite marketing efforts for such new products as programmable logic controllers (PLCs), inverters and servo systems, and measures taken to expand overseas production and sales of inverters. Declines were mainly the result of stagnant demand in Japan and other Asian markets and increasing price competition. As a result of the above factors, consolidated net sales of Electrical Equipment declined 22.3% to ¥286,890 million, accounting for 33.7% of total net sales.

In Control/Information Systems and Electronic Devices, in the plant control systems area, weak sales to the private sector offset large-scale deliveries of advanced water purification systems to water treatment facilities, and overall sales for the area declined. In the information equipment area, sales recorded a large decline, adversely impacted by falling market prices of magnetic disks and inventory adjustments for hard disk drives (HDDs). Sales performance of photoconductive drums was also weak, owing to price declines and stagnant demand in overseas markets. In the electronic devices area, weakness in power modules for machine tools and inverters led to lower sales. Sales of discrete devices were also lower as a result of weak markets for personal computers (PCs) and audio-visual equipment. Sales of integrated circuits (ICs) were unchanged, supported by strong demand for autofocus cameras and plasma display panels (PDPs). Overall, consolidated net sales for this group decreased 11.8% to ¥266,865 million, or 31.3% of the total.

In Consumer-Related and Other Products, replacement demand supported volume growth in mainline vending machines, although market prices continued to fall and sales declined slightly. Sales of freezing and refrigerated showcases



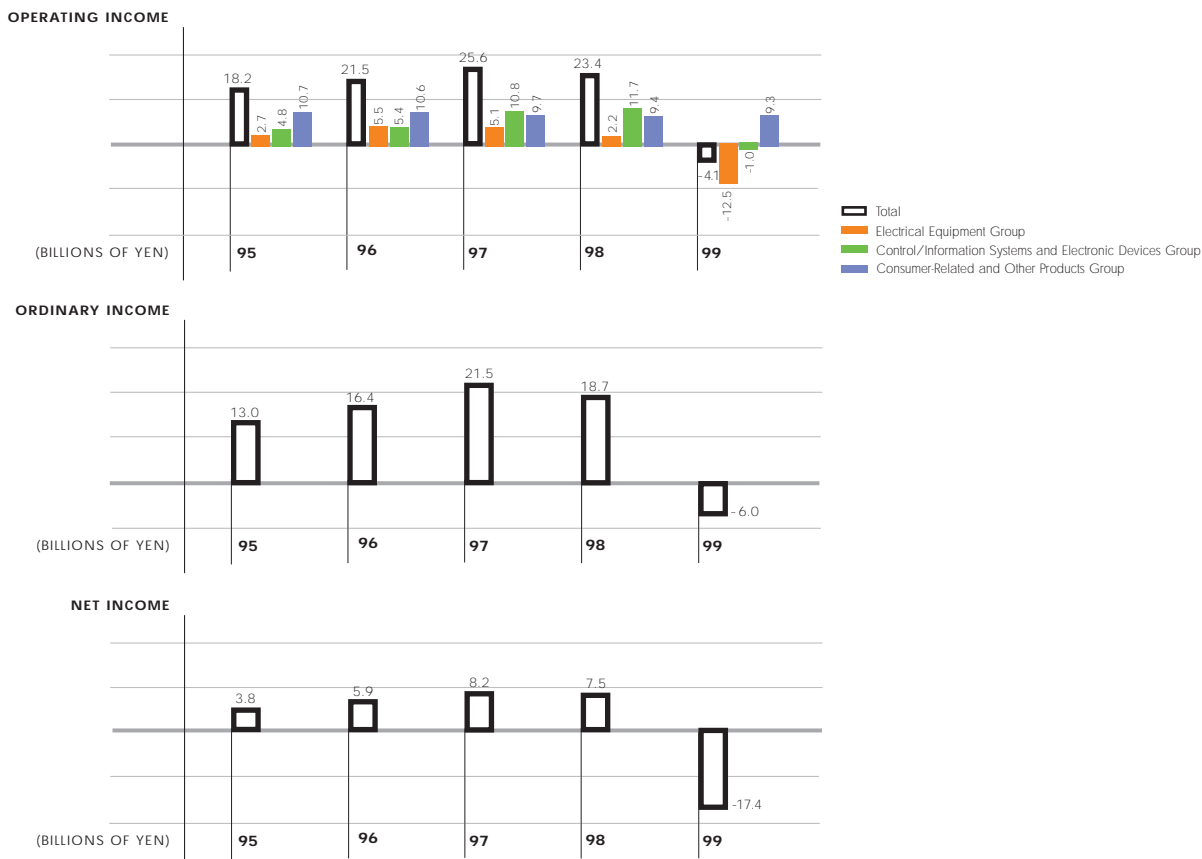
declined amid restrained capital investment in the supermarket and convenience store industries. On the other hand, sales of beverage dispensers were supported by strong results for frozen beverage dispensers, and sales of coin mechanisms and bill validators were favorable on the back of strong demand for cigarette vending machines. Consolidated net sales for this product group decreased 4.1% to ¥298,304 million, comprising 35.0% of net sales.

OPERATING INCOME (LOSS)

Amid a severe economic environment, the Company endeavored to accelerate product development and implement thorough cost reduction measures. At the same time, business restructuring was begun in response to rapid changes in the operating environment. However, in addition to lower sales, the effects of lower product prices and other factors led to an operating loss of ¥4,127 million. On a segment basis, performance worsened most dramatically in the Electrical Equipment group, with an operating loss of ¥12,455 million, and the Control/Information Systems and Electronic Devices group, with an operating loss of ¥982 million. Operating income in the Consumer-Related and Other Products group declined slightly to ¥9,310 million.

ORDINARY INCOME (LOSS)

Performance on the ordinary income level declined sharply from the previous fiscal year along with operating income. The Company recorded an ordinary loss for the fiscal year of ¥6,044 million.



EXTRAORDINARY INCOME (LOSS)

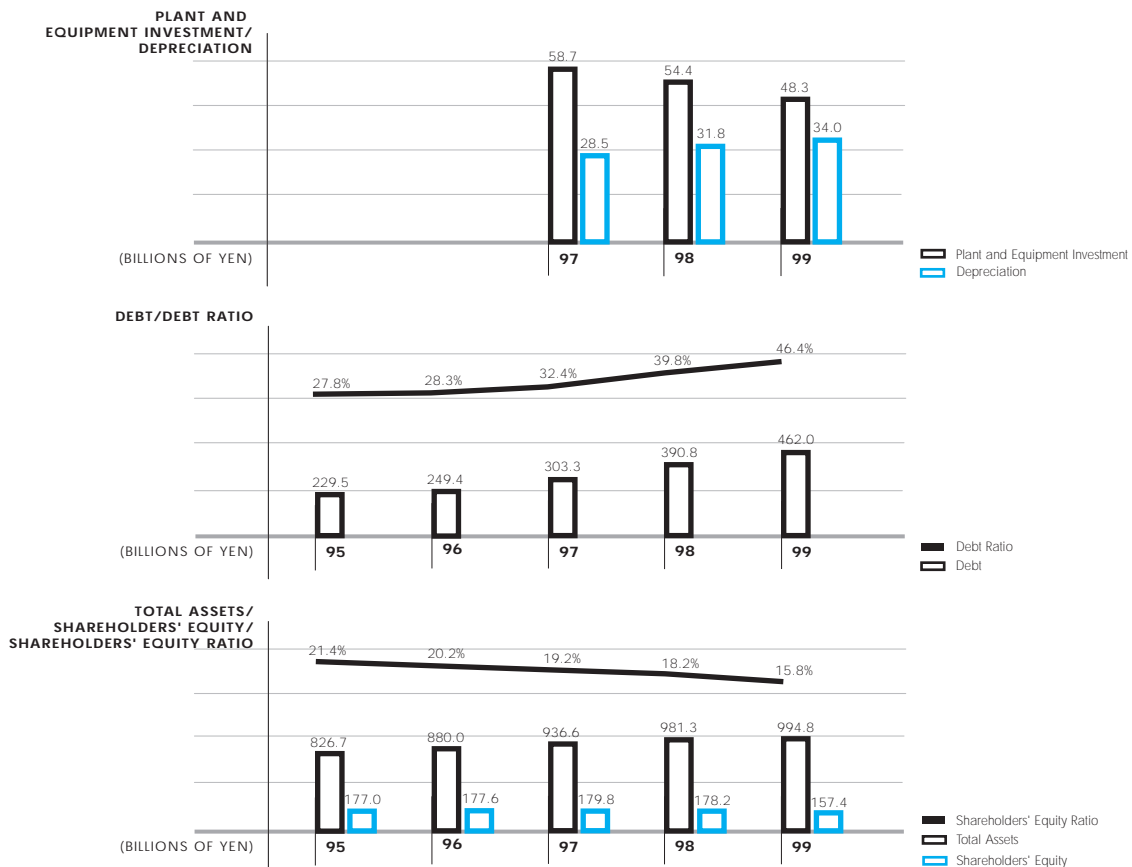
For the fiscal year under review, the Company recorded extraordinary losses of ¥20,846 million, including payments for amortization of past service costs and an extraordinary loss on the conversion of business structure. Consequently, despite recording extraordinary income of ¥15,224 million, generated from gains on sales of securities and property, plant and equipment, the extraordinary loss, net, was ¥5,621 million.

NET INCOME (LOSS)

As a result of the ordinary loss and extraordinary loss, net, discussed above, and following income taxes and minority interests in net income of consolidated subsidiaries, the Company recorded a net loss for the fiscal year of ¥17,388 million, which was the first consolidated net loss since the Company began disclosing consolidated results in the fiscal year ended March 31, 1978.

FINANCIAL POSITION

Total assets at the end of the fiscal year amounted to ¥994,761 million, a rise of 1.4% from the previous term's level of ¥981,332 million. Total shareholders' equity was ¥157,425 million, a decline of 11.7% from the previous term's level of ¥178,241 million. As a result, the shareholders' equity ratio declined 2.4 percentage points, from 18.2% to 15.8%.



Consolidated Balance Sheets

Fuji Electric Co., Ltd. and consolidated subsidiaries

Thousands of
U.S. dollars
(Note 3)

As of March 31, 1999 and 1998

Millions of yen

	1999	1998	1999
ASSETS			
CURRENT ASSETS:			
Cash and time deposits	¥ 58,783	¥ 43,593	\$ 489,858
Marketable securities (Notes 2 and 5)	108,795	109,276	906,625
Trade receivables	292,526	317,064	2,437,717
Allowance for doubtful receivables	(3,389)	(3,716)	(28,242)
Inventories (Notes 2 and 4)	189,583	185,526	1,579,858
Other current assets (Note 8)	39,241	40,132	327,009
TOTAL CURRENT ASSETS	685,539	691,875	5,712,825
PROPERTY, PLANT AND EQUIPMENT, AT COST (Notes 2 and 5):			
Land	34,309	24,323	285,908
Buildings and structures	175,953	155,565	1,466,275
Machinery and equipment	9,120	299,657	76,000
Construction in progress	309,492	17,955	2,579,100
	528,874	497,500	4,407,283
Less accumulated depreciation	(307,114)	(289,989)	(2,559,283)
TOTAL PROPERTY, PLANT AND EQUIPMENT	221,760	207,511	1,848,000
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 2 and 5):			
Unconsolidated subsidiaries and affiliates	22,556	24,549	187,967
Other	24,562	23,898	204,683
Long-term loans receivable	1,596	1,611	13,300
Other investments and other assets (Note 8)	40,437	33,885	336,975
Allowance for losses on overseas investments	(539)	(539)	(4,492)
Allowance for doubtful receivables	(1,150)	(1,458)	(9,583)
TOTAL INVESTMENTS AND OTHER ASSETS	87,462	81,946	728,850
	¥994,761	¥ 981,332	\$8,289,675

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

Thousands of
U.S. dollars
(Note 3)

Millions of yen

	1999	1998	1999
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans	¥174,642	¥182,208	\$1,455,350
Short-term borrowings	77,500	15,000	645,833
Current portion of long-term debt (Note 5)	28,973	3,142	241,442
Trade payables	179,494	226,940	1,495,783
Advances from customers	78,322	51,793	652,683
Accrued income taxes (Notes 2 and 8)	3,093	9,855	25,775
Other current liabilities (Note 8)	53,679	60,473	447,326
TOTAL CURRENT LIABILITIES	595,703	549,411	4,964,192
LONG-TERM DEBT (Note 5)	180,842	190,457	1,507,017
LIABILITY FOR SEVERANCE PAYMENTS (Note 2)	23,856	23,846	198,800
OTHER LONG-TERM LIABILITIES (Note 8)	3,794	6,030	31,616
MINORITY INTERESTS	33,141	33,347	276,175
CONTINGENT LIABILITIES (Note 9)			
SHAREHOLDERS' EQUITY:			
Common stock, ¥50 par value:			
Authorized—1,600,000,000 shares			
Issued—715,080,369 shares as of March 31, 1999	47,586	—	396,550
715,080,369 shares as of March 31, 1998	—	47,586	—
Capital surplus	38,397	38,397	319,975
Retained earnings (Note 6)	71,442	92,259	595,350
	157,426	178,242	1,311,875
Less shares of common stock held by the Company	0	(1)	0
TOTAL SHAREHOLDERS' EQUITY	157,425	178,241	1,311,875
	¥994,761	¥981,332	\$8,289,675

Consolidated Statements of Operations

Fuji Electric Co., Ltd. and consolidated subsidiaries

Thousands of
U.S. dollars
(Note 3)

Years ended March 31, 1999 and 1998

	Millions of yen		U.S. dollars (Note 3)
	1999	1998	
NET SALES (Note 2)	¥852,060	¥982,763	\$7,100,500
COST OF SALES	692,309	773,839	5,769,242
GROSS PROFIT	159,751	208,924	1,331,258
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	163,879	185,561	1,365,650
OPERATING INCOME (LOSS)	(4,127)	23,363	(34,392)
NON-OPERATING INCOME (EXPENSES):			
Interest and dividends received	5,895	5,304	49,125
Interest expense	(7,149)	(6,587)	(59,575)
Other, net	(663)	(3,373)	(5,525)
	(1,917)	(4,656)	(15,975)
ORDINARY INCOME (LOSS)	(6,044)	18,707	(50,367)
EXTRAORDINARY INCOME (LOSS), NET (Note 7)	(5,621)	55	(46,841)
INCOME (LOSS) BEFORE INCOME TAXES	(11,665)	18,762	(97,208)
INCOME TAXES (Notes 2 and 8)	5,813	9,999	48,442
	(17,478)	8,763	(145,650)
MINORITY INTERESTS IN NET INCOME OF CONSOLIDATED SUBSIDIARIES	91	(1,276)	750
NET INCOME (LOSS)	¥(17,388)	¥ 7,487	\$(144,900)
		Yen	U.S. dollars (Note 3)
PER SHARE AMOUNTS:			
Net income (loss) (Note 2)	¥(24.31)	¥10.47	\$(0.203)

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

Consolidated Statements of Shareholders' Equity

Fuji Electric Co., Ltd. and consolidated subsidiaries

	<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>Retained earnings (Note 6)</i>
<i>Years ended March 31, 1999 and 1998</i>				
BALANCE AT MARCH 31, 1997	715,080	¥ 47,586	¥ 38,397	¥ 93,852
Net income for the year	—	—	—	7,487
Cash dividends paid	—	—	—	(5,720)
Bonuses to directors	—	—	—	(248)
Decrease resulting from the change of its method of accounting for income taxes (Note 2)	—	—	—	(3,112)
BALANCE AT MARCH 31, 1998	715,080	¥ 47,586	¥ 38,397	¥ 92,259
Net loss for the year	—	—	—	(17,388)
Cash dividends paid	—	—	—	(2,860)
Bonuses to directors	—	—	—	(232)
Decrease resulting from increase of consolidated subsidiaries	—	—	—	(337)
BALANCE AT MARCH 31, 1999	715,080	¥ 47,586	¥ 38,397	¥ 71,442

	<i>Thousands of U.S. dollars (Note 3)</i>		
BALANCE AT MARCH 31, 1998	\$396,550	\$319,975	\$768,825
Net loss for the year	—	—	(144,900)
Cash dividends paid	—	—	(23,833)
Bonuses to directors	—	—	(1,934)
Decrease resulting from increase of consolidated subsidiaries	—	—	(2,808)
BALANCE AT MARCH 31, 1999	\$396,550	\$319,975	\$595,350

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.

In 1999, the Company consolidated certain subsidiaries due to their increasing materiality with respect to the consolidated amounts. The Company, however, has not restated the accompanying consolidated financial statements for the prior years because the effect of such changes were immaterial with respect to the prior years.

Certain reclassifications have been made in the 1998 consolidated financial statements to conform to the classifications used in 1999.

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, while the straight-line method is applied to buildings acquired after April 1, 1998. The range of useful lives is from 20 to 50 years (from 22 to 65 years in 1998) for buildings.

f. Liability for severance payments and pension plans

Employees who terminate their services with the Companies 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 Companies generally provide for this liability to the extent of 40% of the amount which would be required to be paid if all employees voluntarily terminated their services 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 such pension funds, including amortization of past service costs, are charged to income when made.

(Accounting change)

Effective April 1, 1998, the Company changed to state amortization of past service costs, included in payments to pension funds, in extraordinary loss, which, previously, had been included in cost of sales and selling, general and administrative expenses. The effect of this change was to decrease operating loss and ordinary loss by ¥4,821 million (\$40,175 thousand) for the year ended March 31, 1999.

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.

Income taxes based on temporary differences between tax and financial reporting purposes are reflected as deferred income taxes in the consolidated financial statements.

Effective April 1, 1998, the Company changed to include enterprise tax in income taxes, which, previously, had been included in selling, general and administrative expenses.

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 ¥120.00=U.S.\$1, the approximate exchange rate on March 31, 1999.

4. INVENTORIES

Inventories at March 31 comprised the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<i>1999</i>	<i>1998</i>	<i>1999</i>
Finished goods	¥100,362	¥101,653	\$ 836,350
Work in process	76,204	69,809	635,033
Raw materials	13,015	14,064	108,475
	¥189,583	¥185,526	\$1,579,858

5. 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>
	<i>1999</i>	<i>1998</i>	<i>1999</i>
Loans, principally from banks and insurance companies	¥ 49,815	¥ 33,599	\$ 415,123
2.5% ¥ bonds due 2000	20,000	20,000	166,667
2.7% ¥ bonds due 2000	20,000	20,000	166,667
2.95% ¥ bonds due 2001	20,000	20,000	166,667
2.0% ¥ bonds due 2002	20,000	20,000	166,667
2.05% ¥ bonds due 2002	20,000	20,000	166,667
2.15% ¥ bonds due 2003	20,000	20,000	166,667
2.25% ¥ bonds due 2003	20,000	20,000	166,667
2.35% ¥ bonds due 2004	20,000	20,000	166,667
	<u>209,815</u>	<u>193,599</u>	<u>1,748,459</u>
Less: Portion due within one year	<u>28,973</u>	<u>3,142</u>	<u>241,442</u>
	<u>¥180,842</u>	<u>¥190,457</u>	<u>\$1,507,017</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>
	<i>1999</i>	<i>1998</i>	<i>1999</i>
Marketable securities and investment securities	¥ 4,434	¥ 4,287	\$ 36,950
Property, plant and equipment	11,293	11,260	94,108
	<u>¥15,727</u>	<u>¥15,547</u>	<u>\$131,058</u>

6. RETAINED EARNINGS AND DIVIDENDS

Annual appropriation of retained earnings is recorded in the financial year when approved by the shareholders' meeting.

7. EXTRAORDINARY INCOME (LOSS), NET

Extraordinary income (loss), net comprised the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<i>1999</i>	<i>1998</i>	<i>1999</i>
Gain on sales of securities	¥ 10,176	¥ —	\$ 84,800
Gain on sales of investment securities in subsidiaries and affiliates	627	—	5,225
Gain on sales of property, plant and equipment	4,421	5,193	36,842
Loss on liquidation of subsidiaries	(180)	(4,885)	(1,500)
Payments for amortization of past service costs (Note 2)	(5,314)	—	(44,283)
Extraordinary loss on the conversion of business structure	(15,351)	(253)	(127,925)
	<u>¥ (5,621)</u>	<u>¥ 55</u>	<u>\$ (46,841)</u>

8. INCOME TAXES

The Companies are subject to corporate income tax, prefectural and municipal inhabitant taxes and enterprise tax, based on income.

Deferred income taxes at March 31, were reflected in the accompanying consolidated balance sheets under the following captions:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<i>1999</i>	<i>1998</i>	<i>1999</i>
Other current assets	¥4,024	¥7,003	\$33,533
Other investments and other assets	4,092	3,785	34,100
Other current liabilities	9	444	75
Other long-term liabilities	<u>2,214</u>	<u>4,022</u>	<u>18,450</u>

9. CONTINGENT LIABILITIES

Contingent liabilities at March 31 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<i>1999</i>	<i>1998</i>	<i>1999</i>
Notes discounted and endorsed	¥ 2,624	¥ 8,801	\$ 21,867
Guarantees	<u>33,884</u>	<u>27,512</u>	<u>282,367</u>

10. SEGMENT INFORMATION

The Company's primary business activities include (1) Electrical Equipment, (2) Control/Information Systems and Electronic Devices and (3) Consumer-Related and Other Products. A summary of net sales, costs and expenses, and operating income by segment of business activities for the years ended March 31, 1999 and 1998 is as follows:

	<i>Millions of yen</i>				
	<i>Electrical Equipment</i>	<i>Control/Information Systems and Electronic Devices</i>	<i>Consumer-Related and Other Products</i>	<i>Elimination and Corporate</i>	<i>Consolidated</i>
1999					
Net sales					
Outside customers	¥286,890	¥266,865	¥298,304	¥ —	¥852,060
Intra-group sales and transfers	—	—	—	(—)	—
Total	286,890	266,865	298,304	—	852,060
Costs and expenses	299,345	267,848	288,994	(—)	856,188
Operating income (loss)	¥ (12,455)	¥ (982)	¥9,310	¥ (—)	¥ (4,127)
Total assets	¥327,324	¥287,243	¥249,718	¥130,476	¥994,761
Depreciation and amortization	¥ 9,779	¥ 19,934	¥ 4,242	¥ 104	¥ 34,059
Capital expenditures	¥ 11,907	¥ 13,659	¥ 14,353	¥ 3	¥ 39,923
1998					
Net sales					
Outside customers	¥369,015	¥302,643	¥311,105	¥ —	¥982,763
Intra-group sales and transfers	—	—	—	(—)	—
Total	369,015	302,643	311,105	—	982,763
Costs and expenses	366,771	290,948	301,681	(—)	959,400
Operating income	¥ 2,244	¥ 11,695	¥ 9,424	¥ (—)	¥ 23,363
Total assets	¥310,652	¥317,520	¥234,843	¥118,317	¥981,332
Depreciation and amortization	¥ 7,047	¥ 21,017	¥ 3,654	¥ 115	¥ 31,833
Capital expenditures	¥ 9,311	¥ 31,257	¥ 8,567	¥ 10	¥ 49,145

	<i>Thousands of U.S. dollars</i>				
	<i>Electrical Equipment</i>	<i>Control/Information Systems and Electronic Devices</i>	<i>Consumer-Related and Other Products</i>	<i>Elimination and Corporate</i>	<i>Consolidated</i>
1999					
Net sales					
Outside customers	\$2,390,750	\$2,223,875	\$2,485,875	\$ —	\$7,100,500
Intra-group sales and transfers	—	—	—	(—)	—
Total	2,390,750	2,223,875	2,485,875	—	7,100,500
Costs and expenses	2,494,542	2,232,067	2,408,283	(—)	7,134,892
Operating income (loss)	\$ (103,792)	\$ (8,192)	\$ 77,592	\$ (—)	\$ (34,392)
Total assets	\$2,727,700	\$2,393,692	\$2,080,983	\$1,087,300	\$8,289,675
Depreciation and amortization	\$ 81,492	\$ 166,117	\$ 35,350	\$ 866	\$ 283,825
Capital expenditures	\$ 99,225	\$ 113,825	\$ 119,608	\$ 34	\$ 332,692

The overseas sales of the Company and consolidated subsidiaries for the years ended March 31, 1999 and 1998 were ¥123,206 million (\$1,026,717 thousand) and ¥145,264 million and accounted for 14.5% and 14.8% of consolidated net sales, respectively.

Report of Independent Certified Public Accountants

Showa Ota & Co.

A MEMBER OF ERNST & YOUNG INTERNATIONAL

Certified Public Accountants

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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, 1999 and 1998, and the related consolidated statements of operations 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 consolidated financial statements present fairly the consolidated financial position of Fuji Electric Co., Ltd. and consolidated subsidiaries at March 31, 1999 and 1998, and the consolidated 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 amortization of past service costs included in payments to pension funds 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, 1999, 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, 1999

Non-Consolidated Balance Sheets

Fuji Electric Co., Ltd.

Thousands of
U.S. dollars
(Note 3)

As of March 31, 1999 and 1998

Millions of yen

	1999	1998	1999
ASSETS			
CURRENT ASSETS:			
Cash and time deposits	¥ 32,719	¥ 22,508	\$ 272,658
Marketable securities, at cost (Notes 2 and 6)	88,191	91,049	734,925
Trade receivables:			
Notes and accounts	105,192	105,378	876,600
Subsidiaries and affiliates	56,757	51,131	472,975
Allowance for doubtful receivables	(1,899)	(1,849)	(15,825)
Inventories (Notes 2 and 4)	125,741	133,048	1,047,842
Advance payments to suppliers	8,036	8,406	66,967
Other current assets	21,633	21,165	180,275
TOTAL CURRENT ASSETS	436,370	430,836	3,636,417
PROPERTY, PLANT AND EQUIPMENT, AT COST (Notes 2, 5 and 6):			
Land	16,080	16,339	134,000
Buildings and structures	113,870	112,283	948,917
Machinery and equipment	260,852	268,735	2,173,767
Construction in progress	8,797	9,744	73,308
	399,599	407,101	3,329,992
Less accumulated depreciation	(253,389)	(251,453)	(2,111,575)
TOTAL PROPERTY, PLANT AND EQUIPMENT	146,210	155,648	1,218,417
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 2 and 6):			
Subsidiaries and affiliates	48,465	44,719	403,875
Other	20,648	4,966	172,067
Long-term loans receivable	581	599	4,842
Other investments and other assets	12,289	11,087	102,408
Allowance for losses on overseas investments	(539)	(539)	(4,492)
Allowance for doubtful receivables	(5)	(5)	(42)
TOTAL INVESTMENTS AND OTHER ASSETS	81,439	70,827	678,658
	¥ 664,019	¥ 657,311	\$ 5,533,492

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

Thousands of
U.S. dollars
(Note 3)

Millions of yen

	1999	1998	1999
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Note 6)	¥ 42,985	¥ 43,680	\$ 358,208
Short-term borrowings	59,000	14,000	491,667
Current portion of long-term debt (Note 6)	22,316	1,093	185,967
Trade payables:			
Notes and accounts	48,336	66,811	402,800
Subsidiaries and affiliates	93,015	110,553	775,125
Advances from customers	69,365	46,258	578,042
Accrued income taxes (Notes 2 and 10)	59	5,782	492
Accrued expenses	23,795	24,670	198,292
Other current liabilities	21,334	23,093	177,783
TOTAL CURRENT LIABILITIES	380,205	335,940	3,168,376
LONG-TERM DEBT (Note 6)	145,188	166,905	1,209,900
LIABILITY FOR SEVERANCE PAYMENTS (Note 2)	16,423	16,879	136,858
CONTINGENT LIABILITIES (Note 11)			
SHAREHOLDERS' EQUITY:			
Common stock, ¥50 par value:			
Authorized—1,600,000,000 shares			
Issued—715,080,369 shares as of March 31, 1999	47,586	—	396,550
715,080,369 shares as of March 31, 1998	—	47,586	—
Capital surplus	38,397	38,397	319,975
Legal reserve (Note 7)	11,077	10,779	92,308
Retained earnings (Note 8)	25,143	40,825	209,525
TOTAL SHAREHOLDERS' EQUITY	122,203	137,587	1,018,358
	¥664,019	¥657,311	\$5,533,492

Non-Consolidated Statements of Operations

Fuji Electric Co., Ltd.

Thousands of
U.S. dollars
(Note 3)

Years ended March 31, 1999 and 1998	Millions of yen		1999
	1999	1998	
NET SALES (Note 2)	¥525,041	¥615,662	\$4,375,342
COST OF SALES	440,085	492,288	3,667,375
GROSS PROFIT	84,956	123,374	707,967
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	97,731	110,336	814,425
OPERATING INCOME (LOSS)	(12,775)	13,038	(106,458)
NON-OPERATING INCOME (EXPENSES):			
Interest and dividends received	5,848	5,337	48,733
Interest expense	(5,049)	(4,805)	(42,075)
Other, net	(433)	(3,062)	(3,608)
	366	(2,530)	3,050
ORDINARY INCOME (LOSS)	(12,409)	10,508	(103,408)
EXTRAORDINARY INCOME (LOSS), NET (Note 9)	(4)	688	(34)
INCOME (LOSS) BEFORE INCOME TAXES	(12,413)	11,196	(103,442)
INCOME TAXES (Notes 2 and 10)	—	5,250	—
NET INCOME (LOSS)	¥(12,413)	¥ 5,946	\$ (103,442)

U.S. dollars
(Note 3)

PER SHARE AMOUNTS:	Yen		U.S. dollars (Note 3)
	1999	1998	
Net income (loss) (Note 2)	¥(17.35)	¥8.31	\$(0.145)
Cash dividends	—	8.00	—

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.

	<i>Thousands Number of shares of common stock</i>	<i>Millions of yen</i>			
		<i>Common stock</i>	<i>Capital surplus</i>	<i>Legal reserve (Note 7)</i>	<i>Retained earnings (Note 8)</i>
<i>Years ended March 31, 1999 and 1998</i>					
BALANCE AT MARCH 31, 1997	715,080	¥ 47,586	¥ 38,397	¥10,195	¥ 41,293
Net income for the year	—	—	—	—	5,946
Cash dividends paid	—	—	—	—	(5,720)
Transfer to legal reserve	—	—	—	584	(584)
Bonuses to directors	—	—	—	—	(110)
BALANCE AT MARCH 31, 1998	715,080	¥ 47,586	¥ 38,397	¥10,779	¥ 40,825
Net loss for the year	—	—	—	—	(12,413)
Cash dividends paid	—	—	—	—	(2,860)
Transfer to legal reserve	—	—	—	298	(298)
Bonuses to directors	—	—	—	—	(111)
BALANCE AT MARCH 31, 1999	715,080	¥47,586	¥38,397	¥11,077	¥25,143
<i>Thousands of U.S. dollars (Note 3)</i>					
BALANCE AT MARCH 31, 1998		\$396,550	\$319,975	\$89,825	\$340,208
Net loss for the year		—	—	—	(103,442)
Cash dividends paid		—	—	—	(23,833)
Transfer to legal reserve		—	—	2,483	(2,483)
Bonuses to directors		—	—	—	(925)
BALANCE AT MARCH 31, 1999		\$396,550	\$319,975	\$92,308	\$209,525

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.

Certain reclassifications have been made in the 1998 financial statements to conform to the classifications used in 1999.

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, while the straight-line method is applied to buildings acquired after April 1, 1998. The range of useful lives for buildings is from 20 to 50 years (from 22 to 65 years in 1998) for buildings.

e. Liability for severance payments and pension plan

Employees who terminate their services 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 which would be required to be paid if all employees voluntarily terminated their services 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.

(Accounting change)

Effective April 1, 1998, the Company changed to state amortization of past service costs included in payments to pension plans, in extraordinary loss, which, previously had been included in cost of sales and selling, general and administrative expenses. The effect of this change was to decrease operating loss and ordinary loss by ¥2,628 million (\$21,900 thousand) at March 31, 1999.

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.

Effective April 1, 1998, the Company changed to include enterprise tax in income taxes, which, previously, had been included in selling, general and administrative expenses.

i. Net income (loss) per share

Net income (loss) 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 ¥120.00=U.S.\$1, the approximate exchange rate on March 31, 1999.

4. INVENTORIES

Inventories at March 31 comprised the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<i>1999</i>	<i>1998</i>	<i>1999</i>
Finished goods	¥ 66,064	¥ 73,032	\$ 550,533
Work in process	50,315	48,084	419,292
Raw materials	9,362	11,932	78,017
	<u>¥125,741</u>	<u>¥133,048</u>	<u>\$1,047,842</u>

5. DEPRECIATION

Depreciation charges for the year ended March 31 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<i>1999</i>	<i>1998</i>	<i>1999</i>
Depreciation charges	<u>¥26,995</u>	<u>¥27,361</u>	<u>\$224,958</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>
	<i>1999</i>	<i>1998</i>	<i>1999</i>
Loans, principally from banks and insurance companies due 1999 to 2009 with interest rates from 1.90% to 6.90%:			
Secured	¥ 472	¥ 991	\$ 3,933
Unsecured	7,032	7,007	58,598
2.5% ¥ bonds due 2000	20,000	20,000	166,667
2.7% ¥ bonds due 2000	20,000	20,000	166,667
2.95% ¥ bonds due 2001	20,000	20,000	166,667
2.0% ¥ bonds due 2002	20,000	20,000	166,667
2.05% ¥ bonds due 2002	20,000	20,000	166,667
2.15% ¥ bonds due 2003	20,000	20,000	166,667
2.25% ¥ bonds due 2003	20,000	20,000	166,667
2.35% ¥ bonds due 2004	20,000	20,000	166,667
	<u>167,504</u>	<u>167,998</u>	<u>1,395,867</u>
Less: Portion due within one year	<u>22,316</u>	<u>1,093</u>	<u>185,967</u>
	<u>¥145,188</u>	<u>¥166,905</u>	<u>\$1,209,900</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>
	<i>1999</i>	<i>1998</i>	<i>1999</i>
Marketable securities and investment securities	¥ 4,003	¥ 4,134	\$33,358
Property, plant and equipment	6,956	7,584	57,967
	<u>¥10,959</u>	<u>¥11,718</u>	<u>\$91,325</u>

As of March 31, 1999, the aggregate annual maturities of long-term debt 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>
2000	¥ 22,316	\$ 185,967
2001	21,245	177,042
2002	40,477	337,308
2003	41,763	348,025
2004 and thereafter	41,703	347,525
	<u>¥167,504</u>	<u>\$1,395,867</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.

9. EXTRAORDINARY INCOME (LOSS), NET

Extraordinary income (loss), net comprised the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<i>1999</i>	<i>1998</i>	<i>1999</i>
Gain on sales of securities	¥ 10,176	¥ —	\$ 84,800
Gain on sales of investment securities in subsidiaries and affiliates	521	380	4,342
Gain on sales of property, plant and equipment	6,411	5,193	53,425
Loss on liquidation of subsidiaries	(180)	(4,885)	(1,500)
Payments for amortization of past service costs (Note 2)	(3,087)	—	(25,725)
Extraordinary loss on the conversion of business structure	(13,845)	—	(115,375)
	<u>¥ (4)</u>	<u>¥ 688</u>	<u>\$ (33)</u>

10. INCOME TAXES

The Company is subject to corporate income tax, prefectural and municipal inhabitant taxes and enterprise tax, based on income.

11. CONTINGENT LIABILITIES

Contingent liabilities at March 31 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<i>1999</i>	<i>1998</i>	<i>1999</i>
Guarantees	<u>¥50,663</u>	<u>¥25,875</u>	<u>\$422,192</u>

Report of Independent Certified Public Accountants

Showa Ota & Co.

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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, 1999 and 1998, and the related non-consolidated statements of operations 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, 1999 and 1998 and the results of its operations for the years then ended, in conformity with accounting principles generally accepted in Japan consistently applied during the period except for the change, with which we concur, in the method of accounting for amortization of past service costs included in payments to pension funds as described in Note 2 to the financial statements.

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 1999, 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, 1999