April 26, 2002
Fuji Electric Co., Ltd.

Financial Review for the fiscal year ended March 31, 2002
(April 1, 2001 – March 31, 2002)

(1) Management Policies

Fundamental Management Policy
Fuji Electric Group's fundamental management policy is **to deliver the highest satisfaction to customers** by working together with them to create value-added products and services in the B2B marketplace. In doing so, the Group seeks to expand its business and thereby contribute to the well being of society and its stakeholders. With the goal of becoming the **"Most Valuable Service Provider"** in businesses that support development of social infrastructure, the industrial sector and logistics, the Group offers optimal services tailored to the needs of society and its customers. The Group also assures the highest quality of components for customers' products as it strives to be the "**Most Valuable Components Provider**."

Basic Policy on Profit Sharing
Fuji Electric Group's basic policy toward redistribution of profits is to ensure stable dividends for shareholders, while effectively using reserves to conduct strategic research and development, to make capital expenditures and investments, and to promote overseas operations, all of which will lead to renewed growth.

Policy on Reducing the Minimum Trading Unit
A revision to the Japanese Commercial Code in October 2001 has made it easier for public firms to reduce the size of their minimum trading units. The Fuji Electric Group is taking a cautious wait-and-see stance on this issue and will implement necessary changes depending on market needs, as the Group believes that at present its stock is sufficiently liquid and reducing the size of the trading unit will require a high one-time adjustment cost.

Performance Targets
Fuji Electric Group is currently focused on achieving the management targets in its medium-term management vision—consolidated ordinary income of ¥60 billion on consolidated net sales of ¥1.2 trillion, and an ROE of 15% (prior to the introduction of market value accounting), by the fiscal

year ending March 31, 2006.
The Group is presently implementing several initiatives to bring down the Group's interest-bearing debt to ¥350 billion by March 31, 2006 by enhancing cash flow management.

Medium- to Long-Term Corporate Strategies

In June 2000, the Fuji Electric Group formulated its medium-term management vision, the "S21 Plan," detailing the Group's direction for the 21st century.
The plan, currently in progress, comprises the following corporate strategies.

(1) The Fuji Electric Group consists of four internal companies operating in four business sectors and a group of affiliates conducting businesses in other areas. The Group's basic strategy is to increase corporate value as a whole by maximizing the value of business in each of these five business sectors.
(2) In areas where the Group is already strong—power semiconductor devices and other power electronic products, low-voltage circuit breakers, systems building, primarily water treatment systems, and vending machines, the Group is working to meet customers' increasingly demanding requirements in respect to the environment, the application of information technologies (IT), and improved services. The Group will also reinforce its revenue base through reform of its product development, manufacturing and marketing processes.
(3) In new areas that provide opportunity for expansion, such as the environment, IT, services and components, the Group is creating an integrated strategy that cuts across internal companies, and concentrates Group resources for stronger growth.
(4) The Group will determine the future orientation of its business by realigning its operations in both strategic growth areas and mature fields into 24 units, and implement the Balanced Scoreboard evaluation of business viability for each unit's strategies and plans.

Management Issues

To achieve the goals of the **"S21 Plan,"** the Fuji Electric Group is promoting seven key initiatives under the **"Seven-Challenge Program."**

(1) Environmental business

The Fuji Electric Group has a proven track record in water treatment systems and energy-saving equipment such as inverters. With these products forming core business operations in its environment-related businesses, the Group provides solutions and products based on entirely new concepts, including waste treatment facilities, industrial waste management, information services and refuse-derived fuel (RDF) power generation and can collection systems. Embarking on these businesses, the Group is working to establish Fuji Electric as the recognized brand name in the manufacture of environmental equipment and systems.

(2) Information systems

The Group is strengthening its operations in information solutions. In addition to its solutions for the machining and assembly, food, pharmaceutical, logistics and retail sectors, the Group is also targeting demand from the public service sector, including e-government, regional information infrastructure, and intelligent transport systems (ITS). Meanwhile, the Group is expanding its line-up of retail equipment solutions and other products, based on its strengths in vending machines. These information solution systems draw on the Group's unique strengths and are boosting recognition of the Fuji Electric brand in the information systems market.

(3) Services business

Centered on subsidiary Fuji Electric Systems Co., Ltd., which is developing its business activities around life cycle solutions service, the Group is expanding its integrated services business, which embraces consulting, outsourcing and other innovative services in such areas as IT, energy conservation and the environment.

(4) Components

The Fuji Electric Group is drawing on its impressive array of technologies and extensive know-how in power electronics and low-voltage circuit breakers to drive forward both its differentiation strategy, which includes the active search for alliance partners, and its global strategy. At the same time, the Group is reducing costs across the board and improving product quality with a view to becoming the "**Most Valuable Component Provider**" in its targeted fields.

(5) Reinforce the internal company system and strengthen corporate governance
(6) Strengthen the Group's balance sheet
(7) Establish new personnel and training systems

Initiatives to Reform the Management Structure

Fuji Electric Group introduced an internal company system and executive officer system in 1999, moves intended to create a highly responsive management structure. Each internal company formulates and executes optimal business strategies directed at positioning it as a leading contender on the global stage.

The Group is now focusing on reinforcing the internal company system and strengthening corporate governance. The aim is to achieve the optimal balance between the Group's centripetal force, focused on its management vision, and the centrifugal forces of business growth and new market development in the internal companies and their related businesses.

To reinforce the internal company system, the Group is giving companies greater independent jurisdiction over their operations to enhance management autonomy. Each is pursuing its business as an independent entity seeking to become "the most powerful companies as specialist among competitors" in its industry.

The Group intends to convert Fuji Electric Co., Ltd., the parent company, into a holding company to strengthen corporate governance, while working to enhance Group management based on its management vision. The Group Management Committee, comprising senior management of Fuji Electric Co., Ltd. and 12 major consolidated subsidiaries, is conducting continuous discussions on the future management direction of the Group.

(2) Results of Operations and Financial Review

Overview

In the fiscal year ended March 2002, Japan's industrial production and exports fell as downturns in the U.S. and other overseas economies led to a global slowdown. This combined with declining domestic private-sector capital expenditures and sluggish personal consumption to add to concerns on further economic recession in Japan.

Corporate profits plunged in the electronics sector as demand fell sharply, particularly in IT-related product segments. The result was an extremely severe operating environment where businesses were forced to implement painful management reforms to assure their survival, which ranged from business restructuring to divestiture.

Seeking opportunities even in this challenging environment, the Fuji Electric Group focused on expanding its environmental and information systems, services and components businesses—strategic growth areas in the Group's medium-term management vision, the "S21 Plan." At the same time, the Group implemented a series of initiatives to accelerate reforms in mature business fields. The Group also worked to achieve targeted orders and sales, and boost profitability through new product development, cost reductions, a thorough review of its production system, restructuring of Group companies, and staff cutbacks which

reflect reduced shipment volumes.

To enhance corporate-value-oriented management, the Group's businesses were divided into 24 units and return on investment (ROI) was introduced as an important performance indicator (FEP*) that better reflects the cost of capital. As a move to determine the future orientation of its businesses, the Group also introduced the Balanced Scoreboard evaluation method to evaluate business viability on the basis of each unit's strategies and plans. These steps ensured that the management focus was fixed on capital efficiency. *FEP=Fuji-electric Economic Profit

Fiscal 2002 Consolidated Business Results

In Energy & Electric Systems, sales of environmental and information systems, electric power systems and transformers surpassed the levels achieved in the previous fiscal year, but they were noticeably lower in industrial systems, reflecting a marked drop in private-sector capital expenditures. Overall, sales were largely unchanged from the previous fiscal year. ED&C•Drive Systems recorded sharply lower sales due to deteriorating market conditions at home and abroad. In Electronics, shipments of electronic devices such as power semiconductors and ICs were sharply down, due to deteriorating market conditions. Higher sales of photoconductive drums for copiers and printers could not offset this drop, resulting in lower total sales. In Retail Support Equipment and Systems, shipment volumes of vending machines, open freezing and refrigerated shows cases showed a marked fall, affected by a considerable weakening of demand compared to the previous fiscal year. As a result of the above, net sales declined 5.8% year on year to ¥839,135 million.
Lower shipment volumes combined with price erosion affected operating income, which fell 70.1% to ¥7,489 million. Ordinary income was down 74.3% to ¥5,791 million. There was a net loss of ¥3,217 million, a fall of ¥12,928 million from the previous fiscal year.

Segment Information

Energy & Electric Systems Group

In environmental systems, the group completed a succession of large contracts, including the installation of electrical facilities at pollution treatment centers and the replacement of monitoring systems at sewerage treatment facilities. In information systems, results were buoyed by delivery of large-scale automated warehousing systems. Overall sales in environmental and information systems increased year-on-year.

In electric power systems, sales rose sharply due to a series of deliveries of large thermal power generation systems to domestic thermal electric power plants, and of thermal power facilities to Independent Power Producers (IPPS). Combined with favorable sales of transformers, overall sales of electric power systems were higher than previous fiscal year.

In industrial systems, sales of electrical and transportation systems were healthy as the group completed major contracts for transformer systems for railways and electrical equipment for rolling stock. However, lackluster capital investment by the private sector led to a marked drop in year-on-year sales of industrial and measuring systems. As a result, aggregate sales in industrial systems were sharply lower.

The overall result of these market moves was that sales in the Energy & Electric Systems group stood at ¥413,554 million, largely unchanged from the previous fiscal year, but operating income plunged 56.9% to ¥3,235 million.

In other developments, in July 2001, Fuji Electric teamed up with Hitachi Ltd. and Meidensha Corporation to establish Japan AE Power Systems Corporation, a joint venture that develops, designs and manufactures electric power transmission and distribution equipment. In the same month, Fuji Electric Systems Co., Ltd. was established. This move was designed to aim the expansion of the service line-up, and the restructuring of the industrial plant systems and measuring systems businesses by integrating Fuji Electric Group's operations from marketing to after-sales service in these sectors.

ED&C・Drive Systems Group

In power supplies and Electric Distribution & Control (ED&C), the group aggressively sought new customers by launching a range of new products, including the "@-TWIN Series," a range of circuit breakers and earth-leakage circuit breakers, the "660 Series" of UPS (Uninterruptible Power Supply) control software and high-intensity command switches. In drive systems, the group launched "FALDIC-β," a new servo system. In a change of strategy, the group extended its focus from the traditional marketing of stand-alone standard products to embrace small- and medium-size systems integrating programmable controllers, servomotors and inverters. These efforts were unable, however, to offset the significant effects of lower domestic and overseas demand for the group's core products, such as electrical components and semiconductor production equipment and components for machine tools. The result was seen in sharply lower sales.

Due to the above, total sales in this group declined 19.0% to ¥159,120 million, while operating income declined by ¥8,699 million, resulting in an operating loss of ¥3,360 million.

The group took a number of steps to restructure its operations. These included a complete review of the production systems at the Fukiage and Otawara factories and the consolidation of development and manufacturing functions of power electronics systems, including power systems and high-voltage inverters, at the Kobe factory. In April, the group decided to merge its small to medium-scale motor manufacturing subsidiaries Fuji Electric Motor Co., Ltd., and Fuji Denki Seiki Co., Ltd. and transfer the marketing functions for these products from Fuji Electric Co., Ltd. The newly formed entity, Fuji Electric Motors Co., Ltd., will take over all the functions, from manufacturing to marketing of small to medium-scale motors. This has created a structure that integrates the groups' strengths in electric motors. In November 2001, the group established Fuji Electric (Changshu) Co., Ltd., a three-way joint venture to manufacture switchgear equipment that brought together, a major low-voltage equipment manufacturer in China, a Japanese trading firm, and Fuji Electric Co., Ltd.

Electronics

In the electronic devices field, sales of discrete devices, including power semiconductors for video game machines, MOSFET (metal-oxide-semiconductor [MOS] field effect transistor [FET]) for personal computers, and high-voltage diodes, began to recover in the second half of the year. However, demand for power modules continued to be weak due primarily to cutbacks in capital investment by the private sector. These factors resulted in sharply lower sales year on year. The demand for ICs, led by products for game machines, personal computers and digital cameras, revived in the second half of the year, with the introduction of new products translating into record orders and sales of power supply ICs. While growth was seen in hybrid devices for automotive applications and pressure sensors, deteriorating market conditions triggered slower demand and lower sales of general-purpose ICs such as auto-focus

ICs and LCD ICs. The Fuji Electric Group is committed to continuing quality enhancement as evidenced by the acquisition of QS-9000 certification, an international quality standard established by the Automotive Industry Action Group (AIAG).

In information devices, the market for magnetic disks is contracting, affected by slowing shipments of personal computers and vast improvements in recording densities. These improvements have lowered the number of disks used in a single hard disk drive. New products, such as a 40GB, 3.5-inch magnetic disk—the first in the industry—and new customers for aluminum substrates, helped to maintain sales of information devices at 2001 levels.

Sales of photoconductive drums climbed on the whole, despite a downturn in sales of selenium photoconductive drums in a contracting market. The sales increase was primarily the result of substantial growth in Organic Photo Conductors (OPCs) for copiers and printers.

As a result, the group recorded sales of ¥128,425 million, down 6.9% from the previous fiscal year, and operating income of ¥4,500 million, a year-on-year decline of 24.2%.

Efficiencies in the manufacturing of magnetic media were found by reorganizing manufacturing processes, originally separately located at three facilities—Matsumoto, Yamanashi and Malaysia. Substrate processing was consolidated and concentrated at the Yamanashi and Malaysian factories and media processing at the Matsumoto and Malaysian factories. For production increase of power ICs and plasma display ICs, key growth areas in the IC field, a clean room for processing 8” wafers was established at the Matsumoto factory. Wafer processing capacity for MOSFET and Insulated Gate Bipolar Transistor (IGBT) was also increased at Matsumoto, while R&D capabilities and production facilities were also added to cope with advances in magnetic media and production equipment.

Retail Support Equipment & Systems Group

In vending machines, market conditions continued to deteriorate sharply. This was due to a cyclical slowdown in demand, investment cutbacks and declining prices, combined with intensifying competition among vending machine manufacturers. Despite the challenging operating environment, sales of dairy beverage vending machines were higher as this group expanded its product range. The group also recorded promising sales of new cup vending machines that include a coffee straining function for espresso. In its mainstay product—can vending machines—the group introduced new models, installing a mechanism that makes it easier to replenish cans in vending machines. However, these new models failed to offset the impact of a general slump in demand for vending machines, and overall sales of these products declined year-on-year. On a brighter note, cold drink dispensers were strong performers, with sales beating previous year levels. Lower year-on-year sales of open freezing and refrigerated showcases were the result of markedly lower demand from the supermarket industry. This was due in large part to a slowdown in new store openings following enactment of the Large-Scale Retail Stores Location Law.

In coin and currency mechanisms, sales of coin mechanisms and bill validators fell as demand associated with the introduction of the new ¥500 coin last year ran its course. An expanding amusement equipment market and deliveries of change dispensers for ticket vendors drove growth in bill validators, which recorded year-on-year gains.

As a result of the above, this group's sales declined 9.4% to ¥129,588 million. Operating income was ¥2,501 million, down 33.8%.

In April 2002, the Company acquired all outstanding shares of a Sanyo Electric Co., Ltd. subsidiary, Sanyo Electric Vending Machine Co., Ltd. (capitalized at ¥6,350 million). The company was renamed Fukiage Fuji Vending Machine Co., Ltd., and incorporated into the Fuji Electric Group. In August 2001, Fuji Electric concentrated vending machine production in its Mie factory to raise R&D and manufacturing efficiency. Previously, production had been divided between the Mie factory and manufacturing subsidiary Fuji Denki Reiki Seizo Co., Ltd.

Others

Group operating income declined 78.7% year-on-year to ¥517 million, as sales slipped 4.1% year on year to ¥75,206 million. This was largely due to the sluggish performance of the logistics services subsidiary, which was affected by declining demand from information and telecommunications and engineering machine tool segments.

Nonconsolidated results

Nonconsolidated net sales in the fiscal year ended March 31, 2002 fell 7.9% year-on-year to ¥469,338 million. In the Energy & Electric Systems group, although favorable sales were recorded by environmental and information systems and electric power systems, group sales were lower than in the previous fiscal year, due in part to the transfer of the industrial and measuring systems business to Fuji Electric Systems Co., Ltd. Affected by weak domestic and overseas markets, sales in the ED&C Drive Systems group, Electronics group and the Retail Support Equipment & Systems group also failed to reach the level of the previous fiscal year.

Operating income was down 59.9% against the previous fiscal year, to ¥6,104 million, and ordinary income fell 61.0% to ¥6,297 million. Net income declined 62.7% to ¥3,651 million. These falls were due largely to price erosion, reflecting heightened competition in the market and lower components-related shipments.

Fuji Electric also recognized an actuarial loss of ¥89,500 million in accounting for retirement benefits. The loss primarily arose from deteriorating investment returns on pension assets, and will be amortized over a five-year period commencing in the fiscal year ending March 2002. Consequently, amortization expenses of ¥17,909 million were booked under extraordinary losses in 2002. This was offset by a gain on the establishment of an employee retirement benefit trust, recorded under extraordinary income.

Dividends

In due consideration of the current operating environment, Fuji Electric has decided to pay a ¥2.50 year-end dividend per share, subject to approval at the annual general meeting of shareholders, scheduled for the end of June.

Financial Position

Cash and cash equivalents as of March 31, 2002 stood at ¥38,109 million, down ¥13,681 million from March 31, 2001. Although net cash from operating activities increased ¥9,730 million, net cash used in investing activities totaled ¥33,419 million. Furthermore, growth in net cash provided by financing activities slowed to ¥9,652 million.

The increase in net cash provided by operating activities was chiefly the result of progress in recovering trade receivables and cutbacks in inventories. The net cash used in investing activities represents investments in property, plant and equipment, and in overseas production and sales bases. The net cash provided by financing activities is primarily attributed to an increase in commercial paper. Redemption of ¥40,000 million in corporate bonds was financed through the issue of an equivalent amount of corporate bonds.

Outlook for Fiscal Year Ending March 31, 2003

The global economy, led by the U.S., is likely to head toward recovery after a period of consolidation. On the domestic front, some sectors of the manufacturing industry seem to be bottoming out. Nevertheless, there is no knowing whether recovery will materialize, since there has been no arrest in the continuing precipitous decline in capital investment and personal consumption remains mired in weakness.

Even in this challenging environment, the Group is committed to pursuing aggressive business policies while simultaneously working to achieve the goals of its medium-term business vision, the "S21 Plan." The Group will focus on expanding operations in its four targeted areas—the environmental business, information systems, services and components—while strengthening mature businesses through restructuring and alliances. These initiatives are directed at swiftly restoring growth and strengthening the company's financial foundations by focusing on management strategies geared to raising corporate value and leveraging the Group's management resources.

Forecast of consolidated earnings for the fiscal year ending March 31, 2003

Item	¥ millions	% YoY change
Net sales	870,000	3.7
Operating income	21,000	180.4
Ordinary income	16,000	176.3
Net income	8,000	Up ¥11,217mn YoY

Forecast of nonconsolidated earnings for the fiscal year ending March 31, 2003

Item	¥ millions	% YoY change
Orders received	470,000	8.7
Net sales	470,000	0.1
Operating income	10,500	72.0
Ordinary income	9,500	50.9
Net income	5,000	36.9

Note: The above forecasts are based on an exchange rate of ¥125/$1US

Dividends

The decision on dividends is currently pending.

Cautionary Statements With Respect to Forward-Looking Statements

Statements made in this financial report with respect to the Group's future performance are forward-looking statements based on management's assumptions and beliefs in light of the information currently available. Accordingly, actual results could differ from those contained in any forward-looking statements. Potential risks and uncertainties include:

- Sudden changes in the general economic conditions of the Group's principal markets and changes in its operating environment, such as those resulting from changes in trade regulations
- Changes in the exchange rate, particularly between the yen and the U.S. dollar and Asian and European currencies
- The ability of Fuji Electric and its subsidiaries to develop and introduce products that incorporate new technology in a timely manner and to manufacture them in a cost-effective way
- The rapid pace of technological innovation, especially in the field of electronics
- Sudden changes in the supply and demand balance in the markets the Group serves
- Problems involving intellectual property of Fuji Electric and other companies
- Fluctuations in Japanese stock markets