April 28, 2004
Fuji Electric Holdings Co., Ltd.

Consolidated Financial Report for the fiscal year ended March 31, 2004
(April 1, 2003 ― March 31, 2004)

Summary of Consolidated Financial Results

1. Summary of consolidated statements of income

	Millions of yen		Change(%)	*Millions of U.S.dollars*
	FY2003(A) [3/2004]	FY2002(B) [3/2003]	(A)/(B)	*FY2003 [3/2004]*
Net sales	856,198	832,414	102.9%	*8,101*
Operating income	17,447	12,909	135.2%	*165*
Ordinary income	13,928	8,984	155.0%	*132*
Net income	5,519	3,911	141.1%	*52*
	Yen			*U.S.dollars*
Net income per share	7.46	5.28	―	*0.07*

2. Summary of consolidated financial position

	Millions of yen		*Millions of U.S.dollars*
	3/31/2004	3/31/2003	*3/31/2004*
Total assets	908,060	921,121	*8,592*
Shareholders' equity	191,774	161,188	*1,814*
Shareholders' equity ratio (%)	21.1%	17.5%	―
	Yen		*U.S.dollars*
Shareholders' equity per share	267.80	225.06	*2.53*

3. Summary of consolidated statements of cash flows

	Millions of yen		*Millions of U.S.dollars*
	FY2003(A) [3/2004]	FY2002(B) [3/2003]	*FY2003 [3/2004]*
Cash flows from operating activities	66,468	38,576	*629*
Cash flows from investing activities	21,924	△ 14,454	*207*
Cash flows from financing activities	△ 76,808	△ 47,832	*△ 727*
Cash and cash equivalents at end of year	27,240	15,038	*258*

Note: 1) U.S.dollar amounts in this financial report are translated, for convenience only, at the rate of \105.69=U.S.$1
2) The company has 59 consolidated subsidiaries and 1 equity-method affiliate.

4. Forecast of consolidated earnings for the fiscal year ending March 31, 2005

(April 1, 2004 - March 31, 2005)

	Millions of yen	
	1st half	Full year
Net sales	355,000	840,000
Operating income	△ 12,000	21,000
Ordinary income	△ 13,000	17,500
Net income	△ 8,000	8,000
		Yen
Net income per share		10.93

<Cautionary Statements With Respect to Forward-Looking Statements>

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

- Sudden changes in general economic conditions in Fuji Electric's markets and changes in its operating environment such as those resulting from changes in trade regulations
- 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 Fuji Electric serves
- Problems involving the intellectual property of Fuji Electric and other companies
- Stock market conditions in Japan

Consolidated Statements of Income

	Millions of yen		Change	*Millions of U.S.dollars*
	FY2003(A) [3/2004]	FY2002(B) [3/2003]	(A)/(B)	*FY2003 [3/2004]*
Net sales	856,198	832,414	102.9%	*8,101*
Cost of sales	690,947	666,604	103.7%	*6,537*
Gross profit	165,250	165,810	99.7%	*1,564*
Selling, general and administrative expenses	147,802	152,900	96.7%	*1,398*
Operating income	17,447	12,909	135.2%	*165*
Non-operating income	5,429	5,473	99.2%	*51*
Interest and dividends received	1,814	2,009		*17*
Other	3,614	3,464		*34*
Non-operating expenses	8,947	9,398	95.2%	*85*
Interest expense	3,066	4,173		*29*
Other	5,880	5,225		*56*
Ordinary income	13,928	8,984	155.0%	*132*
Extraordinary income	23,448	54,628		*222*
Extraordinary loss	24,490	56,537		*232*
Income before income taxes	12,887	7,074	182.2%	*122*
Income taxes and business tax	7,489	4,166		*71*
Deferred income taxes	△ 167	△ 1,094		*△ 2*
Minority interests in net income of consolidated subsidiaries	45	92		*0*
Net income	5,519	3,911	141.1%	*52*

Consolidated Balance Sheets

	Millions of yen		Change	*Millions of U.S.dollars*
	3/31/2004(A)	3/31/2003(B)	(A)-(B)	*3/31/2004*
Assets				
Current assets:				
Cash and time deposits	27,542	15,664	11,878	*261*
Notes and accounts receivable, trade	253,215	250,447	2,768	*2,396*
Marketable securities	65	460	△ 395	*1*
Inventories	125,910	152,427	△ 26,517	*1,191*
Other current assets	44,947	54,222	△ 9,275	*425*
Total current assets	451,682	473,222	△ 21,540	*4,274*
Long-term assets:				
Tangible fixed assets	153,810	190,221	△ 36,411	*1,455*
Intangible fixed assets	7,335	7,684	△ 349	*69*
Investments and other assets	295,005	249,763	45,242	*2,791*
Total long-term assets	456,152	447,668	8,484	*4,316*
Deferred assets	225	230	△ 5	*2*
Total assets	908,060	921,121	△ 13,061	*8,592*
Liabilities and shareholders' equity				
Current liabilities:				
Notes and accounts payable, trade	181,596	168,629	12,967	*1,718*
Short-term loans	90,988	158,633	△ 67,645	*861*
Other current liabilities	215,117	261,295	△ 46,178	*2,035*
Total current liabilities	487,702	588,558	△ 100,856	*4,614*
Long-term liabilities	220,090	156,919	63,171	*2,082*
Total liabilities	707,793	745,477	△ 37,684	*6,697*
Minority interests in consolidated subsidiaries	8,491	14,455	△ 5,964	*80*
Shareholders' equity:				
Common stock, \50 par value	47,586	47,586	—	*450*
Capital surplus	46,710	46,694	16	*442*
Consolidated retained earnings	71,172	69,275	1,897	*673*
Unrealized gain on other securities	36,617	6,922	29,695	*346*
Foreign currency transaction adjustment	△ 3,573	△ 2,603	△ 970	*△ 34*
Less shares of common stock held by the Company	△ 6,737	△ 6,687	△ 50	*△ 64*
Total shareholders' equity	191,774	161,188	30,586	*1,814*
Total liabilities, minority interests and shareholders' equity	908,060	921,121	△ 13,061	*8,592*
Debt	363,011	438,865	△ 75,854	*3,435*

Consolidated Statements of Cash Flows

	Millions of yen	Millions of yen	Change	*Millions of U.S.dollars*
	FY2003(A) [3/2004]	FY2002(B) [3/2003]	(A)-(B)	*FY2003 [3/2004]*
Ⅰ Cash flows from operating activities:				
Net income before income taxes	12,887	7,074	5,813	*122*
Depreciation and amortization	17,675	27,202	△ 9,527	*167*
Interest and dividends income	△ 1,814	△ 2,009	195	*△ 17*
Interest expense	3,066	4,173	△ 1,107	*29*
Decrease(increase) in trade receivables	△ 7,132	40,472	△ 47,604	*△ 67*
Decrease(increase) in inventories	26,021	1,932	24,089	*246*
Increase(decrease) in trade payables	13,504	△ 10,311	23,815	*128*
Increase(decrease) in advances received	△ 17,380	△ 422	△ 16,958	*△ 164*
Other, net	24,953	△ 23,837	48,790	*236*
Subtotal	71,781	44,276	27,505	*679*
Interest and dividends received	1,852	1,983	△ 131	*18*
Interest paid	△ 3,201	△ 4,244	1,043	*△ 30*
Income taxes paid	△ 3,965	△ 3,438	△ 527	*△ 38*
Net cash provided by operating activities	66,468	38,576	27,892	*629*
Ⅱ Cash flows from investing activities:				
Purchase of fixed assets and marketable and investment securities	△ 14,650	△ 28,986	14,336	*△ 139*
Proceeds from sale of fixed assets and marketable and investment securities	38,798	16,291	22,507	*367*
Other, net	△ 2,223	△ 1,759	△ 464	*△ 21*
Net cash provided by investing activities	21,924	△ 14,454	36,378	*207*
Free cash flows (Ⅰ + Ⅱ)	88,392	24,122	64,270	*836*
Ⅲ Cash flows from financing activities:				
Increase(decrease) in short-term borrowings, net	△ 58,788	△ 40,384	△ 18,404	*△ 556*
Increase (decrease) in commercial paper, net	△ 11,200	△ 500	△ 10,700	*△ 106*
Proceeds from long-term debt	54,926	56,100	△ 1,174	*520*
Repayments of long-term debt and redemption of bonds	△ 57,752	△ 52,098	△ 5,654	*△ 546*
Other, net	△ 3,993	△ 10,949	6,956	*△ 38*
Net cash provided by financing activities	△ 76,808	△ 47,832	△ 28,976	*△ 727*
Ⅳ Effect of exchange rate changes on cash and cash equivalents	△ 452	△ 213	△ 239	*△ 4*
Ⅴ Net increase (decrease) in cash and cash equivalents	11,131	△ 23,923	35,054	*105*
Ⅵ Cash and cash equivalents at beginning of year	15,038	38,109	△ 23,071	*142*
Ⅶ Increase in cash and cash equivalents resulting from the increase of consolidated subsidiaries	1,070	852	218	*10*
Ⅷ Cash and cash equivalents at end of year	27,240	15,038	12,202	*258*

Consolidated Segment Information

1. Net sales by business segment

	Millions of yen		Change(%)	*Millions of U.S.dollars*
	FY2003(A) [3/2004]	FY2002(B) [3/2003]	(A)/(B)	*FY2003 [3/2004]*
Energy & Electric Systems	403,149	383,382	105.2%	*3,814*
ED&C・Drive Systems	168,062	159,947	105.1%	*1,590*
Electronics	129,675	124,575	104.1%	*1,227*
Retail Support Equipment & Systems	150,760	154,435	97.6%	*1,426*
Others	75,731	76,137	99.5%	*717*
Subtotal	927,380	898,479	103.2%	*8,775*
Elimination	△ 71,181	△ 66,064	—	*△ 673*
Total	856,198	832,414	102.9%	*8,101*

2. Operating income by business segment

	Millions of yen		Change(%)	*Millions of U.S.dollars*
	FY2003(A) [3/2004]	FY2002(B) [3/2003]	(A)/(B)	*FY2003 [3/2004]*
Energy & Electric Systems	500	△ 180	—	*5*
ED&C・Drive Systems	2,378	1,195	199.0%	*22*
Electronics	9,779	7,217	135.5%	*93*
Retail Support Equipment & Systems	2,077	2,597	80.0%	*20*
Others	2,329	2,086	111.6%	*22*
Subtotal	17,065	12,916	132.1%	*161*
Elimination / Corporate	381	△ 6	—	*3.6*
Total	17,447	12,909	135.2%	*165*

3. Assets by business segment

	Millions of yen		Change(%)	*Millions of U.S.dollars*
	FY2003(A) [3/2004]	FY2002(B) [3/2003]	(A)/(B)	*FY2003 [3/2004]*
Energy & Electric Systems	313,066	358,409	87.3%	*2,962*
ED&C・Drive Systems	137,800	139,922	98.5%	*1,304*
Electronics	131,062	140,269	93.4%	*1,240*
Retail Support Equipment & Systems	106,521	111,732	95.3%	*1,008*
Others	51,318	73,576	69.7%	*486*
Subtotal	739,770	823,909	89.8%	*6,999*
Elimination/Corporate	168,289	97,212	—	*1,592*
Total	908,060	921,121	98.6%	*8,592*

4. Depreciation and amortization by business segment

	Millions of yen		Change(%)	*Millions of U.S.dollars*
	FY2003(A) [3/2004]	FY2002(B) [3/2003]	(A)/(B)	*FY2003 [3/2004]*
Energy & Electric Systems	4,023	6,361	63.2%	*38*
ED&C・Drive Systems	2,261	4,928	45.9%	*21*
Electronics	7,904	12,485	63.3%	*75*
Retail Support Equipment & Systems	1,441	1,622	88.8%	*14*
Others	1,664	1,716	97.0%	*16*
Subtotal	17,295	27,114	63.8%	*164*
Elimination/Corporate	380	88	—	*4*
Total	17,675	27,202	65.0%	*167*

5. Capital expenditure by business segment

	Millions of yen		Change(%)	*Millions of U.S.dollars*
	FY2003(A) [3/2004]	FY2002(B) [3/2003]	(A)/(B)	*FY2003 [3/2004]*
Energy & Electric Systems	4,236	2,987	141.8%	*40*
ED&C・Drive Systems	1,523	3,530	43.1%	*14*
Electronics	6,219	7,479	83.2%	*59*
Retail Support Equipment & Systems	728	1,705	42.7%	*7*
Others	1,511	1,140	132.5%	*14*
Subtotal	14,219	16,843	84.4%	*135*
Elimination/Corporate	240	19	—	*2*
Total	14,459	16,863	85.7%	*137*

6. Net overseas sales

	Millions of yen		Change(%)	*Millions of U.S.dollars*
	FY2003(A) [3/2004]	FY2002(B) [3/2003]	(A)/(B)	*FY2003 [3/2004]*
North America	19,249	25,747	74.8%	*160*
Europe	16,197	12,580	128.8%	*135*
Asia	88,602	71,437	124.0%	*737*
Other	5,233	9,377	55.8%	*44*
Total	129,283	119,143	108.5%	*1,076*

＜ Ratio to net sales ＞

North America	2.2%	3.1%
Europe	1.9%	1.5%
Asia	10.3%	8.6%
Other	0.6%	1.1%
Total	15.1%	14.3%

Consolidated Statements of Income for 4Q FY2003(unaudit)

	Millions of yen		Change	*Millions of U.S.dollars*
	FY2003 4Q (A)	FY2002 4Q (B)	(A)/(B)	***FY2003 4Q*** *(A)*
Net sales	337,871	305,063	110.8%	*3,197*
Cost of sales	266,100	232,912	114.2%	*2,518*
Gross profit	71,771	72,151	99.5%	*679*
Selling, general and administrative expenses	37,745	39,204	96.3%	*357*
Operating income	34,026	32,946	103.3%	*322*
Non-operating income	1,127	1,910	59.0%	*11*
Interest and dividends received	403	299		*4*
Other	723	1,611		*7*
Non-operating expenses	2,663	3,484	76.4%	*25*
Interest expense	592	1,291		*6*
Other	2,071	2,192		*20*
Ordinary income	32,489	31,372	103.6%	*307*
Extraordinary income	8,534	28,454		*81*
Extraordinary loss	6,211	31,327		*59*
Income before income taxes	34,812	28,499	122.2%	*329*
Income taxes and business tax	14,714	11,392		*139*
Minority interests in net income of consolidated subsidiaries	856	591		*8*
Net income	19,241	16,514	116.5%	*182*

Consolidated Segment Information for 4Q FY2003(unaudit)

1. Net sales by business segment

	Millions of yen		Change(%)	*Millions of U.S.dollars*
	FY2003 4Q (A)	FY2002 4Q (B)	(A)/(B)	***FY2003 4Q*** *(A)*
Energy & Electric Systems	217,326	184,579	117.7%	*2,056*
ED&C・Drive Systems	48,701	46,883	103.9%	*461*
Electronics	33,964	32,977	103.0%	*321*
Retail Support Equipment & Systems	40,213	39,727	101.2%	*380*
Others	29,078	26,109	111.4%	*275*
Subtotal	369,283	330,278	111.8%	*3,494*
Elimination	△ 31,411	△ 25,214	—	*△ 297*
Total	337,871	305,063	110.8%	*3,197*

2. Operating income by business segment

	Millions of yen		Change(%)	*Millions of U.S.dollars*
	FY2003 4Q (A)	FY2002 4Q (B)	(A)/(B)	***FY2003 4Q*** *(A)*
Energy & Electric Systems	25,506	22,507	113.3%	*241*
ED&C・Drive Systems	2,367	3,133	75.6%	*22*
Electronics	2,154	2,093	102.9%	*20*
Retail Support Equipment & Systems	1,731	3,980	43.5%	*16*
Others	1,460	1,166	125.2%	*14*
Subtotal	33,221	32,882	101.0%	*314*
Elimination / Corporate	805	64	—	*7.6*
Total	34,026	32,946	103.3%	*322*

April 28, 2004

Fuji Electric Holdings Co., Ltd

Supplemental Consolidated Financial Materials for FY2003

(April 1, 2003 ― March 31, 2004)

1. Financial summary

Billions of yen

	FY2002	cahnge(%)	FY2003 〔3/2004〕	cahnge(%)	FY2004 Forecast	cahnge(%)
Net sales	832.4	99.2%	856.1	102.9%	840.0	98.1%
Operating income	12.9	172.4%	17.4	135.2%	21.0	120.4%
Ordinary income	8.9	155.1%	13.9	155.0%	17.5	125.6%
Net income	3.9	―	5.5	141.1%	8.0	145.0%

2. Number of consolidated subsidiaries

	FY2002	FY2003 〔3/2004〕	FY2004 Forecast
Number of consolidated subsidiaries	58	59	61
Number of equity-method affiliates	0	1	1

3. Net income per share

Yen

	FY2002	FY2003 〔3/2004〕	FY2004 Forecast
Net income per share	5.28	7.46	10.93

4. Sales exchange rate(US$)

Yen

	FY2002	FY2003 〔3/2004〕	FY2004 Forecast
Sales exchange rate	121.95	113.07	105.00

5. Net sales by business segment

Billions of yen

	FY2002	cahnge(%)	FY2003 〔3/2004〕	cahnge(%)	FY2004 Forecast	cahnge(%)
Energy & Electric Systems	383.3	92.7%	403.1	105.2%	375.0	93.0%
ED&C・Drive Systems	159.9	100.5%	168.0	105.1%	175.0	104.1%
Electronics	124.5	97.0%	129.6	104.1%	145.0	111.8%
Retail Support Equipment & Systems	154.4	119.2%	150.7	97.6%	155.0	102.8%
Others	76.1	101.2%	75.7	99.5%	45.0	59.4%
Subtotal	898.4	99.2%	927.3	103.2%	895.0	96.5%
Elimination	△ 66.0	―	△ 71.1	―	△ 55.0	―
Total	832.4	99.2%	856.1	102.9%	840.0	98.1%

Note : Net sales include inter-segment transactions.

6. Operating income by business segment

Billions of yen

	FY2002	cahnge(%)	FY2003 〔3/2004〕	cahnge(%)	FY2004 Forecast	cahnge(%)
Energy & Electric Systems	△ 0.1	―	0.5	―	3.0	600.0%
ED&C・Drive Systems	1.1	―	2.3	199.0%	5.5	231.3%
Electronics	7.2	160.4%	9.7	135.5%	10.5	107.4%
Retail Support Equipment & Systems	2.5	103.8%	2.0	80.0%	2.5	120.4%
Others	2.0	403.5%	2.3	111.6%	1.5	64.4%
Subtotal	12.9	174.7%	17.0	132.1%	23.0	134.8%
Elimination / Corporate	0.0	―	0.3	―	△ 0.2	―
Total	12.9	172.4%	17.4	135.2%	21.0	120.4%

7. R&D expenditures

Billions of yen

	FY2002	cahnge(%)	FY2003 〔3/2004〕	cahnge(%)	FY2004 Forecast	cahnge(%)
Energy & Electric Systems	9.0	87.2%	10.3	114.8%	9.2	89.1%
ED&C・Drive Systems	2.8	78.4%	4.5	160.4%	3.6	80.1%
Electronics	7.7	103.8%	7.8	101.3%	8.0	102.1%
Retail Support Equipment & Systems	2.6	87.0%	4.6	175.0%	4.1	90.4%
Others	0.0	—	0.0	—	0.0	—
Corporate (basic reserch)	4.4	126.2%	1.1	25.1%	1.4	134.0%
Total	26.7	95.4%	28.5	106.7%	26.6	93.3%
Ratio to net sales (%)	3.2%	—	3.3%	—	3.2%	—

8. Plant and equipment investment (including leases)

Billions of yen

	FY2002	cahnge(%)	FY2003 〔3/2004〕	cahnge(%)	FY2004 Forecast	cahnge(%)
Energy & Electric Systems	4.2	61.9%	4.7	110.5%	3.4	73.7%
ED&C・Drive Systems	4.4	81.2%	4.0	89.8%	5.3	132.7%
Electronics	17.8	127.2%	14.0	78.9%	24.9	177.8%
Retail Support Equipment & Systems	5.5	76.5%	2.7	49.2%	3.3	124.2%
Others	1.1	77.9%	1.4	127.2%	2.7	194.9%
Corporate	0.0	—	0.0	—	0.0	—
Total	33.2	94.7%	26.9	81.2%	39.9	148.3%
(Leases)	(18.5)	180.8%	(15.2)	82.1%	(26.6)	175.1%

Note: Plant and equipment investment is the total of investment in tangible fixed assets and aquisition amounts for lease contracts.

9. Depreciation

Billions of yen

	FY2002	cahnge(%)	FY2003 〔3/2004〕	cahnge(%)	FY2004 Forecast	cahnge(%)
Depreciation	25.5	89.7%	15.4	60.5%	15.3	99.7%

Note: Depreciation expense does not include amortization of intangible assets.

10. Number of employees by business segment

	FY2002	FY2003 〔3/2004〕	FY2004 Forecast
Energy & Electric Systems	10,190	10,535	10,362
ED&C・Drive Systems	5,435	5,119	5,142
Electronics	4,152	4,043	4,715
Retail Support Equipment & Systems	3,219	3,080	3,033
Others	2,067	1,686	1,704
Corporate	759	138	127
Total	25,822	24,601	25,083

(1) Group Position

The business operations of the Fuji Electric Group are focused on the development, manufacture and sale of products and the provision of services across a wide range of fields in five business segments: Energy & Electric Systems, Electric Distribution & Control (ED&C)・Drive Systems, Electronics, Retail Support Equipment & Systems, and Others.

The Fuji Electric Group has consolidated subsidiaries operating in all these segments: 14 in Energy & Electric Systems, centered on Fuji Electric Systems Co., Ltd.; 11 in ED&C・Drive Systems, focused on Fuji Electric FA Components & Systems Co., Ltd.; 15 in Electronics, centered on Fuji Electric Device Technology Co., Ltd.; 4 in Retail Support Equipment & Systems, focused on Fuji Electric Retail Systems Co., Ltd.; and 5 in Others. Each segment in turn operates consolidated subsidiaries, primarily sales subsidiaries, totaling 10 companies. The Fuji Electric Group therefore consists of 59 consolidated subsidiaries.

Fuji Electric Construction Co., Ltd. and Fuji Logistics Co., Ltd. are both listed on the Second Section of the Tokyo Stock Exchange (TSE). The latter company became an equity-method affiliate following the sale of shares to TOYOTA INDUSTRIES CORPORATION on March 24, 2004.

(2) Management Policies

Fundamental Management Policy

The Fuji Electric Group moved to a "**Pure Holding Company System**" on October 1, 2003, following the corporate demerger of all its businesses into independent operating companies. Moving forward, the Fuji Electric Group's fundamental management policy is to deliver value to society, shareholders and other investors by promoting greater, more cohesive management of the Group as a whole to maximize the Group's value under the new pure holding company system. In order to realize a Group comprising the "**Industry's Strongest Specialists**," each of the Fuji Electric Group's operating companies will be committed to offering optimal, industry-leading services and components of the highest quality to society and customers.

1. Realization of Autonomous Management
As independent entities with truly autonomous management systems, each operating company will position itself in close proximity to its customers, so as to better assess customer needs and **maximize customer satisfaction by providing the highest caliber of products and services**.

This will allow the introduction of fast, flexible business management systems tailored to the characteristics of each operating environment and capable of responding rapidly to change.

2. Optimization of Business Portfolio
From the perspective of maximizing the value of the Group and enhancing capital efficiency, the Fuji Electric Group is intent on creating a portfolio of businesses that balances growth and profitability. This will be achieved by accelerating the prioritization of resources into certain businesses based on a more rigorous review of the operating results of each operating company and business unit.

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.

Management Goals

The management indicators used by the Fuji Electric Group as targets are shown in the following table.

	FY2005 Targets	FY2003 Actual	FY2002 Actual
Operating Margin	**At least 5%**	2.0%	1.5%
Outstanding Debt	**¥300.0 billion**	¥363.0 billion	¥438.9 billion

Medium- to Long-Term Corporate Strategies and Issues to Be Addressed

With deflationary pressures expected to characterize the continuation of severe business conditions in the Japanese economy, Fuji Electric is aware that it must quicken the pace of internal management reforms, rebuild earnings structures and strengthen the Group's financial base in order to achieve its profitability and growth targets. This will be integral to realizing the goal of becoming a Group comprising the "Industry's Strongest Specialists."

This rationale prompted the Fuji Electric Group to make the decision to move to a pure holding company system on October 1, 2003. Under this new management framework, the Fuji Electric Group has already begun implementing concrete strategies and measures as part of its medium-term management plan, which runs from April 1, 2003 to March 31, 2006, aimed at raising the Group's value.

1. Basic Stance

The strategies and measures are specifically designed to **"generate corporate value even in a deflationary environment,"** by raising earnings and strengthening the Group's financial position. They are premised on a severe operating environment in which further economic weakness and structural reforms in industry are expected, due to increasing globalization and growing deflationary pressures.

(1) Based on the assumption that the Japanese economy will only achieve zero growth over the next three years, the Fuji Electric Group's major imperative is to consistently improve earnings and deliver growth through strategies and measures designed to maintain the Company's

competitiveness independently. This will be underlined by an awareness of the severe business environment and a sense of urgency in dealing with its attendant challenges.

(2) An emphasis on creating higher added-value will be achieved by selectively channeling the Group's resources into core technologies and businesses. And business expansion will be achieved through a greater focus on the environment and IT, using technologies that incorporate a greater level of high added-value.

(3) Centered on the promising high-growth Chinese market, the Fuji Electric Group is aiming to increase sales at overseas businesses by launching products founded on technologies where the Fuji Electric Group has a competitive edge, and in product and business fields that are mature in the domestic market context.

(4) Incorporate the following plans/strategies into a medium-term plan: a strategic technology development plan aimed at boosting sales through the creation of new businesses and products; an expansion plan for overseas businesses, centered on a strategy for China; an innovative cost-reduction plan to pare back costs in a deflationary environment; a debt-reduction plan; a review of personnel and remuneration systems; and measures to realize an optimum mix of Group businesses comprising the "Industry's Strongest Specialists."

2. Outline of Plans and Strategies

(1) Grow sales through the creation of new businesses and products, based on stronger R&D technology capabilities.

1) Place emphasis on R&D for the creation of new businesses and products, increasing annual R&D expenses to **¥30 billion a year for a total of ¥90 billion over the next 3 years**. Focus resources on three categories—core products; products to be overhauled and improved; and products in incubation and new business areas—with a particular focus on **core products so as to achieve an approximate ¥100 billion increase in sales** from this category.

2) Reshape the business portfolio by accelerating and expediting the withdrawal from and sale of unprofitable/non-core businesses where there is no expectation of profits or future

growth.

(2) Expand overseas business by building a stronger presence in China

1) Aggressively expand business in Asia outside Japan, particularly China, to increase overseas sales as a share of consolidated net sales to **20% by fiscal 2005**, compared with 14% in fiscal 2002. Expand business in overseas markets by actively making use of overseas bases.

2) Target the Chinese market, where annual economic growth is currently running at about 7%, to boost sales in the country from ¥15 billion in fiscal 2002 to **¥47 billion by fiscal 2005**.

(3) Initiate radical cost-structure reforms

Go all out to generate more cost savings through a fundamental review of materials purchasing, further reductions in logistics costs, reorganization of manufacturing operations and reconstruction of a Group manufacturing system. Raise cost competitiveness by paring back core costs by **at least ¥90 billion** over 3 years (**Approximately 10%** of projected fiscal 2005 net sales).

(4) Strengthen the financial base primarily by reducing debt

Streamline the balance sheet through more efficient capital management such as scaling back inventories, cutting accounts receivable and reducing fixed assets; improve earnings; and review businesses to strengthen the financial base of the Group. Reduce interest-bearing debt to **¥300 billion by the end of fiscal 2005**.

(5) Review personnel, remuneration and retirement and pension structures

Under the pure holding company structure, revise personnel and remuneration systems so as to create flexible working conditions that take into account the characteristics and results of each Group business. Also modernize retirement and pension structures to respond to the changes ahead.

(6) Create the optimal mix of businesses to realize a Group comprising the “Industry’s Strongest Specialists.”

The Fuji Electric Group recognizes that a major goal of the pure holding company structure is to increase corporate value by rapidly restructuring. This restructuring will create an optimal portfolio mix balanced on growth and profitability, with each operating company becoming the "Industry's Strongest Specialist" in its respective field. With this in mind, the Fuji Electric Group will promote the following initiatives:

1) Examine the viability of each business by assessing its respective strengths. Resources will be channeled into core businesses, while the alliance, withdrawal or disposal process will be accelerated for businesses that are not expected to grow independently.

2) Under the pure holding company structure, put in place a framework designed to promote the selection and concentration of resources, with each operating company using risk-return profiles to ensure proper business management. Aim to build an optimum portfolio mix balanced on growth and profitability by increasing the use of corporate value-oriented performance indicators (return on investment (ROI) and Fuji-electric Economic Profit* (FEP)). This will allow the Company to improve its assessment of investment returns and profitability and ensure the cost of capital is commensurate with risk.

**FEP: An in-house performance indicator that shows added economic value generated by Fuji Electric. Calculated by subtracting cost of shareholders' equity from net income.*

Measures to Establish a Management Framework (Improving Corporate Governance)

1. Basic Concept

The Fuji Electric Group moved to a pure holding company system on October 1, 2003, following the corporate demerger of all its businesses into independent operating companies. Moving forward, the Fuji Electric Group's fundamental management policy is to deliver value to all of its stakeholders, including society, shareholders and other investors, by promoting greater, more cohesive management, with the aim of maximizing the Group's value under the new holding company system. In order to realize a Group comprising the "Industry's Strongest Specialists," each of the Fuji Electric Group's operating companies will be fully autonomous, allowing them to introduce responsive decision-making systems. Strengthening the group management system and establishing comprehensive corporate governance systems are pre-requisites for enhancing the Group’s competitive position, in order to consistently maximize corporate value. The core concept of corporate governance at Fuji Electric is to reform the management structure, as outlined below, so as to separate business supervisory and executive functions, resulting in clearer lines of authority and responsibility.

2. Progress on Improving Corporate Governance

(1) Measures to Improve the Management Framework and Systems to Separate Decision-Making, Executive and Supervisory Functions

①The number of external directors has been increased from two to three in order to further bolster the board of directors’ supervisory function. Furthermore, the Group has appointed two external auditors.

②In order to ensure complete transparency in terms of the respective responsibilities of the holding company and its operating companies, directors of operating companies will be barred from sitting on the board of the holding company, and vice versa. Furthermore, in order to assure proper supervision of operating companies by the holding company, standing auditors of the holding company will sit on the boards of the operating companies as external auditors.

③The term of office of directors of the holding company and operating companies has been shortened from two years to one, in order to clarify the management responsibility of directors and to respond flexibly to the changing operating environment

④An executive committee has been established to advise the chief executive officer (CEO) of the holding company on important management issues, including: management strategy and management policies for the entire Group; strategies for maximizing Group synergies; and initiatives to enhance Group cooperation. The executive committee will comprise directors of the holding company, presidents of operating companies, and the general manager of the strategy development division at the holding company. The executive committee will also be used to present the CEO of the holding company, and members of other committees, with reports required from the standpoint of monitoring Group management and risk management.

(2) First Year Progress Report on Enhancing Corporate Governance

Steps were taken that focused on ensuring the new holding company system was firmly in place.

①As a part of the plan to strengthen the Group's management and supervisory functions, the responsibilities of the board of directors were expanded to include the discussion, review and approval of management philosophy and policies, business strategies and plans, consolidated financial statements, and other important matters that may affect the management of the Fuji Electric Group.

②Society increasingly expects companies to carry out business activities in as ethical manner as possible in terms of their social and environmental responsibilities. Fuji Electric Group has responded accordingly by reorganizing or establishing appropriate organizations, including a group-wide compliance promotion committee, a global environmental protection committee, a human rights promotion committee, a safety promotion committee and a procurement committee.

③Group Management Regulations were drawn up to define basic group management policies, outline the roles of individual companies and clarify responsibility and authority under the holding company system. All related rules and regulations are reviewed and revised, and new rules are added as deemed necessary.

(3) Results of Operations and Financial Review

Consolidated Business Results for Fiscal 2003, Ended March 2004

The Fuji Electric Group's operating environment in the fiscal year under review was characterized by growing exports on the strength of economic growth overseas, particularly in the U.S. and China, and encouraging signs of economic recovery led by increased capital investment in the private sector. However, the recovery was largely limited to certain areas, such as information technology and digital consumer electronics, while public-sector capital investment and investment by electric power companies remained weak.

During fiscal 2003, sales rose in three key business groups: Energy & Electric Systems, on the back of major orders for thermal power generation plants; ED&C・Drive Systems, supported by strong sales of ED&C

components and drive systems; and Electronics, as full-scale volume production of 80GB magnetic discs got underway. Net sales in the Others Group were largely unchanged from the previous fiscal year. Sales in the Retail Support Equipment & Systems Group, however, were down on fiscal 2003, due to sluggish sales of vending machines and freezing and refrigerated showcases, as well as intensifying competition that resulted in lower unit prices.

As result of the above and other factors, consolidated net sales increased 2.9% compared to the previous fiscal year to ¥856,198 million.

In operating profitability, the Energy & Electric Systems Group saw an improvement in industrial and transportation systems, as well as in construction, due mainly to rationalization measures. Higher sales combined with the benefits of business rationalization boosted profits in the ED&C・Drive Systems Group, while the Electronics Group benefited significantly from a marked improvement in profitability in magnetic discs. Operating income rose in the Others Group as profitability improved in logistics services. However, operating income fell in the Retail Support Equipment & Systems Group amid declining volume and falling unit prices.

As a result of the above factors, consolidated operating income rose 35.2% from the previous fiscal year to ¥17,447 million, ordinary income increased 55.0% to ¥13,928 million, and net income surged 41.1% to ¥5,519 million.

In the logistics solutions business, part of the Others Group, Fuji Electric, Fuji Logistics Co., Ltd. and TOYOTA INDUSTRIES CORPORATION formed a business and capital alliance. This involved the sale of part of the Fuji Electric's capital stake in Fuji Logistics (6,491,000 shares representing 26.8% voting rights) to TOYOTA INDUSTRIES.

In the wake of an explosion at a refuse-derived fuel (RDF) incineration and power generation facility in Mie Prefecture in August 2003, which the Fuji Electric Group was contracted to construct, operate and maintain, the Company implemented a number of safety initiatives, including measures to prevent any recurrence, and handed back the facility to Mie Prefecture authorities in March 2004 after completing repairs. In seeking to fulfill its social responsibility, the Company took internal action related to the incident on April 1, 2004.

Fuji Electric would like to express its deepest condolences for the individuals who lost their lives in the incident, and apologize to their families, all those who were injured, and local residents for the pain and suffering caused.

Segment Information

Energy & Electric Systems Group

Following the transition to the holding company system on October 1, 2003, the marketing, technology, production and service functions, formerly managed by the in-house Energy & Electric Systems Company were transferred to Fuji Electric Systems Co., Ltd. This move was aimed at raising management efficiency through the integration of functions, and at strengthening and expanding Fuji Electric's position in the solutions and services business. As part of this group's strategy to take advantage of the rapidly growing Chinese market, a China Strategy Department was established to strengthen Fuji Electric's presence in the country and a measuring instrument sales firm was set up.

During the year, the Energy & Electric Systems Group actively forged alliances to strengthen its competitive position. More specifically, a global partnership agreement in process automation was signed with Siemens Automation and Drives (A&D), and in the water treatment area, an alliance was formed with Holland's NORIT BV. An alliance was also created with Iwatani International Corp. and Germany's DeWind GmbH in the wind power generation field.

Net sales of electric power systems and transformers rose sharply from the previous fiscal year, as the group won large orders for steam turbine power plants and facilities for nuclear power plants in Japan and overseas. Despite strong order growth, operating income fell short of the previous fiscal year due to deteriorating profitability resulting from slower sales in the first half of the year, and strong pressures on margins due to intensifying competition.

In environmental systems, the group completed large projects for electrical equipment employed in advanced water treatment systems and monitoring control systems for water treatment plants, although structural changes in the market such as intensifying market competition and curbs on public sector investment caused a sales slowdown compared with the previous fiscal year. In information systems, profit margins shrank as market prices for software and services fell sharply. Combined with a sharp deterioration in profit margins in large-scale projects such as production control systems, net sales and operating income fell substantially compared with the previous fiscal year. The overall in environmental and information systems result was an operating loss and marginally lower sales.

In industrial and transportation systems, the delivery of large orders for railroad transformer equipment and success in winning service contracts contributed to sales, but failed to offset the decline in sales of plant systems for industrial facilities. As a result, net sales in industrial and transportation systems were lower. Operating income rose on the back of cost reduction measures and rationalization.

In facility construction, sales were slightly lower compared to the previous fiscal year, against a backdrop of weak domestic demand. However, benefits emerging from efforts to streamline operations and improvements to project management systems helped to reverse the operating loss of the previous year.

As a result of the above, net sales in Energy & Electric Systems rose 5.2% from the previous fiscal year to ¥403,149 million, while operating income increased ¥680 million to ¥500 million.

ED&C · Drive Systems Group

In ED&C components, there was an increase in sales as the group enhanced the competitiveness of its product lineup by: launching global products designed to conform with international standards; increasing overseas production; and expanding the number of products certified under the China Compulsory Certification (CCC) standard, China’s industrial standard. These steps helped to boost sales volume in Japan and expand sales in overseas markets, particularly China. In low-voltage circuit breakers, the group introduced the new @-TWIN Series, and in power supplies, launched the Fuji Global Mini UPS GX Series, both designed for the global market. The group also increased production of low-voltage circuit breakers and commenced production of magnetic contactors in China. These moves spurred higher demand from machinery manufacturers in Japan, particularly machine tool builders. Overseas, rising demand in China and other Asian markets boosted sales of low-voltage circuit breakers and magnetic contactors, the group’s mainstay products, above the previous year. However, the operating loss widened amid continuing unit price declines in the domestic market.

In control and drive systems, the group positioned general-purpose invertors as its core product, and servo systems, programmable controllers and programmable operation displays as growth products. New products were launched in all these categories in an effort to drive sales higher. In invertors, the group launched the FRENIC-Eco Series, a line of fan pump invertors designed for the global market. At the same time, production capacity for invertors in China was increased and sales expanded in Japan. In servo systems, the group launched the FALDIC-W, another product designed to appeal to global customers. In Japan, sales efforts in support of this product were focused on selected industrial applications, while overseas, the group aimed to boost sales in China and other Asian markets. In programmable controllers and programmable operation displays, the group increased the lineup of products and options, launched new products, and worked to win contracts for new small and medium-size systems that integrate servo systems, invertors and other components. The success of these strategies was reflected in higher sales in all mainstay products, helping to pushing up total sales and operating income in control and drive systems.

As a result of the above, net sales in ED&C · Drive Systems rose 5.1% to

¥168,062 million, while operating income increased 99.0% year on year to ¥2,378 million.

Electronics Group

In power modules in the power semiconductor field, the group launched the U-Series of IGBT modules incorporating Fuji Electric's proprietary trench technology, and expanded the lineup of the Super FAP-G Series of discrete semiconductors. Helped by strong demand for industrial applications and information technology devices, sales and profits in power semiconductors exceeded the previous fiscal year.

In IC products, the group achieved sales growth by introducing new products, with a focus on mainstay power source ICs and high-voltage ICs for plasma displays. Combined with strong demand for ICs for digital consumer electronics, including digital cameras and flat-screen televisions, total sales of IC products were up on the previous fiscal year. Operating income was lower, primarily due to an increase in capital expenditure related to bringing a new clean room for the mass production of 8" wafers on stream.

In magnetic disks, the group concentrated on stabilizing volume production of 80GB discs, winning new customers and working to more precisely meet customer needs. Steps were also take to actively pare back costs. Underpinned by growing demand for hard disk drives (HDDs), which was supported by a recovery in the personal computer market and the wider adoption of digital consumer electronic devices, sales rose and the operating loss was reduced.

In photoconductive drums, the group increased productivity by integrating production at fewer facilities and taking other steps, while output was boosted in China. The group also expanded the lineup of photoconductive drums for color copiers and printers, potential growth areas going forward. However, sales of photoconductive drums fell, primarily due to lower unit prices for mainstay organic photoconductive drums (OPCs) used in copiers and printers, the major applications for these drums, in the North American and European markets.

As a result of the above, net sales in the Electronics Group rose 4.1% to ¥129,675 million, while operating income was up 35.5% to ¥9,779 million.

Retail Support Equipment & Systems Group

On April 1, 2003, the in-house Retail Support Equipment & Systems Company was demerged and absorbed by Fuji Electric Retail Systems Co., Ltd. On the same day, Fukiage Fuji Vending Machine Co., Ltd., acquired from Sanyo Electric Co., Ltd. was also merged with Fuji Electric Retail Systems. As a result of these moves, Fuji Electric Retail Systems, centered on vending machines, has become the leading specialist company in its field in Japan. Anchored by a management system that integrates development, manufacturing, marketing and aftersales functions, the company focused on enhancing its earnings capabilities through cost reductions in manufacturing and marketing.

During the year, the group also took steps to strengthen its position in non-contact IC cards, and build a Store Total Planning (STP) system. This system offers companies in the retail industry a one-stop store planning service, from area marketing (identification of attractive store sites) to the installation of showcases.

In China, the group established a joint-venture firm in Dalian in September 2003 to commence the local production of vending machines.

In vending machines, food service equipment, and coin & currency handling systems, new can vending machine models in the NewS Series were well received in the market, reflecting their low energy consumption and durability. However, declining unit prices led to lower sales. Sales of cup vending machines and coffee vending machines were slightly higher than in fiscal 2002, but sales of milk vending machines declined, reflecting market contraction. Sales of cigarette vending machines rose on the back of orders from large customers. In coin & currency systems, sales were affected by sluggish demand for currency handling systems for amusement equipment and weaker demand for coin mechanisms and bill validators for vending machines. However, sales of currency handling systems to large customers were strong and sales of non-contact IC cards rose, helping to push sales of coin & currency handling systems up year on year. Despite this, overall sales and operating income in this field were both lower than in the previous fiscal year.

The cold-chain business benefited from increased investment by supermarkets as more new stores were opened and existing stores were refurbished. Intensifying price competition, however, meant there was only a modest increase in sales. Sales to convenience store chains were down year on year. Although sales of Ecolo Unit, a unitized store system, and an integrated delivery system for in-store refurbishment rose substantially, this failed to prevent an overall drop in sales and operating income in the cold-chain business compared to the previous year.

As a result of the above factors, operating income in the Retail Support Equipment & Systems Group declined 20.0% to ¥2,077 million, on a 2.4% drop in sales to ¥150,760 million.

Others

The principal activities in the Others segment include logistics services, real estate, insurance and travel agency services, financial services and information services. Activities focus on growing sales of these services to Fuji Electric Group companies and other firms outside the Group.

Measures initiated by key companies in this group during the year under review are as follows.

Net sales at Fuji Logistics Co., Ltd. were largely unchanged from the previous fiscal year as the company focused on expanding its logistics solutions services at a time when the total cargo volume in the market is declining. However, operating income rose as the company pared back operating expenses and shifted to a policy of emphasizing profitability through a more critical customer selection. As noted above, in March 2004, the Company sold part of its holding in Fuji Logistics (6,491,000 shares representing 26.8% of voting rights) to TOYOTA INDUSTRIES, reducing the Fuji Electric Group's stake in the company to 28.2%.

Fuji Life Corporation reported favorable results in its real estate business, primarily from residential lot development and real estate leasing. The company also aggressively expanded its insurance and travel agency businesses, leading to an increase in sales and operating income year on year.

Following the transition to the holding company system, Fuji Electric increased capital in Fuji Electric Finance and Accounting Support Co., Ltd. and took other steps to enhance the company's role as the core financial services provider for the Fuji Electric Group.

As a result of the above, net sales in this group dipped 0.5% year on year to ¥75,731 million, while operating income rose 11.6% to ¥2,329 million, reflecting improved profitability in logistics services.

Non-consolidated Results of Operations

The Fuji Electric Group moved to a holding company structure on October 1, 2003, following the corporate demerger of all its businesses into independent operating companies.

Results Prior to Transition to Holding Company System

Net sales in the first half of the fiscal year, before the transition to a holding company system, declined sharply as the Retail Support Equipment & Systems Group was demerged and transferred to Fuji Electric Retail Systems Co., Ltd. on April 1, 2003.

Net sales in the Energy & Electric Systems Group declined year on year, reflecting lower public sector capital investment and a decline in investment by electric power companies, as well as a drop in large orders in the thermal power generation business. Domestic sales were also lower in the ED&C・Drive Systems Group, reflecting delayed business recovery among power distribution panel makers. However, total group sales were slightly higher as exports to Asia rose, particularly to China. The Electronics Group reported higher sales as sales of magnetic discs recovered sharply.

As a result of the above, non-consolidated net sales in the first half of the year declined 31.4% to ¥131,945 million.

In the fiscal first half, the operating loss widened, due in part to the demerger of the Retail Support Equipment & Systems Group.

By segment, the operating loss in the Energy & Electric Systems Group deteriorated further, as price competition intensified and put pressure on profit margins, particularly in electric power systems and environmental systems. More positively, the ED&C・Drive Systems Group reported a recovery in profits on the back of rationalization and an increase in unit volume in drive systems. The Electronics Group posted a significant increase in operating profit as output of magnetic discs rose sharply.

The net result of the above factors was a deterioration in the operating loss of ¥2,570 million to ¥4,966 million, and an increase in the ordinary loss by ¥2,211 million to ¥5,691 million. The interim net loss widened by ¥357 million year on year, to ¥4,589 million.

Results After Transition to Holding Company System

Operating income in the second half, after the transition to the holding company system, totaled ¥714 million, on operating revenues of ¥12,897 million. The principal sources of revenue were dividends from affiliates, and income from consigned R&D services and group management operations.

As a result of the above factors, Fuji Electric reported a full-year operating loss of ¥4,251 million, a deterioration of ¥12,400 million compared to fiscal 2002, on a 67.9% decline in operating revenues to ¥144,842 million. The ordinary loss widened by ¥11,571 million to ¥4,984 million, while the net loss was ¥2,148 million, an increase of ¥5,898 million from the previous fiscal year.

Dividends

In due consideration of the current operating environment, Fuji Electric Holdings 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.

Together with the interim dividend of ¥2.50 per share, the Company therefore plans to pay a full-year dividend of ¥5.00 per share.

Financial Position

Positive free cash flow (free cash flow = net cash provided by operating activities + net cash provided by investing activities) was ¥88,392 million on a consolidated basis, a substantial improvement on positive free cash flow of ¥24,122 million generated in the same period a year earlier.

Cash flows from operating activities

Net cash provided by operating activities was ¥66,468 million, compared with ¥38,576 million in the previous fiscal year. This was chiefly due to an increase in retained earnings, such as income before income taxes and minority interests and depreciation, and reductions in inventories and other items.

Cash flows from investing activities

Net cash provided by investing activities was ¥21,924 million, compared to a ¥14,454 million outflow in the previous fiscal year. This was mainly attributable to proceeds from the sale of property, plant and equipment, in line with an ongoing shift from facility ownership to leaseback agreements.

Cash flows from financing activities

Net cash used in financing activities was ¥76,808 million, compared to ¥47,832 million used in the previous fiscal year, chiefly the result of a reduction in short-term borrowings.

As a result, cash and cash equivalents as of March 31, 2004 increased by ¥ 12,202 million from the previous fiscal year-end, to ¥27,240 million.

Consolidated Cash Flow Indicators

	As of March 31 2002	As of March 31 2003	As of March 31 2004
Shareholders' equity ratio (%)	22.5	17.5	21.1
Shareholders' equity ratio (fair market value) (%)	19.2	15.8	21.4
Amortization (years)	47.3	11.4	5.5
Interest coverage ratio (times)	1.8	9.1	20.8

Notes:
Shareholders' equity ratio: Shareholders' equity/total assets
Shareholders' equity ratio (fair market value): Market capitalization/total assets
Amortization: Interest-bearing debt/operating cash flow
Interest coverage ratio: Operating cash flow/interest payments

1. All indicators are calculated using consolidated financial data.
2. Market capitalization is calculated by multiplying the year-end share price by the number of shares issued and outstanding at year-end (excluding treasury stock).
3. Operating cash flow refers to Cash Flows From Operating Activities as shown in the Consolidated Statements of Cash Flows. Interest-bearing debt is the entire portion of debt recorded in the Consolidated Balance Sheets on which interest is paid. Interest payments refer to Interest Paid as shown in the Consolidated Statements of Cash Flows.

Outlook for the Fiscal Year Ending March 31, 2005
While Japan's economy is expected to continue to make a gradual recovery, there is still reason to be cautious due to ongoing concerns related to curbs on public spending and exchange rate fluctuations.

Despite this challenging environment, the companies in the Fuji Electric Group remain committed to maximizing the corporate value of the Group under the new holding company structure. Based on a strategy of selective focus, the holding company will identify areas of potential growth in sales and income, while individual Group companies will follow dynamic and flexible management policies to fully leverage their respective strengths.

For the fiscal year ending March 2005, the Fuji Electric Group is forecasting a 1.9% decline in net sales to ¥840.0 billion, due in part to the reclassification of Fuji Logistics Co., Ltd. as an equity-method affiliate. However, operating income is anticipated to rise 20.4% to ¥21.0 billion (operating income margin: 2.5%), with ordinary income up 25.6% to ¥17.5 billion. Net income is expected to rise 45.0% to ¥8.0 billion. Outstanding debt as of March 31, 2005, is forecast to total ¥330.0 billion.

These forecasts assume an exchange rate of ¥105 to US$ 1.00.

Segment Information

Effective from fiscal 2004, ending March 31, 2005, the Company has renamed two of its business segments: the Electronics Group and the Retail Support Equipment & Systems Group have become the Electronic Devices Group and the Retail Systems Group, respectively. The scope of operating activities in these two segments remains unchanged.

Energy & Electric Systems Group

Despite encouraging signs in private sector capital investment, the operating environment for the Energy & Electric Systems Group is expected to remain challenging, due to continuing weak public sector capital expenditure and sluggish investment in the electric power generation sector. In response, the group's fundamental policy will focus on achieving efficient operations through across-the-board cost reductions, including a review of unprofitable businesses, while at the same time actively seeking opportunities to form business alliances. Affected by a decline in large-scale orders in electric power systems and environmental systems, net sales in the Energy & Electric Systems Group are expected to decline 7.0% from the previous fiscal year to ¥375.0 billion. Operating income is anticipated to reach ¥3.0 billion, an increase of ¥0.5 billion from the previous fiscal year, as the above initiatives start contributing to profitability.

ED&C · Drive Systems Group

The ED&C · Drive Systems Group will implement global strategies, with a focus on accelerating worldwide development, launching new products, and expanding the group's presence in China. Other steps will be taken to build a powerful earnings structure by creating an optimum manufacturing framework and preventing product loss-related expenses. Net sales are forecast to increase 4.1% year on year to ¥175.0 billion, underpinned by higher sales of ED&C components, as well as drive systems. Operating income is expected to increase from ¥2.3 billion to ¥5.5 billion, primarily due to higher income from ED&C components.

Electronic Devices Group

The Electronic Devices Group is forecast to post favorable sales underpinned by strong demand, particularly from the industrial and information technology sectors. Plans call for boosting sales by adding production capacity for semiconductors and magnetic disks. As a result of these and other factors, group sales are expected to increase 11.8% year on year to ¥145.0 billion, with operating income rising 7.4% to ¥10.5 billion. Effective from the fiscal year ending March 2005, photoconductive drum manufacturing subsidiary, Fuji Electric Shenzhen, will be included within the scope of consolidation.

Retail Systems Group

The Retail Systems Group will continue to face a challenging operating environment due to falling unit prices for vending machines. In response, the group plans to capture a greater market share in the vending machine, food service equipment, and coin & currency mechanism field, and in the cold-chain equipment field. Parallel steps will also be taken to cut costs. Operations will focus on laborsaving and energy conservation devices and on the provision of maintenance, repair and other after-sales services. As a result of these moves, net sales in the Retail Systems Group are expected to increase 2.8% year on year to ¥155.0 billion, with operating income rising by 20.4% to ¥2.5 billion.

Others

In this segment, the Company is forecasting a 35.6% drop in operating income to ¥1.5 billion, on a decline in net sales of 40.6% to ¥45.0 billion, primarily due to the reclassification of Fuji Logistics Co., Ltd. as an equity-method affiliate.

Dividends

No decision has yet been made on dividends applicable to the fiscal year ending March 2005.

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 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 related to intellectual property owned by Fuji Electric or other companies

•Fluctuations in Japanese stock markets