

ED&C-DRIVE SYSTEMS GROUP

WE WILL AGGRESSIVELY PURSUE **PRODUCT STRATEGIES** FORMULATED TO

MAXIMIZE OUR STRENGTH, ENABLING US TO PROVIDE WORLD-CLASS QUALITY, PERFORMANCE AND SERVICE TO CUSTOMERS. WE ARE COMMITTED TO THE

PURSUIT OF GROWTH AND PROFIT BY **MAKING OUR PRODUCT BASKET MORE ATTRACTIVE AND MORE COST-COMPETITIVE**

TO INCREASE SALES VOLUME, ESPECIALLY IN OUR CORE PRODUCT LINES: LOW-VOLTAGE CIRCUIT BREAKERS AND SWITCHES, GENERAL PURPOSE INVERTERS, AC-SERVO SYSTEMS, PROGRAMMABLE LOGIC CONTROLLERS AND UNINTERRUPTIBLE POWER SUPPLIES.

IN ADDITION, OUR IT CAPABILITIES—INCLUDING OPEN NETWORK COMPATIBILITY AND ADVANCED SOFTWARE TECHNOLOGIES THAT ARE BEING PACKAGED AND STANDARDIZED—WILL SERVE TO LEVERAGE OUR SYSTEMS BUSINESSES. WE ALSO AIM TO ENHANCE ALLIANCES WITH DOMESTIC AND FOREIGN PARTNERS TO BROADEN AND DEEPEN THE **GLOBALIZATION** OF OUR MANUFACTURING, SALES AND SERVICE OPERATIONS.

Yasumasa Umesato President, ED&C-Drive Systems Company

OVERVIEW OF OPERATING ENVIRONMENT AND RESULTS FOR THE FISCAL YEAR ENDED MARCH 31, 2000

In Electric Distribution & Control (ED&C), the domestic market remained tough during the first half of the fiscal year due to tightened capital expenditure among our customers. We sharpened R&D focus, refreshed most of our core product lines and brought many new models to the market, including new additions to the NEO SC series of magnetic contactors and the MICREX-SX series of programmable logic controllers (PLCs). These efforts combined with moderate recovery in the domestic market and in our key

Asian markets in the year's second half to push sales above last year's level.

In Drive Systems, we successfully introduced new models, including additions to our 11-series inverters (AC drive) and our FALDIC- α AC-servo systems, and we worked hard to expand sales in a market that remained slow. However, we recorded a year-to-year decline in sales due to major negative factors such as low capital expenditure among customers in Japan during the first half of the year, stagnation in the Chinese market where we have a leading position and the appreciation of the yen against the euro.

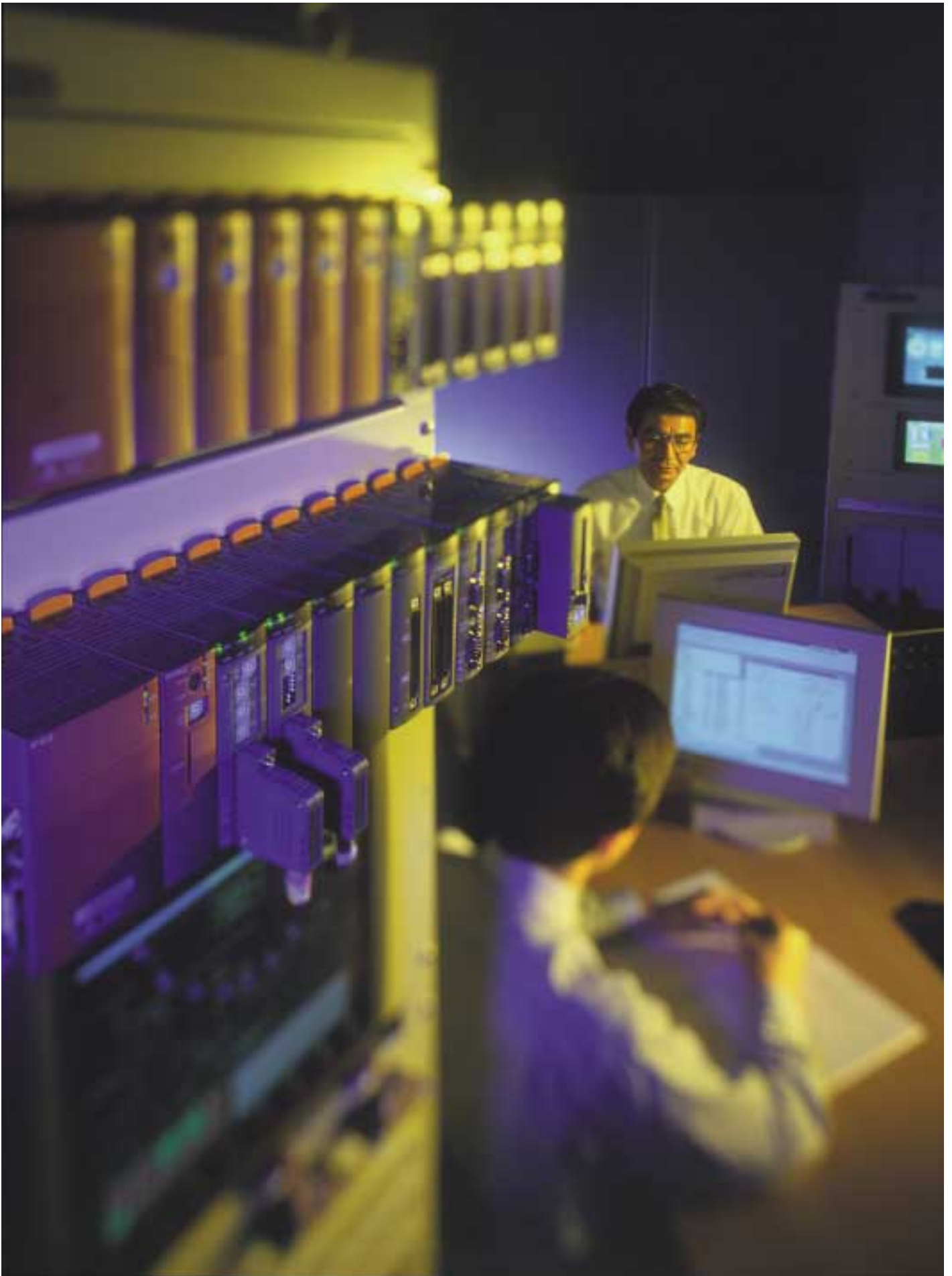
Overall, net sales in ED&C-Drive Systems decreased by 2.0% to ¥156.0 billion (\$1,473 million); however, by the end of the fiscal year, our main products had been successfully renewed, and almost all products had increased their market share. Operating loss was ¥2.4 billion (\$23 million), due to expenses associated with restructuring programs that have already improved profitability greatly compared to the previous year.

MEASURES TAKEN DURING THE YEAR UNDER REVIEW

The fiscal year ended March 1999 was the year Fuji ED&C-Drive Systems recorded a net loss for the first time due to the drastic falling curve of the market. We learned a lot from this, making our top priority the establishment of a more profitable operating structure. We have taken several steps toward realizing this objective. First, we introduced product strategies formulated to capture an even greater share in markets where we have a strong presence, while bringing under-performing product lines back into the black. The second step was concerned with R&D focus. Here, we prioritized selected projects, aiming to add outstanding value to new products and give form to what global customers require. The third

main products

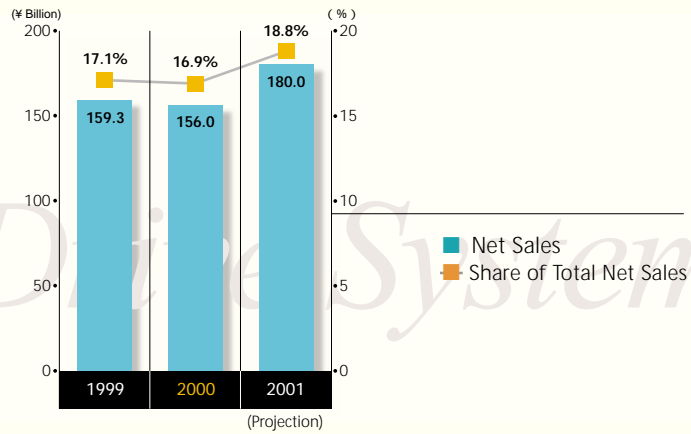
MAGNETIC CONTACTORS
OPERATION INDICATORS
INDUSTRIAL RELAYS
TIME DELAY RELAYS
GAS DETECTORS
MOLDED-CASE CIRCUIT BREAKERS
EARTH-LEAKAGE CIRCUIT BREAKERS
CURRENT-LIMITING FUSES
HIGH-VOLTAGE DISTRIBUTION EQUIPMENT
CAST RESIN TRANSFORMERS
POWER FACTOR REGULATORS
ENERGY MONITORING UNITS
AC POWER REGULATORS
SWITCHES FOR DETECTION
PROGRAMMABLE LOGIC CONTROLLERS
PROGRAMMABLE OPERATION DISPLAYS
MULTIPLEX TRANSMISSION SYSTEMS
INDUCTION MOTORS
SYNCHRONOUS MOTORS
GEARED MOTORS
BRAKE MOTORS
FANS
PUMPS
BLOWERS
GENERAL PURPOSE INVERTERS
SERVOMOTOR SYSTEMS
INDUCTION HEATING INVERTERS
UNINTERRUPTIBLE POWER SUPPLIES
MINI UNINTERRUPTIBLE POWER SUPPLIES



The open-network compatible MICREX-SX series of multi-controllers is capable of controlling the most complex of high-speed machinery and measuring instruments.

Notes:

1. Statistics for the fiscal year ended March 31, 1999 and the fiscal year ended March 31, 2000 reflect actual results for this group.
2. Statistics for the fiscal year ending March 31, 2001 are based on management's estimates as at May 11, 2000.
3. Net sales include inter-segment transactions.



step was to upgrade our sales activities. We enhanced our marketing and technical support network and reviewed the entire sales process to raise efficiency levels. We are now better positioned to provide more timely and more flexible solutions to customers for our small and medium-sized systems in fields such as factory automation. As a result of these efforts, various made-to-order products were shipped to meet the diverse requirements of customers in many regions throughout the world during the year. Finally, we worked hard to optimize our advanced production facilities, automate processes, reduce total cost, raise efficiency in logistics systems and reduce overall inventories.

In pursuing our product strategy, we spun-off R&D and manufacturing functions in small- to medium-capacity industrial motors, an area where price competition is extremely fierce. This resulted in the formation of a new consolidated subsidiary, Fuji Electric Motor Co., Ltd., in July 1999. Fuji Electric Motor did a great job in increasing cost-competitiveness in this field by enhancing the manufacturing system, realigning automated production lines and raising production efficiency. We also raised market share in almost all product areas through the pursuit of finely tuned product strategies. Improved R&D focus led to the successful introduction of new models in core product lines, including NEO SC magnetic contactors, MICREX-SX PLCs, 11-series inverters and FALDIC- α AC-servo systems. Our zeal to promote Fuji products led to the establishment of Techno Garden at our Osaka head office in Tokyo. This new facility serves as a flagship for face-to-face sales presentations and demonstrations of FA systems and other

small and medium-sized systems, as well as for technical training courses for sales personnel and distributors. Results so far have been encouraging. Also, a fortified sales network in Europe and a new sales center in Southeast Asia raised our competitiveness and ability to serve customers in global markets. Finally, we set up a new logistics center in west Japan, which is making a major contribution to reducing delivery time.

MANAGEMENT POLICIES AND PROJECTED RESULTS FOR THE YEAR ENDING MARCH 31, 2001

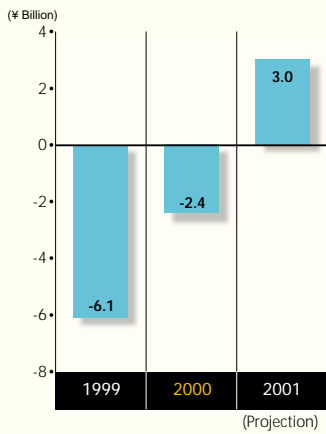
Our objective is to provide world-class levels of quality, performance and service to

customers for control and drive components—and for the small and medium-sized systems that we build around these components—in the energy distribution and conversion field. We strive to maintain high profitability while delivering greater value to customers. With these goals in mind, the first focus of our strategies for the year ending March 2001 will be on the “aggressive marketing” of our products, headed by the new additions that were introduced during the previous fiscal year.

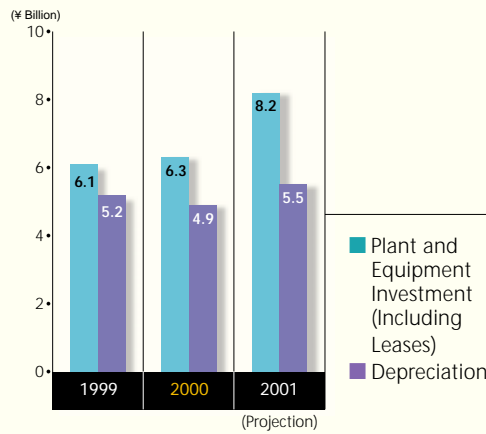
Following the success of our inverter (package drive) alliance, strategy calls for the forming of similar alliances in PLC and AC-servo systems to bolster our competitiveness in global



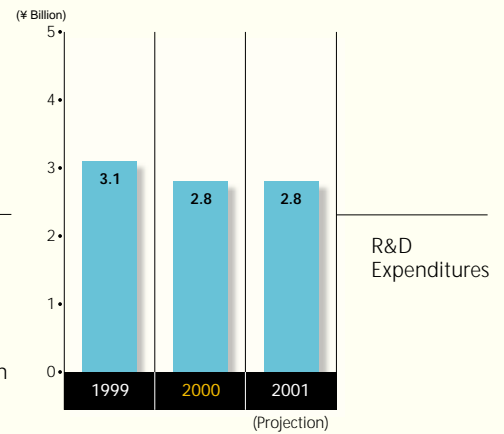
The FRENIC 5000VG7 series of vector-controlled inverters offers the highest performance specifications in the industry.



Operating Income (Loss)



Plant and Equipment Investment (Including Leases)
Depreciation



R&D Expenditures

markets. Also, to expand sales in FA and other small and medium-sized systems, we are increasing open network compatibility. Another undertaking is the development and standardization of function-specific control software packages. In manufacturing, we will endeavor to utilize production facilities in regions where costs are lower, not only existing ones in Japan. At the same time, we will focus marketing on areas of rapid growth. In addition, we aim to raise levels of customer satisfaction by implementing global quality management standards, introducing standardized production control systems at all factories, adopting worldwide supply chain management (SCM), and by offering advanced services.

More specifically, we have formulated 6 action plans. First is the expansion of the ED&C business. Our aim here is to

gain market share in core businesses by increasing our technical level and product development capabilities. The second action plan is to implement a global strategy for inverters. We will deepen our ties with General Electric Company (GE) as we aim for the top global market share. Third is to reinforce AC-servo system operations. Here, we intend to go beyond simply supplying high-quality individual components. While increasing network compatibility, we will actively meet demand for small and medium-sized high-speed positioning systems by linking our MICREX-SX and other components through SX BUS. The fourth action plan is to broaden our systems business capability. Our objective is to make all the products of this group network compatible. In addition, we will provide swift and smart technical support by leveraging our IT capabilities to set up remote control systems utilizing the Internet and telecom lines. We also intend to package our software technologies. The fifth plan

is to enhance our service business. With the expansion of our global businesses, overseas service centers will play an increasingly important role. We have set up service centers in China, the United States, Europe and Southeast Asia. By continuing to expand this service network, we aim to further raise levels of customer satisfaction. The sixth action plan is to expand global sales and realign overseas manufacturing bases. Finally, we will work hard to create a more attractive product basket compatible with regional and global standards with the aim of raising our overseas sales ratio to above 16%.

In light of the foregoing, projections for the fiscal year ending March 31, 2001 are for sales to rise by 15.3% to ¥180.0 billion and operating income to jump up to ¥3.0 billion.



The NEO SC series of magnetic contactors meets all applicable global standards.