ELECTRONICS GROUP

CARVING OUT A ROLE AS A **GLOBAL PLAYER**, THE ELECTRONICS GROUP AIMS FOR **MARKET LEADERSHIP** BY SUPPLYING DISTINCTIVE PRODUCTS TO SPECIFIC SECTORS. STRATEGY CALLS FOR THE MAXIMIZING OF RETURN ON INVESTMENT THROUGHOUT THE ENTIRE LIFECYCLE OF PRODUCTS. WE PLAN TO MAINTAIN THE WORLD'S HIGHEST STANDARDS OF TECHNOLOGY IN FOUR KEY OPERATIONS. IN **POWER SEMICONDUCTORS**, WE WILL STRENGTHEN OUR STRATEGIC ALLIANCE WITH HITACHI, LTD. AND INCREASE THE INTELLIGENCE OF OUR PRODUCTS. OUR OBJECTIVE IS TO BE THE WORLD'S LEADING SUPPLIER TO FIELDS SUCH AS INDUSTRIAL EQUIPMENT, IT AND AUTOMOBILES. IN THE **POWER SUPPLY IC FIELD**, WE WILL SPECIALIZE IN POWER ANALOG ICS BASED ON OUR CMOS TECHNOLOGY. WE ALSO INTEND TO BE THE INDUSTRY LEADER IN POWER MANAGEMENT ICS. IN **MAGNETIC DISKS**, WE WILL MAINTAIN OUR POSITION OF STRENGTH BY MOVING INTO THE MARKET FOR AV EQUIPMENT WHILE CONTINUING TO SUPPLY DISKS FOR PCS AND SERVERS. FINALLY, IN **PHOTOCONDUCTIVE DRUMS**, WE WILL SEEK THE OPTIMUM BALANCE BETWEEN OUR THREE PRODUCTION BASES, LOCATED IN JAPAN, THE U.S. AND CHINA, AS WE CARVE OUT A POSITION AS THE TOP SUPPLIER OF ORGANIC PHOTO CONDUCTORS.

Tetsunosuke Ishibashi *President, Electronics Company*

main products

MAGNETIC DISKS

BIPOLAR POWER TRANSISTORS

POWER MODULES

SMART POWER DEVICES

RECTIFYING DIODES

MONOLITHIC ICS

HYBRID ICS

SEMICONDUCTOR SENSORS

SURGE ABSORBERS

PHOTOCONDUCTIVE DRUMS FOR COPIERS AND PRINTERS

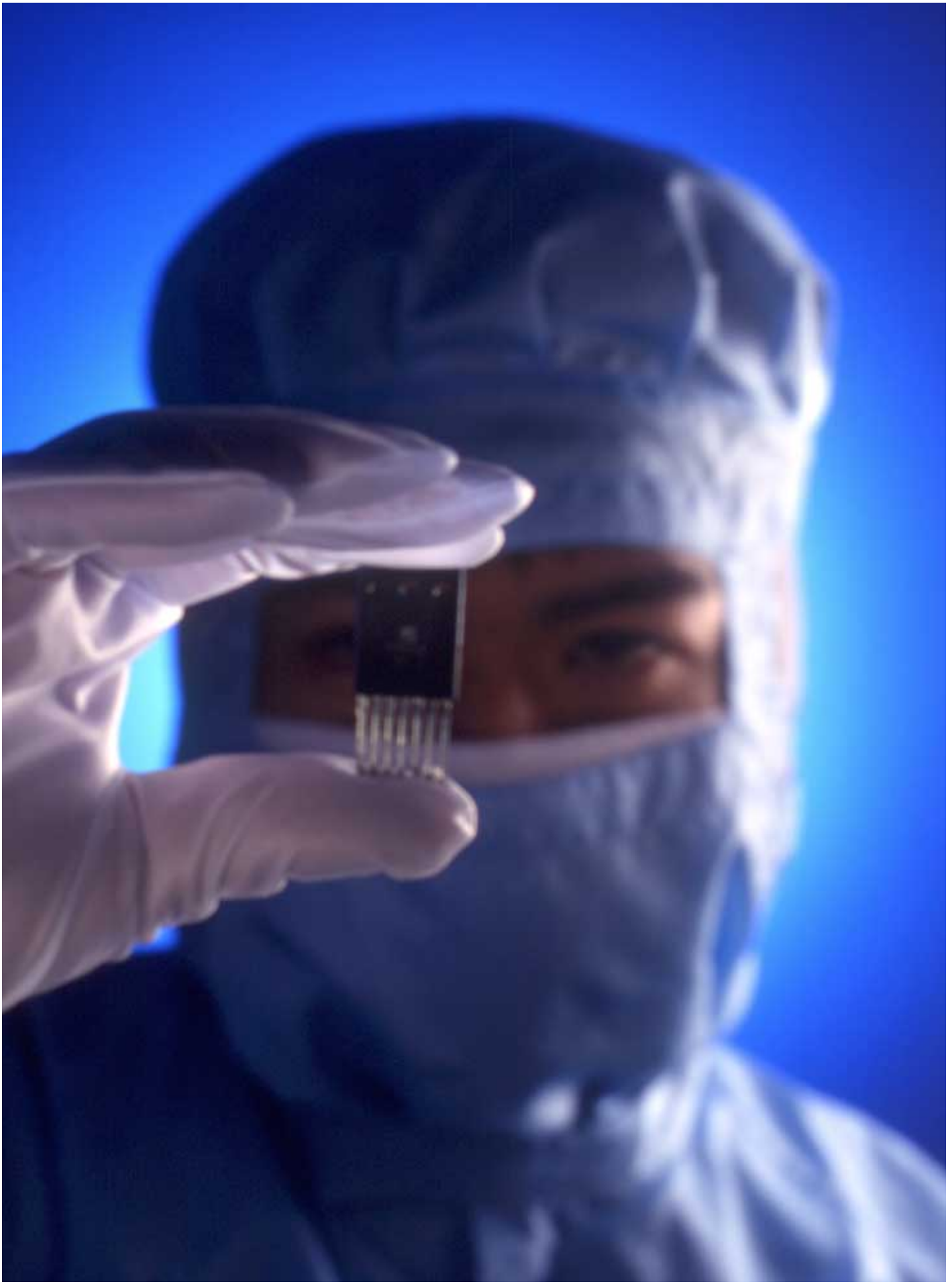
OVERVIEW OF OPERATING ENVIRONMENT AND RESULTS FOR THE YEAR ENDED MARCH 31, 2000

In power semiconductors, sales remained firm as increased demand from the IT and communications sector combined with recovery in the markets for semiconductor manufacturing devices and injection molding machines during the second half of the fiscal year. In ICs, sales surpassed last year's level. This was due to growing demand for power supply ICs for use in PCs, peripheral devices and mobile telephones, and also buoyant sales of semiconductor sensors for use in automobiles, particularly in overseas markets. In magnetic disks, although the spread of the Internet stimulated growth in the PC market, prices dropped and the number of disks used per hard disk drive (HDD) declined. As a result, sales declined considerably in this field. In photoconductive drums, although sales volume increased, monetary sales dropped due to falling prices and the strength of the yen against the euro.

As a result of the above, net sales in this group declined by 8.8% to ¥116.5 billion ($1,099 million). Operating loss was ¥7.5 billion ($71 million), due mainly to our inability to cut costs sufficiently in response to falling prices, particularly in magnetic disks.

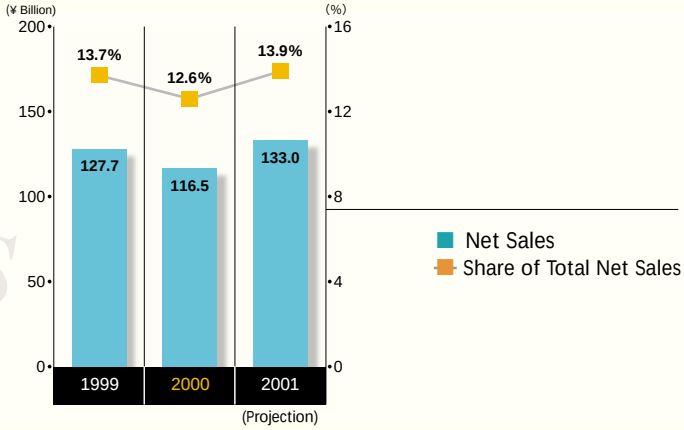
MEASURES TAKEN DURING THE YEAR UNDER REVIEW

In the power semiconductor field, we established Fuji Hitachi Power Semiconductor Co., Ltd., a joint venture with Hitachi, Ltd., in November 1999. The new company's primary business is the development and design of power semiconductors. Combining the R&D resources and technologies of both companies will raise development speed and enable the production of a broader range of products responding to customer needs. The new venture stands to raise the profile of both companies in this market. In the IC field, we endeavored to increase the precision, speed and functionality of products by utilizing our proprietary low-consumption CMOS analog technology, which is an integral element of our mainstay power supply ICs.



A power supply, intelligent power device, M-POWER is targeted at PC peripherals, where low power consumption is of the essence.

Electronics



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.

High-precision analog CMOS power supply ICs yield low power consumption, making them ideally suited to small, portable electronic devices such as mobile telephones, video cameras and digital cameras.

By doing so, we put in place an enhanced business structure that will broaden the scope of operations in this field.

In magnetic disks, we established in January 2000 a new consolidated subsidiary, Fuji Electric Storage Device Co., Ltd., with a view to bolstering R&D capabilities and increasing cost competitiveness. By raising all aspects of technological strength, accelerating development and increasing production efficiency, the new company will allow us to prevail in this fiercely competitive market.

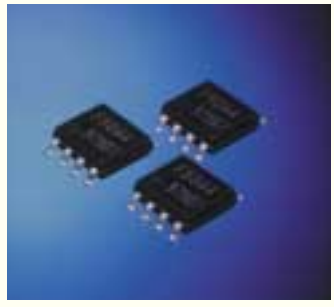
In photoconductive drums, our aim has been to raise cost competitiveness and establish a responsive and flexible global system of operation management. To this end, we established Fuji Electric Imaging Device Co., Ltd., a new consolidated subsidiary, in July 1999 to handle all aspects of the photoconductive drum business, from R&D and production through marketing and after-sales services.

During the year, several new product lines were launched. In power semiconductors, we released the Trench MOSFET and the M-POWER intelligent power device for the IT and communications sector, along with the Smart IGBT for igniters and the Smart MOSFET for automobile use. We also brought out fourth-generation IGBT modules for industrial use. In the IC field, we introduced a new power supply IC for use in mobile telephones, video cameras and inkjet printers. We also developed a 3.5-inch magnetic disk with a storage capacity of around 10 GB and a new positive-charge type organic photo conductor (OPC) for use in printers.

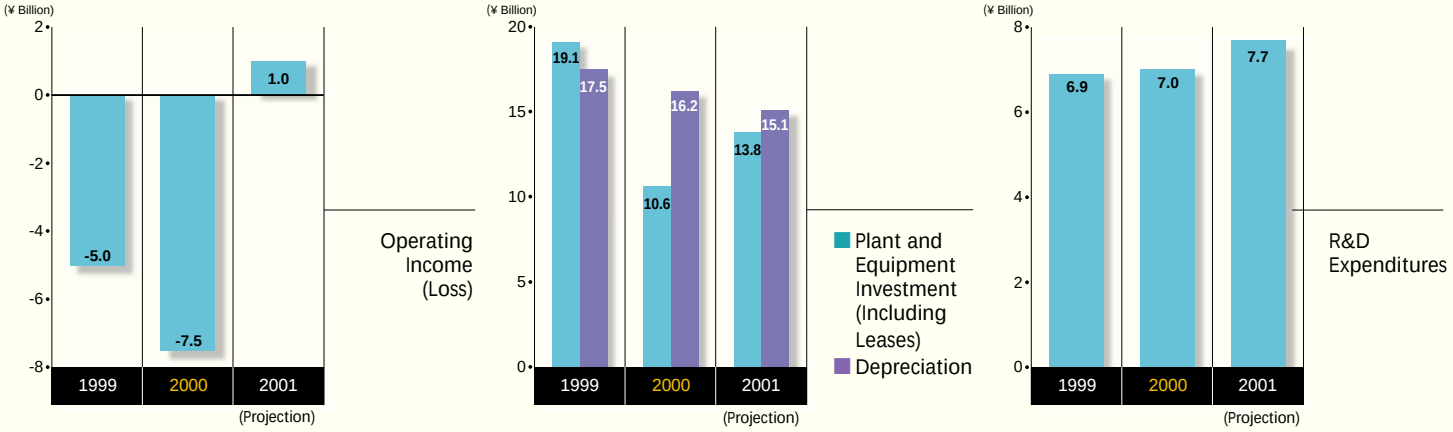
MANAGEMENT POLICIES AND PROJECTED RESULTS FOR THE YEAR ENDING MARCH 31, 2001

Management projections for the fiscal year ending March 31, 2001 are for net sales to increase by 14.1% to ¥133.0 billion, supporting operating income of ¥1.0 billion.

In power semiconductors, we are stepping up R&D activities so that we can reap the benefits of our joint venture with Hitachi as soon as possible. We are also formulating independent strategies tailored to specific market sectors, namely automobiles, industrial equipment, power supply, and home appliances. In this way, we will expand operations by targeting our R&D and marketing to the specific needs



The Smart MOSFET responds to the demand for small, lightweight electronic control devices for automotive applications.



of customers. In the IC field, we aim to build upon our strength in power management ICs by leveraging our power analog ICs, which are based on our proprietary CMOS analog technology. We are also laying the groundwork to obtain QS-9000 certification, the international standard for quality assurance systems in the automobile industry, for all our semiconductor operations as soon as possible as a means of raising quality.

In magnetic disks, we intend to launch mass production technology capable of producing disks with a capacity of 20 Gbit/inch^2. In addition to magnetic disks for hard disk drives (HDDs) in PCs and servers, we are also expanding the scope of our operations to encompass magnetic disks for HDDs in AV equipment, an area where massive future demand is forecast. Here, too, we aim to get operations up and running as soon as possible. Finally, in photoconductive drums, we aim to raise our competitiveness in global markets by striking the optimum production balance between the newly established company in Japan and our two overseas production bases, located in the United States and China.

In addition to implementing market strategies formulated specifically for each field of operations, we also intend to draw on the combined strength of all development, manufacturing, sales and administrative divisions to raise quality and technological expertise while reducing costs. At the same time, we will make efficiency the decisive factor when considering capital expenditures and investments in R&D. By doing so, we will strive to fulfill the projections outlined at the beginning of this section.

Last year saw the release of a new magnetic disk with a recording areal density of 10Gbit/inch^2.

Fuji Electric's comprehensive lineup of highly durable organic photo conductors (OPCs) for printers and copiers yields superior picture quality and speed.