



The fiscal year ended March 31, 2000 was an extremely challenging one for the Fuji Electric Group. It was also a year in which we took decisive action to restructure our organization. As a result, I am convinced that we now have a solid operating structure with which to launch a new offensive.

While Japan's economy during the year under review was sustained by public investment, and the housing market began to pick up, consumer spending and private-sector capital investment as a whole languished. And with public-sector demand running out of steam during the second half of the fiscal year, there was little sense of true recovery.

Amid such an operating environment, we undertook a far-reaching management reorganization, introducing an internal company system and an executive officer system. At the same time, we accelerated measures designed to raise Group performance. We formed strategic alliances with other companies and restructured non-profitable businesses. Measures included the establishment of several new companies. We also realigned manufacturing and sales subsidiaries to bolster Group management, shed excess personnel, trimmed total assets and decreased interest-bearing debt to reinforce our financial position.

The Energy & Electric Systems Group recorded higher sales resulting from the delivery of several large orders of power generating equipment to overseas customers, and the Electronics Group registered an increase in sales of power semiconductors and ICs thanks to the recovery of demand in these sectors. These gains, however, were offset by lower sales in the ED&C-Drive Systems Group, the magnetic disk business of the Electronics Group and in the Retail Support Equipment & Systems Group. Accordingly, net sales were almost unchanged from the previous fiscal year, at ¥851.8 billion (\$8,036 million). Combined with lower costs as a result of restructuring, the recovery in demand from the second half of the year in low-voltage circuit breakers and switches in the ED&C-Drive Systems Group, and in power semiconductors in the Electronics Group, enabled us to significantly improve net loss by ¥10.0 billion to a loss of ¥7.4 billion (\$70 million).

During the fiscal year ending March 31, 2001, we will step up the development of new products and technology, and continue to aggressively rein in costs through drastic measures such as the reform of our domestic and overseas manufacturing structure. Simultaneously, we will put in place a stronger marketing and service network that can offer timely solutions meeting exacting customer requirements. We will also prioritize Group management and establish an operating structure capable of generating higher earnings.

In the Energy & Electric Systems Group, we will focus on expanding operations in the areas of information systems, environment and services. We are also expecting growth in the ED&C-Drive Systems Group, and in the power semiconductor and IC businesses of the Electronics Group. Plans call for total net sales of ¥880.0 billion and a net profit of ¥6.0 billion. The aim is to return the Company to profitability for the first time in three years.

Over the past two years, we have boldly restructured Fuji Electric. Until now, our objective has been defensive—to put in place an operating structure capable of withstanding the dramatic changes taking place in our industry and the harsh operating climate. Now we are ready to take the offensive by shifting the focus of reform to corporate growth and the expansion of our businesses.

In June 2000, we launched the "S21 Plan," a practical, medium-term management vision to steer Fuji Electric into the 21st century. At the core of this vision is our wish to raise the presence of the Fuji Electric Group, and to contribute to various sectors of society and to our customers through original products, technologies and services. Our mission is to create a company that can benefit shareholders, customers and employees alike. In accomplishing this, we aim to promote corporate growth, generate a reasonable profit and share the benefits with our employees and society as a whole. Resting on this fundamental management philosophy, this corporate vision outlines new management concepts and fundamental strategies to drive renewed progress throughout the Fuji Electric Group. This vision forms a base for our detailed medium-term business plan and, moving forward, we are confident that it will yield tangible results.

By drawing upon expertise nurtured over many decades, and expediting the application of the latest developments in IT, the Fuji Electric Group is poised to enter a new stage in its corporate history—a stage in which offering maximum customer satisfaction will be the key to success. We request your continuing support as we strive to make this vision a reality and live up to the expectations of our shareholders, customers and employees.

Kunihiko Sawa

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President and Chief Executive Officer