



ANNUAL REPORT 1999

For the year ended March 31, 1999

99

Profile

Fuji Electric Co., Ltd. has a tradition of developing outstanding products through innovative technology and comprehensive expertise. The Company boasts a world-class track record in the five fields of power and electronics, water and sewage treatment, control systems and equipment, magnetic disks and vending machines. Through R&D and quality improvement efforts in touch with customer needs and market demands, we deliver products and services that are timely and responsive.

Operational Highlights



Magnetic motor starters break the 200 million mark

With a 40% share of the domestic market, magnetic motor starters are one of Fuji Electric's leading products. Production has grown steadily since beginning in 1954, with accumulated output exceeding 100 million units in 1984, 150 million in 1991 and 200 million in 1998.

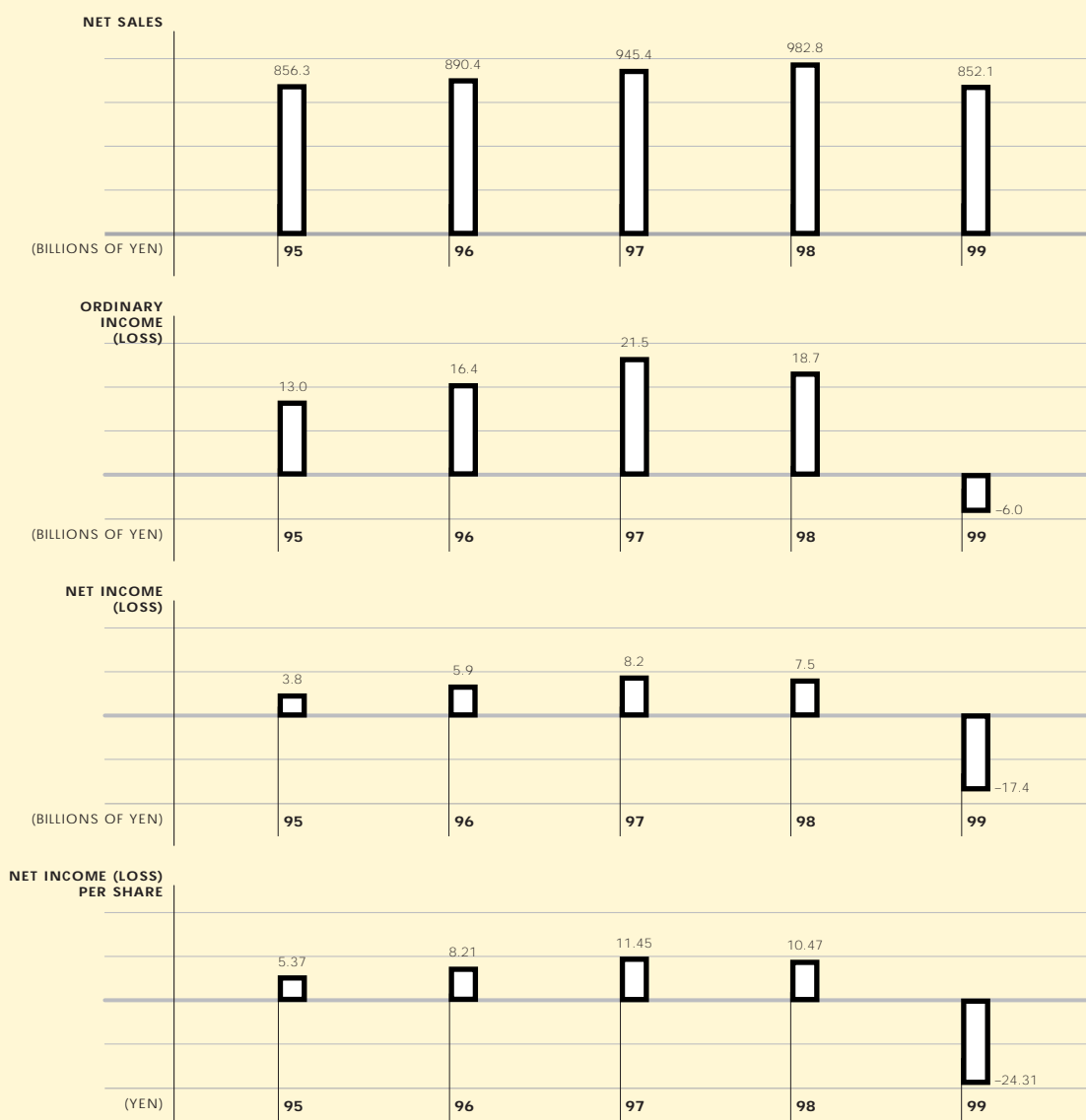
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Financial Highlights

Fuji Electric Co., Ltd. and consolidated subsidiaries

Years ended March 31, 1999 and 1998	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
Net sales	¥852,060	¥982,763	\$7,100,500
Operating income (loss)	(4,127)	23,363	(34,392)
Ordinary income (loss)	(6,044)	18,707	(50,367)
Income (loss) before income taxes	(11,665)	18,762	(97,208)
Net income (loss)	(17,388)	7,487	(144,900)
<i>As of March 31, 1999 and 1998:</i>			
Total shareholders' equity	157,425	178,241	1,311,875
Total assets	994,761	981,332	8,289,675
<hr/>			
	Yen		U.S. dollars
Per share amounts:			
Net income (loss)	¥(24.31)	¥10.47	\$(0.203)



- Notes: 1. Yen figures are truncated, except for rounded-up figures indicated in graphs. U.S. dollar figures are all rounded up.
 2. U.S. dollar amounts in this annual report are translated, for convenience only, at the rate of ¥120.00=U.S.\$1.
 3. The graphs represent consolidated data.

A Message from the President



KUNIHICO SAWA
President and Chief Executive Officer

RESULTS

In the fiscal year ended March 31, 1999, Fuji Electric, on a consolidated basis, recorded net sales of ¥852,060 million, which was 13.3% below the previous term, an ordinary loss of ¥6,044 million and a net loss of ¥17,388 million.

During the fiscal year under review, the Japanese economy was characterized by a downturn in private-sector capital investment and consumer spending, and a worsening export environment as a result of economic turmoil in Asia and other factors. Consequently, an operating environment of unprecedented severity continued. In response, Fuji Electric and its Group companies accelerated new product development, carried out thorough cost-reduction measures and made further efforts in slashing both fixed and variable costs. Further, we took resolute action to reform our business structure, improving our ability to respond effectively to rapid change in the operating environment. Nevertheless, due to the unexpected deterioration in private-sector capital investment and consumer spending, a delay in expected benefits from public investment and sluggish overseas markets, including Asia, we regret to report large sales declines and losses for the term.

PERFORMANCE BY PRODUCT GROUP (CONSOLIDATED BASIS)

In the Electrical Equipment group, net sales declined by 22.3% against the previous term to ¥286,890 million, with an operating loss of ¥12,455 million. In sales to the electric power industry, amid few large-scale projects, we delivered thermal power generation equipment to a customer in India and the first geothermal power plant to Japan's outlying islands. However, sales declined sharply compared with the previous term as a result of restrained capital investment at electric power companies in Japan. In the industrial systems area, we completed large-scale electrical engineering and air-conditioning projects for buildings related to urban redevelopment. Sales in this area, however, declined as a result of weak capital investment in the private sector. The electric distribution & control (ED&C) and drive systems area also recorded much lower sales against the previous term amid further intensification of price competition and the downturn in demand in domestic and Asian markets, despite the release of such new products as programmable logic controllers (PLCs), inverters and servo systems, and strong efforts to expand sales.

In the Control/Information Systems and Electronic Devices group, net sales declined by 11.8% compared with the previous term to ¥266,865 million, with an operating loss of ¥982 million. In the plant control systems area, we recorded favorable performance in equipment and systems for water and sewage treatment plants, although declining demand in the private sector led to overall declines in the area. The information equipment area recorded substantially lower sales, owing primarily to a sharp fall in the market price of mainline magnetic disks and inventory adjustments in hard disk drives (HDDs), as well as weak demand and lower export prices of photoconductive drums. In the electronic devices area, sales of power modules were weak as a result of depressed demand for machine tools and inverters. Discrete devices also recorded declines against the previous term, owing to worsening market conditions for personal computers (PCs) and audio-visual equipment. In integrated circuits (ICs), however, we recorded favorable performance in products for autofocus cameras and plasma displays, maintaining sales at the previous term's level.

In the Consumer-Related and Other Products group, net sales declined by 4.1% against the previous term to ¥298,304 million, with operating income of ¥9,310 million. Although mainline vending machines increased in volume, sales declined slightly as a result of lower market prices. Sales of freezing and refrigerated showcases were also lower amid restrained overall investment in the retail sector. On the other hand, beverage dispensers recorded solid sales growth. Sales of coin mechanisms and bill validators were also favorable owing to increased demand for cigarette vending machines, and sales of currency systems grew as a result of beginning overseas shipments of units for ATMs.

CAPITAL INVESTMENT AND R&D

On a consolidated basis, capital investment, including leases, totaled ¥48,319 million, or 5.7% of net sales. Major projects included the construction of manufacturing processes for high-density magnetic disks, and the expansion of precision processing capacity for power devices. We also made aggressive rationalization and labor-saving investments at manufacturing facilities. Measures included the beginning of construction on a new factory building for the integrated production of large-scale thermal power generating equipment.

Overseas, we continued to expand our network of production and sales bases during the fiscal year, especially for ED&C and drive systems. As forward-looking strategic investments, in China we established Fuji GE Drives (Wuxi) Co., Ltd. in June 1998, a joint venture to manufacture general-purpose inverters with General Electric Company (GE) of the United States and local partner Shanghai Guangdian Electrical Group, and in Europe we strengthened our marketing bases.

In R&D activities, we carried out the development of innovative new products, next-generation products and basic technologies in line with our operating strategies. In addition to technological innovation related to electric



power and industrial equipment, R&D efforts are focused on the following areas: data communications technologies—the foundation for the solution business and retail equipment and systems, areas we expect to become new pillars of our operations; energy saving-related technologies to reduce environmental impact; and information equipment components and electronic devices, including magnetic disks, a category

marked by dramatic technological progress. Further, we remain committed to such promising new energy sources as fuel cells and photovoltaic cells.

As part of our environmental efforts, we received ISO 14001 certification for our environmental management system (EMS) at two domestic factories during the term. We have now received ISO 14001 for all 10 of our domestic factories.

OUTLOOK

We expect a domestic economic upturn to be supported by the widening effects of the large-scale government stimulus package, monetary easing and the infusion of public funds into the financial sector. However, a self-sustaining rebound will take further time owing to numerous negative factors. Private-sector capital investment continues to be restrained by excess capacity; consumer spending remains stagnant amid growing employment insecurity; and market conditions overseas are still adversely affected by a trend toward a strengthening yen in the currency markets and economic weakness in Asia. Consequently, challenging business conditions are likely to continue.

To build a solid position as an attractive corporation able to meet the expectations of the 21st century, the Fuji Electric Group will further accelerate the reform of its business structure, including measures aimed at eliminating unprofitable product categories, while streamlining our organization with the aim of creating an appropriate management balance. Moreover, as part of our reform of management systems and organizational structure, we will create rapid decision-making capabilities able to respond to market change. These efforts are led by our new Internal Company and Executive Officer Systems.

BUSINESS RESTRUCTURING

In October 1998, Fuji Electric established the Business Restructuring Office, which is now working effectively to promote an early profit recovery and create a sound operating base for the future at the parent and Group companies. To bolster our earnings structure, we have identified the following five strategies as urgent, high-priority issues, and focused measures are underway for their speedy realization.

STRATEGY 1—STREAMLINING

We will streamline operations in line with the expected scale of business in the immediate future. Workforce reductions are targeted at 10% (3,200 employees) Group-wide by the fiscal year ending March 31, 2000, and efforts are underway to achieve appropriate reductions in labor expenses, including benefits and related costs.

STRATEGY 2—INNOVATE PLANT-RELATED BUSINESSES

In our plant-related businesses, we are accelerating the shift of focus away from our traditional plant businesses of electrical equipment and instrumentation toward the solution business, which begins with information control based on information technology (IT). We will enhance marketing strength tailored to the new demand structure by transferring human resources from private-sector areas to those targeting the public sector.

STRATEGY 3—RESPOND TO CHANGES IN THE MARKET ENVIRONMENT

For business areas experiencing rapid changes in their operating environments, we are promoting response measures carefully designed for each area. On July 1, 1999, we spun off industrial-use motors and photoconductive drums to separate companies. Industrial-use motors face an extremely challenging operating environment due to a contracting market caused by stagnant capital investment and intensifying competition. To respond, we consolidated two bases for development and manufacturing into a single base, strengthening development and rationalizing production while clarifying responsibilities and creating a more flexible organization. For photoconductive drums, we are creating compact operations consistent with business prospects.

STRATEGY 4—RAISE GROUP MANAGEMENT EFFICIENCY

To raise Group management efficiency, we will restructure or liquidate subsidiaries with the aim of enhancing Group-wide operating efficiency and boosting capital efficiency.

STRATEGY 5—STRENGTHENING FINANCIAL STRUCTURE

Fuji Electric aims to slash interest-bearing debt ¥40 billion by March 31, 2000 from March 31, 1999 levels, mainly through substantial cuts in inventories, and build a management structure emphasizing free cash flow generation.

MANAGEMENT SYSTEM RESTRUCTURING

Fuji Electric early on introduced a division and divisional headquarter system aimed at transferring management authority to each division and clarifying responsibilities and earnings management. However, differences in the business speed and operational style demanded by the distinct markets of each operational area has become increasingly pronounced in recent years. On April 1, 1999, recognizing that our divisional headquarter system was no longer able to keep up with the rapid change of today, we decided to introduce our Internal Company System, and on June 29, an Executive Officer system.

In the Internal Company System, operations are carried out by four highly autonomous internal companies: Energy & Electric Systems, ED&C • Drive Systems, Electronics, and Retail Support Equipment & Systems. This structure reflects

differences in markets, customers, required technologies, business cultures, and appropriate competitors to serve as benchmarks for each business group.

While efficiently implementing the Internal Company System, we have strengthened corporate governance through the introduction of the Executive Officer System. Concretely, we have optimized the number of members on the Board of Directors responsible for corporate decision-making and management of the entire Company. Deliberations are now able to give greater consideration to medium- and long-term corporate strategy and important Company-wide issues.

Executive Officers concentrate on executing their divisional operations and duties based on policies determined by the Board and authority delegated by the President.

Through these steps aimed at reforming the earnings structure, the Fuji Electric Group will bolster its overall strength with the aim of achieving an early earnings recovery and building a sound management base for the future.

Regarding the Year 2000 problem, we recognize the importance of this issue to our operations and have established an executive committee to deal with it. We are making strong efforts to ensure readiness and to prevent Year 2000 related problems in our products and in-house manufacturing and information systems from disrupting operations.

We thank our shareholders for their support and ask for their continued cooperation as we position Fuji Electric for sound and profitable business expansion.

Kunihiko Sawa

KUNIHICO SAWA
President and Chief Executive Officer



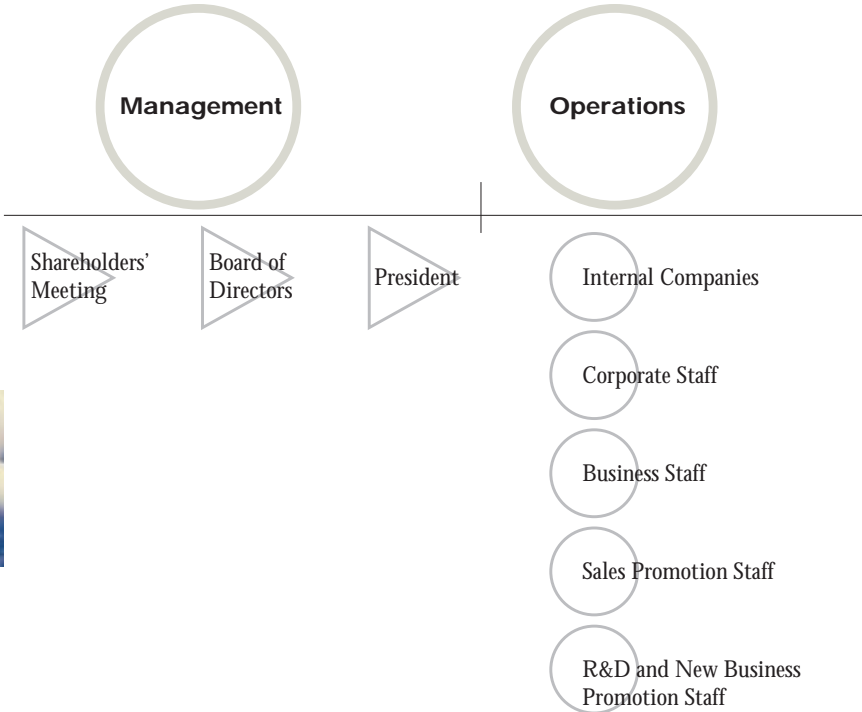
our **2**nd
phase of growth

Fuji Electric's operations span a range of outstanding businesses that have earned solid reputations in the marketplace. In today's operating environment characterized by survival of the fittest, we reviewed our management system and introduced an Internal Company System on April 1, 1999. Through these measures, we aim to reinforce our strengths and overcome our weaknesses by raising our ability to respond rapidly and appropriately to change. However, for the new system to succeed, we must modify attitudes, behaviors, work processes and products. Based on a common goal to provide timely technologies, products and services that are valued by customers, the Fuji Electric Group is working together to transform the Company as soon as possible.

reborn

Transforming Fuji Electric

Decision-Making Process



Implementing the Internal Company System

The aim of our new Internal Company System is to transform the Fuji Electric Group into an organization of strong specialty operations with solid growth potential and earnings power. The common goal of each internal company is to satisfy customers and meet expectations in its area of operations. By combining the earnings that result from these efforts, we aim to be an industrial leader. Although this has always been our fundamental goal, at this time we have clarified the business goals of each company and created an organization conducive to their realization in the age of full-scale international competition.

innovation

Company	Business Areas	Major Products
Energy & Electric Systems Company	Providing optimal solutions from information control systems to substations to meet the individual needs and demands of each customer	Water treatment systems; information, telecommunications and control systems; measuring and instrumentation systems; power systems; environmental equipment and systems; industrial power supplies; electrical equipment for rolling stock; substation systems; thermal, hydraulic and nuclear power plant equipment; and others
ED&C•Drive Systems Company	Delivering broad FA system components, individually or as integrated small-scale systems	Small-scale systems combined with PLCs, inverters and actuators; FA control equipment; low-voltage circuit breakers; molded transformers; drive control and power electronics; and others
Electronics Company	Providing distinctive electronic devices, based on our world-leading technologies	Power semiconductors; ICs; magnetic disks; photoconductive drums and peripherals; and others
Retail Support Equipment & Systems Company	Promoting consumer convenience and comfort, through machinery and systems focused on vending machines	Vending machines; beverage dispensers; food machines; freezing and refrigerated showcases; coin mechanisms and bill validators; leisure-related systems; and others

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pillars of operations

Q 1. What was the basic thinking behind Fuji Electric's introduction of its Internal Company System?

A 1. Fuji Electric's operations span more than 130 businesses, from electric power equipment to power semiconductors and vending machines. Based on our new Internal Company System, we aim to be a group of specialist manufacturers with unique strengths operating in various business domains, rather than a comprehensive electrical equipment manufacturer. Each internal company will achieve growth as a stronger specialist manufacturer by anticipating changes in their respective operating environments and customer needs. Further, through the bold reform of the business structure based on the clarified profitability and potential of each area of operations, we will achieve Group-wide business growth.

Q 2. How does the new system differ from Fuji Electric's previous divisional headquarter system?

A 2. The largest difference is the clarification and separation of the management decision-making and operational functions. Management issues and strategic direction for the entire Fuji Electric Group are decided by Fuji Electric's president and a limited number of managing directors. For the execution of each area of operations, Fuji Electric's president delegates authority to the internal company president, who manages and uses company resources while assuming significant responsibility for operations. For the management of each internal company, we are introducing an Executive Officer System. In contrast to our previous system, we are able to realize a speedy and original business expansion with accelerated decision-making capabilities for major business issues.

Q 3. What kind of management authority has been transferred to the internal companies?

A 3. Each internal company has its own operating mission, customers, competitors and markets, and determines and implements independent strategies. To succeed in these strategies, each internal company president has management authority over integrated business functions, from product development to manufacturing, marketing and service. There is no need to depend on other organizations in the Company, resulting in a high degree of independence. For example, within the medium-term targets and budgets, each company is able to allocate company resources (including capital investment), determine such items as personnel systems and conditions, promote collaboration with other companies and eliminate or consolidate products according to actual conditions. By expanding the range of autonomy, all employees are able to be more involved in their work, giving a greater sense of participation and job satisfaction.

Q 4. What are the evaluation benchmarks applied to each internal company?

A 4. To ensure accurate evaluation, we are in the process of implementing a system to administer performance based on income statements, balance sheets and cash flows of each internal company. We are also developing an evaluation system from the point of view of invested capital efficiency, including such measures as economic value added (EVA), free cash flow (FCF) and return on investment (ROI). In addition to the absolute value of earnings contributions, we are developing a highly detailed system to also gauge the degree of improvement. Moreover, internal company performance will reflect not only non-consolidated results, but also the results of Group companies attached to each internal company. And we are considering how to add such factors as R&D, capital investment, human resource development, environmental issues and corporate citizenship as performance measures to the above quantitative system.



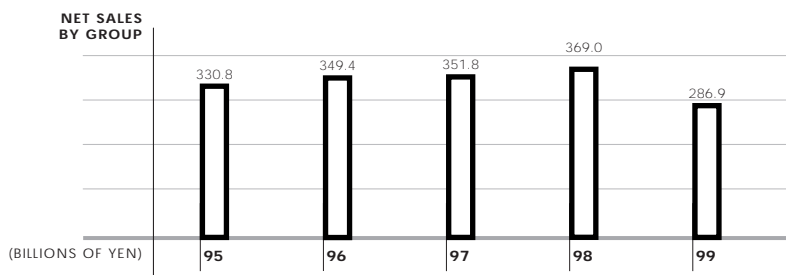
ELECTRICAL EQUIPMENT

ELECTRICAL EQUIPMENT

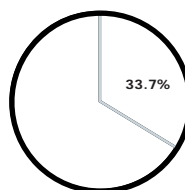
Electric power equipment
and systems

Industrial systems

Electric distribution & control (ED&C)
and drive systems



PERCENTAGE OF NET SALES BY GROUP



CONSOLIDATED NET SALES OF ELECTRICAL EQUIPMENT DECLINED 22.3% TO ¥286,890 MILLION, ACCOUNTING FOR 33.7% OF TOTAL NET SALES. IN SALES TO THE ELECTRIC POWER INDUSTRY, RESULTS INCLUDED THERMAL POWER GENERATION EQUIPMENT FOR A CUSTOMER IN INDIA AND JAPAN'S FIRST GEOTHERMAL POWER PLANT IN OUTLYING ISLANDS. IN INDUSTRIAL SYSTEMS, THE COMPANY DELIVERED EQUIPMENT AND SYSTEMS FOR LARGE-SCALE ELECTRICAL ENGINEERING AND AIR-CONDITIONING PROJECTS FOR BUILDINGS RELATED TO URBAN REDEVELOPMENT. IN THE ELECTRIC DISTRIBUTION & CONTROL (ED&C) AND DRIVE SYSTEMS AREA, THE COMPANY MADE SOLID MARKETING EFFORTS FOR SUCH NEW PRODUCTS AS PROGRAMMABLE LOGIC CONTROLLERS (PLCs), INVERTERS AND SERVO SYSTEMS, ESTABLISHED PRODUCTION BASES OF INVERTERS IN CHINA AND EXPANDED ITS MARKETING NETWORK IN EUROPE.

MAIN PRODUCTS

Electric motors
Variable speed motors and inverters
Induction heating equipment
Induction furnaces
Industrial power supplies
Clean-room systems
Emergency power supplies
Uninterruptible power supplies for computers
Electrical equipment for ships
Electrical equipment for rolling stock
Transformers
Circuit breakers
Gas-insulated switchgear
Converters
Nuclear power plant equipment
Thermal power plant equipment
Hydroelectric power plant equipment
Power generating units
New energy generating systems
Centralized supervisory control systems for electric power equipment
Computer control equipment for electric power equipment
Induction motors
Geared motors
Brake motors
Fans
Pumps
Blowers
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
AC power regulators
Proximity limit switches
Optical sensors
Programmable logic controllers
Programmable operation displays
Multiplex transmission systems
General-purpose inverters
Servomotor systems
Induction heating inverters
Variable-speed controlled motors



ELECTRIC POWER EQUIPMENT AND SYSTEMS

Fuji Electric supplies thermal, hydro and nuclear power plant equipment to the electric power industry, including combined cycle power plants, as well as power transmission and distribution equipment.

We are also developing new energy technologies with strong potential, such as fuel cells and photovoltaic generation systems.

Orders declined sharply during the fiscal year because of restrained capital investment in Japan's electric power industry and a slowdown in decline of large-scale overseas projects.

Sales were also substantially lower as a result of a reduction in the number of large-scale projects. In the field of thermal power, deliveries included 3×210 MW steam turbines to India. We also completed a geothermal power plant that was the first such unit to an electric power company in Japan's outlying islands.

In new products, we developed a new type of 72/84 kV compact SF₆ gas-insulated switchgear (GIS) in the field of power transmission and distribution equipment. We have already received an order from an electric power company in Japan and will work to expand our share in the electric power industry and JR (Japan Railway) Group companies.

INDUSTRIAL SYSTEMS

In the field of industrial systems, we supply power generation equipment for private industries, including independent power producers (IPPs), power electronics application systems and railway systems.

Although capital investment in Japan's private sector was restrained, we received orders for industrial power generation equipment from IPPs. Orders included a 149 MW steam turbine generator set and a 220 MW generating plant as the first full turnkey project to an IPP in Japan. These projects represent a foundation for expansion in the IPP market, which is expected to have high growth. Overseas, in the field of power electronics application systems, we received an order for a large-scale rectifier transformer plant for an aluminum smelting plant in Mozambique.

In railway systems, growth was supported by large-scale domestic orders for electrical equipment, for the mass production of the next-generation Shinkansen (bullet train) and substation equipment for subway systems.

On the other hand, sales recorded a year-on-year decline despite the completion of large-scale electrical engineering and air-conditioning facilities for buildings related to urban redevelopment.

In new products, we developed a new mini uninterruptible power supply (mini UPS) series for small-capacity applications. We also developed power-saving equipment that enables optional voltage reduction and a stable power supply. Our new products with advanced technologies for power converter applications recorded favorable business results.

ELECTRIC DISTRIBUTION & CONTROL (ED&C) AND DRIVE SYSTEMS

The ED&C and drive systems area is composed of electric distribution systems, control systems and drive systems. ED&C systems comprise such control equipment as magnetic motor starters, push-button switches and programmable logic controllers (PLCs); as well as electric distribution equipment, including molded-case circuit breakers (MCCBs) and earth-leakage circuit breakers (ELCBs). Drive systems are represented by induction motors, motor-related equipment and inverters.

We have continued to develop products that offer superior energy conservation, smaller size, more advanced functions, better open system compatibility and lower cost. These efforts have proven successful in the release of next-generation PLCs, inverters, servo systems and other major products.

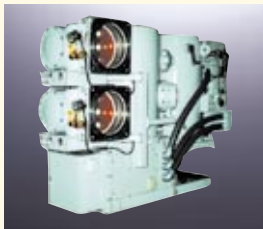
As part of our global strategy, we established production bases in China for inverters and expanded our marketing network in Europe. We expect such strategic investments to support future performance.

However, sales during the fiscal year under review declined substantially as a result of the adverse impact of falling demand in Japan and other Asian markets, as well as intensifying price competition.





Fuji Electric delivered 3×210 MW steam turbines for the Bakreswar Thermal Power Plant of West Bengal Power Development Corporation Limited in India.



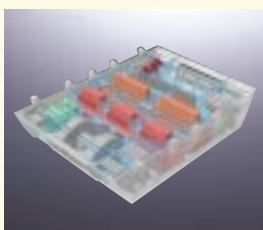
We developed a new type of compact gas-insulated switchgear (GIS) as a strategically important product that satisfies demands for compact, lightweight equipment in the electric power industry. Through the use of leading-edge equipment, our new GIS has earned high praise by offering 57% less surface area, 42% less volume and 68% less weight than previous models.



We delivered a 3.3 MW geothermal power plant to the Hachijo-Jima Geothermal Power Station of the Tokyo Electric Power Company. Our superior geothermal power generation technology contributes to the use of clean energy on the island.



Fuji Electric received an order for rectifier-transformer plant for an aluminum smelting plant in Mozambique. The equipment has the world's largest capacity and can convert 132 kV AC input voltage into 1,330 V DC output voltage at 400 MW DC. Through this contract, we solidified our position as a world-leading manufacturer in the field.



Fuji Electric delivered a main circuit system for next-generation Shinkansen trains to the Central Japan Railway Company. The system employs our exclusive technology in flat-packaged IGBTs to contribute to more comfortable rail transportation by reducing noise compared with gate-turnoff (GTO) thyristors.



In uninterruptible power supply (UPS) systems, which contribute to stable operations of information equipment, Fuji Electric launched its new J series for small-capacity applications. The J series realizes the world's smallest and lightest mini UPS products that offer a 1 kVA constant-inverter load.



We developed the high-performance, general-purpose inverter FRENIC 5000G11/P11 series. These multifunctional, high-performance inverters represent a major model change, upgrading starting torque 200% (G11: less than 22 kW) and decreasing noise.



Fuji Electric developed the AC servo FALDIC series to realize industry-leading control capabilities. The product incorporates user-friendly PC software and real-time tuning functions for the mechanical systems, resulting in a shorter set-up time and higher performance of equipment.



Fuji Electric's MICREX-SX series of next-generation programmable logic controllers (PLCs) achieves the world's highest processing speed of 20 nanoseconds (ns) in basic instruction and 80 ns in floating-point arithmetic instruction. It also can control high-speed positioning through its exclusive software, increasing the processing capability of the equipment, reducing cost and downsizing the control unit.



**CONTROL / INFORMATION SYSTEMS
AND ELECTRONIC DEVICES**

**CONTROL/INFORMATION SYSTEMS
AND ELECTRONIC DEVICES:**

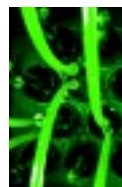
Plant control systems

Information equipment

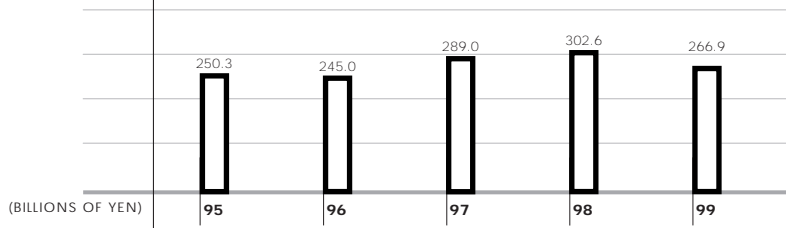
Electronic devices

MAIN PRODUCTS

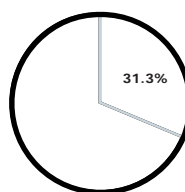
- Computer control equipment
- Electric power distribution system
simulators
- Watt-hour meters
- Radiation monitoring systems
- Centralized supervisory control
systems
- Microcontrollers
- Control systems for water supply
and sewage treatment facilities
- Water quality measuring and
control equipment
- Remote control equipment
- Ozone purification systems
- Tunnel ventilation systems
- Measuring information and
communication control systems
- Laser devices
- Image processing applied devices
- Industrial measuring equipment
- Radiation monitoring equipment
- Magnetic disks
- Photoconductive drums for copiers
and printers
- Bipolar power transistors
- Power modules
- Smart power devices
- Rectifying diodes
- Monolithic ICs
- Hybrid ICs
- Semiconductor sensors
- Surge absorbers



**NET SALES
BY GROUP**



**PERCENTAGE OF NET SALES
BY GROUP**



CONSOLIDATED NET SALES OF CONTROL/INFORMATION SYSTEMS AND ELECTRONIC DEVICES DECREASED 11.8% TO ¥266,865 MILLION, OR 31.3% OF TOTAL NET SALES. IN THE PLANT CONTROL SYSTEMS AREA, SALES INCLUDED LARGE-SCALE DELIVERIES OF ADVANCED WATER PURIFICATION SYSTEMS TO WATER TREATMENT FACILITIES. IN THE INFORMATION EQUIPMENT AREA, SALES WERE ADVERSELY IMPACTED BY FALLING MARKET PRICES OF MAGNETIC DISKS AND INVENTORY ADJUSTMENTS FOR HARD DISK DRIVES (HDDs). SALES PERFORMANCE OF PHOTOCONDUCTIVE DRUMS WAS ALSO WEAK, OWING TO PRICE DECLINES AND STAGNANT DEMAND IN OVERSEAS MARKETS. IN THE ELECTRONIC DEVICES AREA, SALES OF INTEGRATED CIRCUITS (ICs) WERE SUPPORTED BY STRONG DEMAND FOR AUTOFOCUS CAMERAS AND PLASMA DISPLAY PANELS (PDPs).

PLANT CONTROL SYSTEMS

In the plant control systems area, Fuji Electric's extensive product lineup comprises social infrastructure-related systems, such as water treatment equipment and systems; tunnel monitoring and ventilation systems; electric power system controls and automated electric power distribution systems; factory automation (FA) systems for large-scale factories; and measuring control systems for a wide variety of industrial plants.

In public systems, orders for electrical instrumentation equipment for water and sewage treatment plants were firm, supported by a large-scale supplementary budget for public investment, implemented in two stages. Orders also increased for infrastructure-related systems, including a large order from National Space Development Agency (NASDA) of Japan. On the other hand, although orders for power systems increased slightly, orders declined for measuring systems amid stagnant capital investment in the private sector.

Net sales recorded an overall year-on-year decline, as large-scale deliveries of advanced water purification systems for water treatment plants were unable to offset declines to the private sector.

In new products, Fuji Electric concentrated on providing concrete business solutions that draw on its information technology (IT) cultivated by providing information and control systems in the fields of public infrastructure, machinery and processing. We also released a working model of a network computer system component to achieve total cost reductions in information systems and communications, as advocated by Oracle Corporation. In measuring systems, we developed a fiber optic fieldbus system, multiloop process controllers, wall-mounted ultrasonic flowmeters, a new infrared gas analyzer and other notable products.

INFORMATION EQUIPMENT

Fuji Electric's main products in the information equipment area encompass magnetic disks for hard disk drives (HDDs), and photoconductive drums for copiers and printers.

In magnetic disks, the trends of falling prices and increased memory capacity in the personal computer (PC) market are driving demand for HDDs and their core component, magnetic disks, that offer lower cost and sharply higher capacity. Amid intensifying competition for technological development, Fuji Electric accelerated efforts to develop new technologies, including next-generation magnetic disks, and created products that comply with shortened product cycles. At the same time, we have restructured our manufacturing system. However, falling market prices and fewer magnetic disks per HDD, compounded by inventory adjustments of HDDs, resulted in a large sales decline.

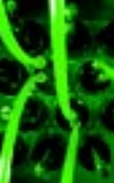
Sales of photoconductive drums were also lower, as the introduction of new organic photoconductive drums was unable to offset the adverse impact of falling export prices and weak demand.

ELECTRONIC DEVICES

Our major products in the electronic devices area comprise power devices, discrete devices and integrated circuit (IC) products.

With no signs of a recovery in domestic capital investment, sales of power modules for machine tools and inverters continued to be depressed. Overseas conditions remained harsh, despite favorable demand in European markets. Signs of restrained capital investment in the United States became pronounced and markets in Asia had still not recovered. Sales of discrete devices were also lower as a result of worsening conditions in the PC and audio-visual markets. On the other hand, we maintained IC sales at the previous term's levels, as strong demand for use in autofocus cameras and plasma displays offset sluggish sales of switching power supply ICs.

Development activities for power devices centered on application-specific devices, resulting in a fourth-generation insulated gate bipolar transistor (IGBT) with a compact package and improved power loss characteristics. Other developments included a new compact power integrated module (PIM) with a thermistor for sensing temperature.





Using ozone for advanced sterilization, deodorization and clarification, Fuji Electric's advanced water purification equipment removes particles that cause unpleasant odors and tastes, as well as trihalomethane, to contribute to a safe, fresh water supply.



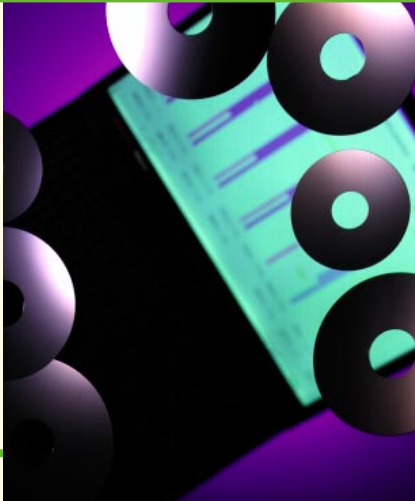
We systematized our solutions to support the solving of management problems and began marketing them as Solution_MEISTER. In addition to our control technologies cultivated over many years, we have incorporated leading-edge information and network technologies to provide solutions that link operating and management functions.



Fuji Electric led the world in developing our fiber optic fieldbus system, FFX, which meets international standards and is expected to be a core part of next-generation plant instrumentation and control systems. By employing an optical signal, FFX contributes to increased reliability of instrumentation and control systems and the reduction of total costs.



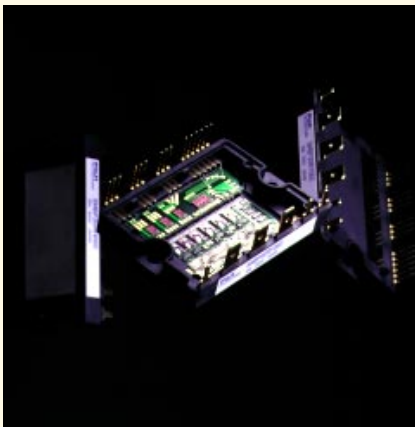
Process controllers serve essential measuring functions in all types of plants, used to control temperature, pressure and flow volume. Our newly introduced multiloop process controllers combine the functions of four traditional singleloop process controllers to control a maximum of four loops.



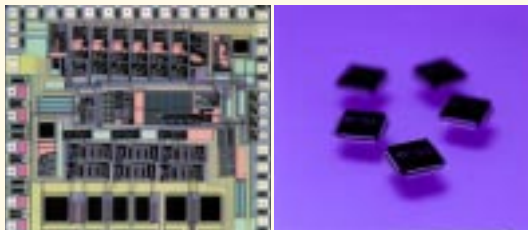
In response to yearly increases of approximately 60% in the recording areal density of magnetic disks for HDDs, Fuji Electric is promoting development in a range of promising areas: low-noise, high-performance magnetic film technology for GMR heads; highly durable chemical vapor deposition (CVD) protection film technology; low-flying applied-laser zone texture technology; and glass magnetic disks to bolster our magnetic disk lineup.



We developed and introduced a positive-charged type organic photoconductive (OPC) drum for use in printers. This new type of OPC drum is expected to be used widely owing to such superior environmental attributes as low ozone generation during operations.



Fuji Electric developed a fourth-generation IGBT that realizes lower power loss. Through the development of a new package, we have introduced new power integrated modules that realize a 30% size reduction compared with our previous model to meet the downsizing and energy conservation requirements of general-purpose inverters and other power conversion equipment.



We developed an analog complementary metal oxide semiconductor (CMOS) processing technology for applications demanding high-voltage (60 V), advanced precision and large output. The technology was incorporated into our newly launched power IC for portable electronic devices.



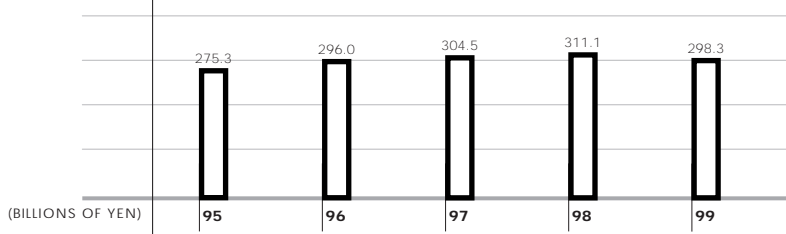
CONSUMER-RELATED AND OTHER PRODUCTS

CONSUMER-RELATED
AND OTHER PRODUCTS

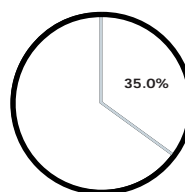
MAIN PRODUCTS

Vending machines
Coin and currency mechanisms
Bill validators
Currency systems
Beverage dispensers
Tea servers
Open freezing and refrigerated showcases
Hotel vendor systems
Card systems

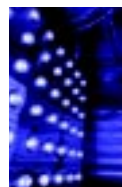
NET SALES
BY GROUP



PERCENTAGE OF NET SALES
BY GROUP



CONSOLIDATED NET SALES OF CONSUMER-RELATED AND OTHER PRODUCTS DECREASED 4.1% TO ¥298,304 MILLION, OR 35.0% OF NET SALES. IN MAINLINE VENDING MACHINES, REPLACEMENT DEMAND SUPPORTED VOLUME GROWTH ALTHOUGH MARKET PRICES CONTINUED TO FALL AND SALES DECLINED SLIGHTLY. ALTHOUGH SALES OF FREEZING AND REFRIGERATED SHOWCASES DECLINED AMID RESTRAINED CAPITAL INVESTMENT IN THE SUPERMARKET AND CONVENIENCE STORE INDUSTRIES, SALES OF BEVERAGE DISPENSERS WERE SUPPORTED BY STRONG RESULTS FOR FROZEN BEVERAGE DISPENSERS. FURTHER, SALES OF COIN MECHANISMS AND BILL VALIDATORS WERE FAVORABLE ON THE BACK OF STRONG DEMAND FOR CIGARETTE VENDING MACHINES.



CONSUMER-RELATED AND OTHER PRODUCTS

Consumer-related and other products encompass vending machines, freezing and refrigerated showcases, card systems, hotel vendors and coin and currency equipment.

Unit sales of mainline vending machines recorded a large decline amid intensifying competition in the cigarette machine segment, which recorded high growth in the previous fiscal year. Although unit sales of beverage vending machines increased as a result of continued growth in replacement demand, sales declined slightly due to lower market prices.

In freezing and refrigerated showcases, sales declined as a result of depressed capital investment in the supermarket and convenience store industries. However, beverage dispensers recorded solid growth on the back of contributions from new dispensers for frozen soft drinks. Sales of coin mechanisms and bill validators also recorded growth, supported by strong demand for use in cigarette vending machines. In currency systems, the beginning of shipments of bill/envelope depository units (BEDUs) for ATMs overseas contributed to performance.

In new products, we introduced ultrarapid freezers and hygienic water supply systems for food retailers, and strengthened marketing with the aim of expanding sales during the current fiscal year. In currency systems, we released units for vending machines that aim to set the industry standard, as well as a series of slim, compact and low-priced automatic change machines with integrated coin and currency capabilities for the supermarket segment. Fuji Electric also made every effort to develop environmentally friendly products. In vending machines, the development process includes strict environmental assessments. For freezing and refrigerated showcases, we developed an industry-leading total control system and launched models that achieve sharp improvements in energy conservation throughout the year.



Our Cup_MEISTER is a new vending machine that serves beverages in cups. It realizes user-friendly operations and supplies delicious, freshly made drinks through a new system that mixes and stirs ingredients right in the cup.



Fuji Electric launched SERIUS-SM, a currency system scaled down to drawer size with rapid change-making capabilities for both bills and coins. The low price is expected to promote introduction by the retail industry.



Fuji Electric developed its Shock Freezer, an ultrarapid freezer for small- to medium-scale supermarket chains, which market freshly processed foods. Our Shock Freezer preserves the taste and texture of fresh food through an ultrarapid freezing process that prevents liquid from expanding and crushing food cells.



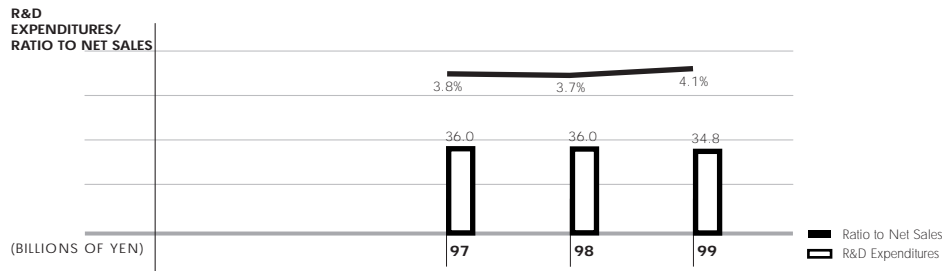
To cultivate the emerging market for dioxide-free frozen beverages, we created Japan's first dioxide-free frozen beverage dispenser. This product is suitable for installation at a variety of sites, including family restaurants and convenience stores, and is easy to operate and maintain.



RESEARCH AND DEVELOPMENT

The R&D activities of the Fuji Electric Group are carried out by Fuji Electric Corporate Research and Development Ltd. and FFC Limited, and at Fuji Electric's Production Technology Laboratory and the development divisions of its factories.

The Group's R&D program aims to develop new technologies and products that meet customer requirements. Efforts are concentrated on the research and development of basic technologies and applied technologies in such fields as electronics and materials, information and telecommunications, environmental preservation and new energy, creating a technological base for product development.



Fuji Electric developed its first commercial line of phosphoric acid fuel cells. With output of 100 kW, we have significantly reduced the initial cost and extended the life of the cell compared with previous models. We expect growing market penetration of these fuel cells owing to their superior attributes over other power generation systems for environmental conservation—they emit hardly any pollutants and feature quiet operations.



Fuji Electric developed a new series of two-pole air-cooled turbine generators with output between 50 and 300 MVA. This new series emphasizes the economical advantages over hydrogen-cooled generators: small initial investment, short production time and low maintenance costs.



Fuji Electric developed a system that uses induction coupled (IC) plasma to reduce the weight and volume of ion-exchange resins. Although these resins are used in large volumes at nuclear plants and other facilities, a suitable method for processing the used resins has not been established. We expect our new volume-reduction system to solve this environmental issue.

In the thermal power generation field, to provide facilities in harmony with the natural environment, we developed a high-efficiency, axial flow exhaust turbine. We are also developing an air-cooled generator that realizes size and cost reductions. In the field of new energy, development is proceeding on technologies for the mass production of flexible amorphous silicon photovoltaic cells. Moreover, we began shipments of a compact, low-cost phosphoric acid 100 kW fuel cell.

In the nuclear power field, we are developing technologies for the safe disassembling of reactors and other facilities, as well as processing technologies that use IC plasma to reduce the weight and volume of waste resins.

In the power electronics field, we developed a main converter for the next-generation Shinkansen (bullet train) that incorporates 2.5 kV/1.8 kA-rated flat-packaged IGBTs to achieve size and weight reductions and improved performance. For industrial use, we also developed a multilevel inverter as the direct connection to a 3.3 kV high-voltage induction motor.

In information and control systems, we developed and marketed solution services that link the production and management functions of our clients. This was achieved through a systematic approach that uses the latest information technology (IT) to solve various problems for customers, from consulting to maintenance, throughout a system's life cycle.

In ED&C and drive systems, we developed a servo system that offers small size, advanced functions and ease of operation, and a new inverter series that improves the characteristics of the starting torque and reduces noise.

In magnetic disks for HDDs, we developed a low-noise, high-performance magnetic film technology for use in giant magnetoresistive (GMR) heads, as well as mass production technologies for glass substrate disks.

In vending machines, development activities concentrated on energy saving, and noise and weight reduction to improve maintenance and service features. In coin and currency equipment, achievements included the development of slim, compact automatic change machines with integrated coin and bill handling capabilities.

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Five-Year Summary

Fuji Electric Co., Ltd. and consolidated subsidiaries

Thousands of
U.S. dollars

Years ended March 31	Millions of yen					1999
	1999	1998	1997	1996	1995	
Net sales	¥852,060	¥982,763	¥945,382	¥890,413	¥856,305	\$7,100,500
Cost of sales	692,309	773,839	733,690	692,781	667,628	5,769,242
[Ratio to net sales (%)]	81.3	78.7	77.6	77.8	78.0	
Selling, general and administrative (SG&A) expenses	163,879	185,561	186,075	176,114	170,462	1,365,650
[Ratio to net sales (%)]	19.2	18.9	19.7	19.8	19.9	
Operating income (loss)	(4,127)	23,363	25,616	21,517	18,214	(34,392)
[Ratio to net sales (%)]	(0.5)	2.4	2.7	2.4	2.1	
Ordinary income (loss)	(6,044)	18,707	21,480	16,409	12,962	(50,367)
[Ratio to net sales (%)]	(0.7)	1.9	2.3	1.8	1.5	
Income (loss) before income taxes	(11,665)	18,762	21,440	17,065	12,809	(97,208)
[Ratio to net sales (%)]	(1.4)	1.9	2.3	1.9	1.5	
Net income (loss)	(17,388)	7,487	8,189	5,870	3,820	(144,900)
[Ratio to net sales (%)]	(2.0)	0.8	0.9	0.7	0.4	
			Yen			U.S. dollars
Net income (loss) per share	¥(24.31)	¥10.47	¥11.45	¥8.21	¥5.37	\$(0.203)
Cash dividends per share	0.00	8.00	8.00	8.00	8.00	0.000
Payout ratio (%)	—	76.4	69.8	97.4	149.2	
			Millions of yen			Thousands of U.S. dollars
Plant and equipment investment (including leases)	¥ 48,319	¥ 54,446	¥ 58,703	¥ —	¥ —	\$ 402,658
Depreciation	33,993	31,808	28,467	25,234	—	283,275
R&D expenditures	34,831	36,003	35,951	—	—	290,258
Return on equity (%)	—	4.2	4.6	3.3	2.2	
Total assets	994,761	981,332	936,552	880,026	826,715	8,289,675
Asset turnover (times)	0.86	1.02	1.04	1.04	1.04	
Debt	461,957	390,807	303,339	249,364	229,450	3,849,642
Debt ratio (%)	46.4	39.8	32.4	28.3	27.8	
Number of employees	28,173	25,939	26,389	27,127	28,082	

Consolidated Financial Review

The consolidated financial statements of Fuji Electric Co., Ltd. for the fiscal year ended March 31, 1999, include the accounts of 62 subsidiaries, an increase of 18 companies, comprising 11 domestic and seven overseas companies, compared with the previous fiscal year.

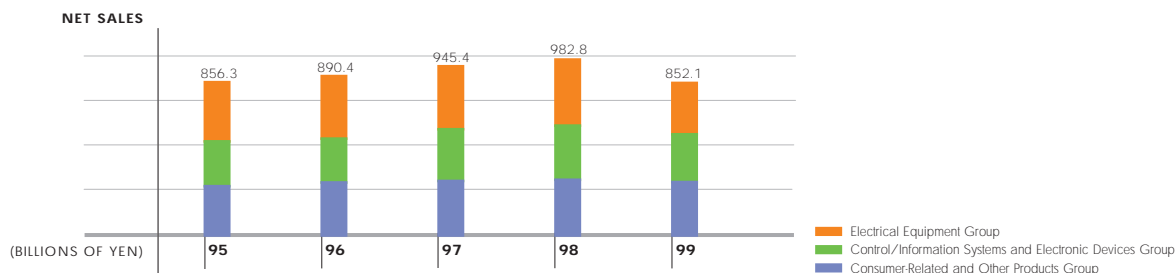
NET SALES

Consolidated net sales declined 13.3% to ¥852,060 million. The largest factor in this decline was a 14.7% fall in parent company sales to ¥525,041 million. Consolidated net sales by product group was as follows.

In Electrical Equipment, sales to the electric power industry were sharply below the previous fiscal year, despite contributions from thermal power generation equipment for a customer in India and Japan's first geothermal power plant in outlying islands. In industrial systems, the Company delivered equipment and systems for large-scale electrical engineering and air-conditioning projects for buildings related to urban redevelopment. However, sales recorded a year-on-year decline. In the electric distribution & control (ED&C) and drive systems area as well, sales were sharply lower, despite marketing efforts for such new products as programmable logic controllers (PLCs), inverters and servo systems, and measures taken to expand overseas production and sales of inverters. Declines were mainly the result of stagnant demand in Japan and other Asian markets and increasing price competition. As a result of the above factors, consolidated net sales of Electrical Equipment declined 22.3% to ¥286,890 million, accounting for 33.7% of total net sales.

In Control/Information Systems and Electronic Devices, in the plant control systems area, weak sales to the private sector offset large-scale deliveries of advanced water purification systems to water treatment facilities, and overall sales for the area declined. In the information equipment area, sales recorded a large decline, adversely impacted by falling market prices of magnetic disks and inventory adjustments for hard disk drives (HDDs). Sales performance of photoconductive drums was also weak, owing to price declines and stagnant demand in overseas markets. In the electronic devices area, weakness in power modules for machine tools and inverters led to lower sales. Sales of discrete devices were also lower as a result of weak markets for personal computers (PCs) and audio-visual equipment. Sales of integrated circuits (ICs) were unchanged, supported by strong demand for autofocus cameras and plasma display panels (PDPs). Overall, consolidated net sales for this group decreased 11.8% to ¥266,865 million, or 31.3% of the total.

In Consumer-Related and Other Products, replacement demand supported volume growth in mainline vending machines, although market prices continued to fall and sales declined slightly. Sales of freezing and refrigerated showcases



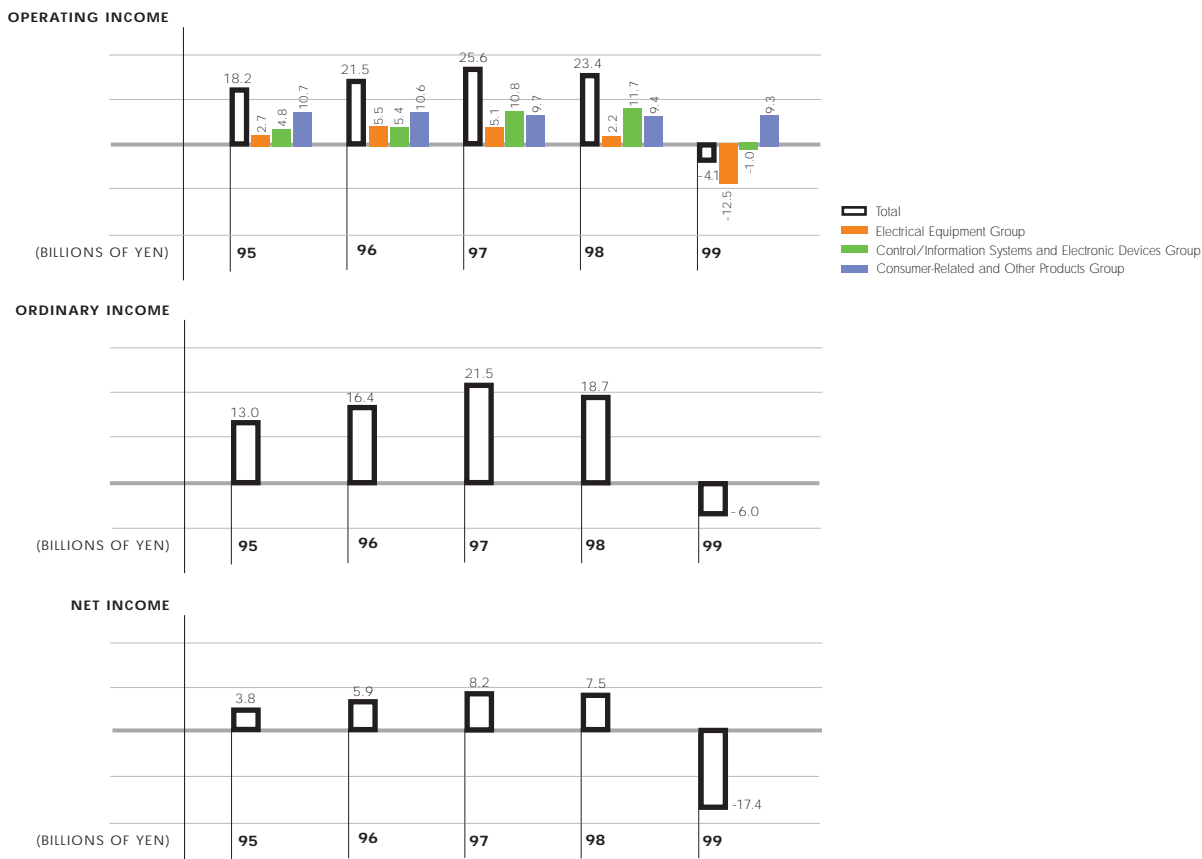
declined amid restrained capital investment in the supermarket and convenience store industries. On the other hand, sales of beverage dispensers were supported by strong results for frozen beverage dispensers, and sales of coin mechanisms and bill validators were favorable on the back of strong demand for cigarette vending machines. Consolidated net sales for this product group decreased 4.1% to ¥298,304 million, comprising 35.0% of net sales.

OPERATING INCOME (LOSS)

Amid a severe economic environment, the Company endeavored to accelerate product development and implement thorough cost reduction measures. At the same time, business restructuring was begun in response to rapid changes in the operating environment. However, in addition to lower sales, the effects of lower product prices and other factors led to an operating loss of ¥4,127 million. On a segment basis, performance worsened most dramatically in the Electrical Equipment group, with an operating loss of ¥12,455 million, and the Control/Information Systems and Electronic Devices group, with an operating loss of ¥982 million. Operating income in the Consumer-Related and Other Products group declined slightly to ¥9,310 million.

ORDINARY INCOME (LOSS)

Performance on the ordinary income level declined sharply from the previous fiscal year along with operating income. The Company recorded an ordinary loss for the fiscal year of ¥6,044 million.



EXTRAORDINARY INCOME (LOSS)

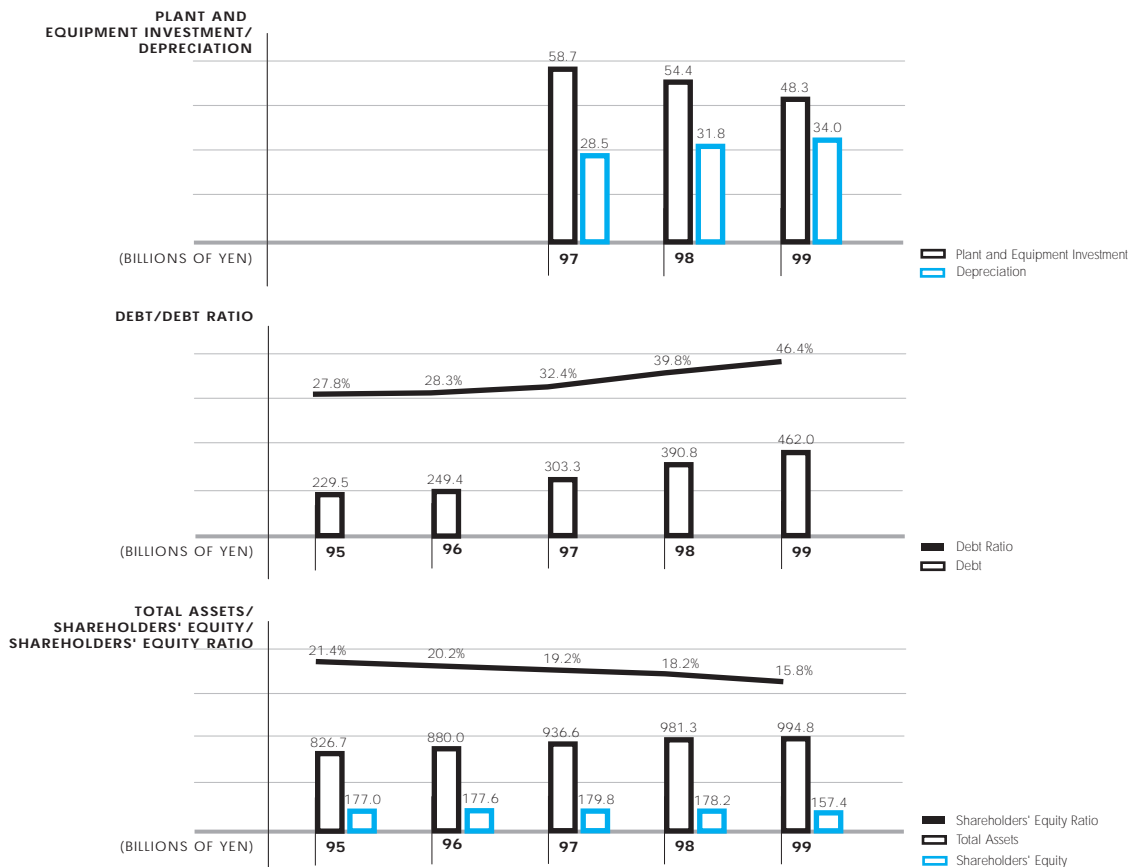
For the fiscal year under review, the Company recorded extraordinary losses of ¥20,846 million, including payments for amortization of past service costs and an extraordinary loss on the conversion of business structure. Consequently, despite recording extraordinary income of ¥15,224 million, generated from gains on sales of securities and property, plant and equipment, the extraordinary loss, net, was ¥5,621 million.

NET INCOME (LOSS)

As a result of the ordinary loss and extraordinary loss, net, discussed above, and following income taxes and minority interests in net income of consolidated subsidiaries, the Company recorded a net loss for the fiscal year of ¥17,388 million, which was the first consolidated net loss since the Company began disclosing consolidated results in the fiscal year ended March 31, 1978.

FINANCIAL POSITION

Total assets at the end of the fiscal year amounted to ¥994,761 million, a rise of 1.4% from the previous term's level of ¥981,332 million. Total shareholders' equity was ¥157,425 million, a decline of 11.7% from the previous term's level of ¥178,241 million. As a result, the shareholders' equity ratio declined 2.4 percentage points, from 18.2% to 15.8%.



Consolidated Balance Sheets

Fuji Electric Co., Ltd. and consolidated subsidiaries

Thousands of
U.S. dollars
(Note 3)

As of March 31, 1999 and 1998

Millions of yen

	1999	1998	1999
ASSETS			
CURRENT ASSETS:			
Cash and time deposits	¥ 58,783	¥ 43,593	\$ 489,858
Marketable securities (Notes 2 and 5)	108,795	109,276	906,625
Trade receivables	292,526	317,064	2,437,717
Allowance for doubtful receivables	(3,389)	(3,716)	(28,242)
Inventories (Notes 2 and 4)	189,583	185,526	1,579,858
Other current assets (Note 8)	39,241	40,132	327,009
TOTAL CURRENT ASSETS	685,539	691,875	5,712,825
PROPERTY, PLANT AND EQUIPMENT, AT COST (Notes 2 and 5):			
Land	34,309	24,323	285,908
Buildings and structures	175,953	155,565	1,466,275
Machinery and equipment	9,120	299,657	76,000
Construction in progress	309,492	17,955	2,579,100
	528,874	497,500	4,407,283
Less accumulated depreciation	(307,114)	(289,989)	(2,559,283)
TOTAL PROPERTY, PLANT AND EQUIPMENT	221,760	207,511	1,848,000
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 2 and 5):			
Unconsolidated subsidiaries and affiliates	22,556	24,549	187,967
Other	24,562	23,898	204,683
Long-term loans receivable	1,596	1,611	13,300
Other investments and other assets (Note 8)	40,437	33,885	336,975
Allowance for losses on overseas investments	(539)	(539)	(4,492)
Allowance for doubtful receivables	(1,150)	(1,458)	(9,583)
TOTAL INVESTMENTS AND OTHER ASSETS	87,462	81,946	728,850
	¥994,761	¥ 981,332	\$8,289,675

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

Thousands of
U.S. dollars
(Note 3)

Millions of yen

	1999	1998	1999
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans	¥174,642	¥182,208	\$1,455,350
Short-term borrowings	77,500	15,000	645,833
Current portion of long-term debt (Note 5)	28,973	3,142	241,442
Trade payables	179,494	226,940	1,495,783
Advances from customers	78,322	51,793	652,683
Accrued income taxes (Notes 2 and 8)	3,093	9,855	25,775
Other current liabilities (Note 8)	53,679	60,473	447,326
TOTAL CURRENT LIABILITIES	595,703	549,411	4,964,192
LONG-TERM DEBT (Note 5)	180,842	190,457	1,507,017
LIABILITY FOR SEVERANCE PAYMENTS (Note 2)	23,856	23,846	198,800
OTHER LONG-TERM LIABILITIES (Note 8)	3,794	6,030	31,616
MINORITY INTERESTS	33,141	33,347	276,175
CONTINGENT LIABILITIES (Note 9)			
SHAREHOLDERS' EQUITY:			
Common stock, ¥50 par value:			
Authorized—1,600,000,000 shares			
Issued—715,080,369 shares as of March 31, 1999	47,586	—	396,550
715,080,369 shares as of March 31, 1998	—	47,586	—
Capital surplus	38,397	38,397	319,975
Retained earnings (Note 6)	71,442	92,259	595,350
	157,426	178,242	1,311,875
Less shares of common stock held by the Company	0	(1)	0
TOTAL SHAREHOLDERS' EQUITY	157,425	178,241	1,311,875
	¥994,761	¥981,332	\$8,289,675

Consolidated Statements of Operations

Fuji Electric Co., Ltd. and consolidated subsidiaries

Thousands of
U.S. dollars
(Note 3)

Years ended March 31, 1999 and 1998

	Millions of yen		U.S. dollars (Note 3)
	1999	1998	
NET SALES (Note 2)	¥852,060	¥982,763	\$7,100,500
COST OF SALES	692,309	773,839	5,769,242
GROSS PROFIT	159,751	208,924	1,331,258
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	163,879	185,561	1,365,650
OPERATING INCOME (LOSS)	(4,127)	23,363	(34,392)
NON-OPERATING INCOME (EXPENSES):			
Interest and dividends received	5,895	5,304	49,125
Interest expense	(7,149)	(6,587)	(59,575)
Other, net	(663)	(3,373)	(5,525)
	(1,917)	(4,656)	(15,975)
ORDINARY INCOME (LOSS)	(6,044)	18,707	(50,367)
EXTRAORDINARY INCOME (LOSS), NET (Note 7)	(5,621)	55	(46,841)
INCOME (LOSS) BEFORE INCOME TAXES	(11,665)	18,762	(97,208)
INCOME TAXES (Notes 2 and 8)	5,813	9,999	48,442
	(17,478)	8,763	(145,650)
MINORITY INTERESTS IN NET INCOME OF CONSOLIDATED SUBSIDIARIES	91	(1,276)	750
NET INCOME (LOSS)	¥(17,388)	¥ 7,487	\$(144,900)
		Yen	U.S. dollars (Note 3)
PER SHARE AMOUNTS:			
Net income (loss) (Note 2)	¥(24.31)	¥10.47	\$(0.203)

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

Fuji Electric Co., Ltd. and consolidated subsidiaries

	<i>Thousands</i>	<i>Millions of yen</i>		
	<i>Number of shares of common stock</i>	<i>Common stock</i>	<i>Capital surplus</i>	<i>Retained earnings (Note 6)</i>
<i>Years ended March 31, 1999 and 1998</i>				
BALANCE AT MARCH 31, 1997	715,080	¥ 47,586	¥ 38,397	¥ 93,852
Net income for the year	—	—	—	7,487
Cash dividends paid	—	—	—	(5,720)
Bonuses to directors	—	—	—	(248)
Decrease resulting from the change of its method of accounting for income taxes (Note 2)	—	—	—	(3,112)
BALANCE AT MARCH 31, 1998	715,080	¥ 47,586	¥ 38,397	¥ 92,259
Net loss for the year	—	—	—	(17,388)
Cash dividends paid	—	—	—	(2,860)
Bonuses to directors	—	—	—	(232)
Decrease resulting from increase of consolidated subsidiaries	—	—	—	(337)
BALANCE AT MARCH 31, 1999	715,080	¥ 47,586	¥ 38,397	¥ 71,442

	<i>Thousands of U.S. dollars (Note 3)</i>		
BALANCE AT MARCH 31, 1998	\$396,550	\$319,975	\$768,825
Net loss for the year	—	—	(144,900)
Cash dividends paid	—	—	(23,833)
Bonuses to directors	—	—	(1,934)
Decrease resulting from increase of consolidated subsidiaries	—	—	(2,808)
BALANCE AT MARCH 31, 1999	\$396,550	\$319,975	\$595,350

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

Notes to the Consolidated Financial Statements

Fuji Electric Co., Ltd. and consolidated subsidiaries

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with accounting principles and practices generally accepted in Japan and from the consolidated financial statements filed with the Minister of Finance in Japan. In preparing these statements, certain reclassifications and rearrangements have been made to the consolidated financial statements prepared domestically in Japan in order to present these statements in a form that is more familiar to readers outside Japan. In addition, the accompanying notes include additional information which is not required under accounting principles and practices generally accepted in Japan.

In 1999, the Company consolidated certain subsidiaries due to their increasing materiality with respect to the consolidated amounts. The Company, however, has not restated the accompanying consolidated financial statements for the prior years because the effect of such changes were immaterial with respect to the prior years.

Certain reclassifications have been made in the 1998 consolidated financial statements to conform to the classifications used in 1999.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and all of its significant majority-owned subsidiaries (the "Companies"). All significant intercompany accounts and transactions have been eliminated in consolidation. The Company's remaining subsidiaries whose net and gross assets and net sales are not significant in the aggregate in relation to the comparable figures in the consolidated financial statements, have not been consolidated. Investments in unconsolidated subsidiaries and affiliates are not accounted for by the equity method. The excess of the Company's investments in consolidated subsidiaries over its equity in the net assets at the date of acquisition was not material and has been fully amortized.

b. Foreign currency translation

Current receivables and payables denominated in foreign currencies are translated into Japanese yen at exchange rates in effect at the respective balance-sheet dates. All other accounts denominated in foreign currencies are translated into Japanese yen at historical exchange rates. The resulting exchange losses and gains are charged or credited to income.

c. Inventories

Raw materials are stated at cost determined by the most recent purchase price method. Finished goods and work in process are stated at actual cost determined by accumulated production cost for contract items and average cost for regular production items, except that finished goods of certain consolidated subsidiaries are priced by the most recent purchase price method. In accordance with accounting practices generally accepted in the heavy electric industry, inventories include items with a manufacturing period exceeding one year.

d. Marketable securities and investment securities

Marketable securities and investment securities are stated generally at cost determined by the moving average method.

e. Depreciation

Depreciation is computed by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to buildings acquired after April 1, 1998. The range of useful lives is from 20 to 50 years (from 22 to 65 years in 1998) for buildings.

f. Liability for severance payments and pension plans

Employees who terminate their services with the Companies are, under most circumstances, entitled to lump-sum severance payments determined by reference to their current basic rate of pay and length of service. The Companies generally provide for this liability to the extent of 40% of the amount which would be required to be paid if all employees voluntarily terminated their services at the balance-sheet date. In addition to lump-sum severance payments, the Companies generally operate pension plans to supplement the public welfare pension plan. Payments to such pension funds, including amortization of past service costs, are charged to income when made.

(Accounting change)

Effective April 1, 1998, the Company changed to state amortization of past service costs, included in payments to pension funds, in extraordinary loss, which, previously, had been included in cost of sales and selling, general and administrative expenses. The effect of this change was to decrease operating loss and ordinary loss by ¥4,821 million (\$40,175 thousand) for the year ended March 31, 1999.

g. Research and development costs

Research and development costs are charged to income as incurred.

h. Revenue recognition

Sales of products are generally recognized in the accounts as delivery is made. Sales of installation products are recognized in the accounts when installation is completed.

i. Income taxes

Income taxes are provided for amounts currently payable for each year.

Income taxes based on temporary differences between tax and financial reporting purposes are reflected as deferred income taxes in the consolidated financial statements.

Effective April 1, 1998, the Company changed to include enterprise tax in income taxes, which, previously, had been included in selling, general and administrative expenses.

j. Net income per share

Net income per share is computed based on the weighted average number of shares outstanding during the respective years.

3. U.S. DOLLAR AMOUNTS

The U.S. dollar amounts included herein are solely for the convenience of the reader outside Japan and have been translated from the Japanese yen amounts at the rate of ¥120.00=U.S.\$1, the approximate exchange rate on March 31, 1999.

4. INVENTORIES

Inventories at March 31 comprised the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<i>1999</i>	<i>1998</i>	<i>1999</i>
Finished goods	¥100,362	¥101,653	\$ 836,350
Work in process	76,204	69,809	635,033
Raw materials	13,015	14,064	108,475
	¥189,583	¥185,526	\$1,579,858

5. LONG-TERM DEBT

Long-term debt at March 31 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<i>1999</i>	<i>1998</i>	<i>1999</i>
Loans, principally from banks and insurance companies	¥ 49,815	¥ 33,599	\$ 415,123
2.5% ¥ bonds due 2000	20,000	20,000	166,667
2.7% ¥ bonds due 2000	20,000	20,000	166,667
2.95% ¥ bonds due 2001	20,000	20,000	166,667
2.0% ¥ bonds due 2002	20,000	20,000	166,667
2.05% ¥ bonds due 2002	20,000	20,000	166,667
2.15% ¥ bonds due 2003	20,000	20,000	166,667
2.25% ¥ bonds due 2003	20,000	20,000	166,667
2.35% ¥ bonds due 2004	20,000	20,000	166,667
	<u>209,815</u>	<u>193,599</u>	<u>1,748,459</u>
Less: Portion due within one year	<u>28,973</u>	<u>3,142</u>	<u>241,442</u>
	<u>¥180,842</u>	<u>¥190,457</u>	<u>\$1,507,017</u>

The amounts of assets pledged as collateral for long-term debt were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<i>1999</i>	<i>1998</i>	<i>1999</i>
Marketable securities and investment securities	¥ 4,434	¥ 4,287	\$ 36,950
Property, plant and equipment	11,293	11,260	94,108
	<u>¥15,727</u>	<u>¥15,547</u>	<u>\$131,058</u>

6. RETAINED EARNINGS AND DIVIDENDS

Annual appropriation of retained earnings is recorded in the financial year when approved by the shareholders' meeting.

7. EXTRAORDINARY INCOME (LOSS), NET

Extraordinary income (loss), net comprised the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<i>1999</i>	<i>1998</i>	<i>1999</i>
Gain on sales of securities	¥ 10,176	¥ —	\$ 84,800
Gain on sales of investment securities in subsidiaries and affiliates	627	—	5,225
Gain on sales of property, plant and equipment	4,421	5,193	36,842
Loss on liquidation of subsidiaries	(180)	(4,885)	(1,500)
Payments for amortization of past service costs (Note 2)	(5,314)	—	(44,283)
Extraordinary loss on the conversion of business structure	(15,351)	(253)	(127,925)
	<u>¥ (5,621)</u>	<u>¥ 55</u>	<u>\$ (46,841)</u>

8. INCOME TAXES

The Companies are subject to corporate income tax, prefectural and municipal inhabitant taxes and enterprise tax, based on income.

Deferred income taxes at March 31, were reflected in the accompanying consolidated balance sheets under the following captions:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<i>1999</i>	<i>1998</i>	<i>1999</i>
Other current assets	¥4,024	¥7,003	\$33,533
Other investments and other assets	4,092	3,785	34,100
Other current liabilities	9	444	75
Other long-term liabilities	<u>2,214</u>	<u>4,022</u>	<u>18,450</u>

9. CONTINGENT LIABILITIES

Contingent liabilities at March 31 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<i>1999</i>	<i>1998</i>	<i>1999</i>
Notes discounted and endorsed	¥ 2,624	¥ 8,801	\$ 21,867
Guarantees	<u>33,884</u>	<u>27,512</u>	<u>282,367</u>

10. SEGMENT INFORMATION

The Company's primary business activities include (1) Electrical Equipment, (2) Control/Information Systems and Electronic Devices and (3) Consumer-Related and Other Products. A summary of net sales, costs and expenses, and operating income by segment of business activities for the years ended March 31, 1999 and 1998 is as follows:

	<i>Millions of yen</i>				
	<i>Electrical Equipment</i>	<i>Control/Information Systems and Electronic Devices</i>	<i>Consumer-Related and Other Products</i>	<i>Elimination and Corporate</i>	<i>Consolidated</i>
1999					
Net sales					
Outside customers	¥286,890	¥266,865	¥298,304	¥ —	¥852,060
Intra-group sales and transfers	—	—	—	(—)	—
Total	286,890	266,865	298,304	—	852,060
Costs and expenses	299,345	267,848	288,994	(—)	856,188
Operating income (loss)	¥ (12,455)	¥ (982)	¥9,310	¥ (—)	¥ (4,127)
Total assets	¥327,324	¥287,243	¥249,718	¥130,476	¥994,761
Depreciation and amortization	¥ 9,779	¥ 19,934	¥ 4,242	¥ 104	¥ 34,059
Capital expenditures	¥ 11,907	¥ 13,659	¥ 14,353	¥ 3	¥ 39,923
1998					
Net sales					
Outside customers	¥369,015	¥302,643	¥311,105	¥ —	¥982,763
Intra-group sales and transfers	—	—	—	(—)	—
Total	369,015	302,643	311,105	—	982,763
Costs and expenses	366,771	290,948	301,681	(—)	959,400
Operating income	¥ 2,244	¥ 11,695	¥ 9,424	¥ (—)	¥ 23,363
Total assets	¥310,652	¥317,520	¥234,843	¥118,317	¥981,332
Depreciation and amortization	¥ 7,047	¥ 21,017	¥ 3,654	¥ 115	¥ 31,833
Capital expenditures	¥ 9,311	¥ 31,257	¥ 8,567	¥ 10	¥ 49,145

	<i>Thousands of U.S. dollars</i>				
	<i>Electrical Equipment</i>	<i>Control/Information Systems and Electronic Devices</i>	<i>Consumer-Related and Other Products</i>	<i>Elimination and Corporate</i>	<i>Consolidated</i>
1999					
Net sales					
Outside customers	\$2,390,750	\$2,223,875	\$2,485,875	\$ —	\$7,100,500
Intra-group sales and transfers	—	—	—	(—)	—
Total	2,390,750	2,223,875	2,485,875	—	7,100,500
Costs and expenses	2,494,542	2,232,067	2,408,283	(—)	7,134,892
Operating income (loss)	\$ (103,792)	\$ (8,192)	\$ 77,592	\$ (—)	\$ (34,392)
Total assets	\$2,727,700	\$2,393,692	\$2,080,983	\$1,087,300	\$8,289,675
Depreciation and amortization	\$ 81,492	\$ 166,117	\$ 35,350	\$ 866	\$ 283,825
Capital expenditures	\$ 99,225	\$ 113,825	\$ 119,608	\$ 34	\$ 332,692

The overseas sales of the Company and consolidated subsidiaries for the years ended March 31, 1999 and 1998 were ¥123,206 million (\$1,026,717 thousand) and ¥145,264 million and accounted for 14.5% and 14.8% of consolidated net sales, respectively.

Report of Independent Certified Public Accountants

Showa Ota & Co.

A MEMBER OF ERNST & YOUNG INTERNATIONAL

Certified Public Accountants

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To the Board of Directors
Fuji Electric Co., Ltd.

We have examined the consolidated balance sheets of Fuji Electric Co., Ltd. and consolidated subsidiaries as of March 31, 1999 and 1998, and the related consolidated statements of operations and shareholders' equity for the years then ended, expressed in Japanese yen. Our examinations were made in accordance with auditing standards generally accepted in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the consolidated financial position of Fuji Electric Co., Ltd. and consolidated subsidiaries at March 31, 1999 and 1998, and the consolidated results of their operations for the years then ended, in conformity with accounting principles generally accepted in Japan applied on a consistent basis except for the change, with which we concur, in the method of accounting for amortization of past service costs included in payments to pension funds as described in Note 2 to the consolidated financial statements.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 1999, are presented solely for convenience. Our examination also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Showa Ota & Co.

Tokyo, Japan
June 29, 1999

Non-Consolidated Balance Sheets

Fuji Electric Co., Ltd.

Thousands of
U.S. dollars
(Note 3)

As of March 31, 1999 and 1998

Millions of yen

	1999	1998	1999
ASSETS			
CURRENT ASSETS:			
Cash and time deposits	¥ 32,719	¥ 22,508	\$ 272,658
Marketable securities, at cost (Notes 2 and 6)	88,191	91,049	734,925
Trade receivables:			
Notes and accounts	105,192	105,378	876,600
Subsidiaries and affiliates	56,757	51,131	472,975
Allowance for doubtful receivables	(1,899)	(1,849)	(15,825)
Inventories (Notes 2 and 4)	125,741	133,048	1,047,842
Advance payments to suppliers	8,036	8,406	66,967
Other current assets	21,633	21,165	180,275
TOTAL CURRENT ASSETS	436,370	430,836	3,636,417
PROPERTY, PLANT AND EQUIPMENT, AT COST (Notes 2, 5 and 6):			
Land	16,080	16,339	134,000
Buildings and structures	113,870	112,283	948,917
Machinery and equipment	260,852	268,735	2,173,767
Construction in progress	8,797	9,744	73,308
	399,599	407,101	3,329,992
Less accumulated depreciation	(253,389)	(251,453)	(2,111,575)
TOTAL PROPERTY, PLANT AND EQUIPMENT	146,210	155,648	1,218,417
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 2 and 6):			
Subsidiaries and affiliates	48,465	44,719	403,875
Other	20,648	4,966	172,067
Long-term loans receivable	581	599	4,842
Other investments and other assets	12,289	11,087	102,408
Allowance for losses on overseas investments	(539)	(539)	(4,492)
Allowance for doubtful receivables	(5)	(5)	(42)
TOTAL INVESTMENTS AND OTHER ASSETS	81,439	70,827	678,658
	¥ 664,019	¥ 657,311	\$ 5,533,492

The accompanying Notes to the Non-Consolidated Financial Statements are an integral part of these statements.

Thousands of
U.S. dollars
(Note 3)

Millions of yen

	1999	1998	1999
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Note 6)	¥ 42,985	¥ 43,680	\$ 358,208
Short-term borrowings	59,000	14,000	491,667
Current portion of long-term debt (Note 6)	22,316	1,093	185,967
Trade payables:			
Notes and accounts	48,336	66,811	402,800
Subsidiaries and affiliates	93,015	110,553	775,125
Advances from customers	69,365	46,258	578,042
Accrued income taxes (Notes 2 and 10)	59	5,782	492
Accrued expenses	23,795	24,670	198,292
Other current liabilities	21,334	23,093	177,783
TOTAL CURRENT LIABILITIES	380,205	335,940	3,168,376
LONG-TERM DEBT (Note 6)	145,188	166,905	1,209,900
LIABILITY FOR SEVERANCE PAYMENTS (Note 2)	16,423	16,879	136,858
CONTINGENT LIABILITIES (Note 11)			
SHAREHOLDERS' EQUITY:			
Common stock, ¥50 par value:			
Authorized—1,600,000,000 shares			
Issued—715,080,369 shares as of March 31, 1999	47,586	—	396,550
715,080,369 shares as of March 31, 1998	—	47,586	—
Capital surplus	38,397	38,397	319,975
Legal reserve (Note 7)	11,077	10,779	92,308
Retained earnings (Note 8)	25,143	40,825	209,525
TOTAL SHAREHOLDERS' EQUITY	122,203	137,587	1,018,358
	¥664,019	¥657,311	\$5,533,492

Non-Consolidated Statements of Operations

Fuji Electric Co., Ltd.

Thousands of
U.S. dollars
(Note 3)

Years ended March 31, 1999 and 1998	Millions of yen		1999
	1999	1998	
NET SALES (Note 2)	¥525,041	¥615,662	\$4,375,342
COST OF SALES	440,085	492,288	3,667,375
GROSS PROFIT	84,956	123,374	707,967
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	97,731	110,336	814,425
OPERATING INCOME (LOSS)	(12,775)	13,038	(106,458)
NON-OPERATING INCOME (EXPENSES):			
Interest and dividends received	5,848	5,337	48,733
Interest expense	(5,049)	(4,805)	(42,075)
Other, net	(433)	(3,062)	(3,608)
	366	(2,530)	3,050
ORDINARY INCOME (LOSS)	(12,409)	10,508	(103,408)
EXTRAORDINARY INCOME (LOSS), NET (Note 9)	(4)	688	(34)
INCOME (LOSS) BEFORE INCOME TAXES	(12,413)	11,196	(103,442)
INCOME TAXES (Notes 2 and 10)	—	5,250	—
NET INCOME (LOSS)	¥(12,413)	¥ 5,946	\$ (103,442)

U.S. dollars
(Note 3)

PER SHARE AMOUNTS:	Yen		U.S. dollars (Note 3)
	1999	1998	
Net income (loss) (Note 2)	¥(17.35)	¥8.31	\$(0.145)
Cash dividends	—	8.00	—

The accompanying Notes to the Non-Consolidated Financial Statements are an integral part of these statements.

Non-Consolidated Statements of Shareholders' Equity

Fuji Electric Co., Ltd.

	<i>Thousands Number of shares of common stock</i>	<i>Millions of yen</i>			
		<i>Common stock</i>	<i>Capital surplus</i>	<i>Legal reserve (Note 7)</i>	<i>Retained earnings (Note 8)</i>
<i>Years ended March 31, 1999 and 1998</i>					
BALANCE AT MARCH 31, 1997	715,080	¥ 47,586	¥ 38,397	¥10,195	¥ 41,293
Net income for the year	—	—	—	—	5,946
Cash dividends paid	—	—	—	—	(5,720)
Transfer to legal reserve	—	—	—	584	(584)
Bonuses to directors	—	—	—	—	(110)
BALANCE AT MARCH 31, 1998	715,080	¥ 47,586	¥ 38,397	¥10,779	¥ 40,825
Net loss for the year	—	—	—	—	(12,413)
Cash dividends paid	—	—	—	—	(2,860)
Transfer to legal reserve	—	—	—	298	(298)
Bonuses to directors	—	—	—	—	(111)
BALANCE AT MARCH 31, 1999	715,080	¥47,586	¥38,397	¥11,077	¥25,143
<i>Thousands of U.S. dollars (Note 3)</i>					
BALANCE AT MARCH 31, 1998		\$396,550	\$319,975	\$89,825	\$340,208
Net loss for the year		—	—	—	(103,442)
Cash dividends paid		—	—	—	(23,833)
Transfer to legal reserve		—	—	2,483	(2,483)
Bonuses to directors		—	—	—	(925)
BALANCE AT MARCH 31, 1999		\$396,550	\$319,975	\$92,308	\$209,525

The accompanying Notes to the Non-Consolidated Financial Statements are an integral part of these statements.

Notes to the Non-Consolidated Financial Statements

Fuji Electric Co., Ltd.

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

The accompanying non-consolidated financial statements have been prepared in accordance with the provisions set forth in the Commercial Code of Japan and in conformity with accounting principles and practices generally accepted in Japan. In preparing these statements, certain reclassifications and rearrangements have been made to the non-consolidated financial statements prepared domestically in Japan in order to present these statements in a form that is more familiar to readers outside Japan. In addition, the accompanying notes include additional information which is not required under accounting principles and practices generally accepted in Japan.

Certain reclassifications have been made in the 1998 financial statements to conform to the classifications used in 1999.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Foreign currency translation

Current receivables and payables denominated in foreign currencies are translated into Japanese yen at exchange rates in effect at the respective balance-sheet dates. All other accounts denominated in foreign currencies are translated into Japanese yen at historical exchange rates. The resulting exchange losses and gains are charged or credited to income.

b. Inventories

Raw materials are stated at cost determined by the most recent purchase price method. Finished goods and work in process are stated at actual cost determined by accumulated production cost for contract items and average cost for regular production items. In accordance with accounting practices generally accepted in the heavy electric industry, inventories include items with a manufacturing period exceeding one year.

c. Marketable securities and investment securities

Marketable securities and investment securities are stated at cost determined by the moving average method.

d. Depreciation

Depreciation is computed by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to buildings acquired after April 1, 1998. The range of useful lives for buildings is from 20 to 50 years (from 22 to 65 years in 1998) for buildings.

e. Liability for severance payments and pension plan

Employees who terminate their services with the Company are, under most circumstances, entitled to lump-sum severance payments determined by reference to their current basic rate of pay and length of service. The Company generally provides for this liability to the extent of 40% of the amount which would be required to be paid if all employees voluntarily terminated their services at the balance-sheet date. In addition to lump-sum severance payments, the Company operates a contributory pension plan to supplement the public welfare pension plan. Payments to the pension fund, including amortization of past service costs, are charged to income when made.

(Accounting change)

Effective April 1, 1998, the Company changed to state amortization of past service costs included in payments to pension plans, in extraordinary loss, which, previously had been included in cost of sales and selling, general and administrative expenses. The effect of this change was to decrease operating loss and ordinary loss by ¥2,628 million (\$21,900 thousand) at March 31, 1999.

f. Research and development costs

Research and development costs are charged to income as incurred.

g. Revenue recognition

Sales of products are generally recognized in the accounts as delivery is made. Sales of installation products are recognized in the accounts when installation is completed.

h. Income taxes

Income taxes are provided for amounts currently payable for each year. Deferred income taxes related to timing differences are not recognized.

Effective April 1, 1998, the Company changed to include enterprise tax in income taxes, which, previously, had been included in selling, general and administrative expenses.

i. Net income (loss) per share

Net income (loss) per share is computed based on the weighted average number of shares outstanding during the respective years.

3. U.S. DOLLAR AMOUNTS

The U.S. dollar amounts included herein are solely for the convenience of the reader outside Japan and have been translated from the Japanese yen amounts at the rate of ¥120.00=U.S.\$1, the approximate exchange rate on March 31, 1999.

4. INVENTORIES

Inventories at March 31 comprised the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<i>1999</i>	<i>1998</i>	<i>1999</i>
Finished goods	¥ 66,064	¥ 73,032	\$ 550,533
Work in process	50,315	48,084	419,292
Raw materials	9,362	11,932	78,017
	<u>¥125,741</u>	<u>¥133,048</u>	<u>\$1,047,842</u>

5. DEPRECIATION

Depreciation charges for the year ended March 31 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<i>1999</i>	<i>1998</i>	<i>1999</i>
Depreciation charges	<u>¥26,995</u>	<u>¥27,361</u>	<u>\$224,958</u>

6. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans are unsecured and represented by short-term notes issued by the Company to banks. Long-term debt at March 31 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<i>1999</i>	<i>1998</i>	<i>1999</i>
Loans, principally from banks and insurance companies due 1999 to 2009 with interest rates from 1.90% to 6.90%:			
Secured	¥ 472	¥ 991	\$ 3,933
Unsecured	7,032	7,007	58,598
2.5% ¥ bonds due 2000	20,000	20,000	166,667
2.7% ¥ bonds due 2000	20,000	20,000	166,667
2.95% ¥ bonds due 2001	20,000	20,000	166,667
2.0% ¥ bonds due 2002	20,000	20,000	166,667
2.05% ¥ bonds due 2002	20,000	20,000	166,667
2.15% ¥ bonds due 2003	20,000	20,000	166,667
2.25% ¥ bonds due 2003	20,000	20,000	166,667
2.35% ¥ bonds due 2004	20,000	20,000	166,667
	<u>167,504</u>	<u>167,998</u>	<u>1,395,867</u>
Less: Portion due within one year	<u>22,316</u>	<u>1,093</u>	<u>185,967</u>
	<u>¥145,188</u>	<u>¥166,905</u>	<u>\$1,209,900</u>

The amounts of assets pledged as collateral for long-term debt were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<i>1999</i>	<i>1998</i>	<i>1999</i>
Marketable securities and investment securities	¥ 4,003	¥ 4,134	\$33,358
Property, plant and equipment	6,956	7,584	57,967
	<u>¥10,959</u>	<u>¥11,718</u>	<u>\$91,325</u>

As of March 31, 1999, the aggregate annual maturities of long-term debt during the next five years are as follows:

<i>Year ending March 31</i>	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2000	¥ 22,316	\$ 185,967
2001	21,245	177,042
2002	40,477	337,308
2003	41,763	348,025
2004 and thereafter	41,703	347,525
	<u>¥167,504</u>	<u>\$1,395,867</u>

7. LEGAL RESERVE

The Commercial Code of Japan provides that an amount equal to at least 10% of cash dividends and bonuses to directors paid be appropriated as a legal reserve until such reserve equals 25% of common stock. This reserve may be used to reduce a deficit or may be transferred to common stock, but is not available for distributions as dividends.

8. RETAINED EARNINGS AND DIVIDENDS

Annual appropriation of retained earnings is recorded in the financial year when approved at the shareholders' meeting. Interim dividends and the related appropriation of retained earnings are recorded when declared by the Board of Directors.

9. EXTRAORDINARY INCOME (LOSS), NET

Extraordinary income (loss), net comprised the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<i>1999</i>	<i>1998</i>	<i>1999</i>
Gain on sales of securities	¥ 10,176	¥ —	\$ 84,800
Gain on sales of investment securities in subsidiaries and affiliates	521	380	4,342
Gain on sales of property, plant and equipment	6,411	5,193	53,425
Loss on liquidation of subsidiaries	(180)	(4,885)	(1,500)
Payments for amortization of past service costs (Note 2)	(3,087)	—	(25,725)
Extraordinary loss on the conversion of business structure	(13,845)	—	(115,375)
	<u>¥ (4)</u>	<u>¥ 688</u>	<u>\$ (33)</u>

10. INCOME TAXES

The Company is subject to corporate income tax, prefectural and municipal inhabitant taxes and enterprise tax, based on income.

11. CONTINGENT LIABILITIES

Contingent liabilities at March 31 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<i>1999</i>	<i>1998</i>	<i>1999</i>
Guarantees	<u>¥50,663</u>	<u>¥25,875</u>	<u>\$422,192</u>

Report of Independent Certified Public Accountants

Showa Ota & Co.

A MEMBER OF ERNST & YOUNG INTERNATIONAL

Certified Public Accountants

Hibiya Kokusai Bldg.

2-3, Uchisaiwai-cho 2-chome

Chiyoda-ku, Tokyo 100-0011

Telephone: (03) 3503-1100

Fax: (03) 3503-1197

To the Board of Directors
Fuji Electric Co., Ltd.

We have examined the non-consolidated balance sheets of Fuji Electric Co., Ltd. as of March 31, 1999 and 1998, and the related non-consolidated statements of operations and shareholders' equity for the years then ended, expressed in Japanese yen. Our examinations were made in accordance with auditing standards generally accepted in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned non-consolidated financial statements present fairly the financial position of Fuji Electric Co., Ltd. at March 31, 1999 and 1998 and the results of its operations for the years then ended, in conformity with accounting principles generally accepted in Japan consistently applied during the period except for the change, with which we concur, in the method of accounting for amortization of past service costs included in payments to pension funds as described in Note 2 to the financial statements.

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 1999, are presented solely for convenience. Our examination also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the non-consolidated financial statements.

Showa Ota & Co.

Tokyo, Japan
June 29, 1999

Directors and Auditors

Representative Director President and Chief Executive Officer



Kunihiro Sawa

Representative Directors Executive Vice Presidents



Takeo Kato



Tetsunosuke Ishibashi



Katsuhiko Ose

Directors



Tadashi Sekizawa



Yasumasa Umesato



Kuniyasu Takeda



Kiyohisa Yoshigae



Yasuo Tani

Executive Officers

Representative Director
President and Chief Executive Officer

Kunihiko Sawa

Representative Director
Executive Vice President

Takeo Kato

Deputy to the President
General Manager, Corporate Planning Office and China Office

In charge of Legal & Intellectual Property Department, Administration Services Department and Fuji Electric Hospital

Representative Director
Executive Vice President

Tetsunosuke Ishibashi

Deputy to the President
President, Electronics Company
General Manager, Corporate Finance Office

Representative Director
Executive Vice President

Katsuhiro Ose

Deputy to the President
President, Energy & Electric Systems Company
General Manager, FE & KHI Nuclear Power Promotion Group*
General Manager, Sales Promotion Office
In charge of Export Control Office and Branch Offices

Director

Tadashi Sekizawa

Chairman, Fujitsu Ltd.

Director

Senior Executive Officer

Yasumasa Umesato

President, ED&C•Drive Systems Company

Director

Senior Executive Officer

Kuniyasu Takeda

President, Retail Support Equipment & Systems Company

Director

Senior Executive Officer

Kiyohisa Yoshigae

General Manager, Corporate Production Planning Office
In charge of Purchasing Department, Information Systems Department and Production Technology Laboratory

Director

Senior Executive Officer

Yasuo Tani

General Manager, Corporate Technology Planning Office, New Business Promotion Office and Corporate R&D Center
President, Fuji Electric Corporate Research and Development Ltd.

Standing Auditor

Hisashi Tawarada

Standing Auditor

Isao Ueda

Standing Auditor

Susumu Baba

Auditor

Yasuyuki Wakahara

Auditor

Mitsuo Kondo

Yoshiyuki Uchida

Vice President, Electronics Company
General Manager, Power Semiconductors Division*

Akira Tajiri

Vice President, Energy & Electric Systems Company
General Manager, Export Control Office

Hisashi Komamura

Vice President, Energy & Electric Systems Company
Deputy General Manager, FE & KHI Nuclear Power Promotion Group*
President, Fuji Gas Turbine Research Center Co., Ltd.

Yuichiro Nagai

General Manager, Chubu Branch Office

Takao Yashima

Vice President, Energy & Electric Systems Company
General Manager, Industrial, Transportation & Defense Systems Division*

Shigeaki Hori

General Manager, Kansai Branch Office

Toshihide Yamaguchi

Vice President, Electronics Company
General Manager, Computer Peripherals and Components Division*

Takasuke Kodama

Vice President, ED&C•Drive Systems Company
General Manager, ED&C Systems Division*

Kuniyoshi Saito

General Manager, Corporate Finance Department

Ikuo Sadakawa

Vice President, Energy & Electric Systems Company
General Manager, Energy Systems Sales Division*

Haruo Ito

Vice President, Energy & Electric Systems Company
General Manager, Information & Control Systems Division* and Plant Engineering Coordination Office*

Akiyoshi Hiroshima

Vice President, ED&C•Drive Systems Company
General Manager, Sales Division*

Tetsuro Shiba

Vice President, Retail Support Equipment & Systems Company
General Manager, Mie Factory*

Hiroo Ishida

General Manager, Industrial Systems Sales Division, Energy & Electric Systems Company

Hiroshi Matsuoka

Vice President, Retail Support Equipment & Systems Company
General Manager, Vending Machines & Specialty Equipment Division*

Takayuki Ishimura

General Manager, Public & Social Systems Sales Division, Energy & Electric Systems Company

* Additional duty within the respective internal company

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Tel. 510-438-9700 Fax 510-438-9753
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Tel. 713-789-8322 Fax 713-789-8358
- **GE Fuji Drives USA, Inc.**
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- **U.S. Fuji Electric Inc.**
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- **GE Fuji Drives America S.A. de C.V.**
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Fax 09131-28831
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- **Fuji Electric (Scotland) Ltd.**
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- **Fuji Electric France S.A.**
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ASIA

East Asia

- **Fuji Electric Co., Ltd.**
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- **Fuji Electric Dalian Co., Ltd.**
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- **Shandong Luneng Fuji Electric Co., Ltd.**
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- **Fuchunjiang Fuji Electric Co., Ltd.**
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Tel. 0571-465-1111 Fax 0571-462-1950

- **Shanghai Fuji Electric Switchgear Co., Ltd.**
THE PEOPLE'S REPUBLIC OF CHINA
Tel. 021-5718-5741 Fax 021-5718-5745
- **Shanghai Fuji Electric Transformer Co., Ltd.**
THE PEOPLE'S REPUBLIC OF CHINA
Tel. 021-5718-5742 Fax 021-5718-5745
- **Shanghai General Fuji Refrigeration Equipment Co., Ltd.**
THE PEOPLE'S REPUBLIC OF CHINA
Tel. 021-5985-6003 Fax 021-6501-8470
- **Fuji GE Drives (Wuxi) Co., Ltd.**
THE PEOPLE'S REPUBLIC OF CHINA
Tel. 0510-521-7932 Fax 0510-521-5052
- **Fuji Electric (Shanghai) Co., Ltd.**
THE PEOPLE'S REPUBLIC OF CHINA
Tel. 021-6466-2810 Fax 021-6473-3292
- **Suzhou Lanlian-Fuji Instruments Co., Ltd.**
THE PEOPLE'S REPUBLIC OF CHINA
Tel. 0512-3452664 Fax 0512-3451954
- **Fuji Electric Technology and Service (Shenzhen) Co., Ltd.**
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- **Fuji Electric Taiwan Co., Ltd.**
TAIWAN
Tel. 02-2515-1850 Fax 02-2515-1860
- **Fuji/GE (Taiwan) Co., Ltd.**
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Tel. 02-2556-0716 Fax 02-2556-0717
- **Atai Fuji Electric Co., Ltd.**
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- **Fuji Electric (Asia) Co., Ltd.**
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- **Fuji Electric Korea Co., Ltd.**
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- **Korea FA Systems Co., Ltd.**
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Southeast Asia

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- **Fuji Electric Philippines, Inc.**
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- **Fuji-Haya Electric Corp. of the Philippines**
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- **P.T. Bukaka Fuji Electric**
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Fax 021-5266718
- **P.T. Fuji Dharma Electric**
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- **Fuji Electric Singapore Private Ltd.**
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Tel. 479-5531 Fax 479-5210
- **Fuji/GE Private Ltd.**
SINGAPORE
Tel. 533-0010 Fax 533-0021
- **Thermax Fuji Electric Ltd.**
INDIA
Tel. 020-770436 Fax 020-77-5686
- **GE/Fuji Electric Co., Ltd.**
CYPRUS
Tel. 5-362580 Fax 5-365174

- Sales base
- Manufacturing base

Consolidated Companies

- FUJI DENKI REIKI CO., LTD.
- FUJI DISTRIBUTION CO., LTD.
- FUJI ELECTRIC CONSTRUCTION CO., LTD.
- FUJI DENKI SOSETSU CO., LTD.
- FUJI ALLROUND SERVICE CO., LTD.
- FFC LIMITED
- FUJI ELECTRIC ENGINEERING CO., LTD.
- ASAHI KEIKI CO., LTD.
- FUJI KIKI CO., LTD.
- FUJI ELECTRIC TAMA HOEI CO., LTD.
- FUJI ELECTRIC INTERNATIONAL CORP.
- FUJI ELECTRIC FURNACE CO., LTD.
- FUJI ELECTRIC TECHNICA CO., LTD.
- CHICHIBU FUJI CO., LTD.
- IBARAKIFUJI CO., LTD.
- FUJI DENKI SEIKI CO., LTD.
- FUJI EIC CO., LTD.
- TOKAI FUJI ELECTRIC CO., LTD.
- GUNMA FUJI ELECTRIC CO., LTD.
- KANSAI FUJI ELECTRIC CO., LTD.
- HOEI DENKI CO., LTD.
- FUJI ELECTRIC MENIC CO., LTD.
- FUJI ELECTRIC YUTECH CO., LTD.
- KYUSHU FUJI ELECTRIC CO., LTD.
- HOKKAIDO FUJI ELECTRIC CO., LTD.
- TOHOKU FUJI ELECTRIC CO., LTD.
- CHUGOKU FUJI ELECTRIC CO., LTD.
- SHIKOKU FUJI ELECTRIC CO., LTD.
- FUJI ELECTRIC HI-TECH CORP.
- FUJI DENKI MATSUMOTO SERVICE CO., LTD.
- AZUMI FUJI COMPANY
- FUJI ELECTRIC V&C ALTEC CO., LTD.
- FUJI DENKI REIKI SEIZO CO., LTD.
- HOEI PLASTICS CO., LTD.
- FUJI ELECTRIC MIE HOEI CO., LTD.
- FUJI ELECTRIC CORPORATE RESEARCH AND DEVELOPMENT LTD.
- FUJI ALMACS CO., LTD.
- FUJI LIFE CORP.
- FUJI ELECTRIC FINANCE AND ACCOUNTING SUPPORT CO., LTD.
- FUJI ELECTRIC EXCEL CO., LTD.
- FUJI ELECTRIC POWER ENGINEERING CO., LTD.
- TOCHIGI FUJI CO., LTD.
- FUJI ELECTRIC SYSTEM CREATE CO., LTD.
- SHINSHU FUJI CO., LTD.
- HOKURIKU FUJI CO., LTD.
- IYAMA FUJI CO., LTD.
- OMACHI FUJI CO., LTD.
- TOTTORI ELECTRIC MANUFACTURING CO., LTD.
- FUJI ELECTRIC INFORMATION SERVICE CO., LTD.

- FUJI GAS TURBINE RESEARCH CENTER CO., LTD.
- FUJI/GE PRIVATE LTD.
- FUJI ELECTRIC (ASIA) CO., LTD.
- U.S. FUJI ELECTRIC INC.
- HONG KONG FUJIDENKI CO., LTD.
- FUJI ELECTRIC GMBH
- FUJI/GE TAIWAN CO., LTD.
- FUJI ELECTRIC DALIAN CO., LTD.
- FUJI ELECTRIC TAIWAN CO., LTD.
- FUJI ELECTRIC (SCOTLAND) LTD.
- FUJI ELECTRIC CORP. OF AMERICA
- FUJI ELECTRIC (U.K.) LTD.
- FUJI ELECTRIC SINGAPORE PRIVATE LTD.

(As of March 31, 1999)

Corporate Data

FUJI ELECTRIC CO., LTD.

HEAD OFFICE:

Gate City Ohsaki, East Tower, 11-2, Osaki 1-chome,
Shinagawa-ku, Tokyo 141-0032, Japan

ESTABLISHED:

August 29, 1923

SHARES OF COMMON STOCK ISSUED AND OUTSTANDING:

715,080,369

PAID-IN CAPITAL:

¥47,586,067,310

NUMBER OF SHAREHOLDERS:

61,964

NUMBER OF EMPLOYEES:

28,173 (consolidated)

12,247 (non-consolidated)

(As of March 31, 1999)

Fuji Electric Co.,Ltd.

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