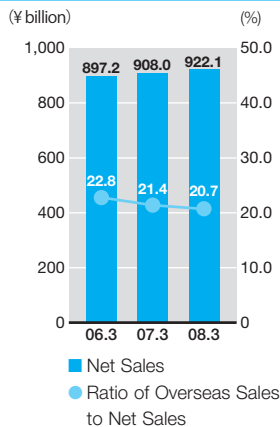
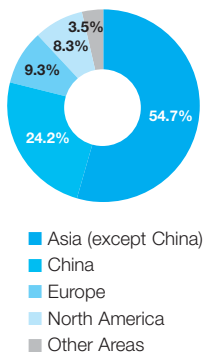


Consolidated Financial Review

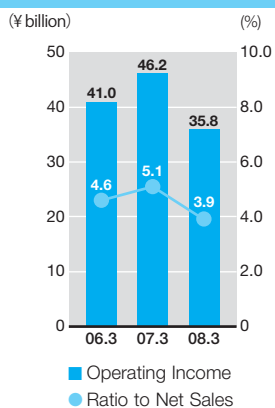
Net Sales, Ratio of Overseas Sales to Net Sales



Ratio of Overseas Sales by Region to Total Overseas Sales



Operating Income, Ratio to Net Sales



Operating Results

Net Sales

In fiscal 2007, the year ended March 31, 2008, consolidated net sales rose 1.6% year on year to ¥922,172 million. By business group, sales increased for Energy & Electric Systems owing to a favorable business environment and fortified operations in its core business fields. Sales declined for ED&C·Drive Systems as demand remained strong for control and drive systems but the slowing domestic market led to declining sales of ED&C components. Electronic Devices sales improved only slightly year on year as aggressive capital investment led to rising sales to semiconductor manufacturers while sales in the magnetic disk field declined more than originally anticipated. Retail Systems sales increased on demand for cigarette vending machines with built-in age verifiers and growing sales of currency handling systems.

Overseas sales declined 1.8% year on year to ¥190,709 million, with the ratio of overseas sales falling 0.7 percentage points from a year earlier to 20.7%. Primary factors in the decline were a decline in large-scale orders in Asia (except for China) for Energy & Electric Systems and sluggish sales for Electronic Devices. By region, Asia (except for China) accounted for 54.7% of overseas sales, China 24.2%, Europe 9.3% and North America 8.3%.

Cost of Sales, SG&A Expenses, and Operating Income

Cost of sales amounted to ¥730,897 million, up 3.1% from the previous fiscal year. Steep rises in prices for raw materials and increased depreciation expenses were chief factors that worked to expand the cost of sales ratio by 1.2 percentage points from 78.1% a year earlier to 79.3% and reduce the gross profit margin by 4.0%.

Selling, general and administrative (SG&A) expenses increased 1.6% year on year to ¥155,392 million. SG&A expenses represented 16.8% of net sales, equal to the previous year's level.

As a result, operating income declined 22.3% year on year to ¥35,883 million. By group, operating income increased in Energy & Electric Systems and Retail Systems and decreased for ED&C·Drive Systems and Electronic Devices.

Non-operating Income (Expenses) and Ordinary Income

Non-operating income (expenses) decreased ¥2,628 million from net income of ¥2,554 million in the previous year to an expense of ¥75 million for the fiscal year under review. Non-operating income was strongly impacted by the change from a gain to a loss on foreign currency translation adjustments and higher interest expenses.

As a result, ordinary income declined 26.6% year on year to ¥35,808 million.

Extraordinary Income and Loss, and Net Income

The Fuji Electric Group posted extraordinary income of ¥2,336 million mainly due to recording gains on sales of property, plant and equipment and on investment securities. This represented a year-on-year decline of ¥503 million.

Extraordinary losses of ¥7,626 million mainly consisted of losses on sales of property, plant and equipment, devaluation of investment securities, and special termination benefits. This represented a decline of ¥3,500 million from a year earlier, stemming mainly from the recording in the previous fiscal year of special repair expense and loss on disposal of inventories.

As a result of the above, income before income taxes and minority interests decreased 24.6% to ¥30,518 million. Net income, after deducting income taxes of ¥13,206 million and minority

interests in net income of consolidated subsidiaries of ¥520 million, declined 27.4% year on year to ¥16,792 million.

For details on net sales and operating income by group, please refer to the Segment Overview section (pages 15-37 of Operational Review).

Plant and Equipment Investment

In the middle year of its medium-term management plan covering fiscal 2006 through fiscal 2008, the Fuji Electric Group continued with its more selective and focused business strategy while promoting and accelerating proactive investment in specialty fields. During fiscal 2007, plant and equipment investment amounted to ¥75,260 million, including lease acquisitions of ¥37,588 million, with the majority of investment in Electronic Devices. By group, plant and equipment investment totaled ¥3,870 million in Energy & Electric Systems, ¥4,467 million in ED&C-Drive Systems, ¥61,622 million in Electronic Devices, ¥3,453 million in Retail Systems, ¥1,558 million in Others and ¥289 million in shared Group investment.

The major components of plant and equipment investment included the following.

In Energy & Electric Systems, the Group commenced operations of a production line for solar cells at the Kumamoto Plant run by Fuji Electric Systems Co., Ltd., and introduced development equipment to further accelerate the throughput of its silicon film deposition processes and to improve power generation efficiency of the solar cells. Upgrades at the Azumino Plant included an update of a large-scale transfer press machine for watt-hour meter parts processing.

In ED&C-Drive Systems, the Group invested in facility expansion at the Otawara Plant of Fuji Electric FA Components & Systems Co., Ltd., to enhance production capacity for low-voltage circuit breakers in anticipation of expanding sales worldwide. In addition, the Group integrated the inverter division to the Suzuka complex with the aim of expanding production capacity and further enhancing the reliability prediction and verification technologies.

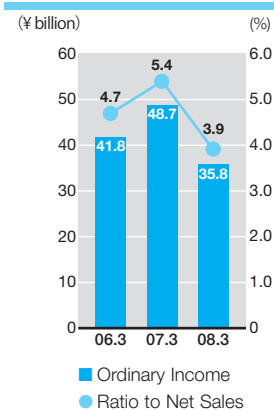
In Electronic Devices, the Group established Fuji Electric Semiconductor (Malaysia) Sdn. Bhd., to be the hub of its overseas industrial-use insulated gate bipolar transistor (IGBT) modules, and set up integrated operations for the manufacture of semiconductors and module assembly. In discrete track media, the Group expanded the existing production facilities and constructed a second production facility in preparation for further raising production capacity at Fuji Electric Philippines, Inc. In the disk media field, the Group carried out retooling of production equipment for aluminum and glass substrate disks to cope with the switch to the perpendicular recording method at the Matsumoto and Yamanashi plants operated by Fuji Electric Device Technology Co., Ltd. and at Fuji Electric (Malaysia) Sdn. Bhd. These steps were taken to maintain pace with the demand growth in the HDD market, which continues to see growth in both computer and consumer electronics applications.

In Retail Systems, the Group completed construction of a new development and testing facility at the Mie Plant Group and upgraded operations to strengthen development capabilities, improve product quality, and shorten lead times for vending machines, display cases, and other units. At the Saitama Plant, the Group implemented measures to improve manufacturing efficiency and installed a new short production line to add production versatility for small-lot production and specialty units, such as cup-container vending machines.

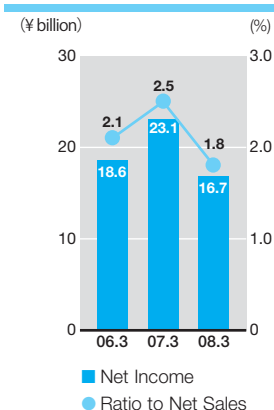
In research and development, the Group installed new laser etching equipment, which is the core technology in refining processing, to improve the efficiency of R&D of new devices.

Depreciation and amortization expenses in the fiscal year under review amounted to ¥21,528 million. Lease expense for production equipment totaled ¥31,234 million.

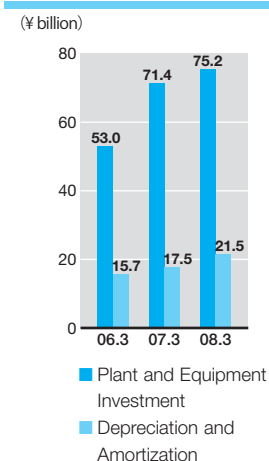
Ordinary Income, Ratio to Net Sales



Net Income, Ratio to Net Sales



Plant and Equipment Investment, Depreciation and Amortization



R&D Expenditures

The Fuji Electric Group has invested in development of core products that are strategically essential to its fundamental business and enhance the technology development and basic research that accelerates the process of bringing distinctive new products to market and strengthens its core technologies.

R&D is conducted by the Group's dedicated R&D company Fuji Electric Advanced Technology Co., Ltd. in tandem with the R&D divisions of each Group company, including factories. Collaboration in Group R&D activities strengthens the links between the network of companies and enables the Group to maximize its corporate value.

R&D expenditures in fiscal 2007 amounted to ¥31,260 million, representing 3.4% of net sales. By group, expenditures totaled ¥10,622 million in Energy & Electric Systems, ¥4,282 million in ED&C Drive Systems, ¥12,576 million in Electronic Devices, ¥3,733 million in Retail Systems and ¥45 million in Others.

Major R&D projects included the following.

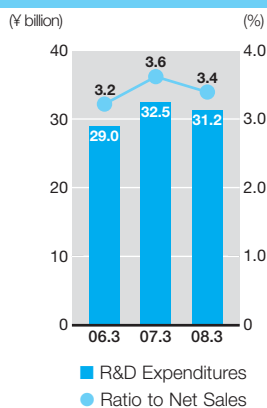
In Energy & Electric Systems, the Group focused its R&D in power electronics on developing new products under the theme of "compact and energy saving" and introduced the non-insulated uninterruptible power supply (UPS) 7000 D series, which can be brought into parallel running, and the voltage drop/dip compensator 800H series with efficiency of 99.7%. The Group also developed several high-performance, high-quality devices for overseas markets, including medium-voltage (10 kV rated) inverters and the S-Former Mini medium-capacity transformer-rectifier unit for soda electrolysis. In measuring equipment, the Group focused on developing high-performance devices and brought to market a non-interference temperature control module for controlling a group of multiple temperature controlling points for applications requiring high-precision temperature control, such as semiconductor manufacturing equipment.

In ED&C Drive Systems, R&D in control and drive systems further enhanced the control function and capacity of the FRENIC-MEGA Series of general-purpose inverters with industry-leading control performance. R&D in ED&C components produced the G-Twin Series of global MCCBs and ELCBs (wiring and earth leakage circuit breakers), a single unit that is environmentally friendly and meets all new standards around the world, including full compliance with the European Union's Restriction of Hazardous Substances (RoHS) Directive.

In Electronic Devices, R&D in power semiconductors led to the marketing of the 1200V New Dual modules meeting needs for higher efficiency, smaller, lower cost, and improved noise reduction units in power electronics. In magnetic recording media, the Group was among the first in the industry to respond to market demand for capacity expansion and initiate mass production of perpendicular recording media. In 3.5-inch aluminum media, the Group successfully compressed three 334 GB disks to produce a single disk with 1 TB capacity. This allowed the Group to widen the applications for digital consumer electronics and increase shipment volumes.

In Retail Systems, R&D in vending machines resulted in the development of a series of can vending machines with extremely low global warming potential achieved by using a safe carbon

R&D Expenditures,
Ratio to Net Sales



dioxide (CO₂) refrigerant in the cooling system and featuring energy efficient heat-pump technology. In addition, the Group introduced the Super Multi Mini unit providing refrigeration and freezer functions. In cold-chain equipment, the Group continued to develop the ECOMAX R series of showcases making them more energy efficient and environmentally friendly, safe and secure, and enhancing their product display effectiveness.

In the new business and basic technology field, the Group modified its phosphoric acid fuel cell power generation systems to make them into compliance with the revised Fire Service Law of Japan adopted in April 2006. The Group will expand sales of the modified models that can serve as emergency power sources in case of disaster.

In full-color organic light emitting displays, the Group developed a full-function panel that meets requirements for mobile devices by using an active matrix drive system with color conversion material (CCM) technology.

To increase the speed and efficiency of its product development and design operations, the Group is working to build technology platforms for electronics and other technologies that will be systematically implemented across the Group.

Financial Position

Total assets as of March 31, 2008, stood at ¥1,035,951 million, an increase of ¥11,119 million from the end of the previous fiscal year.

Current assets totaled ¥531,273 million, an increase of ¥47,872 million from a year earlier. The increase was mainly attributable to increases of ¥27,461 million in trade receivables and ¥17,022 million in inventories.

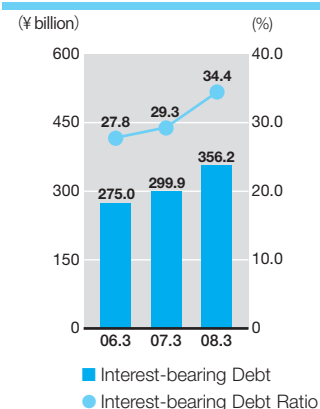
Net property, plant and equipment increased ¥13,711 million from a year earlier to ¥183,268 million. The increase was mainly due to aggressive capital investment centered on the Electronic Devices Group. Total investments and other assets declined ¥50,464 million to ¥321,410 million, which largely reflected a corresponding decline in the market value of other investment securities from the previous fiscal year.

Total liabilities were ¥772,696 million, a ¥32,417 million increase from one year before. This was attributable to a ¥20,325 million decrease in deferred income taxes due mainly to a corresponding decline in the market value of other investment securities and a ¥10,675 million decrease in trade payables, which were outweighed by increases of ¥37,500 million in commercial paper and of ¥20,000 million in corporate bonds.

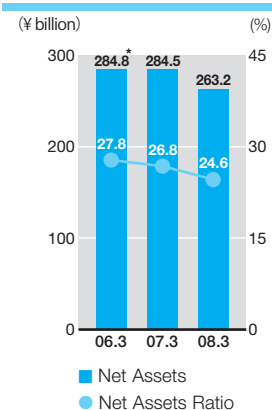
The balance of consolidated interest-bearing debt at the end of fiscal 2007 was ¥356,226 million, an increase of ¥56,318 million from a year earlier. The ratio of this balance to total assets was 34.4%, up 5.1 percentage points from the previous fiscal year.

Total net assets at March 31, 2008, were ¥263,255 million, a decrease of ¥21,298 million from the previous year end. The decline was mainly due to a ¥30,530 million decrease in unrealized gain on other securities, net of taxes, which outweighed an ¥11,519 million increase in retained earnings. As a result, the net assets ratio fell 2.2 percentage points from the end of the previous fiscal year to 24.6%.

Interest-bearing Debt, Interest-bearing Debt Ratio



Net Assets, Net Assets Ratio



* The figure for FY3/06 has been adjusted based on the calculation of total shareholders' equity used until the previous fiscal year.

Cash Flows

In fiscal 2007, free cash flow (the sum of operating and investing cash flows) on a consolidated basis amounted to a negative ¥49,889 million, representing a deterioration of ¥28,213 million compared to the negative free cash flow of ¥21,676 million in the previous fiscal year.

Cash Flow From Operating Activities

Operating activities used net cash and cash equivalents (cash) of ¥13,195 million, compared to cash provided in the previous fiscal year of ¥12,764 million. This represented a deterioration of ¥25,959 million from the previous fiscal year. Cash was mainly provided by income before income taxes and minority interests, while trade receivables and inventories rose.

Cash Flow From Investing Activities

Investing activities used net cash of ¥36,694 million, compared to net cash used in the previous fiscal year of ¥34,440 million. Cash was mainly used for aggressive capital investment centered on the Electronic Devices Group.

This represented a deterioration of ¥2,254 million from the previous fiscal year.

Cash Flow From Financing Activities

Financing activities provided net cash of ¥54,211 million, compared to net cash of ¥18,756 million provided in the previous fiscal year. This mainly reflected an increase in corporate bonds and commercial paper.

As a result of the above, cash and cash equivalents on a consolidated basis at March 31, 2008, amounted to ¥22,092 million, ¥2,957 million more than a year earlier.

Risk Factors

The Fuji Electric Group works to mitigate business risk and other risks in a systematic and methodical manner. However, there are various risks, such as those listed below, which could have a negative impact on the operating results and financial position of the Fuji Electric Group. As of March 31, 2008, the following factors were judged to have a potential future impact on the operations of the Fuji Electric Group.

(1) Risks related to changes in the operating environment

- (a) Material and component prices in international markets have been rising due to rapidly increasing demand for raw materials associated with economic expansion in the BRIC countries, particularly in China, and protracted geopolitical instability related to conditions in the Middle East. Operating results could be negatively affected in the event the Group is unable to adequately respond to further increases in raw material and component prices.
- (b) The Fuji Electric Group's sales are affected by domestic economic trends, including private and public sector investment. The performance of the Electronic Devices business is closely correlated to market conditions in the electronics industry. Consequently, the Group's operating results could be affected in the event of sudden changes in the supply-demand balance or intensified competition resulting in sharp declines in prices in the electronics industry.

- (c) The Fuji Electric Group is seeking to expand its overseas presence, with a particular focus on the Chinese market. Specifically, the Group is actively working to increase sales of control and drive systems, semiconductors, magnetic disks and other products in China. Consequently, the Group's operating results could be affected in the event of deterioration in the Chinese economy or unexpected changes to economic policy.
- (d) Based on an established set of management criteria, the Fuji Electric Group systematically employs forward-exchange contracts to minimize the risk of exchange rate fluctuations on its operating results. However, the forward-exchange contract policy is not capable of entirely mitigating exchange-rate risk. Consequently, fluctuations in exchange rates, primarily between the yen and the U.S. dollar, may have a negative impact on the operating results and financial position of the Group.
- (e) The Fuji Electric Group's interest-bearing debt totaled ¥356.2 billion as of March 31, 2008. A higher-than-anticipated increase in interest rates may lead to a significant additional interest payment burden, which could have an impact on the operating results of the Group.

(2) Risks related to product quality

The Fuji Electric Group has put in place a quality assurance system designed to ensure the highest level of quality for all products it manufactures and sells. Although the Group has taken precautions in the form of insurance to provide compensation for product liability claims, in the event that major defects are found in any Fuji Electric Group products due to unforeseen factors, this may have a negative impact on the Group's operating results and financial position.

(3) Risks related to investments

The Fuji Electric Group concentrates its management resources on quickly identifying potential business growth areas and conducts investment in facilities and R&D with the objective of expanding and developing Group business. The large-scale investment necessary and short product cycles in the magnetic disk and semiconductor fields, in particular, as well as shifts in product demand and intensifying competition increase the possibility that the Group may not be able to recoup its investments. Such events could have a negative impact on the Group's operating results.

(4) Risks related to technology development

The Fuji Electric Group makes a concerted effort to develop technology that matches the needs of the market. However, there is a possibility that competing companies will gain an advantage through faster development, or that the Group will be unable to bring products to market in a timely manner should development not progress according to plan. Such events could have a negative impact on the Group's operating results.

(5) Risks related to overseas business activities

The Fuji Electric Group is seeking to expand its overseas presence, with a particular focus on Asia, including China. Consequently, the Group is exposed to the following risks, which may have a negative impact on the Group's operating results and financial position:

- Unforeseen changes in laws and regulations and tax systems that may have a detrimental effect on the Group
- Disadvantages arising from political conditions
- Social turmoil related to terrorist incidents, war and other events.

(6) Risks related to intellectual property

The Fuji Electric Group effectively manages its intellectual property rights and develops new products and technologies in a manner that does not infringe on third-party patent rights. However, since the pace of technological innovation is accelerating and the Group's operations are becoming more global, the possibility of disputes over intellectual property rights is increasing. A dispute of this nature may have a negative impact on the Group's operating results and financial position.

(7) Risks related to business alliances

The Fuji Electric Group actively collaborates with third-party entities in mergers, tie-ups and other forms of alliances with the objective of enhancing competitiveness in each of its fields of business. Cooperative relations are essential to the success of such collaborations. However, differences in business systems, corporate cultures, or other aspects may impede the smooth integration of business strategies, technologies, products, personnel, or other elements necessary for a successful collaboration. Such circumstances may have a negative impact on the Group's operating results.

(8) Risks related to human resources

The business activities of the Fuji Electric Group depend heavily on its human resources. Retaining and training superior personnel in such fields as technology, production, sales and administration is essential to the growth of the Group. Should the Group be unable to retain and/or train such necessary human resources, this could have a negative impact on the Group's operating results.

(9) Risks related to leak of personal information

As a part of its business activities, the Fuji Electric Group handles personal information about numerous individuals, including customers, suppliers and employees. The Fuji Electric Group has formulated and strictly enforces thorough internal regulations regarding the gathering, use and management of personal information. However, the Group cannot entirely rule out the possibility that such information may be leaked due to unforeseen circumstances. Any leak of this kind could damage trust in the Fuji Electric Group and have a negative impact on the Group's operating results.

(10) Risks related to major natural disasters

The Fuji Electric Group has a network of bases throughout the world. In the event of a major natural disaster, production facilities may be damaged, operations at manufacturing facilities may be halted, shipments of products may be delayed, and other problems may occur. These events could have a negative impact on the operating results and financial position of the Group.

(11) Risks related to soil contamination

Based on the international standard for environmental protection systems, the Group works to prevent, measure and monitor soil contamination at its operating sites. Prior to selling any land, the Group carries out soil surveys and takes other appropriate steps in accordance with relevant laws and regulations. However, as a result of these measurements and surveys, the Group may incur costs for soil remediation measures, which could have a negative impact on the operating results of the Group.

(12) Risks related to retirement benefit liabilities

The Fuji Electric Group has a lump-sum payment plan and a corporate pension plan for its employees when they retire. Retirement benefit costs and liabilities are calculated on the assumption that they are accepted as reasonable on the basis of actuarial calculations. Fuji Electric and certain domestic consolidated subsidiaries have also entrusted listed marketable securities to employee retirement benefit trusts. Consequently, changes in the discount rate, the expected rate of return on pension assets and stock prices that are used as the basis of computing pension benefit obligations, differences between these expectations and actual performance, changes in the prices of entrusted listed marketable securities and other items, could have a negative impact on the operating results and financial position of the Fuji Electric Group.

(13) Risks related to compliance

The Fuji Electric Group conducts business in a variety of fields and regions throughout the world, and as such is subject to the laws and regulations of numerous countries. The Group has put in place an appropriate internal control system to ensure compliance, but the possibility of legal violations cannot be discounted entirely. Should such a violation occur, this could have a negative impact on the Group's social credibility and/or operating results.

(14) Risks related to lawsuits and other legal proceedings

The Fuji Electric Group, in the course of its business, could become the subject of a lawsuit or other legal proceeding, and may unexpectedly become liable for the payment of large amounts of compensation. Depending on the content of such a decision, this could have a negative impact on the Group's operating results.