

**Consolidated financial results for the third quarter  
of the Fiscal Year ending March 31, 2005  
(October 1, 2004 - December 31, 2004)**

**Summary of Consolidated Financial Results (unaudit)**

**1. Summary of consolidated statements of income**

	Millions of yen		Change(%) (A)/(B)	Millions of yen	Millions of U.S.dollars
	3Q	3Q		Full year	3Q
	FY2004 (A)	FY2003 (B)		FY2003	FY2004
Net sales	173,524	170,351	101.9%	856,198	1,665
Operating income	-4,594	-8,539	-	17,447	-44
Ordinary income	-4,903	-9,128	-	13,928	-47
Net income	-2,512	-5,513	-	5,519	-24
	Yen			Yen	U.S.dollars
Net income per share	-3.51	-7.71	-	7.46	-0.03

**2. Summary of consolidated financial position**

	Millions of yen			Millions of U.S.dollars
	12/31/2004	12/31/2003	3/31/2004	12/31/2004
	Total assets	891,830	896,643	908,060
Shareholders' equity	181,582	168,424	191,774	1,742
Shareholders' equity ratio (%)	20.4%	18.8%	21.1%	-
	Yen			U.S.dollars
Shareholders' equity per share	253.86	235.40	267.80	2.44

**3. Summary of consolidated statements of cash flows**

	Millions of yen			Millions of U.S.dollars
	3Q	3Q	Full year	3Q
	FY2004	FY2003	FY2003	FY2004
Cash flows from operating activities	6,165	-290	66,468	59
Cash flows from investing activities	-3,611	-3,713	21,924	-35
Cash flows from financing activities	5,984	12,356	-76,808	57
Cash and cash equivalents at end of year	20,758	17,488	27,240	199

Note: 1) U.S.dollar amounts in this financial report are translated, for convenience only, at the rate of ¥104.21=U.S.\$1.  
2) The company has 61 consolidated subsidiaries and 2 equity-method affiliate.

#### 4. Forecast of consolidated earnings for FY2004 (April 1, 2004 - March 31, 2005)

	<u>Millions of yen</u>
Net sales	840,000
Operating income	25,500
Ordinary income	20,500
Net income	8,000
	<u>Yen</u>
Net income per share	10.93

#### < Cautionary Statements With Respect to Forward-Looking Statements >

Statements made in this financial report with respect to Fuji Electric's future performance are forward-looking statements based on management's assumptions and beliefs in light of the information currently available to it. Accordingly, actual results could differ from those contained in any forward-looking statements. Potential risks and uncertainties include :

- Sudden changes in general economic conditions in Fuji Electric's markets and changes in its operating environment such as those resulting from changes in trade regulations
- Exchange rate, particularly between the yen and the U.S.dollar and Asian and European currencies
- The ability of Fuji Electric and its subsidiaries to develop and introduce products that incorporate new technology in a timely manner and to manufacture them in a cost-effective way
- The rapid pace of technological innovation, especially in the field of electronics
- Sudden changes in the supply and demand balance in the markets Fuji Electric serves
- Problems involving the intellectual property of Fuji Electric and other companies
- Stock market conditions in Japan

## Summary of Consolidated Financial Results (unaudit)

### A. Three months ended December 31, 2004

	Millions of yen		Change(%)	Millions of U.S.dollars
	2004(A)	2003(B)	(A)/(B)	2004
Net sales	173,524	170,351	102%	1,665
Operating income	-4,594	-8,539	-	-44
Ordinary income	-4,903	-9,128	-	-47
Net income	-2,512	-5,513	-	-24
	Yen			U.S.dollars
Net income per share	-3.51	-7.71	-	-0.03

### B. Nine months ended December 31, 2004

	Millions of yen		Change(%)	Millions of U.S.dollars
	2004(A)	2003(B)	(A)/(B)	2004
Net sales	537,764	518,326	104%	5,160
Operating income	-10,568	-16,579	-	-101
Ordinary income	-12,657	-18,560	-	-121
Net income	-7,723	-13,721	-	-74
	Yen			U.S.dollars
Net income per share	-10.80	-19.18	-	-0.10

Note: 1) U.S.dollar amounts in this financial report are translated, for convenience only, at the rate of ¥104.21=U.S.\$1.

2) The company has 61 consolidated subsidiaries and 2 equity-method affiliate.

## Consolidated Statements of Income(unaudit)

### A. Three months ended December 31, 2004

	Millions of yen		Change (A)-(B)	Millions of U.S.dollars
	2004(A)	2003(B)		2004
<b>Net sales</b>	173,524	170,351	3,173	1,665
<b>Cost of sales</b>	139,693	140,245	-552	1,340
<b>Gross profit</b>	33,831	30,105	3,726	325
<b>Selling, general and administrative expenses</b>	38,426	38,644	-218	369
<b>Operating income</b>	-4,594	-8,539	3,945	-44
<b>Non-operating income</b>	1,433	1,274	159	14
Interest and dividends received	805	438	367	8
Other	628	836	-208	6
<b>Non-operating expenses</b>	1,742	1,863	-121	17
Interest expense	720	684	36	7
Other	1,022	1,179	-157	10
<b>Ordinary income</b>	-4,903	-9,128	4,225	-47
<b>Extraordinary income</b>	456	171	285	4
<b>Extraordinary loss</b>	141	961	-820	1
<b>Income before income taxes</b>	-4,588	-9,918	5,330	-44
<b>Income taxes</b>	-1,848	-4,006	2,158	-18
<b>Minority interests in net income of consolidated subsidiaries</b>	-227	-399	172	-2
<b>Net income</b>	-2,512	-5,513	3,001	-24

## Consolidated Statements of Income(unaudit)

### B. Nine months ended December 31, 2004

	Millions of yen		Change (A)-(B)	Millions of U.S.dollars
	2004(A)	2003(B)		2004
<b>Net sales</b>	537,764	518,326	19,438	5,160
<b>Cost of sales</b>	434,600	424,847	9,753	4,170
<b>Gross profit</b>	103,164	93,478	9,686	990
<b>Selling, general and administrative expenses</b>	113,732	110,057	3,675	1,091
<b>Operating income</b>	-10,568	-16,579	6,011	-101
<b>Non-operating income</b>	4,038	4,302	-264	39
Interest and dividends received	2,060	1,411	649	20
Other	1,978	2,891	-913	19
<b>Non-operating expenses</b>	6,127	6,284	-157	59
Interest expense	2,258	2,474	-216	22
Other	3,868	3,809	59	37
<b>Ordinary income</b>	-12,657	-18,560	5,903	-121
<b>Extraordinary income</b>	6,763	14,914	-8,151	65
<b>Extraordinary loss</b>	8,081	18,278	-10,197	78
<b>Income before income taxes</b>	-13,974	-21,924	7,950	-134
<b>Income taxes</b>	-5,411	-7,392	1,981	-52
<b>Minority interests in net income of consolidated subsidiaries</b>	-839	-810	-29	-8
<b>Net income</b>	-7,723	-13,721	5,998	-74

## Consolidated Balance Sheets(unaudit)

	Millions of yen		Change (A)-(B)	Millions of U.S.dollars	
	12/31/2004(A)	9/30/2004(B)		3/31/2004	12/31/2004
<b>Assets</b>					
<b>Current assets:</b>					
Cash and time deposits	21,120	12,735	8,385	27,542	203
Notes and accounts receivable, trade	178,943	196,941	-17,998	253,215	1,717
Inventories	171,694	146,716	24,978	125,910	1,648
Other current assets	67,997	54,682	13,315	45,013	652
<b>Total current assets</b>	<u>439,755</u>	<u>411,076</u>	28,679	<u>451,682</u>	<u>4,220</u>
<b>Long-term assets:</b>					
Tangible fixed assets	152,273	154,775	-2,502	153,810	1,461
Intangible fixed assets	7,591	7,604	-13	7,335	73
Investments and other assets	292,099	277,406	14,693	295,005	2,803
<b>Total long-term assets</b>	<u>451,964</u>	<u>439,786</u>	12,178	<u>456,152</u>	<u>4,337</u>
<b>Deferred assets</b>	<u>110</u>	<u>148</u>	-38	<u>225</u>	<u>1</u>
<b>Total assets</b>	<u><u>891,830</u></u>	<u><u>851,012</u></u>	40,818	<u><u>908,060</u></u>	<u><u>8,558</u></u>
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities:</b>					
Notes and accounts payable, trade	151,221	148,716	2,505	181,596	1,451
Short-term loans	96,230	95,014	1,216	90,988	923
Other current liabilities	249,950	225,777	24,173	215,117	2,399
<b>Total current liabilities</b>	<u>497,401</u>	<u>469,508</u>	27,893	<u>487,702</u>	<u>4,773</u>
<b>Long-term liabilities</b>	<u>205,362</u>	<u>196,921</u>	8,441	<u>220,090</u>	<u>1,971</u>
<b>Total liabilities</b>	<u>702,764</u>	<u>666,429</u>	36,335	<u>707,793</u>	<u>6,744</u>
<b>Minority interests in consolidated subsidiaries</b>	<u>7,483</u>	<u>7,682</u>	-199	<u>8,491</u>	<u>72</u>
<b>Shareholders' equity:</b>					
Common stock	47,586	47,586	-	47,586	457
Capital surplus	46,711	46,711	0	46,710	448
Consolidated retained earnings	59,054	63,364	-4,310	71,172	567
Unrealized gain on other securities	38,628	29,048	9,580	36,617	371
Foreign currency transaction adjustment	-3,619	-3,050	-569	-3,573	-35
Less shares of common stock held by the Company	-6,779	-6,760	-19	-6,737	-65
<b>Total shareholders' equity</b>	<u>181,582</u>	<u>176,899</u>	4,683	<u>191,774</u>	<u>1,742</u>
<b>Total liabilities, minority interests and shareholders' equity</b>	<u><u>891,830</u></u>	<u><u>851,012</u></u>	40,818	<u><u>908,060</u></u>	<u><u>8,558</u></u>
<b>Debt</b>	<u><u>364,381</u></u>	<u><u>356,955</u></u>	7,426	<u><u>363,011</u></u>	<u><u>3,497</u></u>

## Consolidated Statements of Cash Flows(unaudit)

### A. Three months ended December 31, 2004

	Millions of yen	Millions of yen	<i>Millions of U.S.dollars</i>
	<b>2004(A)</b>	2003(B)	<b>2004</b>
<b>Cash flows from operating activities:</b>			
Net income (loss) before income taxes	-4,588	-9,918	-44
Depreciation and amortization	4,257	4,535	41
Interest and dividends income	-805	-615	-8
Interest expense	720	684	7
(Increase) decrease in trade receivables	17,616	18,514	169
(Increase) decrease in inventories	-25,287	-16,193	-243
Increase (decrease) in trade payables	3,077	7,580	30
Increase (decrease) in advances received	11,262	1,937	108
Other, net	-3,269	-11,201	-31
Subtotal	2,982	-4,678	29
Interest and dividends received	825	639	8
Interest paid	-681	-593	-7
Income taxes paid	3,039	4,342	29
Net cash provided by operating activities	6,165	-290	59
<b>Cash flows from investing activities:</b>			
Purchase of fixed assets and marketable and investment securities	-2,892	-4,479	-28
Proceeds from sale of fixed assets and marketable and investment securities	2,189	742	21
Other, net	-2,909	23	-28
Net cash provided by investing activities	-3,611	-3,713	-35
Free cash flows ( + )	2,554	-4,004	25
<b>Cash flows from financing activities:</b>			
Increase (decrease) in short-term borrowings, net	2,276	-39,469	22
Increase (decrease) in commercial paper, net	4,500	48,000	43
Proceeds from long-term debt	3,500	12,790	34
Repayments of long-term debt and redemption of bonds	-2,484	-7,168	-24
Other, net	-1,807	-1,795	-17
Net cash provided by financing activities	5,984	12,356	57
<b>Effect of exchange rate changes on cash and cash equivalents</b>	-173	-77	-2
<b>Net decrease in cash and cash equivalents ( + + + )</b>	8,365	8,274	80
<b>Cash and cash equivalents at beginning of year</b>	12,373	9,214	119
<b>Increase in cash and cash equivalents resulting from the merger of a consolidated subsidiary with a non-consolidated subsidiary</b>	18	-	0.17
<b>Cash and cash equivalents at end of year</b>	20,758	17,488	199

\*( ) indicates a decrease of cash and cash equivalents.

## Consolidated Statements of Cash Flows(unaudit)

### B. Nine months ended December 31, 2004

	Millions of yen	Millions of yen	<i>Millions of U.S.dollars</i>
	<b>2004(A)</b>	2003(B)	<b>2004</b>
<b>Cash flows from operating activities:</b>			
Net income (loss) before income taxes	-13,974	-21,924	-134
Depreciation and amortization	12,497	13,364	120
Interest and dividends income	-2,060	-1,588	-20
Interest expense	2,258	2,474	22
(Increase) decrease in trade receivables	74,157	74,373	712
(Increase) decrease in inventories	-45,325	-32,581	-435
Increase (decrease) in trade payables	-30,404	-28,939	-292
Increase (decrease) in advances received	23,619	17,718	227
Other, net	-11,217	-14,238	-108
Subtotal	9,550	8,657	92
Interest and dividends received	2,082	1,662	20
Interest paid	-2,207	-2,403	-21
Income taxes paid	-3,326	1,348	-32
Net cash provided by operating activities	6,098	9,265	59
<b>Cash flows from investing activities:</b>			
Purchase of fixed assets and marketable and investment securities	-15,313	-10,258	-147
Proceeds from sale of fixed assets and marketable and investment securities	9,903	25,396	95
Other, net	-3,733	927	-36
Net cash provided by investing activities	-9,143	16,065	-88
Free cash flows ( + )	-3,045	25,331	-29
<b>Cash flows from financing activities:</b>			
Increase (decrease) in short-term borrowings, net	-5,644	-33,048	-54
Increase (decrease) in commercial paper, net	9,200	14,500	88
Proceeds from long-term debt	4,948	46,160	47
Repayments of long-term debt and redemption of bonds	-8,368	-46,427	-80
Other, net	-3,706	-3,845	-36
Net cash provided by financing activities	-3,571	-22,661	-34
<b>Effect of exchange rate changes on cash and cash equivalents</b>	102	-219	1
<b>Net decrease in cash and cash equivalents ( + + + )</b>	-6,513	2,450	-62
<b>Cash and cash equivalents at beginning of year</b>	27,240	15,038	261
<b>Increase in cash and cash equivalents resulting from the merger of a consolidated subsidiary with a non-consolidated subsidiary</b>	30	-	0.29
<b>Cash and cash equivalents at end of year</b>	20,758	17,488	199

\* ( ) indicates a decrease of cash and cash equivalents.

## Consolidated Segment Information(unaudit)

### A. Three months ended December 31, 2004

#### 1. Net sales by business segment

	Millions of yen		Change(%)	Millions of U.S.dollars
	2004(A)	2003(B)	(A)/(B)	2004
Energy & Electric Systems	56,061	61,797	91%	538
ED&C • Drive Systems	43,161	41,421	104%	414
Electronic Devices	36,303	33,681	108%	348
Retail Systems	41,154	33,186	124%	395
Others	8,846	15,100	59%	85
Subtotal	185,527	185,188	100%	1,780
Elimination	-12,002	-14,837	-	-115
<b>Total</b>	<b>173,524</b>	<b>170,351</b>	<b>102%</b>	<b>1,665</b>

#### 2. Operating income by business segment

	Millions of yen		Change(%)	Millions of U.S.dollars
	2004(A)	2003(B)	(A)/(B)	2004
Energy & Electric Systems	-7,941	-9,031	-	76
ED&C • Drive Systems	1,721	73	<b>23.6</b>	17
Electronic Devices	1,034	2,503	41%	10
Retail Systems	717	-1,576	-	7
Others	68	-105	-	1
Subtotal	-4,399	-8,135	-	42
Elimination/Corporate	-194	-403	-	1.9
<b>Total</b>	<b>-4,594</b>	<b>-8,539</b>	<b>-</b>	<b>44</b>

## Consolidated Segment Information(unaudit)

### B. Nine months ended December 31, 2004

#### 1. Net sales by business segment

	Millions of yen		Change(%)	Millions of U.S.dollars
	2004(A)	2003(B)	(A)/(B)	2004
Energy & Electric Systems	189,942	185,823	102%	1,823
ED&C • Drive Systems	131,831	119,361	110%	1,265
Electronic Devices	106,922	95,711	112%	1,026
Retail Systems	123,221	110,546	112%	1,182
Others	28,563	46,652	61%	274
Subtotal	580,481	558,096	104%	5,570
Elimination	-42,716	-39,769	-	-410
<b>Total</b>	<b>537,764</b>	<b>518,326</b>	<b>104%</b>	<b>5,160</b>

#### 2. Operating income by business segment

	Millions of yen		Change(%)	Millions of U.S.dollars
	2004(A)	2003(B)	(A)/(B)	2004
Energy & Electric Systems	-24,377	-25,006	-	-234
ED&C • Drive Systems	4,651	10	<b>465.1</b>	45
Electronic Devices	6,211	7,624	82%	60
Retail Systems	3,572	346	<b>10.3</b>	34
Others	702	869	81%	7
Subtotal	-9,238	-16,155	-	-89
Elimination/Corporate	-1,329	-423	-	-13
<b>Total</b>	<b>-10,568</b>	<b>-16,579</b>	<b>-</b>	<b>-101</b>

**Supplemental Consolidated Financial Materials**

**1. Financial summary**

	Billions of yen			
	FY2004 3Q Results	FY2004 Full Year [ Forecast ]	FY2003 3Q Results	FY2003 Full Year Results
Net sales	173.5	840.0	170.3	856.1
Operating income	-4.5	25.5	-8.5	17.4
Ordinary income	-4.9	20.5	-9.1	13.9
Net income	-2.5	8.0	-5.5	5.5

**2. Number of consolidated subsidiaries**

	FY2004 3Q Results	FY2004 Full Year [ Forecast ]	FY2003 3Q Results	FY2003 Full Year Results
	Number of consolidated subsidiaries	61	61	59
Number of equity-method affiliates	2	2	-	1

**3. Net income per share**

	Yen			
	FY2004 3Q Results	FY2004 Full Year [ Forecast ]	FY2003 3Q Results	FY2003 Full Year Results
Net income per share	-3.51	10.93	-7.71	7.46

**4. Sales exchange rate**

	Yen			
	FY2004 3Q Results	FY2004 Full Year [ Forecast ]	FY2003 3Q Results	FY2003 Full Year Results
Sales exchange rate	105.96	106.92	108.92	113.07

**5. Net sales by business segment**

	Billions of yen			
	FY2004 3Q Results	FY2004 Full Year [ Forecast ]	FY2003 3Q Results	FY2003 Full Year Results
Energy & Electric Systems	56.0	378.0	61.7	403.1
ED&C · Drive Systems	43.1	176.0	41.4	168.0
Electronic Devices	36.3	142.0	33.6	129.6
Retail Systems	41.1	165.0	33.1	150.7
Others	8.8	45.0	15.1	75.7
Subtotal	185.5	906.0	185.1	927.3
Elimination	-12.0	-66.0	-14.8	-71.1
<b>Total</b>	<b>173.5</b>	<b>840.0</b>	<b>170.3</b>	<b>856.1</b>

Note : Net sales include inter-segment transactions.

**6. Operating income by business segment**

	Billions of yen			
	FY2004 3Q Results	FY2004 Full Year [ Forecast ]	FY2003 3Q Results	FY2003 Full Year Results
Energy & Electric Systems	-7.9	3.5	-9.0	0.5
ED&C · Drive Systems	1.7	7.0	0.0	2.3
Electronic Devices	1.0	9.0	2.5	9.7
Retail Systems	0.7	6.0	-1.5	2.0
Others	0.0	1.5	-0.1	2.3
Subtotal	-4.3	27.0	-8.1	17.0
Elimination/Corporate	-0.1	-1.5	-0.4	0.3
<b>Total</b>	<b>-4.5</b>	<b>25.5</b>	<b>-8.5</b>	<b>17.4</b>

## 7. R&D expenditures

	Billions of yen			
	FY2004 3Q Results	FY2004 Full Year [ Forecast ]	FY2003 3Q Results	FY2003 Full Year Results
Energy & Electric Systems	2.9	9.3	1.9	10.3
ED&C • Drive Systems	1.2	3.7	1.0	4.5
Electronic Devices	2.7	9.0	2.1	7.8
Retail Systems	1.4	3.9	1.0	4.6
Others	0.0	0.0	0.0	0.0
Corporate (basic reserch)	0.4	1.6	0.0	1.1
<b>Total</b>	<b>8.8</b>	<b>27.7</b>	<b>6.2</b>	<b>28.5</b>
Ratio to net sales (%)	5.1%	3.3%	3.7%	3.3%

## 8. Plant and equipment investment (including leases)

	Billions of yen			
	FY2004 3Q Results	FY2004 Full Year [ Forecast ]	FY2003 3Q Results	FY2003 Full Year Results
Energy & Electric Systems	0.7	3.9	1.7	4.7
ED&C • Drive Systems	0.6	4.4	0.5	4.0
Electronic Devices	4.2	26.6	2.3	14.0
Retail Systems	0.8	3.5	0.6	2.7
Others	0.5	1.7	0.2	1.4
Corporate	0.0	0.2	0.0	0.0
<b>Total</b>	<b>6.9</b>	<b>40.5</b>	<b>5.5</b>	<b>26.9</b>
(Leases)	4.7	26.9	3.3	15.2

Note: Leases are included in total plant and equipment investment.

## 9. Depreciation

	Billions of yen			
	FY2004 3Q Results	FY2004 Full Year [ Forecast ]	FY2003 3Q Results	FY2003 Full Year Results
Depreciation	3.7	14.5	4.0	15.4
Leases paid*	4.4	17.8	-	13.7

\*Note: Leases paid for plant and equipment investment

## 10. Number of employees

	12/31/2004	3/31/2005 [ Forecast ]	12/31/2003	3/31/2004
	Energy & Electric Systems	10,488	10,264	10,611
ED&C • Drive Systems	4,971	4,972	5,111	5,119
Electronic Devices	4,651	4,733	4,095	4,043
Retail Systems	3,000	2,980	3,120	3,080
Others	1,655	1,662	2,144	1,686
Corporate	134	130	140	138
<b>Total</b>	<b>24,899</b>	<b>24,741</b>	<b>25,221</b>	<b>24,601</b>

## **Consolidated Business Results for the Third Quarter of Fiscal 2004, Ending March 31, 2005**

### **Results of Operations**

The operating environment in the third quarter ended December 31, 2004 was generally positive for the Fuji Electric Group on the back of a moderate increase in private-sector capital investment in Japan. However, there were signs of a downturn in some industries, including the all-important manufacturers of digital consumer devices, which reduced output.

During the third quarter of fiscal 2004, consolidated net sales of the Group rose 1.9 % from a year earlier to ¥173,524 million. Three business groups, ED&C Drive Systems, Electronic Devices and Retail Systems, all reported year-on-year increases in sales. In ED&C Drive Systems, sales were strong in both ED&C components and control and drive systems. In Electronic Devices, higher sales of semiconductors and storage devices (magnetic disks) compensated for a decrease in image devices. In Retail Systems, large orders of cigarette vending machines and the issue of new design bills in November 2004 helped to significantly boost sales in vending machines and currency handling systems. In Energy & Electric Systems, however, sales fell below the level achieved a year earlier due to a decrease in large orders from the electric power systems business field. In the Others Group, there was drop in sales attributable to the conversion of Fuji Logistics Co., Ltd. to an equity-method affiliate.

On the profit front, Fuji Electric posted an operating loss of ¥4,594 million, ¥3,945 million less than a year earlier, an ordinary loss of ¥4,903 million, an improvement of ¥4,225 million, and a net loss of ¥2,512 million, ¥3,001 million less than a year earlier. These substantial improvements were attributable to higher sales, supported by initiatives at operating companies to pare back costs and reduce operating expenses.

Looking at operating profitability by business group, in Energy & Electric Systems, the operating loss overall narrowed as profitability in e-solutions improved substantially thanks to the benefits of realignment in the information systems business. However, profitability in electric power systems deteriorated due to an absence of large orders for power generation equipment. In ED&C Drive Systems, both ED&C components and control and drive systems boosted operating income on the back of higher sales, efforts to pare back costs and operating expenses, and profit-focused marketing activities. The Retail Systems Group reported a significant improvement overall. The vending machines, food service equipment and currency handling systems field returned to profitability due to the positive effect of reductions in costs and operating expenses, in addition to a substantial jump in sales as mentioned above. While in cold-chain equipment, operating profitability worsened due to intensified market competition. In Electronic Devices, operating income fell due to price declines and increases in fixed costs in the semiconductor field, higher costs involved in bringing glass substrate magnetic disk production on stream and the effect of the appreciating yen in storage devices, and price declines in the European market for imaging devices.

Turning to cumulative figures for the first nine months fiscal 2004, four business groups reported a year-on-year increase in sales, against weaker sales posted by the Others Group. On a consolidated basis, the

Company's net sales rose by 3.8 % year on year to ¥537,764 million. On the profit front, the company posted an operating loss of ¥10,568 million, ¥6,011 million less than a year earlier. This improvement was attributable to substantial increases in operating income in ED&C Drive Systems and Retail Systems and a narrowing of the operating loss in Energy & Electric Systems, despite declines in operating income in Electronic Devices and the Others Group. For the first nine months of fiscal 2004, the Company also reported an ordinary loss of ¥12,657 million, an improvement of ¥5,903 million, and a net loss of ¥7,723 million, ¥5,998 million less than a year earlier.

## **Segment Information**

### ***Energy & Electric Systems Group***

The Energy & Electric Systems Group posted third-quarter net sales of ¥56,061 million, a decrease of 9.3 % year on year, while the operating loss improved by ¥1,090 million, to ¥7,941 million.

Looking at results by business field, although large-scale orders for radiation monitoring systems and other positive factors contributed to a sales increase in e-solutions, there was a decline in major orders for information systems, resulting in lower sales than the previous year. The operating loss in this field, on the other hand, markedly improved, supported by the introduction of project management systems and measures to pare back costs.

In environmental systems, despite a backdrop of sustained difficult market conditions typified by curbs on public-sector spending, sales and operating income were slightly higher than the previous year's level thanks to a number of major orders for advanced water supply purification systems for water purification plants.

In industrial and transportation systems, sales rose from a year earlier in an environment of rising private-sector capital investment. Sales were boosted by more orders from international customers for transformer rectifier units and electrical equipment used in cleanrooms. However, operating profitability was on a par with the previous year.

In electric power systems, sales were markedly down compared to a year earlier, while the operating loss widened considerably due to fewer large overseas orders for steam turbine power generation equipment, nuclear power plants and other related facilities.

In the group's plant facility construction business, sales were significantly higher year on year backed by an increase in small and medium-size orders. Operating profitability, however, was on a par with the previous year as competition intensified in the market.

During the first nine months of fiscal 2004, Energy & Electric Systems reported net sales of ¥189,942 million, an increase of 2.2 % year on year, supported by higher sales in the industrial and transportation systems and plant facility construction businesses. This increase came despite lower sales in e-solutions and

environmental systems, and a particularly large year-on-year drop in sales of electric power systems. The operating loss narrowed by ¥629 million year on year, to ¥24,377 million, due to a substantial improvement in operating profitability in e-solutions that outweighed wider operating losses in environmental systems, electric power systems, and plant facility construction business.

### ***ED&C Drive Systems Group***

The ED&C Drive Systems Group reported an increase in third-quarter net sales of 4.2 %, to ¥43,161 million, and operating income increased 23.6-fold, to ¥1,721 million, compared to ¥73 million reported in the previous year.

In electric distribution and control (ED&C) components, sales of mainstay products such as magnetic contactors and circuit breakers grew on the back of strong demand from the machine industry, particularly machine tool makers. The group also actively worked to develop its energy monitoring systems. Initiatives included the launch of new circuit breakers with voltage measurement displays and the combination of these circuit breakers with energy monitoring units and other products to create a new lineup. These steps helped to boost sales in this segment from a year earlier, and together with measures to reduce costs such as operating and back-office expenses, resulted in a significant improvement of operating profitability.

In control and drive systems, there was lower demand from makers of semiconductor and liquid crystal display (LCD) manufacturing equipment in Japan. While fiscal belt-tightening measures in China had an impact on investment by players in the market, domestic demand from major industries including automakers and machinery manufacturers remained strong. Against this backdrop, the group rolled out aggressive sales strategies targeting growing business fields in the private sector, and expanded local production of inverters in Wuxi, China. As a result, both sales and operating income in the control and drive systems field were up on the same period a year earlier.

In the first nine months of fiscal 2004, sales and profits grew in both ED&C components and control and drive systems: Sales rose by 10.4 % year-on-year, to ¥131,831 million, and operating profitability increased to ¥4,651 million from ¥10 million during the same period a year earlier.

### ***Electronic Devices***

Net sales in Electronic Devices rose 7.8 % year on year, to ¥36,303 million, and operating income declined by 58.7 %, to ¥1,034 million, compared to ¥2,503 million posted in the previous year.

Sales in the semiconductor field increased, although customers reduced inventories and orders for power modules, influencing production of chips for industrial applications. In automotive applications, sustained robust auto sales in Japan and overseas supported a rise in sales, centered on automotive MOSFET devices. In semiconductors for IT and power supply equipment, sales were weaker due to declining demand for ICs for plasma display panels (PDPs), MOSFETs, and other products for digital consumer devices, as customers reduced production. Overall, sales were up year on year, although operating income dropped due to falling

prices as market competition intensified and fixed costs rose, particularly capital costs and R&D spending.

In storage devices, total industry shipments of hard disks (HDD) rose by 15 % in the third quarter of fiscal 2004, compared to the same period in the previous year. Against the backdrop of this sustained robust market, the group ramped up output at its production facilities to full capacity, centered on the mainstay 3.5-inch aluminum substrate magnetic disk. This led to record HDD production and shipments on a quarterly basis. In addition, there was a steady increase in shipments of glass substrate disks, which the group began producing in September 2004. Consequently, sales in this field were substantially up on a year earlier. On the other hand, operating income declined slightly from a year ago due to the appreciating yen and an increase in start-up costs for the production of glass substrate disks.

In imaging devices, sales of organic photoconductive drums (OPCs), a mainstay product used in photocopiers and printers, grew in the Chinese market. This was attributable to higher demand for machines fitted with OPCs due to the launch of integrated products and the shift to color functionality. In Europe, however, intensified competition and continuing price declines led to a drop off in sales, making a significant impact on this field's business results. Consequently, sales were down on a year earlier, and operating profitability worsened, moving back into the red.

During the first nine months of fiscal 2004, sales rose by 11.7% year on year, to ¥106,992 million, supported by growth in semiconductors and storage devices, despite lower sales in imaging devices compared to the same period a year earlier. However, operating income decreased by 18.5% year on year, to ¥6,211 million, compared to ¥7,624 million posted in the previous year, as improvements in storage devices could not offset a deterioration in the profitability of semiconductors and imaging devices.

### ***Retail Systems***

Retail Systems reported an increase in third-quarter sales of 24.0%, to ¥41,154 million, while operating income improved by ¥2,293 million, to ¥717 million.

In the vending machines, food service equipment and currency handling systems field, sales were markedly up. This was due to stronger demand for updated and redesigned vending machines to coincide with the launch of newly designed bills in November 2004, as well as large-scale orders for cigarette vending machines. In currency handling systems, there was also rising demand for bill validators compatible with the new bills as well as coin and bill handling systems used in amusement equipment. In response to this increased demand, the group made a concerted effort to ramp up production capacity and secure materials. This helped to lift total sales in the vending machines, food service equipment and currency handling systems field above the previous year's level. Supported by higher sales, together with reductions in costs and operating expenses, operating income significantly improved, returning this field to profitability at a time in the year when profits are usually hit by seasonal factors.

In cold-chain equipment, although sales of Ecolo Unit, a new unitized store system, and after-services grew,

sales of freezers and chilled showcases were down, due to curbs on investment by supermarket operators and a falloff in demand from convenience stores for refurbishments. This led to an overall decline in cold-chain equipment sales compared to a year earlier. Operating income in this segment deteriorated, due to an increase in operating expenses related to strategies for expanding sales in the future.

In the first nine months of fiscal 2004, business performance in the vending machines, food service equipment and currency handling systems field remained robust. Consequently, sales in this field increased by 11.5% year on year, to ¥123,221 million, and operating income improved markedly, increasing 10.3-fold, to ¥3,572 million, compared to ¥346 million posted for the same period a year ago.

### ***Others***

Sales in this segment fell substantially, declining 41.4% year on year, to ¥8,846 million, as Fuji Logistics became an equity-method affiliate at the end of the previous fiscal year. The segment posted an operating loss of ¥68 million, an improvement of ¥173 million.

In the first nine months of fiscal 2004, sales dropped by 38.8% year on year, to ¥28,563 million, and operating income declined 19.2%, to ¥702 million, compared to ¥869 million reported a year ago.

### **Financial Position**

As of December 31, 2004, the total assets of the Fuji Electric Group stood at ¥891,830 million, ¥40,818 million higher than at September 30, 2004.

In assets, although trade receivables decreased, inventories increased by ¥24,978 million, chiefly in preparation for higher sales of plant related products at the end of March 2005, resulting in a rise in current assets of ¥28,679 million. Investments and other assets rose by ¥14,693 million, mainly due to higher unrealized gains on other securities, helping to increase total long-term assets by ¥12,178 million.

On the other side of the balance sheet, total liabilities rose by ¥36,335 million due to increases in advances from customers, debt and the impact of higher unrealized gains on other securities. As a result, total liabilities rose by ¥36,335 million.

In shareholders' equity, although retained earnings decreased by ¥4,310 million, unrealized gain on other securities, net of taxes, increased by ¥9,580 million. Total shareholders' equity, consequently, rose by ¥4,683 million, to ¥181,582 million as of December 31, 2004. However, due to the increase in total assets, the shareholders' equity ratio decreased 0.4 of a percentage point to 20.4%, compared to September 30, 2004.

In the quarter under review, the Company generated positive free cash flow of ¥2,554 million, against negative free cash flow of ¥4,004 million a year earlier.

## Full-Year Consolidated Forecasts for Fiscal 2004, Ending March 31, 2005

In Electronic Devices, sales in semiconductors are expected to deteriorate due to production cutbacks in digital consumer devices and other related products, as well as due to reduced demand for chips used in industrial applications as customers run down inventories. Sales in this group are therefore anticipated to fall short of the earlier forecast announced on October 28, 2004. In Energy and Electric Systems, sales in e-solution and environmental systems are expected to decrease, while sales are also forecasted to drop in ED&C • Drive Systems, affected by slow sales of semiconductors and LCD manufacturing equipment, as well as China's tighter fiscal policies. Consequently, the Company now expects sales in both groups to fall short of earlier forecasts. In Retail systems however, sales are expected to exceed the previous projection, as sales performances of vending machines and currency handling systems remain robust. This strength will be supported by large-scale orders for cigarette vending machines and front-loaded demand for new bill validators and other machine upgrades related to the issue of new bills. As a result of the above, the Company is now projecting consolidated net sales ¥5.0 billion lower than previous forecasts.

On the profit front, ED&C • Drive Systems and Electronic Devices are both expected to post full-year operating income below forecasts announced in October 2004, due to lower sales. However, Retail Systems is projecting operating income ahead of previous forecasts on the back of higher sales. The Company's consolidated operating income forecast remains unchanged.

These forecasts assume an exchange rate in the fourth quarter of the 2004 fiscal year of ¥102 to the U.S. dollar. (previously, ¥105/US\$)

### Fiscal 2004 Forecasts

	FY2004 Forecasts			(¥ billions)
	Initial	Revised	Change	FY2003 Actual
Net Sales	845.0	840.0	-5.0	856.1
Operating Income	25.5	25.5	0	17.4
Ordinary Income	20.5	20.5	0	13.9
Net Income	8.0	8.0	0	5.5

### Consolidated Net Sales by Segment

	FY2004 Forecasts			(¥ billions)
	Initial	Revised	Actual	FY2003 Actual
Energy & Electric Systems	380.0	378.0	-2.0	403.1
ED&C • Drive Systems	178.0	176.0	-2.0	168.0
Electronic Devices	146.0	142.0	-4.0	129.6
Retail Systems	158.0	165.0	+ 7.0	150.7
Others	45.0	45.0	0.0	75.7
Eliminations	-62.0	-66.0	-4.0	-71.1
Total	845.0	840.0	-0.5	856.1

**Consolidated Operating Income by Segment**

(¥ billions)

	FY2004 Forecasts			FY2003
	Initial	Revised	Actual	Actual
Energy & Electric Systems	3.5	3.5	0.0	0.5
ED&C • Drive Systems	7.7	7.0	-0.7	2.3
Electronic Devices	11.6	9.0	-2.6	9.7
Retail Systems	3.3	6.0	+ 2.7	2.0
Others	1.5	1.5	0.0	2.3
Eliminations/Corporate	-2.1	-1.5	+ 0.6	0.3
<b>Total</b>	<b>25.5</b>	<b>25.5</b>	<b>0.0</b>	<b>17.4</b>

Note) The above forecasts may differ materially from actual results due to sudden changes in the supply and demand balance in the markets the group serves, changes in the exchange rate between the yen and other currencies, particularly the U.S. dollar, and fluctuations in Japanese stock markets.