

**Consolidated financial results for the third quarter
of the Fiscal Year ending March 31, 2006
(October 1, 2005 - December 31, 2005)**

Summary of Consolidated Financial Results

1. Summary of consolidated statements of income

	Millions of yen		Change(%) (A)/(B)	Millions of yen	<i>Millions of U.S.dollars</i>
	3Q FY2005 (A)	3Q FY2004 (B)		Full year FY2004	3Q FY2005
Net sales	189,104	173,524	109.0%	844,200	1,602
Operating income	2,061	-4,594	-	26,818	17
Ordinary income	2,448	-4,903	-	22,222	21
Net income	3,398	-2,512	-	7,797	29
	Yen			Yen	<i>U.S.dollars</i>
Net income per share	4.75	-3.51	-	10.69	0.04

2. Summary of consolidated financial position

	Millions of yen			<i>Millions of U.S.dollars</i>
	12/31/2005	12/31/2004	3/31/2005	12/31/2005
Total assets	961,626	891,830	882,412	8,145
Shareholders' equity	241,751	181,582	195,741	2,048
Shareholders' equity ratio (%)	25.1%	20.4%	22.2%	-
	Yen			<i>U.S.dollars</i>
Shareholders' equity per share	333.08	253.86	273.47	2.82

3. Summary of consolidated statements of cash flows

	Millions of yen			<i>Millions of U.S.dollars</i>
	3Q FY2005 (A)	3Q FY2004 (B)	Full year FY2004	3Q FY2005
Cash flows from operating activities	10,742	6,165	42,274	91
Cash flows from investing activities	-4,270	-3,611	-3,794	-36
Cash flows from financing activities	-3,599	5,984	-49,741	-30
Cash and cash equivalents at end of year	21,235	20,758	16,215	180

Note: 1) U.S.dollar amounts in this financial report are translated, for convenience only, at the rate of ¥118.07=U.S.\$1.
2) The company has 66 consolidated subsidiaries and 2 equity-method affiliates

4. Forecast of consolidated earnings for FY2005 (April 1, 2005 - March 31, 2006)

	<u>Millions of yen</u>
Net sales	886,000
Operating income	38,000
Ordinary income	37,000
Net income	16,000
	<u>Yen</u>
Net income per share	22.17

< 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

A. Three months ended December 31, 2005

	Millions of yen		Change(%)	Millions of U.S.dollars
	2005(A)	2004(B)	(A)/(B)	2005
Net sales	189,104	173,524	109%	1,602
Operating income	2,061	-4,594	-	17
Ordinary income	2,448	-4,903	-	21
Net income	3,398	-2,512	-	29
	Yen			U.S.dollars
Net income per share	4.75	-3.51	-	0.04

B. Nine months ended December 31, 2005

	Millions of yen		Change(%)	Millions of U.S.dollars
	2005(A)	2004(B)	(A)/(B)	2005
Net sales	558,432	537,764	104%	4,730
Operating income	5,393	-10,568	-	46
Ordinary income	6,167	-12,657	-	52
Net income	2,653	-7,723	-	22
	Yen			U.S.dollars
Net income per share	3.71	-10.80	-	0.03

Note: 1) U.S.dollar amounts in this financial report are translated, for convenience only, at the rate of ¥118.07=U.S.\$1.

2) The company has 66 consolidated subsidiaries and 2 equity-method affiliates.

Consolidated Statements of Income

A. Three months ended December 31, 2005

	Millions of yen		Change (A)-(B)	Millions of U.S.dollars
	2005(A)	2004(B)		2005
Net sales	189,104	173,524	15,580	1,602
Cost of sales	149,541	139,693	9,848	1,267
Gross profit	39,562	33,831	5,731	335
Selling, general and administrative expenses	37,501	38,426	-925	318
Operating income	2,061	-4,594	6,655	17
Non-operating income	1,645	1,433	212	14
Interest and dividends received	915	805	110	8
Other	729	628	101	6
Non-operating expenses	1,258	1,742	-484	11
Interest expense	687	720	-33	6
Other	571	1,022	-451	5
Ordinary income	2,448	-4,903	7,351	21
Extraordinary income	2,279	456	1,823	19
Extraordinary loss	285	141	144	2
Income before income taxes	4,441	-4,588	9,029	38
Income taxes	1,231	-1,848	3,079	10
Minority interests in net income of consolidated subsidiaries	-187	-227	40	-2
Net income	3,398	-2,512	5,910	29

Consolidated Statements of Income

B. Nine months ended December 31, 2005

	Millions of yen		Change (A)-(B)	Millions of U.S.dollars
	2005(A)	2004(B)		2005
Net sales	558,432	537,764	20,668	4,730
Cost of sales	439,652	434,600	5,052	3,724
Gross profit	118,780	103,164	15,616	1,006
Selling, general and administrative expenses	113,387	113,732	-345	960
Operating income	5,393	-10,568	15,961	46
Non-operating income	5,077	4,038	1,039	43
Interest and dividends received	2,562	2,060	502	22
Other	2,514	1,978	536	21
Non-operating expenses	4,303	6,127	-1,824	36
Interest expense	2,152	2,258	-106	18
Other	2,150	3,868	-1,718	18
Ordinary income	6,167	-12,657	18,824	52
Extraordinary income	3,867	6,763	-2,896	33
Extraordinary loss	5,025	8,081	-3,056	43
Income before income taxes	5,009	-13,974	18,983	42
Income taxes	2,752	-5,411	8,163	23
Minority interests in net income of consolidated subsidiaries	-396	-839	443	-3
Net income	2,653	-7,723	10,376	22

Consolidated Balance Sheets

	Millions of yen		Change (A)-(B)	Millions of U.S.dollars	
	12/31/2005(A)	9/30/2005(B)		3/31/2005	12/31/2005
Assets					
Current assets:					
Cash and time deposits	21,348	17,978	3,370	16,338	181
Notes and accounts receivable, trade	180,771	191,334	-10,563	241,820	1,531
Inventories	185,120	165,808	19,312	135,076	1,568
Other current assets	52,437	42,534	9,903	44,414	444
Total current assets	439,678	417,655	22,023	437,649	3,724
Long-term assets:					
Tangible fixed assets	151,021	145,610	5,411	150,903	1,279
Intangible fixed assets	7,846	8,093	-247	7,803	66
Investments and other assets	363,061	328,177	34,884	285,983	3,075
Total long-term assets	521,929	481,881	40,048	444,690	4,421
Deferred assets	18	36	-18	72	0
Total assets	961,626	899,572	62,054	882,412	8,145
Liabilities and shareholders' equity					
Current liabilities:					
Notes and accounts payable, trade	155,010	141,241	13,769	176,575	1,313
Short-term loans	77,263	66,683	10,580	74,343	654
Other current liabilities	276,363	252,235	24,128	217,093	2,341
Total current liabilities	508,636	460,160	48,476	468,012	4,308
Long-term liabilities					
Bonds	80,000	100,000	-20,000	120,000	678
Long-term loans	43,302	46,884	-3,582	47,090	367
Other long-term liabilities	79,393	64,995	14,398	43,482	672
Total liabilities	202,695	211,880	-9,185	210,572	1,717
Minority interests in consolidated subsidiaries	8,543	8,635	-92	8,086	72
Shareholders' equity:					
Common stock	47,586	47,586	-	47,586	403
Capital surplus	46,712	46,712	0	46,711	396
Consolidated retained earnings	73,065	71,812	1,253	74,575	619
Unrealized gain on other securities	83,290	62,386	20,904	36,957	705
Foreign currency transaction adjustment	-2,038	-2,773	735	-3,292	-17
Less shares of common stock held by the Company	-6,866	-6,828	-38	-6,797	-58
Total shareholders' equity	241,751	218,895	22,856	195,741	2,048
Total liabilities, minority interests and shareholders' equity	961,626	899,572	62,054	882,412	8,145
Debt	301,565	302,568	-1,003	318,433	2,554

Consolidated Statements of Cash Flows

A. Three months ended December 31, 2005

	Millions of yen	Millions of yen	<i>Millions of U.S.dollars</i>
	2005(A)	2004(B)	2005
Cash flows from operating activities:			
Net income (loss) before income taxes	4,441	-4,588	38
Depreciation and amortization	3,817	4,257	32
Interest and dividends income	-915	-805	-8
Interest expense	687	720	6
(Increase) decrease in trade receivables	11,153	17,616	94
(Increase) decrease in inventories	-18,845	-25,287	-160
Increase (decrease) in trade payables	12,970	3,077	110
Increase (decrease) in advances received	7,158	11,262	61
Other, net	-9,832	-3,269	-83
Subtotal	10,635	2,982	90
Interest and dividends received	967	825	8
Interest paid	-909	-681	-8
Income taxes paid	49	3,039	0
Net cash provided by operating activities	10,742	6,165	91
Cash flows from investing activities:			
Purchase of fixed assets and marketable and investment securities	-5,796	-2,892	-49
Proceeds from sale of fixed assets and marketable and investment securities	3,747	2,189	32
Other, net	-2,221	-2,909	-19
Net cash provided by investing activities	-4,270	-3,611	-36
Free cash flows (+)	6,471	2,554	55
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings, net	9,260	2,276	78
Increase (decrease) in commercial paper, net	-8,000	4,500	-68
Proceeds from long-term debt	100	3,500	1
Repayments of long-term debt and redemption of bonds	-2,736	-2,484	-23
Other, net	-2,223	-1,807	-19
Net cash provided by financing activities	-3,599	5,984	-30
Effect of exchange rate changes on cash and cash equivalents	497	-173	4
Net decrease in cash and cash equivalents (+ + +)	3,369	8,365	29
Cash and cash equivalents at beginning of year	17,866	12,373	151
Increase in cash and cash equivalents resulting from changes of consolidated subsidiaries	-	18	-
Cash and cash equivalents at end of year	21,235	20,758	180

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

Consolidated Statements of Cash Flows

B. Nine months ended December 31, 2005

	Millions of yen	Millions of yen	<i>Millions of U.S.dollars</i>
	2005(A)	2004(B)	2005
Cash flows from operating activities:			
Net income (loss) before income taxes	5,009	-13,974	42
Depreciation and amortization	11,058	12,497	94
Interest and dividends income	-2,562	-2,060	-22
Interest expense	2,152	2,258	18
(Increase) decrease in trade receivables	61,924	74,157	524
(Increase) decrease in inventories	-48,120	-45,325	-408
Increase (decrease) in trade payables	-21,514	-30,404	-182
Increase (decrease) in advances received	29,393	23,619	249
Other, net	-6,780	-11,217	-57
Subtotal	<u>30,560</u>	<u>9,550</u>	<u>259</u>
Interest and dividends received	2,606	2,082	22
Interest paid	-2,364	-2,207	-20
Income taxes paid	-2,499	-3,326	-21
Net cash provided by operating activities	<u>28,303</u>	<u>6,098</u>	<u>240</u>
Cash flows from investing activities:			
Purchase of fixed assets and marketable and investment securities	-12,639	-15,313	-107
Proceeds from sale of fixed assets and marketable and investment securities	11,869	9,903	101
Other, net	-1,188	-3,733	-10
Net cash provided by investing activities	<u>-1,958</u>	<u>-9,143</u>	<u>-17</u>
Free cash flows (+)	<u>26,344</u>	<u>-3,045</u>	<u>223</u>
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings, net	4,009	-5,644	34
Increase (decrease) in commercial paper, net	-16,000	9,200	-136
Proceeds from long-term debt	1,600	4,948	14
Repayments of long-term debt and redemption of bonds	-8,069	-8,368	-68
Other, net	-4,130	-3,706	-35
Net cash provided by financing activities	<u>-22,590</u>	<u>-3,571</u>	<u>-191</u>
Effect of exchange rate changes on cash and cash equivalents	<u>792</u>	<u>102</u>	<u>7</u>
Net decrease in cash and cash equivalents (+ + +)	<u>4,546</u>	<u>-6,513</u>	<u>39</u>
Cash and cash equivalents at beginning of year	<u>16,215</u>	<u>27,240</u>	<u>137</u>
Increase in cash and cash equivalents resulting from changes of consolidated subsidiaries	<u>474</u>	<u>30</u>	<u>4.01</u>
Cash and cash equivalents at end of year	<u>21,235</u>	<u>20,758</u>	<u>180</u>

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

Consolidated Segment Information

A. Three months ended December 31, 2005

1. Net sales by business segment

	Millions of yen		Change(%)	Millions of U.S.dollars
	2005(A)	2004(B)	(A)/(B)	2005
Energy & Electric Systems	68,811	56,061	123%	583
ED&C·Drive Systems	45,366	43,161	105%	384
Electronic Devices	42,879	36,303	118%	363
Retail Systems	36,307	41,154	88%	308
Others	10,000	8,846	113%	85
Subtotal	203,365	185,527	110%	1,722
Elimination	-14,261	-12,002	-	-121
Total	189,104	173,524	109%	1,602

2. Operating income by business segment

	Millions of yen		Change(%)	Millions of U.S.dollars
	2005(A)	2004(B)	(A)/(B)	2005
Energy & Electric Systems	-4,389	-7,941	-	-37
ED&C·Drive Systems	1,745	1,721	101%	15
Electronic Devices	4,051	1,034	392%	34
Retail Systems	-500	717	-	-4
Others	276	68	406%	2
Subtotal	1,182	-4,399	-	10
Elimination/Corporate	878	-194	-	7
Total	2,061	-4,594	-	17

Consolidated Segment Information

B. Nine months ended December 31, 2005

1. Net sales by business segment

	Millions of yen		Change(%)	Millions of U.S.dollars
	2005(A)	2004(B)	(A)/(B)	2005
Energy & Electric Systems	198,196	189,942	104%	1,679
ED&C Drive Systems	129,173	131,831	98%	1,094
Electronic Devices	118,832	106,922	111%	1,006
Retail Systems	123,973	123,221	101%	1,050
Others	34,987	28,563	122%	296
Subtotal	605,162	580,481	104%	5,125
Elimination	-46,730	-42,716	-	-396
Total	558,432	537,764	104%	4,730

2. Operating income by business segment

	Millions of yen		Change(%)	Millions of U.S.dollars
	2005(A)	2004(B)	(A)/(B)	2005
Energy & Electric Systems	-16,999	-24,377	-	-144
ED&C Drive Systems	5,000	4,651	108%	42
Electronic Devices	10,654	6,211	172%	90
Retail Systems	4,862	3,572	136%	41
Others	1,229	702	175%	10
Subtotal	4,746	-9,238	-	40
Elimination/Corporate	646	-1,329	-	5
Total	5,393	-10,568	-	46

Supplemental Consolidated Financial Materials

1. Financial summary

	Billions of yen			
	3Q FY2005	FY2005 [Forecast]	3Q FY2004	FY2004
Net sales	189.1	886.0	173.5	844.2
Operating income	2.0	38.0	-4.5	26.8
Ordinary income	2.4	37.0	-4.9	22.2
Net income	3.3	16.0	-2.5	7.7

2. Number of consolidated subsidiaries

	3Q FY2005	FY2005 [Forecast]	3Q FY2004	FY2004
Number of consolidated subsidiaries	66	67	61	61
Number of equity-method affiliates	2	2	2	2

3. Net income per share

	Yen			
	3Q FY2005	FY2005 [Forecast]	3Q FY2004	FY2004
Net income per share	4.75	22.17	-3.51	10.69

4. Sales exchange rate

	Yen			
	3Q FY2005	FY2005 [Forecast]	3Q FY2004	FY2004
Sales exchange rate	117.35	111.58	105.96	107.55

5. Net sales by business segment

	Billions of yen			
	3Q FY2005	FY2005 [Forecast]	3Q FY2004	FY2004
Energy & Electric Systems	68.8	395.0	56.0	374.7
ED&C·Drive Systems	45.3	179.0	43.1	178.2
Electronic Devices	42.8	169.0	36.3	143.2
Retail Systems	36.3	163.0	41.1	168.1
Others	10.0	51.0	8.8	45.7
Subtotal	203.3	957.0	185.5	910.1
Elimination	-14.2	-71.0	-12.0	-65.9
Total	189.1	886.0	173.5	844.2

Note : Net sales include inter-segment transactions.

6. Operating income by business segment

	Billions of yen			
	3Q FY2005	FY2005 [Forecast]	3Q FY2004	FY2004
Energy & Electric Systems	-4.3	7.5	-7.9	3.2
ED&C·Drive Systems	1.7	8.0	1.7	6.6
Electronic Devices	4.0	16.0	1.0	9.4
Retail Systems	-0.5	6.0	0.7	7.4
Others	0.2	2.0	0.0	1.7
Subtotal	1.1	39.5	-4.3	28.5
Elimination/Corporate	0.8	-1.5	-0.1	-1.7
Total	2.0	38.0	-4.5	26.8

7. R&D expenditures

	Billions of yen			
	3Q FY2005	FY2005 [Forecast]	3Q FY2004	FY2004
Energy & Electric Systems	1.7	9.7	2.9	9.1
ED&C·Drive Systems	0.9	3.8	1.2	3.7
Electronic Devices	3.3	11.5	2.7	8.7
Retail Systems	1.1	3.9	1.4	3.7
Others	0.0	0.0	0.0	0.0
Corporate (basic reserch)	0.1	0.9	0.4	1.7
Total	7.4	30.0	8.8	27.2
Ratio to net sales (%)	3.9%	3.4%	5.1%	3.2%

8. Plant and equipment investment (including leases)

	Billions of yen			
	3Q FY2005	FY2005 [Forecast]	3Q FY2004	FY2004
Energy & Electric Systems	0.6	4.3	0.7	3.7
ED&C·Drive Systems	0.6	4.4	0.6	4.1
Electronic Devices	11.1	42.9	4.2	22.9
Retail Systems	0.9	4.4	0.8	3.3
Others	0.2	1.7	0.5	1.3
Corporate	0.0	0.2	0.0	0.1
Total	13.5	58.0	6.9	35.6
(Leases)	4.4	32.9	4.7	22.6

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

9. Depreciation, Leases paid

	Billions of yen			
	3Q FY2005	FY2005 [Forecast]	3Q FY2004	FY2004
Energy & Electric Systems	1.2	5.2	1.2	4.8
ED&C·Drive Systems	1.1	4.4	1.0	4.1
Electronic Devices	4.4	17.6	4.4	17.1
Retail Systems	0.9	3.6	0.9	3.6
Others	0.5	2.1	0.5	2.2
Corporate	0.0	0.2	0.0	0.3
Total	8.3	33.3	8.2	32.3
(Leases paid)	5.2	20.3	4.4	18.0

*Note: Leases paid for plant and equipment investment

10. Number of employees

	Billions of yen			
	3Q FY2005	FY2005 [Forecast]	3Q FY2004	FY2004
Energy & Electric Systems	10,252	10,201	10,488	10,175
ED&C·Drive Systems	5,026	5,121	4,971	4,968
Electronic Devices	5,202	5,404	4,651	4,689
Retail Systems	3,012	3,026	3,000	2,977
Others	1,792	1,771	1,655	1,659
Corporate	131	133	134	129
Total	25,415	25,656	24,899	24,597

Overview of Consolidated Financial Results
for the Third Quarter of the Fiscal Year Ending March 31, 2006

Results of Operations

The Fuji Electric Group's operating environment in the third quarter of the fiscal year ending March 31, 2006 was favorable overall against the backdrop of Japan's economic recovery supported by the domestic private sector capital investment and the depreciation of the yen against the dollar.

In this climate, the Fuji Electric Group's consolidated sales for the third quarter of FY2005 rose 9.0% from the previous fiscal year to ¥189,104 million. This is the result of the sales increase from a year earlier in the following three business groups: Energy & Electric Systems, ED&C · Drive Systems and Electronic Devices. Energy & Electric Systems Group posted positive sales in general industry and power generation fields driven by rising private sector capital investment in Japan and energy demand in Asia. ED&C · Drive Systems Group saw robust sales in both electric distribution & control and drive control equipment fields. Electronic Device Group reported a substantial sales increase in disk device field. However, sales in Retail Systems Group declined year on year. This was due to a drop in sales volume of vending machines and currency handling machines as the demand driven by issue of redesigned Japanese yen bills reached saturation point and declined.

The Fuji Electric Group's consolidated operating income in the third quarter of FY2005 was ¥2,061 million, a significant improvement from ¥4,594 million loss in the same quarter a year ago. In addition to the increased sales, this improvement was also attributable to group-wide cost reduction initiatives and positive impact given by weakening yen. Specifically, profitability turned around year on year in the following two groups: Energy & Electric Systems, on the back of an increase in the gross profit ratio due to initiatives toward enhanced management strength; Electronic Devices, thanks to substantial profitability improvement in the magnetic disks. Profitability in ED&C · Drive Systems Group was on a par with previous year with expenses incurred by reorganization of the domestic sales network incorporated. Profitability in Retail Systems deteriorated on declined sales.

The Fuji Electric Group saw significant improvement in both consolidated ordinary income and net income in the third quarter of FY2006. The ordinary income was ¥2,448 million compared to ¥4903 million loss in the same period a year earlier and the net income was ¥3,398 million compared to ¥2,512 million yen loss a year ago.

Nine-month accumulated consolidated sales of the Fuji Electric Group rose 3.8% to ¥558,432 million. While each of Energy and Electric Systems, Electronic Devices and Retail Systems Groups posted an increase in nine-month accumulated sales year on year, ED&C · Drive Systems Group saw a decline in the sales from a year earlier reflecting the transfer of the power supply systems business.

Nine-month accumulated consolidated operating income of the Fuji Electric Group was ¥5,393 million compared to ¥10,568 million loss in the previous fiscal year. This significant jump was a result of the improvement in each segment of the group. The Fuji Electric Group's nine-month accumulated consolidated ordinary income was ¥6,167 million compared to ¥12,657 million loss in the same period a year earlier and the net income was ¥2,653 million compared to ¥7,723 million loss in the same period a year earlier.

Segment Information

Energy & Electric Systems Group

Net sales jumped 22.7% to ¥68,811 million from the previous fiscal year, while the operating loss improved ¥3,552 million to ¥4,389 million year on year.

Operating profitability in the e-solutions field improved as the sales climbed year on year as a result of implementation of the large project for the information system in a distribution center and other factors.

Environment systems posted a year-on-year increase in sales thanks to a rise in large orders for water treatment systems and recycling systems. Operating profitability also improved significantly, reflecting the benefits of reductions in selling and administrative expenses.

Sales in industrial and transportation systems jumped from the same period a year ago as a result of the increased sales of electrical machinery equipment in the material industries led by steel industry on the back of steady private sector capital investment. Operating loss also improved due to cost reductions and restructuring in the power supply systems business.

Sales in plants operated by the electric power systems business rose substantially. This was attributable to the large projects for thermal power generation facilities won overseas against backdrop of increased energy demand centered on Asia. Operating profitability also improved due to further rigorous cost reductions.

Sales in plant facility construction fell compared to a year earlier on a drop in the number of projects for government and other public offices. Operating loss, however, improved due to an increase in the profitability.

Nine-month accumulated sales were up 4.3% to ¥198,196 million year on year. While nine-month accumulated sales in e-solutions and plant facility construction field declined from the same period a year ago, those of environment systems, industrial and transportation systems, and power plant field increased year on year. Operating loss improved ¥7,378 million to ¥16,999 million from the previous fiscal year as a result of improved profitability in all the fields.

ED&C • Drive Systems Group

Net sales were up 5.1% to ¥45,366 million year on year, while operating income rose 1.4% to ¥1,745 million.

In ED&C components, domestic sales remained buoyant. Contributory factors to this favorable result in Japan were expanded sales to strong industries and promoted replacement of strategic products to new models to boost sales. Oversea sales also grew due to sales expansion of globally compatible products. As a result, both sales and operating profitability of ED&C components rose overall from a year ago led by such major products as magnetic contractors, operation displays and low-voltage circuit breakers.

In control and drive systems, domestic sales of invertors and programmable controllers & displays rose against the year-earlier period thanks to sustained, strong demand from the automotive and machine tools sectors, a series of new product launches and other factors. Domestic sales of servomotor systems, however, were lackluster due to stagnating market for semiconductor manufacturing equipment and injection moldings. Overseas sales declined, as strong demand for inverters in U.S. could not compensate for weaker sales to China and other countries. As a result, sales of control and drive systems increased year on year but operating profitability slightly decreased.

Nine-month accumulated sales were down in ED&C components reflecting the transfer of the group's power supply systems business although they were up in control and drive systems. As a result, nine-month accumulated overall sales declined 2.0% to ¥129,173 million but operating income rose 7.5% to ¥5,000 million due mainly to profitability improvement in ED&C components field.

Electronic Device Group

Net sales were up 18.1% to ¥42,879 million year on year, while operating income rose ¥3,017 million to ¥4,051 million.

In semiconductor devices, sales of automotive-related products increased from last year thanks to solid sales of

advanced automotive metal oxide semiconductor field effect transistors (MOSFETs) supported by robust demand from the automotive industry. Sales in the industrial sector dropped significantly, reflecting postponement of new product employment by some of the customers and inventory adjustment for general invertors. In IT and power supplies, sales jumped from a year earlier as significant sales growth in the driver ICs for plasma display panels compensated a significant sales decline in those products for conventional CRT displays and monitors and silver salt cameras. As a result, sales of electronic devices rose year on year but operating profitability decreased due to price erosion and increased capital costs.

In magnetic disks , in response to strong shipment of hard disk drives (HDDs), the group maximized utilization of the production facilities for 120 GB products in our lineup of 3.5-inch aluminum magnetic disks in addition to our mainstay 80GB version. The group also successfully expanded output of 2.5-inch glass magnetic disks. These efforts resulted in a significant increase in both sales and operating income compared to the same period a year earlier.

In imaging devices, the group is striving to concentrate manufacturing functions to Shenzhen in China and establish volume production framework to expand sales. Sales of photoconductors climbed on growing popularity of color printers and sales of color-enabled devices were also strong. As a result, both sales and operating income of imaging devices rose year on year.

Nine-month accumulated sales were up 11.1% to ¥118,832 million year on year as magnetic disk sales were significantly lifted and imaging device sales increased from a year earlier despite a decrease in semiconductor sales. Nine-month accumulated operating income jumped 71.5% to ¥10,654 million as a significant profitability increase in magnetic disks and improved profitability in imaging devices compensated deteriorated profitability in semiconductors.

Retail Systems Group

Net sales dropped 11.8% to ¥36,307 million year on year, while operating income declined ¥1,217 million to a loss of ¥500 million.

In vending machines, food service equipment and currency handling systems, sales of mainstay can and cup-type vending machines were down as the demand related to issue of redesigned Japanese yen bills reached saturation and declined. Sales of cigarette vending machines also declined for the same period a year earlier on shrunk sales from large orders. In currency handling systems, although sales of contactless IC card equipment grew, those of bill validators, change machines and leisure equipment decreased, reflecting lower demand related to issue of redesigned Japanese yen bills. As a result, both sales and operating profitability in vending machines, food service equipment and currency handling systems field declined year on year.

In cold-chain equipment, sales to the super market sector slightly increased year on year thanks to the active acquisition of new customers despite the continued tough business environment. Sales to the convenience store sector rose from a year ago thanks to the efforts made to increase packaged deals for a whole store in new format and expand orders from existing customers through collaboration with trading companies, amid a slight increase in store openings by major convenience store chains. New customers also supported sales of Ecolo Unit, a modularized store construction system. As a result, sales in cold-chain equipment field rose from a year earlier while operating income was flat due to market price erosion driven by intensifying competition.

Nine-month accumulated sales of the group were up 0.6% to ¥123,973 million year on year as sales of cold-chain equipment climbed although those of vending machines, food service equipment and currency handling systems dropped. Total cost reduction accomplished in vending machines, food service equipment and currency handling systems filed lifted nine-month accumulated operating income 36.1% to ¥4,862 million.

Others

Net sales increased 13.0% to ¥10,000 million year on year, while operating income improved ¥208 million to ¥276 million. This mainly reflected the consolidation of a company providing shared personnel, administration and staffing services to the group.

Nine-month accumulated sales rose 22.5% to ¥34,987 million year on year, while nine-month accumulated operating income increased ¥527 million to ¥1,229 million.

Financial Position

Total assets in the third quarter-end of FY2005 were ¥961,626 million, an increase of ¥62,054 million over the first half end of FY2005.

In assets, inventories rose by ¥19,312 million due mainly to the concentration of plant sales at the fourth quarter-end while trade receivables were reduced. As a result, total current assets were up by ¥22,023 million. Investment and other assets climbed by ¥34,884 million due mainly to the increased market value of other securities and fixed assets rose by ¥40,048 million.

Total liabilities were up by ¥39,290 million due to an increase of advances from customers and an impact of increased market value of other securities.

In shareholders' equity, retained earnings climbed by ¥1,253 million and other securities were up by ¥20,900 million.

As a result, total shareholders' equity increased by ¥22,856 million to ¥241,751 million in the third quarter-end of FY2005. Capital adequacy ratio was up 0.8 point over the first half end of FY2005 to 25.1%.

Cash flow in the third quarter-end of FY2005 was ¥6,471 million compared to ¥2,554 million in the same period a year earlier.

Outlook for the Fiscal Year Ending March 31, 2006

It is expected that Fuji Electric Group's full-year consolidated net sales will be ¥886,000 million, exceeding the previously forecasted figure we announced on October 27, 2005 by ¥1,000 million. As for the full-year outlook by group, net sales in the following three groups are expected to exceed the last projections: Energy and Electric Systems Group where a sales increase in power generation plant field is the main contributory factor to the favorable forecast; ED&C · Drive Systems Group where revised forecasts in both electric distribution & control and drive systems fields are expected to exceed the previous one; Electronic Devices Group where strong sales in magnetic disks and imaging device fields will compensate a sales decline in semiconductors. Retail Systems Group is expected to have the same sales figure as the one previously projected.

Fuji Electric Group's full-year consolidated operating income is expected to be ¥38,000 million, exceeding the previously forecasted figure by ¥1,000 million. Although deteriorated operating income in e-solutions lowered the projection from last time in Energy & Electric Systems Group, improved operating income from storage devices lifted the forecast in Electronic Devices Group. Ordinary income is expected to be ¥37,000 million, exceeding the previously forecasted figure by ¥1,000 million.

These forecasts assume an exchange rate for the fourth quarter of the fiscal year of ¥110/US\$1 (Previous rate was ¥105/US\$1).

Consolidated full-year forecasts for FY2005

	FY05 Forecast (27 Oct.)	FY05 Forecast (26 Jan.)	Change	(¥billions) FY04 Results
Net sales	885.0	886.0	+ 1.0	844.2
Operating income	37.0	38.0	+ 1.0	26.8
Ordinary income	36.0	37.0	+ 1.0	22.2
Net income	16.0	16.0	0	7.7

Consolidated net sales by segment for FY2005 [forecast]

	FY05 Forecast (27 Oct.)	FY05 Forecast (26 Jan.)	Change	(¥billions) FY04 Results
Energy & Electric Systems	394.0	395.0	+ 1.0	374.7
ED&C · Drive Systems	177.0	179.0	+ 2.0	178.2
Electronic Devices	166.0	169.0	+ 3.0	143.2
Retail Systems	163.0	163.0	0	168.1
Others	51.0	51.0	0	45.7
Eliminations	66.0	71.0	-5.0	-65.9
Total	885.0	886.0	+ 1.0	844.2

Consolidated operating income by segment for FY2005 [forecast]

	FY05 Forecast (27 Oct.)	FY05 Forecast (26 Jan.)	Change	(¥billions) FY04 Results
Energy & Electric Systems	9.0	7.5	-1.5	3.2
ED&C · Drive Systems	8.0	8.0	0	6.6
Electronic Devices	13.5	16.0	+ 2.5	9.4
Retail Systems	6.0	6.0	0	7.4
Others	2.0	2.0	0	1.7
Eliminations/Corporate	-1.5	-1.5	0	-1.7
Total	37.0	38.0	+ 1.0	26.8

[Cautionary Statement]

Investors are warned that actual results may differ from the above forecasts due to a range of factors, including, but not limited to, sudden changes in the supply-and-demand balance in the markets the Group serves, fluctuations in exchange rates, particularly between the yen and the U.S. dollar, and fluctuations in Japanese stock markets.