

**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 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.*