

**Consolidated Financial Report for the First Half
of the Fiscal Year ending March 31, 2006
(April 1, 2005 - September 30, 2005)**

Summary of Consolidated Financial Results

1. Summary of consolidated statements of income

	Millions of yen			Millions of yen	Millions of U.S.dollars
	1H FY2005 (A)	1H FY2004 (B)	Change(%) (A)/(B)	Full year FY2004	1H FY2005
Net sales	369,328	364,240	101.4%	844,200	3,263
Operating income	3,331	-5,973	-	26,818	29
Ordinary income	3,719	-7,753	-	22,222	33
Net income	-744	-5,210	-	7,797	-7
	Yen			Yen	U.S.dollars
Net income per share	-1.04	-7.28	-	10.69	-0.01

2. Summary of consolidated financial position

	Millions of yen			Millions of U.S.dollars
	9/30/2005	9/30/2004	3/31/2005	9/30/2005
Total assets	899,572	851,012	882,412	7,947
Shareholders' equity	218,895	176,899	195,741	1,934
Shareholders' equity ratio (%)	24.3%	20.8%	22.2%	-
	Yen			U.S.dollars
Shareholders' equity per share	306.09	247.29	273.47	2.70

3. Summary of consolidated statements of cash flows

	Millions of yen			Millions of U.S.dollars
	1H FY2005 (A)	1H FY2004 (B)	Full year FY2004	1H FY2005
Cash flows from operating activities	17,560	-67	42,274	155
Cash flows from investing activities	2,312	-5,531	-3,794	20
Cash flows from financing activities	-18,991	-9,555	-49,741	-168
Cash and cash equivalents at end of year	17,866	12,373	16,215	158

Note: 1) U.S.dollar amounts in this financial report are translated, for convenience only, at the rate of ¥113.19=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	885,000
Operating income	37,000
Ordinary income	36,000
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

Consolidated Statements of Income

	Millions of yen		Change(%) (A) / (B)	Millions of yen	Millions of U.S.dollars
	1H FY2005 (A)	1H FY2004 (B)		Full year FY2004	1H FY2005
Net sales	369,328	364,240	101.4%	844,200	3,263
Cost of sales	290,110	294,906	98.4%	665,773	2,563
Gross profit	79,217	69,333	114.3%	178,426	700
Selling, general and administrative expenses	75,885	75,306	100.8%	151,608	670
Operating income	3,331	-5,973	-	26,818	29
Non-operating income	3,602	2,732	131.8%	5,470	32
Interest and dividends income	1,646	1,254		2,379	15
Other	1,955	1,477		3,091	17
Non-operating expenses	3,214	4,512	71.2%	10,066	28
Interest expense	1,465	1,537		3,049	13
Other	1,749	2,974		7,016	15
Ordinary income	3,719	-7,753	-	22,222	33
Extraordinary income	1,588	6,307		10,331	14
Extraordinary loss	4,739	7,940		16,299	42
Income before income taxes	567	-9,385	-	16,254	5
Income taxes and business tax	2,973	2,178		4,331	26
Deferred income taxes	-1,452	-5,741		4,367	-13
Minority interests in net income of consolidated subsidiaries	-209	-611		-242	-2
Net income	-744	-5,210	-	7,797	-7

Consolidated Segment Information

1. Net sales by business segment

	Millions of yen			Millions of U.S.dollars
	1H FY2005	1H FY2004	Change(%)	1H FY2005
	(A)	(B)	(A) / (B)	
Energy & Electric Systems	129,384	133,880	96.6%	1,143
ED&C·Drive Systems	83,806	88,670	94.5%	740
Electronic Devices	75,952	70,619	107.6%	671
Retail Systems	87,666	82,067	106.8%	775
Others	24,986	19,716	126.7%	221
Subtotal	401,796	394,954	101.7%	3,550
Elimination	-32,468	-30,714	-	-287
Total	369,328	364,240	101.4%	3,263

2. Operating income by business segment

	Millions of yen			Millions of U.S.dollars
	1H FY2005	1H FY2004	Change(%)	1H FY2005
	(A)	(B)	(A) / (B)	
Energy & Electric Systems	-12,609	-16,436	-	-111
ED&C·Drive Systems	3,255	2,930	111.1%	29
Electronic Devices	6,602	5,177	127.5%	58
Retail Systems	5,362	2,855	187.8%	47
Others	953	633	150.6%	8
Subtotal	3,564	-4,838	-	31
Elimination/Corporate	-232	-1,134	-	-2
Total	3,331	-5,973	-	29

3. Net overseas sales

	Millions of yen		Change(%) (A) / (B)	<i>Millions of U.S.dollars</i>
	1H FY2005 (A)	1H FY2004 (B)		<i>1H FY2005</i>
North America	8,178	8,098	101.0%	72
Europe	7,632	6,068	125.8%	67
Asia	55,373	44,573	124.2%	489
Other	3,964	7,728	51.3%	35
Total	75,148	66,468	113.1%	664
 < Ratio to net sales >				
North America	2.2%	2.2%		
Europe	2.1%	1.7%		
Asia	15.0%	12.2%		
Other	1.1%	2.1%		
Total	20.3%	18.2%		

Consolidated Statements of Income [2QFY2005]

	Millions of yen		Change(%) (A) / (B)	Millions of U.S.dollars
	2Q FY2005 (A)	2Q FY2004 (B)		2Q FY2005
Net sales	201,697	206,105	97.9%	1,782
Cost of sales	158,786	167,874	94.6%	1,403
Gross profit	42,911	38,231	112.2%	379
Selling, general and administrative expenses	38,438	37,443	102.7%	340
Operating income	4,472	788	567.5%	40
Non-operating income	1,527	881	173.3%	13
Interest and dividends income	178	43		2
Other	1,349	838		12
Non-operating expenses	1,660	2,836	58.5%	15
Interest expense	793	812		7
Other	866	2,023		8
Ordinary income	4,340	-1,166	-	38
Extraordinary income	1,297	4,592		11
Extraordinary loss	2,731	6,284		24
Income before income taxes	2,906	-2,858	-	26
Income taxes	2,360	-461		21
Minority interests in net income of consolidated subsidiaries	243	-166		2
Net income	302	-2,230	-	3

Consolidated Segment Information [2QFY2005]

1. Net sales by business segment

	Millions of yen		Change(%) (A) / (B)	Millions of U.S.dollars
	2Q FY2005	2Q FY2004		2Q FY2005
	(A)	(B)		
Energy & Electric Systems	82,518	87,762	94.0%	729
ED&C·Drive Systems	44,788	47,015	95.3%	396
Electronic Devices	39,478	36,928	106.9%	349
Retail Systems	39,565	40,368	98.0%	350
Others	14,816	11,227	132.0%	131
Subtotal	221,166	223,302	99.0%	1,954
Elimination	-19,469	-17,196	-	-172
Total	201,697	206,105	97.9%	1,782

2. Operating income by business segment

	Millions of yen		Change(%) (A) / (B)	Millions of U.S.dollars
	2Q FY2005	2Q FY2004		2Q FY2005
	(A)	(B)		
Energy & Electric Systems	-2,855	-4,268	-	-25
ED&C·Drive Systems	2,083	1,807	115.3%	18
Electronic Devices	4,895	4,034	121.3%	43
Retail Systems	-100	7	-	-1
Others	738	597	123.6%	7
Subtotal	4,762	2,178	218.6%	42
Elimination/Corporate	-289	-1,390	-	-3
Total	4,472	788	567.5%	40

(1) Results of Operations and Financial Review

Overview of Fiscal 2005 Interim Period, Ended September 30, 2005

Consolidated Business Results

The Fuji Electric Group's operating environment in the first six months of fiscal 2005 was characterized by a moderate recovery overall, supported by rising private-sector capital investment, despite surging prices for materials.

Against this backdrop, sales rose in two business groups: Electronic Devices, on the back of expansion in the PC market and a substantial increase in storage device sales as demand for these components in digital consumer electronics gained momentum; and Retail Systems, thanks to higher sales of mainstay can vending machines and continuing strong sales of cigarette vending machines from the previous fiscal year. However, sales fell year on year in Energy & Electric Systems, due to a drop in sales volume in the e-solutions field, and ED&C • Drive Systems, reflecting the transfer of the power supply systems business to Energy & Electric Systems and other factors.

In a typical year, Fuji Electric expects to report a first-half loss due to the concentration of sales in the second half of the year, particularly in the Energy & Electric Systems Group, which is responsible for the electric power systems business. However, in the interim period under review, all business groups reported an improvement in operating profitability compared to a year earlier despite this bias. This performance was mainly attributable to total cost reduction measures, including Groupwide manufacturing innovation activities. As a result, Fuji Electric achieved a profitable first half in terms of both operating income and ordinary income. Net loss also narrowed significantly year on year, despite the booking of losses on the disposal of property, plant and equipment and other items.

Consolidated operating results for the interim period were as follows:

(¥ millions)

	Interim FY05	Interim FY04
Net sales	369,328	364,240
Operating income (loss)	3,331	(5,973)
Ordinary income (loss)	3,719	(7,753)
Net income (loss)	(744)	(5,210)

Note: Changes in the scope of consolidation:

New — 6 Excluded — 1

As of September 30, 2005, the Fuji Electric Group included 66 consolidated subsidiaries

Dividends

In light of the above interim operating results and forecasts for the full year, explained on page 19, the Company has decided to raise its interim dividend per share by ¥0.50, to ¥3.00. The year-end dividend is yet to be determined.

Segment Information

Energy & Electric Systems Group

Net sales declined 3.4% from the previous fiscal year to ¥129,384 million, while the operating loss improved ¥3,827 million to ¥12,609 million.

In the first half of the fiscal year, the trading environment for the general industrial sector was favorable against the backdrop of rising private-sector capital investment in the materials, assembly and other sectors. Public works spending and investment by power generation companies, however, continued to decline.

In this climate, Energy & Electric Systems continued to implement initiatives from the previous fiscal year to reinforce its operating structure. Efforts to restructure the business and channel resources into strategic fields paid off with an improvement in operating profitability.

Specifically, the group reduced its workforce and took other drastic restructuring steps, and at its plants, targeted unprofitable product lines and eliminated waste. Energy & Electric Systems also continued to reorganize its businesses. In the previous fiscal year, operations for small-capacity uninterruptible power supply (UPS) products were transferred to the group's power supply systems business from ED&C • Drive Systems. In the interim period, the group also took over responsibility for ED&C • Drive Systems' internal power supply operations, creating a unified operating structure designed to boost marketing and product development synergies. Meanwhile, in the measurement and control systems business, we reviewed our business strategy and then realigned the business framework to enhance operating efficiency. We also worked to enhance marketing capabilities in both domestic and overseas markets.

The group also took a number of forward-looking steps in the interim period. First, we implemented a major realignment of our marketing organization, creating a framework that

will allow us to channel marketing resources into sectors that show potential for growth. Second, we worked to accelerate initiatives in new energy fields. This included a decision to build a plant in Kumamoto Prefecture to underpin a new volume-production framework for solar cells, and the signing of a wide-ranging agreement with Kumamoto University and Kumamoto Prefecture in the new energy field, primarily solar cells.

Sales in the e-solutions field declined year on year due to a drop in large orders. However, operating profitability improved due to a stronger performance by the information systems business, which was more selective about the kind of projects it undertook, and the benefits of business restructuring in the measurement and control systems business.

Environmental systems posted a year-on-year increase in sales thanks to a rise in large orders for water treatment systems. Operating profitability also improved, reflecting the benefits of cost reductions in water treatment systems and efforts to reduce the loss in recycling systems.

Sales in industrial and transportation systems were marginally down on the same period a year earlier. This was mainly attributable to a drop in large orders for transformer rectifier units to international customers, transportation systems and other products. Despite the lower sales, operating profitability improved. This reflected, among other factors, improved earnings from systems used for power electronics applications in the materials industry, a strong field for the group, and the benefits of restructuring in the power supply systems business.

Plants operated by the electric power systems business were running at high capacity against the backdrop of a buoyant power generation facility market, centered on Asia. In the interim period, the business won overseas orders for thermal power generation facilities, helping to drive sales up year on year. However, operating profitability deteriorated slightly due to the impact of surging prices for materials used in large-scale turbines for thermal power generation.

Sales in plant facility construction fell compared to a year earlier, mainly due to a drop in large orders in a tough operating environment characterized by falling public works spending. Operating profitability, however, improved due to reductions in operating expenses and rigorous project management.

ED&C • Drive Systems Group

Net sales declined 5.5% year on year to ¥83,806 million, while operating income increased

11.1% to ¥3,255 million.

In the domestic market, machine tool manufacturers, the group's main customer segment, continued to perform strongly. Consequently, we worked to stimulate demand from existing customers and develop new customers in this field.

Overseas, we aimed to expand the group's business in China and other parts of Asia by strengthening our marketing framework and setting up new sales sites in these regions.

The group also focused on boosting profitability and reinforcing its operating framework by withdrawing from unprofitable product lines and actively eliminating waste.

In ED&C components, domestic sales declined overall, reflecting the transfer of the group's power supply systems business to Energy & Electric Systems and other factors. However, sales remained at high levels, continuing a trend seen in the previous year, as we worked to boost sales to key customer segments. In overseas markets, although we worked to expand our lineup of global products and strengthen our joint venture with Schneider Electric Industries S.A.S., sales were lackluster due to a drop in business to Taiwan and other factors. As a result, ED&C components posted a year-on-year decline in sales. However, operating income increased as efforts to pare back total costs, including management expenses, bore fruit.

Domestic sales slowed in control and drive systems. Although sales of inverters were on a par with the previous year thanks to sustained, strong demand from the automotive and machine tools sectors, sales of servomotor systems and programmable controllers fell due to a drop in demand from customers in the semiconductor and injection molding fields. Overseas sales declined as strong demand for inverters in Europe could not compensate for weaker sales to China where fiscal tightening measures impacted demand. As a result, sales of control and drive systems were slightly down year on year but operating income was steady.

Electronic Devices Group

Net sales rose 7.6% year on year to ¥75,952 million, while operating income increased 27.5% to ¥6,602 million.

In the first half of fiscal 2005, the group used ongoing technology development programs to boost the ratio of new products in its semiconductor, storage and imaging device business fields. This was aimed at creating a high-growth, high-earnings operating structure.

In semiconductor devices, demand for automotive-related products was strong, supporting higher sales of automotive metal oxide semiconductor field effect transistor (MOSFET) devices and hybrid ICs for igniters. In the industrial sector, the impact of protracted inventory rundowns by some sectors of the market led to significantly lower year-on-year sales of insulated gate bipolar transistor (IGBT) modules. In IT and power supplies, demand for ICs and MOSFETs used in flat-screen TVs grew, although this was tempered by a significant drop in sales of diode components used in conventional CRT TVs and monitors. As a result, semiconductor sales fell from a year earlier. Operating income also fell substantially year on year, reflecting falling market prices for semiconductors, an increase in depreciation and lease expenses and other factors.

In storage devices, the PC market strengthened and demand for hard disk drives (HDDs) expanded as these devices were increasingly adopted for digital consumer electronics. In this climate, we took a number of steps to significantly boost output in response to rising demand. In addition to our mainstay 80GB product in our lineup of 3.5-inch aluminum magnetic disks, we began volume production of a 120GB version and are now working to bring volume production of 2.5-inch glass magnetic disks on stream. As a result of these efforts, sales rose sharply year on year, driving a major turnaround in operating profitability.

Despite the launch of new products and the growing popularity of color printers, sales of imaging devices declined year on year due to intensifying competition in the US and European markets. The transfer of production activities to Shenzhen in China, however, is helping to enhance cost-competitiveness, resulting in a year-on-year improvement in operating profitability.

Retail Systems Group

Net sales increased 6.8% year on year to ¥87,666 million, while operating income jumped 87.8% to ¥5,362 million.

In the first half of fiscal 2005, the group focused on actively growing sales as demand related to the issue of redesigned yen bills in November 2004 started to run its course. In response to surging steel prices, Retail Systems also worked to boost manufacturing efficiency and cut costs further.

In vending machines, food service equipment and currency handling systems, sales of mainstay can vending machines were higher than in fiscal 2004, when sales were affected by customers waiting to buy new equipment prior to the issue of redesigned yen bills. Sales of cigarette vending machines maintained strong growth from the second half of the previous

year. Although sales of cup vending machines declined due to a shrinking market, currency handling system sales grew year on year, supported by rising demand for point-of-sale cash settlement terminals used with contactless IC card equipment. As a result, sales of vending machines, food service equipment and currency handling systems rose overall. This sales increase, combined with cost-reduction measures, drove a significant improvement in operating income.

In cold-chain equipment, the group posted an increase in sales to the convenience store sector, thanks to new orders for new store formats, amid a slight year-on-year increase in store openings. New customers also supported higher sales of Ecolo Unit, a modularized store construction system. Despite these successes, sales to the supermarket sector fell due to lower levels of investment across the industry, resulting in flat sales in cold-chain equipment overall. Operating income declined, reflecting an increase in management and other expenses related to sales expansion initiatives.

Others

Net sales increased 26.7% to ¥24,986 million, and operating income jumped 50.6% to ¥953 million. This mainly reflected the consolidation of a company providing shared personnel, administration and staffing services to the Group.

Measures initiated by key companies in this group during the period under review were as follows:

Fuji Life Corp., in response to the adoption of asset impairment accounting for fixed assets, sought to improve the soundness of its asset portfolio by promoting more effective utilization of the Group's real estate assets. The company also worked to reduce interest-bearing debt.

As the Group's core financial services provider, Fuji Electric Finance and Accounting Support Co., Ltd. carried out fund procurement activities, and worked to expand its agency scheme for collecting accounts receivable. These and other initiatives were aimed at raising the efficiency with which funds are procured and managed throughout the entire Fuji Electric Group.

Fuji Electric Information Service Co., Ltd. worked to reinforce the security of IT systems by monitoring and preventing unauthorized access to the Group's intranet and implementing unified computer virus countermeasures on a timely basis across the Group.

Fuji Brain Trust Co., Ltd. worked to respond to diverse human resource needs from the Group

by promoting its staffing and recruitment business and expanding its staffing and placement services targeted at external customers.

Financial Position

Free cash flow (free cash flow = net cash provided by operating activities + net cash provided by investing activities) was ¥19,872 million on a consolidated basis in the interim period, an improvement of ¥25,471 million from negative free cash flow of ¥5,599 million in the same period a year earlier.

Cash flows from operating activities

Net cash provided by operating activities was ¥17,560 million, an improvement of approximately the same amount from a year earlier when cash flow was almost zero. Cash inflows chiefly came from an increase in internal funds from income before income taxes and minority interests, and efforts to collect trade receivables and advances from customers. This was partially offset by an increase in inventories in preparation for sales in the second half of the year.

Cash flows from investing activities

Net cash provided by investing activities was ¥2,312 million, an improvement of ¥7,843 million compared to cash outflows of ¥5,531 million in the previous interim period. This was mainly attributable to the use of leaseback agreements for capital investments related to key facilities, mainly in the Electronic Devices Group, and a significant decrease in cash used to purchase marketable securities compared to a year earlier.

Cash flows from financing activities

Net cash used in financing activities was ¥18,991 million, compared to ¥9,555 million used in the previous interim period. This was mainly due to net decreases in commercial paper and borrowings.

As a result, cash and cash equivalents as of September 30, 2005 increased ¥1,651 million from the previous fiscal year-end, to ¥17,866 million.

Outlook for the Fiscal Year Ending March 31, 2006

In the first six months of fiscal 2005, Fuji Electric posted year-on-year growth in consolidated net sales. This increase in sales, together with total cost reduction measures that included manufacturing innovation activities, supported a significant improvement in profitability compared to a year earlier.

Although the operating environment in the second half of the fiscal year presents some concerns, Fuji Electric has upwardly revised its previous full-year forecasts announced on July 27, 2005 after factoring in the improved interim performance.

These forecasts assume an exchange rate for the second half of the fiscal year of ¥105/US\$1.

	FY05 Forecast (27 July)	FY05 Forecast (27 Oct.)	Change	(¥billions) FY04 Results
Net sales	885.0	885.0	0	844.2
Operating income	35.0	37.0	+ 2.0	26.8
Ordinary income	33.0	36.0	+ 3.0	22.2
Net income	14.0	16.0	+ 2.0	7.7

Segment Information

Consolidated net sales by segment for FY2005 [forecast]

	FY05 Forecast (27 July)	FY05 Forecast (27 Oct.)	Change	(¥billions) FY04 Results
Energy & Electric Systems	395.0	394.0	-1.0	374.7
ED&C • Drive Systems	175.0	177.0	+ 2.0	178.2
Electronic Devices	165.0	166.0	+ 1.0	143.2
Retail Systems	160.0	163.0	+ 3.0	168.1
Others	50.0	51.0	+ 1.0	45.7
Eliminations	-60.0	66.0	-6.0	-65.9
Total	885.0	885.0	0	844.2

Consolidated operating income by segment for FY2005 [forecast]

(¥billions)

	FY05 Forecast (27 July)	FY05 Forecast (27 Oct.)	Change	FY04 Results
Energy & Electric Systems	9.0	9.0	0	3.2
ED&C • Drive Systems	7.0	8.0	+ 1.0	6.6
Electronic Devices	12.5	13.5	+ 1.0	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	35.0	37.0	+ 2.0	26.8

Energy & Electric Systems Group

In the second half of fiscal 2005, Energy & Electric Systems will use the first-half realignment of its marketing framework to strengthen marketing initiatives targeting each industry, and continue with efforts to restructure its businesses and channel resources into strategic fields. Additionally, the group will reinforce manufacturing capabilities and offer highly competitive products underpinned by advanced technologies to carve out a unique presence in the marketplace. Business initiatives in China and other international markets will be accelerated to boost the ratio of consolidated net sales generated overseas. Using this approach, the group will strengthen its financial position and build a more powerful earnings structure.

ED&C • Drive Systems Group

The group expects buoyant levels of domestic capital investment to continue in the second half of fiscal 2005. However, there are some concerns about the impact of surging crude oil and raw material prices and other factors on manufacturing activities. Against this backdrop, ED&C • Drive Systems will target key industries as it looks to expand sales in Japan. Overseas, the group will upgrade its inverter production and sales sites and work to boost sales, mainly in China. The group will also strive to further boost profitability and strengthen its operating framework by withdrawing from unprofitable product lines and continuing to strip out waste from its operations.

Electronic Devices Group

In semiconductor devices, the group is anticipating more growth in the automotive electronic component sector. Targeting this demand, Electronic Devices will work to boost sales of automotive MOSFETs, as well as products for flat-screen TVs in the IT and power supply

field. These efforts, together with the launch of new IGBT modules for the automotive component and industrial sectors, will help to drive sales growth in the second half of fiscal 2005.

With demand expected to continue growing in the storage device field, the group will boost output of both aluminum and glass magnetic disks and work to bring volume production of new products on stream.

Competition in the imaging device field is projected to intensify in both the US and Europe in the second half. In response, the group will work to ensure its components are adopted by manufacturers for their new products, and also boost cost competitiveness by concentrating production in Shenzhen, China.

Retail Systems Group

The Retail Systems Group will continue efforts to boost the efficiency of manufacturing and sales activities in the second half to generate higher earnings. It will also focus on developing cutting-edge technologies and strengthening marketing capabilities.

In vending machines, food service equipment and currency handling systems, demand spurred by the redesign of yen bills is expected to run its course. However, in drink and food vending machines, the group plans to capture a greater market share by introducing new products—value-added machines that are easier to use and more environmentally friendly and that can dispense products even during natural disasters; and safe, environmentally friendly vending machines that use CO₂ instead of fluorocarbons as the refrigerant. In currency handling systems, the group will focus on equipment for contactless IC cards, demand for which is growing rapidly.

In cold-chain equipment, Retail Systems will work to grow sales by accurately responding to the reorganization of major chain stores and the emergence of new operators from other industries in the retailing field.

Dividends

No decision has yet been made on the year-end dividend applicable to fiscal 2005.

Risk Factors

The Fuji Electric Group works to mitigate business and other risks in a systematic and methodical manner. However, as of September 30, 2005, the Group was subject to various risks, such as those listed below, which could have a negative impact on its operating results and financial position. These risks could have a bearing on investment decisions.

- 1) Risks related to changes in the operating environment
 1. Increases in the cost of raw materials and components
 2. A drop in the price of products due to sudden fluctuations in supply-demand dynamics in the electronics sector
 3. Deterioration in market conditions in China
 4. Exchange rate movements primarily between the yen and the US dollar
 5. An increase in the interest payment burden due to rising interest rates
 6. Deterioration in the financial position or operating environment of investees
- 2) Risks related to product defects, quality, manufacturing costs and other issues
- 3) Risks related to overseas business activities
 1. Unforeseen changes to laws and regulations and changes to tax systems that may have a detrimental effect on the Group
 2. Disadvantages arising from political conditions
 3. Social turmoil related to terrorist incidents, war, unrest and other events
- 4) Risks related to intellectual property
- 5) Risks related to the leak of personal information
- 6) Risks related to major natural disasters
- 7) Risks related to soil contamination issues
- 8) Changes in assumptions related to the calculation of retirement benefit liabilities