

FY2005 First-Quarter Consolidated Financial Results

[Operating Results]

In the first quarter of fiscal 2005, the three-month period from April 1 to June 30, 2005, the Group's operating environment was generally healthy, characterized by progress made with inventory cutbacks in the digital consumer electronics industry and continued moderate growth in private-sector capital investment, despite slower exports in some sectors.

In this climate, the Fuji Electric Group posted an increase in consolidated net sales of 6.0%, to ¥167.6 billion. Three business segments recorded higher sales year on year: Energy & Electric Systems, due to strong sales in industrial and transportation systems on the back of higher private-sector capital investment; Electronic Devices, reflecting significant sales growth in disk media; and Retail Systems, which maintained recent strong sales in vending machines and currency handling systems. ED&C · Drive Systems posted a year-on-year decline, however, due to a drop in sales overseas.

Operating income improved in all business segments due to manufacturing site realignments and Groupwide manufacturing reforms that resulted in cost reductions and lower management expenses. Higher sales also supported this improvement. For the first quarter, the Group recorded an operating loss of ¥1,140 million, ¥5,622 million less than a year earlier, an ordinary loss of ¥620 million, an improvement of ¥5,967 million, and a net loss of ¥1,047 million, ¥1,933 million less than the same period a year earlier.

[Performance by Business Segment]

Energy & Electric Systems

This segment reported an operating loss of ¥9,754 million, an improvement of ¥2,413 million year on year, on net sales of ¥46,866 million, up 1.6%.

The e-solutions strategic business unit (SBU) won major orders for information systems from central and local government customers, but due to a decline in orders for radiation monitoring facilities and other factors sales declined year on year. Operating income improved thanks to specific measures to boost profitability, including cost-cutting initiatives.

Environmental systems secured major orders for electrical equipment used in water

treatment facilities. However, because sales recorded by a subsidiary manufacturing power distribution panels and other products, previously classified under this SBU, are now treated on a groupwide basis, net sales declined slightly compared to a year earlier. Operating income improved marginally.

In industrial and transportation systems, small and medium-sized orders rose on buoyant private-sector capital investment. Together with the boost given by the transfer of the ED&C • Drive Systems Group's power supply business, this supported a significant increase in net sales year on year. Operating income also improved.

Electric power systems recorded a large drop in net sales as major overseas orders for steam turbine power generation equipment declined. Efforts to reduce costs and other factors, however, led to improved operating income.

The plant facility construction business, in a difficult trading environment characterized by further declines in public-sector capital investment, posted a drop in net sales due to a decline in major orders. Initiatives to reduce management expenses and other steps paid off with improved operating income.

ED&C • Drive Systems

This segment posted an increase in operating income of 4.3%, to ¥1,171 million, on net sales of ¥39,018 million, a drop of 6.3% year on year.

In electric distribution & control (ED&C) components in Japan, the group focused on boosting sales to the machine tools sector and other industries that continue to perform well, resulting in higher sales of core products such as magnetic contactors and low-voltage circuit breakers. The group also worked to expand its lineup of new products, particularly the AS-i (actuator-sensor-interface) series of devices used in systems to reduce wiring in networks, and energy monitoring equipment. However, the impact of transferring the power supply business to the Energy & Electric Systems Group was significant, resulting in lower sales in Japan year on year. Overseas, steps were taken to increase sales of manual motor starters and other products to international customers, but sales fell, mainly in China and Taiwan. As a result, overall sales in ED&C components dropped compared to the same period a year earlier, although operating income rose thanks to efforts to reduce total costs, including management expenses.

In control & drive systems, sales in Japan fell due to the impact of postponements for

some scheduled orders and other factors. This decrease was despite the launch of the new FRENIC-Multi Series of inverters and efforts to boost sales by reinforcing marketing functions and proposal-based sales capabilities. Sales also dropped overseas, reflecting a fall in orders in China in the previous fiscal year. As a result, sales and operating income were both down on the first quarter of fiscal 2004.

Electronic Devices

This segment posted an increase in operating income of 49.4%, to ¥1,706 million, on net sales of ¥36,474 million, up 8.3% year on year.

In semiconductors, strong demand from the automotive components sector drove sales of automotive MOSFETs and hybrid ICs for igniters higher. However, sales to customers in the industrial sector declined as buoyant capital investment by NC and machine tool makers in the previous fiscal year appeared to run its course. In the IT and power supply field, demand rose for ICs and MOSFETs used in flat-panel displays (FDPs), but at the same time, sales of diode products for CRT TVs and monitors declined. As a result, net sales and operating income in semiconductors both dropped year on year.

In storage devices, the hard disk drive (HDDs) market was buoyant on strong demand from the consumer electronics and other sectors. In this market environment, the group steadily boosted output of 2.5-inch glass disks, in addition to its mainstay 3.5-inch aluminum (80GB) disks, helping it to win new orders. These efforts were supported by steps to increase productivity and pare back costs. As a result, storage devices posted a substantial increase in sales compared to a year earlier and a significant improvement in operating income.

In imaging devices, sales fell year on year due to intense price competition with Korean and Taiwanese manufacturers in Europe and the U.S. However, operating income rose thanks to improved cost competitiveness resulting from the ongoing shift of manufacturing operations to Shenzhen, China.

Retail Systems

This segment posted an increase in operating income of 91.8%, to ¥5,463 million, on net sales of ¥48,100 million, up 15.4% year on year.

In the vending machine, food equipment and currency handling system field, industry shipments rose year on year, despite a continued drop in prices for mainstay beverage and food vending machines. In this climate, the group achieved an increase in sales that

exceeded the rate of growth in the industry as a whole thanks to the launch of new can vending machines that offer improved durability and energy efficiency, and higher demand for beer vending machines that can detect underage drinkers. A sustained run of major orders for cigarette vending machines since last year helped to boost sales of these products, while there was a marked increase in sales of bill validators in currency handling systems due to continued demand generated by the introduction of new bill designs in Japan. As a result, the group posted a substantial increase in net sales in this field. These higher sales, together with efforts to cut costs and pare back fixed expenses, led to a marked year-on-year increase in operating income.

In cold-chain equipment, sales to the convenience store sector rose. This was attributable to higher demand from leading operators of convenience store chains as they opened new stores and refurbished existing ones, higher investment in the industry as clients moved into ¥100-format stores, and growth in new areas such as Ecolo Unit, a unitized store construction system. However, sales to the supermarket sector dropped year on year as the group felt the impact of an industry-wide slump in capital investment. As a result, net sales and operating income in Retail Systems were both lower than a year earlier.

Others

Net sales in this segment increased 19.8%, to ¥10,170 million, mainly due to the consolidation of a company providing shared personnel, back-office and temporary staffing services. Operating income was ¥214 million, reflecting improved profitability at a company offering shared IT, office and document services.

[Financial Position]

Total assets as of June 30, 2005 stood at ¥855.5 billion, a decrease of ¥26.8 billion compared to the end of fiscal 2004. In assets, inventories rose ¥26.0 billion in preparation for second-quarter sales, while notes and accounts receivable, trade declined ¥51.8 billion. In liabilities, notes and accounts payable, trade fell ¥29.0 billion, while advances from customers increased ¥19.1 billion. As a result, debt declined ¥8.4 billion, to ¥310.0 billion.

Total shareholders' equity as of June 30, 2005 stood at ¥190.9 billion, ¥4.8 billion less than at March 31, 2005, reflecting declines in consolidated retained earnings of ¥3.2 billion and in unrealized gain on other securities of ¥1.6 billion. However, because total assets also declined, the shareholders' equity ratio increased 0.1 of a percentage point, to 22.3%.

Free cash flow in the first quarter totaled ¥6.1 billion, compared to ¥3.0 billion in the same period a year earlier.

Consolidated Interim and Full-year Forecasts for FY2005

In light of recent business performance and other factors, the Company has revised its consolidated interim forecasts for the fiscal year ending March 31, 2006, announced together with results for fiscal 2004 on April 27, 2005. Details are as follows. For further information, please refer to the separate announcement of July 27, 2005, “Fuji Electric Revises FY2005 Interim Earnings Forecasts.”

These forecasts assume an exchange rate of ¥105/\$1.00 for the second quarter of fiscal 2005.

Consolidated interim forecasts for FY2005

(¥ billion)

	Initial	Revised	Change
Net Sales	360.0	368.0	+8.0
Operating Income	-4.0	1.0	+5.0
Ordinary Income	-5.0	0.5	+5.5
Net Income	-6.0	-3.0	+3.0

Consolidated net sales and operating income by segment for 1H FY2005 [forecast]

(¥ billion)

	Net Sales			Operating Income		
	Initial	Revised	Change	Initial	Revised	Change
Energy & Electric Systems	126.0	131.0	+5.0	-14.0	-13.0	+1.0
ED&C • Drive Systems	83.0	83.0	0	3.0	3.0	0
Electronic Devices	74.0	74.0	0	4.5	5.5	+1.0
Retail Systems	80.0	86.0	+6.0	3.0	5.0	+2.0
Others	24.0	24.0	0	0.5	0.5	0
Eliminations/Corporate	-27.0	-30.0	-3.0	-1.0	0	+1.0
Total	360.0	368.0	+8.0	-4.0	1.0	+5.0

Although there are currently still some uncertainties regarding full-year forecasts for fiscal 2005, the Company has revised its projections as follows to reflect the upward revisions to its interim forecasts.

Consolidated full-year forecasts for FY2005

(¥ billion)

	Initial	Revised	Change
Net Sales	875.0	885.0	+10.0
Operating Income	32.0	35.0	+3.0
Ordinary Income	30.0	33.0	+3.0
Net Income	12.0	14.0	+2.0

Consolidated net sales and operating income by segment for FY2005 [forecast]

(¥ billion)

	Net Sales			Operating Income		
	Initial	Revised	Change	Initial	Revised	Change
Energy & Electric Systems	390.0	395.0	+5.0	9.0	9.0	0
ED&C • Drive Systems	175.0	175.0	0	7.0	7.0	0
Electronic Devices	165.0	165.0	0	11.0	12.5	+1.5
Retail Systems	155.0	160.0	+5.0	4.5	6.0	+1.5
Others	50.0	50.0	0	2.0	2.0	0
Eliminations/Corporate	-60.0	-60.0	0	-1.5	-1.5	0
Total	875.0	885.0	+10.0	32.0	35.0	+3.0

[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.