

Overview of Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2007

Results of Operations

Although the Fuji Electric Group faced a number of negative factors in the third quarter of fiscal 2006, the fiscal year ending March 31, 2007, such as inventory adjustment in producer goods used in IT-related fields, the overall operating environment remained favorable. This reflected strong economic growth in Asia, particularly China, and higher private-sector capital investment in Japan.

In this environment, the Fuji Electric Group actively promoted its growth strategies based on the Group's medium-term management plan, while at the same time working to strengthen its cost competitiveness through Group-wide business process reengineering.

Against this backdrop, the Fuji Electric Group's third-quarter consolidated operating results were as follows:

Compared to the same period a year earlier, sales rose in the following Groups: Energy & Electric Systems, on the strength of large overseas orders for electric power plants; ED&C · Drive Systems, due to higher sales both at home and overseas on the back of strong private-sector capital investment; and Electronic Devices, supported by significantly higher sales in both semiconductors and storage devices. However sales fell year-on-year in Retail Systems, hurt by slower sales of vending machines and currency handling systems.

Despite escalating raw material prices, Fuji Electric operating income and ordinary income in the third quarter were significantly higher than the same period a year earlier. This marked improvement in profitability was mainly due to higher sales resulting from measures to increase orders, efforts to reduce costs through Group-wide business process reengineering (BPR) and strategic reallocations of human resources in response to a changing business portfolio. However, the Company posted a decline in net income due to extraordinary losses related to measures to streamline its workforce.

The Energy & Electric Systems and ED&C · Drive Systems groups delivered improved results, while the Electronic Devices and Retail Systems groups reported a decline in earnings.

In the first nine months of the current fiscal year, the Energy & Electric Systems, ED&C · Drive Systems and Electronic Devices groups reported year-on-year increases in net sales. Sales were lower in the Retail Systems Group due mainly to a slowdown in vending machines, food service equipment and currency handling systems.

Operating income, ordinary income and net income for the first nine months of the current fiscal year were significantly higher compared to the same period a year earlier.

(¥millions)

	Three months			Nine months		
	FY2005	FY2006	increase	FY2005	FY2006	increase
Net sales	189,104	201,169	+6%	558,432	602,133	+8%
Operating income	2,061	2,990	+45%	5,393	9,762	+81%
Ordinary income	2,448	4,467	+82%	6,167	12,111	+96%
Net income	3,398	2,860	-16%	2,653	6,519	+146%

Segment Information

Energy & Electric Systems Group

Sales up 11.6% year on year, operating income improved by ¥2.6 billion

Net sales increased 11.6% year on year to ¥76.7 billion, while the operating loss shrank by ¥2,680 million to ¥1,709 million. In this segment, sales and earnings, particularly for the industrial plant business, are heavily concentrated in the fourth quarter.

In the e-solutions field, priority was given to operating profitability and stricter project management in information systems. As a result, sales were lower but operating profitability improved compared to the previous fiscal year.

Environmental systems posted a year-on-year decrease in sales, due to a decline in the number of large water treatment system projects. However, operating profitability improved, reflecting positive benefits from measures to reduce costs.

In industrial plant engineering, sales were significantly higher on the back of new orders for electrical equipment to the steel and other basic materials sectors and to railroads. Operating profitability also turned around.

Sales in electric power systems were significantly higher compared to the same period a year earlier as the group booked overseas sales related to several large geothermal power generation systems. Operating profitability improved.

Sales in plant facility construction were lower compared to a year earlier, mainly due to a decline in large orders. However, operating profitability improved, reflecting measures to slash costs.

In the first nine months of the current fiscal year, although sales in e-solutions and environmental systems were lower, the industrial plant engineering, electric power systems and plant facility construction businesses recorded higher sales. As a result, group sales rose above the previous fiscal year. Operating income was markedly higher reflecting improvements in all areas of operations.

ED&C • Drive Systems

Sales up 8.8% and operating income up 86.9%

Net sales increased 8.8% year on year to ¥49.3 billion, while operating income rose 86.9% to ¥3,261 million.

In ED&C components, the group concentrated on machine tool manufacturers and other buoyant sectors in the domestic market. In overseas markets, sales were higher for core products such as magnetic contactors, as the group concentrated on boosting sales of products designed to conform to overseas product standards. As a result, ED&C components posted a year-on-year increase in sales. Despite escalating raw material prices, operating income was higher compared to the same period a year earlier, as these higher prices were offset by the increase in sales and total cost reductions.

In control and drive systems, domestic sales to core customer sectors, including makers of automobiles, machine tools and transportation equipment, were robust supported by favorable business conditions in those sectors. Overseas, sales of major products, such as inverters, servo systems and programmable operation displays were also favorable, particularly in China. As a result, both sales and operating income were significantly higher compared to the same period a year earlier.

In the first nine months of the current fiscal year sales were higher in both ED&C components and

control and drive systems and operating income was markedly higher than the same period a year earlier.

Electronic Devices Group

Sales up 4.2% but operating income falls 30.1%

Net sales increased 4.2% year on year to ¥44.6 billion, but operating income fell 30.1% to ¥2,831 million.

In semiconductor devices, multi-chip devices used in power supplies for flat-screen TVs, high-voltage driver ICs for plasma display panels (PDPs) and power supply ICs in the IT and power supply fields saw a rapid slowdown in sales due to production cutbacks at major customers. In the industrial sector, sales of IGBT modules for inverters rose, led by strong demand in the Chinese and European markets. In automotive-related products, sales of IGBT modules for hybrid cars and MOSFETs were sharply higher.

As a result, sales of semiconductor devices grew year on year. However, operating profitability was lower, hurt by lower sales volume and declining prices in IT and power supplies.

In magnetic disks, sales of aluminum substrate disks were higher as the hard disk drive (HDDs) market expanded and the company beefed up production capacity in response. However, affected by production cutbacks at major customers, sales of glass substrate disks were sluggish. Nevertheless, aggregate sales of disk media were higher. Operating profitability fell short of the same period in the previous fiscal year owing to higher fixed costs, including rising depreciation following capital investment to boost production capacity, declining prices amid intensifying competition and the effect of higher raw material prices. The group continues to increase production capacity of glass substrate disks incorporating perpendicular magnetic recording technology, in order to respond to an increasing demand for higher storage capacity.

In imaging devices, total sales were lower due to a decline in sales to major Chinese customers and lower prices, which outweighed the benefits of favorable sales to finished product manufacturers. Operating profitability was higher as the group completed the consolidation of manufacturing facilities in China.

In the first nine months of the current fiscal year, although sales of imaging devices were lower, the slowdown was more than offset by strong sales of semiconductors and magnetic disks. As a result, aggregate group sales were higher than the same period a year earlier. Operating income also rose.

Retail Systems Group

Sales down 3.9% and operating income down ¥0.7 billion

Net sales declined 3.9% to ¥34.8 billion, while operating income declined by ¥720 million to a loss of ¥1,220 million.

In vending machines, food service equipment and currency handling systems, prices of mainstay beverage vending machines were lower and shipments of cigarette vending machines declined as customers deferred purchases of cigarette vending machines with age identification features. Sales of currency handling systems also decreased. As a result, aggregate group sales fell short of the same period a year earlier. Operating profitability, affected by lower sales, also declined.

In cold-chain equipment, store construction sales were higher due to strong orders for Ecolo units. On the other hand, sales to the supermarket and convenience store sectors were sluggish. As a result, aggregate group sales fell short of the same period a year earlier but operating profitability improved as

a result of cost-cutting measures.

In the first nine months of the current fiscal year, cold-chain equipment sales rose but those of vending machines, food service equipment and currency handling systems suffered significant setbacks. As a result, sales fell below the same period a year earlier. Operating income was also sharply lower.

Others

Sales up 10.8% and operating income up 9.4%

Net sales increased 10.8% to ¥11.0 billion, while operating income rose 9.4% to ¥302 million.

In the first nine months of the current fiscal year, net sales increased 3.8% to ¥36.3 billion while operating income was up 2.0% to ¥1,254 million.

Financial Position

Total assets as of the end of the third quarter were ¥1,019.7 billion, an increase of ¥58.1 billion compared with the end of the third quarter a year ago.

The principal items contributing to the increase

were notes and accounts receivable, trade, tangible fixed assets reflecting aggressive capital investment and an increase in the market value of other securities.

Debt as of the end of the third quarter amounted to ¥326.3 billion, an increase of ¥24.7 billion from end of the third quarter a year ago. The increase resulted from an increase in long-term debt and the issuance of corporate bonds to fund future capital investment.

Net assets totaled ¥282.7 billion as of the end of the third quarter, an increase of ¥40.9 billion compared with the end of the third quarter a year ago. The primary sources contributing to the increase were retained earnings and an increase in unrealized gain on other securities (The net asset figure as of the end of the third quarter a year ago did not include minority interests). Shareholders' equity (net assets less minority interests) increased ¥31.3 billion over the same period and the D/E ratio was unchanged at 1.2 compared to the end of the third quarter in the previous fiscal year.

Free cash flow was a negative ¥33.5 billion, compared with a positive free cash flow of ¥6.4 billion in the same period a year earlier.

This was mainly because net cash used in operating activities was ¥18.6 billion, compared to net cash

provided by operating activities of ¥10.7 billion in the same period a year earlier, since the interim balance sheet day was a bank holiday. Furthermore, net cash used in investing activities was ¥14.9 billion, compared with net cash used in investing activities of ¥4.2 billion in the same period a year earlier, due mainly to aggressive capital investment, particularly in magnetic disks.

(¥billions, %, times)

	31/12/05	Share	31/12/06	Share	increase
Total asset	961.6	100%	1,019.7	100%	+58.1
Interest-bearing debt	301.5	31.4%	326.3	32.0%	+24.7
Shareholders' equity	241.7	25.1%	273.1	26.8%	+31.3
D/E ratio	1.2		1.2		0.0

*Shareholders'equity = net assets-minority interest in consolidated subsidiaries

*D/E ratio = interest-bearing debt/shareholders'equity

(¥billions)

	3Q FY05	3Q FY06
Cash flows from operating activities	10.7	-18.6
Cash flows from investing activities	-4.2	-14.9
Free cash flows	-6.4	-33.5
Cash flows from financing activities	-3.5	36.1
Cash and cash equivalents at the end of the third quarter	21.2	21.4

On the other hand, cash and cash equivalents at the end of the third quarter totaled ¥21.4 billion, up from ¥21.2 billion at the end of the third quarter of the previous fiscal year, due mainly to the issuance of commercial paper to offset the decline in the free cash flow.

Outlook for the Fiscal Year Ending March 31, 2007

The Company is projecting consolidated net sales of ¥910.0 billion, up 1.4% year on year, for the current fiscal year.

Energy & Electric Systems Group

The group expects sales to rise year on year, driven by continued brisk capital investment at home and abroad. The group plans to concentrate management resources on basic materials sectors, including the steel and chemical sectors, in addition to businesses for electrical and electronic equipment.

ED&C · Drive Systems Group

The group expects sales to surpass the previous fiscal year due to further initiatives to expand sales in view of the continuing strong demand environment.

Electronic Devices Group

In semiconductor devices, the group will work to boost production and develop new devices in IGBT modules for industrial applications and automotive components. In magnetic disks, the group plans to boost production of glass substrate disks incorporating perpendicular magnetic recording technology, while at the same time developing new products and working on winning more orders. As a result, the group's business results are expected to be higher than the previous fiscal year.

Retail Systems Group

The group's business results are likely to fall short of the previous fiscal year, affected by slower sales of vending machines, food service equipment and currency handling systems.

Regarding earnings, the Company is projecting operating income of ¥45.5 billion, up 10.9% year on year. Operating income in the Energy and Electric Systems, ED&C · Drive Systems and Electronic Devices groups is expected to be higher than the previous fiscal year, but that in the Retail Systems Group is likely to be lower due mainly to lower sales.

Ordinary income is projected at ¥46.5 billion, an increase of ¥4.7 billion compared to the previous fiscal year. Net income is forecast at ¥21.0 billion, up ¥2.4 billion from the previous fiscal year. Both operating income and ordinary income are expected to break previous records as an operating income margin of 5% is achieved.

Recent performance of the Energy and Electric Systems Group and ED&C · Drive Systems Group has been favorable compared with our previous forecasts released on October 30, 2006, but net sales and earnings in the Electronic Devices Group and the Retail Systems Group are likely to be marginally below forecasts due mainly to deteriorating market conditions.

On January 24, 2007, Fuji Electric Holdings Co., Ltd. and Fuji Electric Systems Co., Ltd. (collectively hereinafter referred to as "Fuji") received from the European Commission a decision imposing on Fuji a fine of 2.4 million euros (approx. ¥380 million) for its anti-competitive activities concerted with European manufacturers relating to gas insulated switchgear (GIS). The decision also imposes on Fuji a fine of 1.35 million euros (approx. ¥210 million) jointly and severally with Japan AE Power Systems Corporation, a 30% Group equity-method affiliate, and Hitachi, Ltd.

The Group judges at this point that the impact the decision will make on its consolidated profitability will be minor. It will peruse the details of the decision and take honest action.

Consolidated Business Forecast for FY2006

(¥billions)

	FY05 Results	FY06 Forecast as of 26 Jan.	Change	FY06 Forecast as of 30 Oct.
Net sales	897.2	910.0	+ 12.8	920.0
Operating income	(4.6%) 41.0	(5.0%) 45.5	+ 4.5	(5.1%) 47.0
Ordinary income	41.8	46.5	+ 4.7	47.0
Net income	18.6	21.0	+ 2.4	22.5

(OP margin%)

Segment Information**Consolidated net sales by segment for FY2006 [forecast]**

(¥billions)

	FY05 Results	FY06 Forecast as of 26 Jan.	Change	FY06 Forecast as of 30 Oct.
Energy & Electric Systems	398.1	404.0	+ 5.9	400.0
ED&C · Drive Systems	182.5	192.0	+ 9.5	190.0
Electronic Devices	173.4	183.0	+ 9.6	193.0
Retail Systems	162.1	154.0	- 8.1	161.0
Others	52.2	56.0	+ 3.8	55.0
Eliminations	- 71.2	- 79.0	- 7.8	- 79.0
Total	897.2	910.0	+ 12.8	920.0

Consolidated operating income by segment for FY2006 [forecast]

(¥billions)

	FY05 Results	FY06 Forecast as of 26 Jan.	Change	FY06 Forecast as of 30 Oct.
Energy & Electric Systems	7.0	11.5	+ 4.5	11.0
ED&C · Drive Systems	7.9	11.5	+ 3.6	10.5
Electronic Devices	18.1	19.0	+ 0.9	21.0
Retail Systems	5.8	2.5	- 3.3	4.0
Others	2.1	2.5	+ 0.4	2.0
Eliminations/Corporate	- 0.1	- 1.5	- 1.4	- 1.5
Total	41.0	45.5	+ 4.5	47.0

[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.