

Consolidated Financial Report for the fiscal year ended March 31, 2007
(April 1, 2006 - March 31, 2007)

Summary of Consolidated Financial Results

1. Summary of consolidated statements of income

	Millions of yen		Change(%) (A)/(B)	Millions of U.S. dollars
	FY2006(A) [3/2007]	FY2005(B) [3/2006]		FY2006 [3/2007]
Net sales	908,059	897,277	101.2%	7,695
Operating income	46,208	41,012	112.7%	392
Ordinary income	48,762	41,831	116.6%	413
Net income	23,142	18,603	124.4%	196
	Yen			U.S. dollars
Net income per share	32.37	25.70	-	0.27

2. Summary of consolidated financial position

	Millions of yen		Millions of U.S. dollars
	3/31/2007	3/31/2006	3/31/2007
Total assets	1,024,832	990,054	8,685
Net assets	284,553	275,072	2,411
Shareholders' equity ratio (%)	26.8%	27.8%	-
	Yen		U.S. dollars
Net Assets per share	384.53	384.38	3.26

3. Summary of consolidated statements of cash flows

	Millions of yen		Millions of U.S. dollars
	FY2006(A) [3/2007]	FY2005(B) [3/2006]	FY2006 [3/2007]
Net cash provided by operating activities	12,764	60,200	108
Net cash used in investing activities	-34,440	-6,597	-292
Net cash provided by (used in) financing activities	18,755	-49,470	159
Cash and cash equivalents at end of period	19,135	21,413	162

Note: 1) U.S. dollar amounts in this financial report are translated, for convenience only, at the rate of ¥118=U.S. \$1
2) The company has 67 consolidated subsidiaries and 2 equity-method affiliates.

4. Forecast of consolidated earnings for the fiscal year ending March 31, 2007
(April 1, 2006 - March 31, 2007)

	Millions of yen	
	1st half	Full year
Net sales	420,000	960,000
Operating income	5,500	47,500
Ordinary income	5,000	46,000
Net income	2,000	24,500
		Yen
Net income per share		34.27

< 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 Balance Sheets

	Millions of yen		Change	Millions of U.S. dollars
	3/31/2007(A)	3/31/2006(B)	(A) - (B)	3/31/2007
Assets				
Current assets:				
Cash and time deposits	19,247	21,527	-2,280	163
Trade receivables	259,107	240,599	18,508	2,196
Inventories	149,716	137,442	12,274	1,269
Other current assets	55,330	42,481	12,849	469
Total current assets	483,401	442,049	41,352	4,097
Long-term assets:				
Tangible fixed assets	169,557	150,350	19,207	1,437
Intangible fixed assets	8,736	8,351	385	74
Investments and other assets	362,905	389,302	-26,397	3,075
Total long-term assets	541,198	548,004	-6,806	4,586
Deferred assets	231	-	231	2
Total assets	1,024,832	990,054	34,778	8,685
Liabilities				
Current liabilities:				
Trade payables	197,361	181,082	16,279	1,673
Short-term debt	84,528	64,645	19,883	716
Other current liabilities	226,365	244,568	-18,203	1,918
Total current liabilities	508,255	490,297	17,958	4,307
Long-term liabilities:				
Bonds	110,000	80,000	30,000	932
Long-term debt	37,380	42,700	-5,320	317
Other long-term liabilities	84,643	92,167	-7,524	717
Total long-term liabilities	232,023	214,867	17,156	1,966
Total liabilities	740,278	705,164	35,114	6,274
Net Assets				
Shareholders' equity:				
Common stock	47,586	-	-	403
Capital surplus	46,717	-	-	396
Retained earnings	104,959	-	-	889
Treasury stock at cost	-6,985	-	-	-59
Total shareholders' equity	192,277	-	-	1,629
Valuation and translation adjustments:				
Unrealized gain on other securities, net of taxes	82,563	-	-	700
Deferred gain on Hedges	30	-	-	0
Foreign currency translation adjustments	21	-	-	0
Total valuation and translation adjustments	82,614	-	-	700
Minority interests in consolidated subsidiaries	9,661	-	-	82
Total net assets	284,553	-	-	2,411
Total liabilities and net assets	1,024,832	-	-	8,685
Minority interests in consolidated subsidiaries	-	9,817	-	-
Shareholders' equity:				
Common stock	-	47,586	-	-
Capital surplus	-	46,713	-	-
Retained earnings	-	88,175	-	-
Unrealized gain on other securities, net taxes	-	100,029	-	-
Foreign currency translation adjustments	-	-544	-	-
Treasury stock at cost	-	-6,887	-	-
Total shareholders' equity	-	275,072	-	-
Total liabilities, minority interests and shareholders' equity	-	990,054	-	-
Interest-bearing debt	299,908	275,046	-	2,542

Consolidated Statements of Income

	Millions of yen		Change (A)/(B)	Millions of U.S. dollars
	FY2006(A) [3/2007]	FY2005(B) [3/2006]		FY2006 [3/2007]
Net sales	908,059	897,277	101.2%	7,695
Cost of sales	708,836	702,006	101.0%	6,007
Gross profit	199,222	195,270	102.0%	1,688
Selling, general and administrative expenses	153,013	154,258	99.2%	1,297
Operating income	46,208	41,012	112.7%	392
Non-operating income	7,746	6,447	120.1%	66
Interest and dividends received	3,709	2,849		31
Other	4,037	3,598		34
Non-operating expenses	5,193	5,629	92.3%	44
Interest expense	3,868	2,987		33
Other	1,324	2,642		11
Ordinary income	48,762	41,831	116.6%	413
Extraordinary income	2,839	4,380		24
Extraordinary loss	11,126	12,048		94
Income before income taxes	40,474	34,163	118.5%	343
Income taxes and business tax	14,077	13,264		119
Deferred income taxes	2,268	1,986		19
Minority interests in net income of consolidated subsidiaries	984	308		8
Net income	23,142	18,603	124.4%	196

Consolidated Statements of Cash Flows

	Millions of yen		Change (A)/(B)	Millions of
	FY2006(A) [3/2007]	FY2005(B) [3/2006]		U.S. dollars FY2006 [3/2007]
Cash flows from operating activities:				
Income before income taxes and minority interests	40,474	34,163	6,311	343
Depreciation and amortization	17,544	15,721	1,823	149
Interest and dividend income	-3,709	-2,849	-860	-31
Interest expense	3,868	2,987	881	33
Change in operating assets and liabilities:				
Trade receivables	-19,967	2,205	-22,172	-169
Inventories	-7,116	-409	-6,707	-60
Trade payables	15,367	4,643	10,724	130
Advances from customers	-3,937	-2,374	-1,563	-33
Other, net	-15,331	12,537	-27,868	-130
Cash generated from operations	27,191	66,623	-39,432	230
Interest and dividends received	3,704	2,873	831	31
Interest paid	-3,719	-3,011	-708	-32
Income taxes paid	-14,411	-6,285	-8,126	-122
Net cash provided by operating activities	12,764	60,200	-47,436	108
Cash flows from investing activities:				
Payments for purchase of fixed assets and investment securities	-35,603	-20,528	-15,075	-302
Proceeds from sales of fixed assets and investment securities	4,529	14,202	-9,673	38
Other, net	-3,367	-272	-3,095	-29
Net cash used in investing activities	-34,440	-6,597	-27,843	-292
Free cash flows (+)	-21,676	53,603	-75,279	-184
Cash flows from financing activities:				
Increase (decrease) in short-term borrowings, net	1,326	-7,946	9,272	11
Increase (decrease) in commercial paper, net	-19,700	-29,300	9,600	-167
Proceeds from long-term debt and bonds	163,913	1,304	162,609	1,389
Repayments of long-term debt and redemption of bonds	-120,659	-9,143	-111,516	-1,023
Other, net	-6,124	-4,384	-1,740	-52
Net cash provided by (used in) financing activities	18,755	-49,470	68,225	159
Effect of exchange rate changes on cash and cash equivalents	213	591	-378	2
Net increase (decrease) in cash and cash equivalents (+ + +)	-2,707	4,724	-7,431	-23
Cash and cash equivalents at beginning of year	21,413	16,215	5,198	181
Increase in cash and cash equivalents resulting from changes of consolidated subsidiaries	429	474	-45	4
Cash and cash equivalents at end of year	19,135	21,413	-2,278	162

Consolidated Business Segment Information

1. Net sales by business segment

	Millions of yen		Change(%) (A)/(B)	Millions of U.S. dollars
	FY2006(A) [3/2007]	FY2005(B) [3/2006]		FY2006 [3/2007]
Energy & Electric Systems	401,855	398,197	100.9%	3,406
ED&C·Drive Systems	193,909	182,511	106.2%	1,643
Electronic Devices	182,399	173,402	105.2%	1,546
Retail Systems	152,571	162,195	94.1%	1,293
Others	65,505	52,200	125.5%	555
Subtotal	996,241	968,508	102.9%	8,443
Elimination	-88,182	-71,231	-	-747
Total	908,059	897,277	101.2%	7,695

2. Operating income by business segment

	Millions of yen		Change(%) (A)/(B)	Millions of U.S. dollars
	FY2006(A) [3/2007]	FY2005(B) [3/2006]		FY2006 [3/2007]
Energy & Electric Systems	12,161	7,024	173.1%	103
ED&C·Drive Systems	11,593	7,903	146.7%	98
Electronic Devices	19,222	18,195	105.6%	163
Retail Systems	2,507	5,873	42.7%	21
Others	2,105	2,136	98.5%	18
Subtotal	47,590	41,133	115.7%	403
Elimination/Corporate	-1,381	-120	-	-12
Total	46,208	41,012	112.7%	392

3. Assets by business segment

	Millions of yen		Change(%) (A)/(B)	Millions of U.S. dollars
	FY2006(A)	FY2005(B)		FY2006
	[3/2007]	[3/2006]	[3/2007]	
Energy & Electric Systems	326,265	318,713	102.4%	2,765
ED&C·Drive Systems	148,926	131,381	113.4%	1,262
Electronic Devices	188,339	149,568	125.9%	1,596
Retail Systems	103,600	92,355	112.2%	878
Others	54,728	44,664	122.5%	464
Subtotal	821,860	736,683	111.6%	6,965
Elimination/Corporate	202,972	253,371	-	1,720
Total	1,024,832	990,054	103.5%	8,685

4. Depreciation and amortization by business segment

	Millions of yen		Change(%) (A)/(B)	Millions of U.S. dollars
	FY2006(A)	FY2005(B)		FY2006
	[3/2007]	[3/2006]	[3/2007]	
Energy & Electric Systems	5,157	4,632	111.3%	44
ED&C·Drive Systems	1,839	1,797	102.3%	16
Electronic Devices	8,037	6,707	119.8%	68
Retail Systems	1,317	1,337	98.5%	11
Others	935	918	101.9%	8
Subtotal	17,288	15,393	112.3%	147
Elimination/Corporate	255	327	-	2
Total	17,544	15,721	111.6%	149

5. Capital expenditure by business segment

	Millions of yen		Change(%) (A)/(B)	Millions of U.S. dollars
	FY2006(A)	FY2005(B)		FY2006
	[3/2007]	[3/2006]	[3/2007]	
Energy & Electric Systems	5,637	4,206	134.0%	48
ED&C·Drive Systems	2,911	2,188	133.0%	25
Electronic Devices	26,011	17,342	150.0%	220
Retail Systems	2,739	2,028	135.1%	23
Others	731	824	88.7%	6
Subtotal	38,031	26,590	143.0%	322
Elimination/Corporate	35	216	-	0
Total	38,067	26,806	142.0%	323

Consolidated Geographic Segment information

1. Net sales

	Millions of yen		Change(%)	Millions of U.S. dollars
	FY2006(A) [3/2007]	FY2005(B) [3/2006]	(A)/(B)	FY2006 [3/2007]
Japan	898,536	879,548	102.2%	7,615
North America	7,446	9,496	78.4%	63
Europe	14,327	14,766	97.0%	121
Asia (except for China)	41,142	35,139	117.1%	349
China	45,909	43,416	105.7%	389
Subtotal	1,007,363	982,367	102.5%	8,537
Elimination/Corporate	-99,304	-85,089	-	-842
Total	908,059	897,277	101.2%	7,695

2. Operating income

	Millions of yen		Change(%)	Millions of U.S. dollars
	FY2006(A) [3/2007]	FY2005(B) [3/2006]	(A)/(B)	FY2006 [3/2007]
Japan	41,376	36,107	114.6%	351
North America	369	239	154.4%	3
Europe	408	259	157.5%	3
Asia (except for China)	2,017	2,176	92.7%	17
China	2,686	1,735	154.8%	23
Subtotal	46,859	40,518	115.6%	397
Elimination/Corporate	-651	494	-	-6
Total	46,208	41,012	112.7%	392

3. Assets

	Millions of yen		Change(%) (A)/(B)	Millions of U.S. dollars
	FY2006(A) [3/2007]	FY2005(B) [3/2006]		FY2006 [3/2007]
Japan	764,471	703,755	108.6%	6,479
North America	3,405	4,304	79.1%	29
Europe	5,304	5,904	89.8%	45
Asia (except for China)	47,268	25,143	188.0%	401
China	29,997	25,939	115.6%	254
Subtotal	850,447	765,048	111.2%	7,207
Elimination/Corporate	174,384	225,006	-	1,478
Total	1,024,832	990,054	103.5%	8,685

4. Net overseas sales

	Millions of yen		Change(%) (A)/(B)	Millions of U.S. dollars
	FY2006(A) [3/2007]	FY2005(B) [3/2006]		FY2006 [3/2007]
North America	15,796	17,643	89.5%	134
Europe	16,787	19,721	85.1%	142
Asia (except for China)	114,408	125,998	90.8%	970
China	40,205	31,216	128.8%	341
Other	7,046	9,577	73.6%	60
Total	194,244	204,148	95.1%	1,646

< Ratio to net sales >

North America	1.7%	2.0%
Europe	1.9%	2.2%
Asia (except for China)	12.6%	14.0%
China	4.4%	3.5%
Other	0.8%	1.1%
Total	21.4%	22.8%

Consolidated Statements of Income for 4Q FY2006

	Millions of yen		Change (A)/(B)	<i>Millions of U.S. dollars</i>
	FY2006 4Q (A)	FY2005 4Q (B)		FY2006 4Q (A)
Net sales	305,925	338,844	90.3%	2,593
Cost of sales	229,600	262,354	87.5%	1,946
Gross profit	76,325	76,490	99.8%	647
Selling, general and administrative expenses	39,879	40,870	97.6%	338
Operating income	36,445	35,619	102.3%	309
Non-operating income	1,677	1,370	122.4%	14
Interest and dividends received	271	287		2
Other	1,406	1,083		12
Non-operating expenses	1,473	1,326	111.1%	12
Interest expense	1,212	834		10
Other	260	491		2
Ordinary income	36,650	35,664	102.8%	311
Extraordinary income	1,765	513		15
Extraordinary loss	6,764	7,022		57
Income before income taxes	31,650	29,154	108.6%	268
Income taxes and business tax	14,003	12,499		119
Minority interests in net income of consolidated subsidiaries	1,024	705		9
Net income	16,623	15,949	104.2%	141

Consolidated Segment Information for 4Q FY2006

1. Net sales by business segment

	Millions of yen		Change(%) (A)/(B)	Millions of U.S. dollars
	FY2006 4Q (A)	FY2005 4Q (B)		FY2006 4Q (A)
Energy & Electric Systems	176,054	200,001	88.0%	1,492
ED&C·Drive Systems	49,861	53,338	93.5%	423
Electronic Devices	45,871	54,570	84.1%	389
Retail Systems	43,298	38,222	113.3%	367
Others	29,176	17,213	169.5%	247
Subtotal	344,262	363,346	94.7%	2,917
Elimination	-38,336	-24,501	-	-325
Total	305,925	338,844	90.3%	2,593

2. Operating income by business segment

	Millions of yen		Change(%) (A)/(B)	Millions of U.S. dollars
	FY2006 4Q (A)	FY2005 4Q (B)		FY2006 4Q (A)
Energy & Electric Systems	22,535	24,024	93.8%	191
ED&C·Drive Systems	3,522	2,902	121.4%	30
Electronic Devices	7,002	7,540	92.9%	59
Retail Systems	2,867	1,011	283.6%	24
Others	851	906	93.9%	7
Subtotal	36,779	36,386	101.1%	312
Elimination/Corporate	-333	-766	-	-3
Total	36,445	35,619	102.3%	309

Supplemental Consolidated Financial Materials for FY2006

(April 1, 2006 - March 31, 2007)

1. Financial summary

	Billions of yen					
	FY2005		FY2006 [3/2007]		FY2007 Forecast	
	change(%)		change(%)		change(%)	
Net sales	897.2	106.3%	908.0	101.2%	960.0	105.7%
Operating income	41.0	152.9%	46.2	112.7%	47.5	102.8%
Ordinary income	41.8	188.2%	48.7	116.6%	46.0	94.3%
Net income	18.6	238.6%	23.1	124.4%	24.5	105.9%

2. Number of consolidated subsidiaries

	FY2005	FY2006 [3/2007]	FY2007 Forecast
Number of consolidated subsidiaries	67	67	68
Japan	46	46	48
Overseas	21	21	20
Number of equity-method affiliates	2	2	2

3. Net income per share

	Yen		
	FY2005	FY2006 [3/2007]	FY2007 Forecast
Net income per share	25.70	32.37	34.27

4. Sales exchange rate (US\$)

	Yen		
	FY2005	FY2006 [3/2007]	FY2007 Forecast
Sales exchange rate	113.31	117.02	112.50

5. Net sales by business segment

	Billions of yen					
	FY2005		FY2006 [3/2007]		FY2007 Forecast	
	change(%)		change(%)		change(%)	
Energy & Electric Systems	398.1	106.2%	401.8	100.9%	400.0	99.5%
ED&C·Drive Systems	182.5	102.4%	193.9	106.2%	200.0	103.1%
Electronic Devices	173.4	121.1%	182.3	105.2%	215.0	117.9%
Retail Systems	162.1	96.5%	152.5	94.1%	165.0	108.1%
Others	52.2	114.1%	65.5	125.5%	62.0	94.6%
Subtotal	968.5	106.4%	996.2	102.9%	104.2	104.6%
Elimination	-71.2	-	-88.1	-	-82.0	-
Total	897.2	106.3%	908.0	101.2%	960.0	105.7%

Note : Net sales include inter-segment transactions.

6. Operating income by business segment

	Billions of yen					
	FY2005		FY2006 [3/2007]		FY2007 Forecast	
	change(%)		change(%)		change(%)	
Energy & Electric Systems	7.0	219.2%	12.1	173.1%	9.5	78.1%
ED&C·Drive Systems	7.9	118.8%	11.5	146.7%	12.0	103.5%
Electronic Devices	18.1	191.6%	19.2	105.6%	22.0	114.5%
Retail Systems	5.8	78.8%	2.5	42.7%	4.5	179.5%
Others	2.1	123.2%	2.1	98.5%	2.0	95.0%
Subtotal	41.1	144.1%	47.5	115.7%	50.0	105.1%
Elimination/Corporate	-0.1	-	-1.3	-	-2.5	-
Total	41.0	152.9%	46.2	112.7%	47.5	102.8%

7. Net overseas sales

	Billions of yen					
	FY2005		FY2006 [3/2007]		FY2007 Forecast	
	change(%)		change(%)		change(%)	
North America	17.6	119.7%	15.7	89.5%	17.3	109.8%
Europe	19.7	153.6%	16.7	85.1%	18.0	107.4%
Asia (except for China)	125.9	173.6%	114.4	90.8%	134.0	117.2%
China	31.2	106.4%	40.2	128.8%	48.4	120.6%
Other	9.5	73.4%	7.0	73.6%	6.7	95.1%
Total	204.1	143.2%	194.2	95.1%	224.6	115.6%

8. R&D expenditures

	Billions of yen					
	FY2005		FY2006 [3/2007]		FY2007 Forecast	
	change(%)		change(%)		change(%)	
Energy & Electric Systems	9.3	101.6%	9.8	105.9%	10.3	105.0%
ED&C·Drive Systems	3.7	101.2%	4.0	108.6%	4.5	109.9%
Electronic Devices	11.2	128.6%	14.3	127.7%	15.3	106.9%
Retail Systems	3.7	98.6%	4.1	111.9%	4.4	106.7%
Others	0.0	-	0.0	-	0.0	-
Corporate (basic research)	0.8	51.5%	0.0	-	0.0	-
Total	29.0	106.6%	32.5	112.2%	34.7	106.7%
Ratio to net sales (%)	3.2%	-	3.6%	-	3.6%	-

9. Plant and equipment investment (including leases)

	Billions of yen					
	FY2005		FY2006 [3/2007]		FY2007 Forecast	
	change(%)		change(%)		change(%)	
Energy & Electric Systems	3.7	100.6%	9.0	240.2%	8.3	92.8%
ED&C·Drive Systems	4.0	97.5%	6.5	160.6%	5.3	82.6%
Electronic Devices	39.2	171.5%	48.3	123.1%	51.8	107.2%
Retail Systems	3.9	120.0%	5.5	140.6%	4.5	82.0%
Others	1.7	131.3%	1.8	107.4%	2.2	121.6%
Corporate	0.2	-	0.0	-	0.3	-
Total	53.0	148.8%	71.4	134.6%	72.8	101.9%
(Leases)	29.4	130.2%	36.8	125.1%	46.9	127.5%

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

10. Depreciation and leases expense

	Billions of yen					
	FY2005		FY2006 [3/2007]		FY2007 Forecast	
	change(%)		change(%)		change(%)	
Energy & Electric Systems	5.3	111.6%	5.5	102.6%	6.8	123.8%
ED&C·Drive Systems	4.3	104.6%	4.4	101.6%	5.3	119.7%
Electronic Devices	17.7	103.5%	23.1	130.7%	35.0	151.0%
Retail Systems	3.5	98.8%	3.7	104.4%	4.3	115.7%
Others	2.0	93.8%	2.3	114.3%	1.8	77.6%
Corporate	0.2	-	0.1	-	0.1	-
Total	33.4	103.3%	39.4	118.1%	53.5	135.7%
(Leases expense)	20.2	112.2%	25.0	123.8%	33.0	132.1%

*Note: Leases paid for plant and equipment investment

11. Number of employees by business segment

	FY2005	FY2006 [3/2007]	FY2007 Forecast
Energy & Electric Systems	10,201	9,787	10,006
ED&C·Drive Systems	5,090	5,214	5,394
Electronic Devices	5,199	5,328	6,192
Retail Systems	3,015	2,965	2,932
Others	1,770	1,916	1,843
Corporate	133	141	148
Total	25,408	25,351	26,515
Japan	21,824	21,573	22,017
Overseas	3,584	3,778	4,498

Financial performance

Analysis of Financial performance

Financial Performance for Fiscal 2006 (ending March 31, 2007)

A nationwide trend of reduced investment in public works, the high cost of raw materials, and a stock adjustment of intermediate goods for the IT industry all negatively affected the business environment of the Fuji Electric Group over the course of the current fiscal term. Despite this however, the business environment was favorable thanks to strong growth in the Asian economy, particularly in China, coupled with an increase in private corporate investment within Japan.

In this climate, while vigorously channeling its management resources into growth areas, the Group has embarked upon measures to strengthen cost competitiveness. As a result the consolidated business performance for the year were as follows.

Net sales increased in the segments of Energy & Electric Systems, which included a large-scale electric generation plant; ED&C Drive Systems, which expanded both domestically and overseas on account of the high demand from private enterprise capital private investment; and Electronic Devices, which expanded in the areas of semiconductors and disk storage devices. Net sales were not as strong in the Retail Systems segment however, as demand for vending machines and coin/bill validators was lower than the previous year.

Although the high prices of materials impacted profits, dynamic strategies to increase orders led to increase in net sales and the introduction of reforms to business methods successfully reduced costs. Through this, and through relocating our human resources to best suit the changes to the business structure, we achieved vastly improved operating income, ordinary income and net income compared with the previous year and bettered all previous record revenue highs. As a result the Group obtained an operating margin (operating income divided by net sales) of 5.1% and thus achieve the target (no less than 5%) set for this fiscal year.

By segment, profit increased in Energy & Electric Systems, ED&C Drive Systems, and Electronic Devices, but decreased in Retail Systems.

As a result, the operating results of the Fuji Electric Group for fiscal 2006 were as follows:

Fiscal 2006 (April 1, 2006 to March 31, 2007)

Net sales	¥908.0 billion	(Up 1.2% YoY)
Operating income	¥46.2 billion	(Up 12.7% YoY)
Ordinary income	¥48.7 billion	(Up 16.6% YoY)
Net income	¥23.1 billion	(Up 24.4% YoY)
Net income per share (¥)	¥32.37	(Up 6.67 duplicate YoY)

Segment Information

Energy and Electric Systems Group

The Energy & Electric Systems Group posted sales of ¥401.8 billion, an increase of 0.9% year on year. Operating income rose by 73.1%, year on year, to ¥12,161 million.

In light of the favorable business climate both in Japan and overseas, the segment focused on the expanding areas of private-industry and overseas businesses while also making concerted efforts to further strengthen management quality by structurally reforming business operations.

Specifically, as a response to the ongoing reduction in investments by the public sector in Japan, the segment structurally reformed the businesses aimed at the private sector by personnel relocating and reassessing operational systems to gain a more strategic positioning

in this area. Also, the segment carried out such reforms R&D businesses as readying a system to make strong components and establishing a mass-production plant for thin-film amorphous solar cells in Kumamoto Prefecture, which is now in operation.

Sales in the e-solutions field rose year on year due to better performance in radiation management systems for electric power companies and systematic electric power distribution systems. Operating income grew due to an increased emphasis on achieving profitability in information systems.

Environmental systems posted lower sales due to less orders for water treatment systems, which was a result of the shrinking public-sector investment in Japan.

Sales Industrial plants field increased considerably, driven by the solid private spending in Japan, with strong sales of electrical facilities and equipment to general private industry demand, particularly in the steel and chemical industries. Favorable profits were also achieved through cost reduction initiatives.

The booming energy demand overseas, particularly Asia, solid performance in respect to geothermal power generation facilities for the overseas market and a large order for a thermal power generation facility for IPPs (independent power providers) in Japan all contributed to a huge leap in sales and a positive turnaround in profit for the electric power systems business.

Both sales and operating income of the plant facility construction business increased year on year due to large construction projects for the electric power industry and general private industry.

ED&C • Drive Systems Group

Sales in the ED&C • Drive Systems Group increased 6.2% year on year to ¥193.9 billion, and operating income rose 46.7% from the previous fiscal year to ¥115.93 million.

In the domestic market, attention was focused on not only intensifying sales activities in the industries with good prospects to take full advantage off booming private sector capital investment, but also on expanding operations in the fields of energy conservation and the environment. In the overseas market, the segment placed a strong sales emphasis on those products suited to the global market as we stepped up sales and strengthened production systems in Asia, particularly China. Overall cost reduction was also obtained through profitability enhancement activities such as reducing waste and redundancy and decommissioning certain machine models.

In the field of electric distribution and control (ED&C) components, concerted sales efforts directed at the favorable main customer layer such as in the area of fabrication and machinery led to higher sales in energy management equipment and such main products as magnetic contactors and low-voltage fuses. Sales were also strong in the overseas market in Asia, particularly China as sales expansion efforts continued to be focused on products built to overseas ratings standards. As a result, sales for the field rose year on year and operating income also increased year on year as the rise in sales and the overall cost reductions outweighed the detrimental influence of the high price of raw materials.

In control and drive systems, we launched new products to expand our lineup of inverters and servomotor systems. In Japan, sales of such products as inverters increased as we focused on promoting new products for the automobile industry and makers of such machinery as cranes and pumps. Overseas, sales jump markedly as the main product lineup was in high demand, particularly those oriented for the Chinese market. As a result, both sales and operating income rose considerably year on year.

Electronic Devices

Net sales in electronic devices rose 5.2% year on year to ¥182.3 billion, while operating income rose 5.6% year on year to ¥19,222 million.

The definitive business characteristics of the segment are rapid advancements in technology and remarkable changes in market environments. The focus in the year was on the

establishment of profitable systems that encourage high growth as outlined in the mid-term plan. The resulting world-wide business expansion and the customer intensive one-to-one sales push translated to an expansion in sales. Also, in addition to an energetic drive to improve the production performance of IGBT modules and storage devices, the segment strove for advancements in technological development and for a sustainable reduction in production costs.

In semiconductor devices, active investment to increase the production of IGBT modules to meet the exploding demand for this mainstay product for the manufacturing industry market resulted in expanded sales. With respect to products for the information equipment power supply market, there was high growth centering on the mainstay products of driver ICs for plasma TVs, and multi-chip power devices. Improvements made to the production system strengthened the assembling capacity for discrete products and multi-chip power devices for power supplies. We also achieved a growth in sales for such automobile electrical components as MOSFET and IGBT modules. As a result, both sales and operating income increased year on year.

In storage devices, the large growth of the HDD (Hard Disk Drives) market can be attributed to our expanded capacity for producing aluminum substrates and glass substrates and our switchover to facilities that are compatible with perpendicular magnetic recording methods. In the 2.5 inch glass magnetic disk range, we started mass production in June 2006 of 80GB vertical-direction magnetic storage disks. As a result, sales and operating income both rose year on year.

Sales in imaging devices also performed well because of an increase in sales to large-order customers. An intensive production facilities for imaging devices at Fuji Electric (Shenzhen) Co., Ltd. has been in full operation since September 2006. It provides a production system with excellent efficiency and cost competitiveness. As a result, operating income rose year on year, but sales decreased year on year because of changes to the dates of the fiscal terms of overseas subsidiaries.

Retail Systems Group

Retail Systems posted a decline in sales of 5.9% year on year to ¥152.5 billion, while operating income fell 57.3% to ¥2,507 million.

The group has been vigorously developing new types of change dispensers for the distribution market and developing and improving equipment for e-money as these machines are growing increasingly prevalent. In the cold-chain equipment field, we have been engaged in initiatives to increase profitability to best take advantage of the increasing sales we are obtaining from energetic sales activities and business field expansion. Are also working on modification techniques to equip existing cigarette vending machines with age verification functions.

In the vending machines, food service equipment and currency handling system field, sales of the field's mainstay products, beverage dispensers were sluggish for reasons such as irregular weather patterns. In addition to this, although shipments of cigarette vending machines with age verification functions functionality have started, sales for cigarette vending machines were slow because of a decline in the number of equipment purchased by customers. With respect to currency handling systems, contactless IC cards are now on the market but the demand that accompanied the introduction of new bank notes has ended and there has also been a fall in demand for leisure equipment. As a result, sales and operating income for the segment both considerably dropped year on year.

In the cold-chain equipment field, energetic sales activities using proposal-based sales, expansion of business areas, and collaboration with merchants and companies in other industries all contributed to growth in this field. Meanwhile, in store materials and interior fittings, we have expanded our selection of modularized store construction systems. Sales continued to increase strongly because of new orders from a major convenience chain. As a

result of the above, segment sales and operating income were higher than the previous-year level but operating income fell due to an increase in expenses, mainly for sales promotion initiatives.

Others Group

Net sales increased 25.5% year on year to ¥65.5 billion—strongly influenced by the consolidation of a company that manufactures and sells printed circuit boards—and operating income declined 1.5% year on year to ¥2,105 million.

Forecasts for Fiscal 2007 (ending March 31, 2008)

For its medium-term management plan ending in fiscal 2008, the Group has set targets of net sales of over ¥1 trillion, a ratio of operating income to net sales of 7% or more, and a debt-equity ratio of 1.0 times or less. During fiscal 2007, the second year of this three-year plan launched in fiscal 2006, the Group will rapidly channel resources into growth businesses and work to strengthen earnings capacity in an effort to further improve business results.

Consolidated forecasts for fiscal 2007 are as follows. These forecasts are based on a U.S.\$/¥ exchange rate of ¥115 for the first half of the fiscal year, and ¥110 for the second half.

Consolidated Business Forecasts

(¥ Billion)

	Fiscal 2006 (Actual)	Fiscal 2007 (Forecast)	YoY Change (%)
Net sales	908.0	960.0	5.7
Operating income	46.2	47.5	2.8
Ordinary income	48.7	46.0	-5.7
Net income	23.1	24.5	5.9

Forecasts by Segment

(¥ Billion)

	Net Sales			Operating Income		
	Fiscal 2006 (Actual)	Fiscal 2007 (Forecast)	YoY Change (%)	Fiscal 2006 (Actual)	Fiscal 2007 (Forecast)	YoY Change (%)
Energy & Electric Systems	401.8	400.0	-0.5	12.1	9.5	-21.9
ED&C · Drive Systems	193.9	200.0	3.1	11.5	12.0	3.5
Electronic Devices	182.3	215.0	17.9	19.2	22.0	14.5
Retail Systems	152.5	165.0	8.1	2.5	4.5	79.5
Others	65.5	62.0	-5.4	2.1	2.0	-5.0
Elimination and Corporate	(88.1)	(82.0)	–	(1.3)	(2.5)	–
Total	908.0	960.0	5.7	46.2	47.5	2.8

In the Energy & Electric Systems Group, the Fuji Electric Group will achieve growth by strengthening its ability to capture private-sector demand, expanding the components business, and adopting a more global business stance.

To strengthen its ability to capture private-sector demand, the Group will invest business resources in target key fields to expand sales.

In the components business, the Group will accelerate volume production of film-type amorphous solar cells to expand the business.

To adopt a more global business stance, the Group will upgrade its sales and manufacturing facilities to grow its business in China, and step up sales expansion efforts in other areas of Asia and in Europe.

On April 1, 2007, the water environment business in the environmental systems field was spun off from the Group. The aim with this move is to realize more flexibility in business operations in the face of a changing market environment. As announced on February 22, 2007, the Fuji Electric Group has begun discussions with NGK Insulators, Ltd. regarding a possible integration of the two companies' water environment businesses.

In the ED&C • Drive Systems Group, in the Japanese market the Fuji Electric Group will increase sales by reinforcing its ability to attract new customers, particularly in strongly performing industries, expanding orders for system-based orders, developing projects on a sector-by-sector basis, and introducing new core products. In overseas markets, the Group will expand sales of new products with global applications and strengthen its sales structure, as well as proactively pursue business alliances with other companies.

In terms of profitability, the Group will work to further strengthen its management structure, and accelerate efforts to lower overall costs.

In the Electronic Devices Group, in the semiconductor field the Fuji Electric Group will further boost production capacity, as well as pursue sales of general-purpose products for information device power supplies, expand sales in the mobile handset field, and increase sales of mainstay products, focusing on IGBT modules for industrial and automotive electronics applications.

In the disk media field, the Group will increase sales by accelerating efforts to design perpendicular media products for customer specifications, acquiring new customers, and enhancing production capacity at Fuji Electric (Malaysia) Sdn. Bhd.

In the imaging devices field, the Group will maximize the competitive advantages of Fuji Electric (Shenzhen) Co., Ltd., as well as enhance material and product commercialization technologies.

In the Retail Systems Group, in the vending machine business, which is facing a challenging business environment at present, the Fuji Electric Group will streamline the business to create a more efficient operating structure that will secure earnings in both manufacturing and sales operations, improve the profitability of drink vending machines, work to meet demand for cigarette vending machines that can check the purchaser's age, and produce and launch vending machines that contribute to society, such as models with special features for natural disasters. In growth fields, the Group will continue aggressively investing in new product development. Other steps will include expanding sales of electronic money terminals and automatic change dispensers in the currency handling systems business, and cooperating with partner corporations to acquire new customers and win renovation contracts in the cold-chain equipment business.

Analysis of Financial Position

(¥ Billion, times)

	Fiscal 2005 (Year-end March 31, 2006)	Breakdown (%)	Fiscal 2006 (Year-end March 31, 2007)	Breakdown (%)	YoY Change
Total assets	990.0	100.0	1,024.8	100.0	34.7
Interest-bearing debt	275.0	27.8	299.9	29.3	24.8
Shareholder's equity	275.0	27.8	274.8	26.8	-0.1
Debt-equity ratio	1.0		1.1		0.1

Notes:

1. Shareholders' equity = Total net assets – Minority interests

2. Debt-equity ratio = Interest-bearing debt / Shareholders' equity

Total assets as of March 31, 2007, stood at ¥1,024.8 billion, ¥34.7 billion more than a year earlier.

This was mainly attributable to increases in trade receivables and inventories, along with property, plant and equipment in line with proactive capital investment.

The balance of interest-bearing debt increased by ¥24.8 billion from the end of the previous fiscal year to ¥299.9 billion at the end of the year under review, due primarily to the issue of corporate bonds to finance future capital investment.

Total net assets, despite an increase in retained earnings, declined by ¥0.3 billion to ¥284.5 billion due to a decrease in unrealized gain on other securities. (Note: The year-end figures used for comparison are total shareholders' equity plus minority interests.) Shareholders' equity, total net assets less minority interests, declined ¥0.1 billion from the end of the previous fiscal year to ¥274.8 billion. The debt-equity ratio rose 0.1 of a percentage point to 1.1 times at the fiscal year-end.

Cash Flows

(¥ Billion)

	Fiscal 2005	Fiscal 2006	YoY Change(%)
Cash flow from operating activities	60.2	12.7	-47.4
Cash flow from investing activities	(6.5)	(34.4)	-27.8
Free cash flow	53.6	(21.6)	-75.2
Cash flow from financing activities	(49.4)	18.7	68.2
Cash and cash equivalents	21.4	19.1	-2.2

In fiscal 2006, free cash flow (the sum of operating and investing cash flows) on a consolidated basis amounted to a negative ¥21.6 billion, compared to positive free cash flow of ¥53.6 billion in the previous fiscal year and representing a deterioration of ¥75.2 billion. This was due mainly to the impact of the fiscal year-end falling on a holiday, and proactive investment in growth fields.

Cash Flow From Operating Activities

Operating activities provided net cash and cash equivalents (cash) of ¥12.7 billion, compared to net cash provided in the previous fiscal year of ¥60.2 billion. Cash was mainly provided by income before income taxes and minority interests.

This represented a deterioration of ¥47.4 billion from the previous fiscal year.

Cash Flow From Investing Activities

Investing activities used net cash of ¥34.4 billion, compared to net cash used in the previous fiscal year of ¥6.5 billion. Cash was mainly used for strategic capital investment centered on the Electronic Devices Group.

This represented a deterioration of ¥27.8 billion from the previous fiscal year.

Cash Flow From Financing Activities

Financing activities provided net cash of ¥18.7 billion, compared to net cash used in the previous fiscal year of ¥49.4 billion. This mainly reflected increases in short-term borrowings and corporate bonds.

As a result of the above, cash and cash equivalents on a consolidated basis at March 31, 2007 amounted to ¥19.1 billion, ¥2.2 billion less than a year earlier.

Basic Policy Regarding Distribution of Earnings; Dividends for Fiscal 2006 and Dividend Forecast for Fiscal 2007

The Fuji Electric Group's basic policy is to enhance shareholders' equity by increasing the earnings potential of the Group, through steps to strengthen the business foundation and secure retained earnings to support the research and development and capital investment necessary for future growth, while also returning profits to all shareholders.

In accordance with this policy, the Group strives to pay stable and continuous dividends while taking into account consolidated operating results for the fiscal year, plans for R&D and capital investment aimed at future growth, and the business environment.

In terms of internal reserves, in accordance with the goals of the medium-term management plan ending in fiscal 2008, the Group will allocate ¥100 billion to R&D and ¥190 billion to capital investment over the plan's three years to further accelerate the program of business selection and concentration and make active investments in fields where Fuji Electric already has a competitive edge. Fuji Electric also effectively utilizes reserves to generate and increase the Group's corporate value through business process reengineering in Group operations, expansion of overseas businesses, and utilization of human resources.

The Group has positioned the acquisition of its own shares, in accordance with the business environment and its cash flow situation, as a flexible means of supplementing dividends.

For the year under review, Fuji Electric plans to pay a year-end dividend of ¥4 per share (the formal decision regarding dividends will be made during a meeting of the Board of Directors to be held on May 24, 2007.) Consequently, combined with the interim dividend of ¥4 per share, Fuji Electric intends to pay a full-year dividend of ¥8 per share, an increase of ¥1 compared to the previous fiscal year.

Dividends for the next fiscal year are undetermined at the present time.

Risk Factors

The Fuji Electric Group works to mitigate business risk and other risks in a systematic and methodical manner. However, there are various risks, such as those listed below, which could have a negative impact on the operating results and financial position of the Fuji Electric Group. As of March 31, 2007, the following factors were judged to have a potential future impact on the operations of the Fuji Electric Group.

(1) Risks related to changes in the operating environment

(a) Material and component prices in international markets have been rising due to rapidly increasing demand for raw materials associated with economic expansion in the BRIC countries, particularly in China, and protracted geopolitical instability related to conditions in the Middle East. Operating results could be negatively affected in the event the Group is unable to adequately respond to further increases in raw material and component prices.

(b) The Fuji Electric Group's sales are affected by domestic economic trends, including public and private sector investment. The performance of the Electronic Devices business is closely correlated to market conditions in the electronics industry. Consequently, the Group's operating results could be affected in the event of sudden changes in the supply-demand balance or intensified competition resulting in sharp declines in prices in the electronics industry.

(c) The Fuji Electric Group is seeking to expand its overseas presence, with a particular focus on the Chinese market. Specifically, the Group is actively working to increase sales of magnetic contractors, control and drive systems, semiconductors and other products in China. Consequently, the Group's operating results could be affected in the event of deterioration in the Chinese economy or unexpected changes to economic policy.

(d) Based on an established set of management criteria, the Fuji Electric Group systematically employs forward-exchange contracts to minimize the risk of exchange rate fluctuations on its operating results. However, the forward-exchange contract policy is not capable of entirely mitigating exchange-rate risk. Consequently, fluctuations in exchange rates, primarily between the yen and the U.S. dollar, may have a negative impact on the operating results and financial position of the Group.

(e) The Fuji Electric Group's interest-bearing debt totaled ¥299.9 billion as of March 31, 2007. A higher-than-anticipated increase in interest rates may lead to a significant additional interest payment burden, which could have an impact on the operating results of the Group.

(2) Risks related to product quality

The Fuji Electric Group has put in place a quality assurance system designed to ensure the highest level of quality for all products it manufactures and sells. Although the Group has taken precautions in the form of insurance to provide compensation for product liability claims, in the event that major defects are found in any Fuji Electric Group products due to unforeseen factors, this may have a negative impact on the Group's operating results and financial position.

(3) Risks related to technology development

The Fuji Electric Group makes a concerted effort to develop technology that matches the needs of the market. However, there is a possibility that competing companies will gain an advantage through faster development, or that the Group will be unable to bring products to market in a timely manner should development not progress according to plan. Such events could have a negative impact on the Group's operating results.

(4) Risks related to overseas business activities

The Fuji Electric Group is seeking to expand its overseas presence, with a particular focus on Asia, including China. Consequently, the Group is exposed to the following risks, which may

have a negative impact on the Group's operating results and financial position:

- Unforeseen changes in laws and regulations and tax systems that may have a detrimental effect on the Group
- Disadvantages arising from political conditions
- Social turmoil related to terrorist incidents, war and other events.

(5) Risks related to intellectual property

The Fuji Electric Group effectively manages its intellectual property rights and develops new products and technologies in a manner that does not infringe on third-party patent rights. However, since the pace of technological innovation is accelerating and the Group's operations are becoming more global, the possibility of disputes over intellectual property rights is increasing. A dispute of this nature may have a negative impact on the Group's operating results and financial position.

(6) Risks related to human resources

The business activities of the Fuji Electric Group depend heavily on its human resources. Retaining and training superior personnel in such fields as technology, production, sales and administration is essential to the growth of the Group. Should the Group be unable to retain and/or train such necessary human resources, this could have a negative impact on the Group's operating results.

(7) Risks related to leak of personal information

As a part of its business activities, the Fuji Electric Group handles personal information about numerous individuals, including customers, suppliers and employees. The Fuji Electric Group has formulated and strictly enforces thorough internal regulations regarding the gathering, use and management of personal information. However, the Group cannot entirely rule out the possibility that such information may be leaked due to unforeseen circumstances. Any leak of this kind could damage trust in Fuji Electric and have a negative impact on the Group's operating results.

(8) Risks related to major natural disasters

The Fuji Electric Group has a network of bases throughout the world. In the event of a major natural disaster, production facilities may be damaged, operations at manufacturing facilities may be halted, shipments of products may be delayed, and other problems may occur. These events could have a negative impact on the operating results and financial position of the Group.

(9) Risks related to soil contamination

Based on the international standard for environmental protection systems, the Group works to prevent, measure and monitor soil contamination at its operating sites. Prior to selling any land, the Group carries out soil surveys and takes other appropriate steps in accordance with relevant laws and regulations. However, as a result of these measurements and surveys, the Group may incur costs for soil remediation measures, which could have a negative impact on the operating results of the Group.

(10) Risks related to retirement benefit liabilities

The Fuji Electric Group has a lump-sum payment plan and a corporate pension plan for its employees when they retire. Retirement benefit costs and liabilities are calculated on the assumption that they are accepted as reasonable on the basis of actuarial calculations. Fuji

Electric and certain domestic consolidated subsidiaries have also entrusted listed marketable securities to employee retirement benefit trusts. Consequently, changes in the discount rate, the expected rate of return on pension assets and stock prices that are used as the basis of computing pension benefit obligations, differences between these expectations and actual performance, changes in the prices of entrusted listed marketable securities and other items, could have a negative impact on the operating results and financial position of the Fuji Electric Group.

(11) Risks related to compliance

The Fuji Electric Group conducts business in a variety of fields and regions throughout the world, and as such is subject to the laws and regulations of numerous countries. The Group has put in place an appropriate internal control system to ensure compliance, but the possibility of legal violations cannot be discounted entirely. Should such a violation occur, this could have a negative impact on the Group's social credibility and/or operating results.

(12) Risks related to lawsuits and other legal proceedings

The Fuji Electric Group, in the course of its business, could become the subject of a lawsuit or other legal proceeding, and may unexpectedly be liable for the payment of large amounts of compensation. Depending on the content of such a decision, this could have a negative impact on the Group's operating results.

On February 9, 2007, Fuji Electric Holdings Co., Ltd. and Fuji Electric Systems Co., Ltd. received notice from the European Commission of its decision (dated January 24, 2007) to impose a fine of 2.40 million euros for anti-competitive activities in the European market relating to gas-insulated switchgear. In addition, the Group's equity-method affiliate (30% equity investment) Japan AE Power Systems Corporation, together with Hitachi, Ltd., has been ordered to pay a fine of 1.35 million euros. After review of the decision, the Fuji Electric Group filed an appeal with the European Court of First Instance on April 19, 2007, on the basis that the facts stated in the decision are inconsistent with those recognized by the Group. The Group will be stating its argument at court.