

Qualitative Information

1. Qualitative Information Regarding Consolidated Results

In the third quarter of fiscal 2007, the three-month period from October 1 to December 31, 2007, the business environment for the Fuji Electric Holdings Group remained favorable. Crude oil and raw material prices remained high, and revisions to Japan's building code had a negative effect; in addition, the recovery in IT-related demand has been sluggish. On the other hand, economic growth remained high in China and other parts of Asia, while domestic private-sector capital investment expanded.

Against this backdrop, the Fuji Electric Holdings Group continued to actively channel management resources in growth areas, while also working to bolster cost competitiveness via Group-wide business process reengineering (BPR) and other measures. As a result, consolidated results for the third quarter of fiscal 2007 were as follows.

Sales in the Energy and Electric Systems Group remained strong thanks to brisk private-sector capital investment, but the large orders for electric power plants in the previous year's third quarter meant sales were higher than in the period under review. In the ED&C•Drive Systems Group, ED&C component sales were down due to a sluggish domestic market, but control and drive system sales were strong. As a result, overall segment sales were up year on year. Electronic Device Group sales were also up year on year, thanks in part to strong sales of semiconductors, particularly in the industrial sector. In addition, magnetic disk shipment volume rose, particularly that for glass substrate disks, which are seeing a rise in production. Finally, Retail Systems Group sales also exceeded the previous year's level, thanks to expanded sales of currency handling systems like change dispensers and electronic settlement systems. As a result of the above, the Group's net sales were higher than during the same period a year ago.

Turning to earnings, operating income, ordinary income, and net income were all down sharply year on year. The Electronic Device Group continues to make aggressive capital investments in the field of magnetic disks. Nevertheless, it was unable to sell sufficient quantities to offset the accompanying rise in depreciation and other fixed costs, due to industry realignment and a decline in sales at major customers. Therefore, this segment posted a substantial decline in earnings year on year. On a different note, the Electronic Device Group is making progress in increasing production and winning new customers by developing new products based on their specifications. However, while the ED&C•Drive Systems Group benefited from rising sales of control and drive systems, raw material prices were high, and the decline in ED&C component sales had a significant negative impact. Accordingly, earnings for this segment also fell year on year. As for the Energy & Electric Systems Group, sales were strong thanks to brisk private-sector capital investment, but the decline in large orders for electric power plants caused

earnings performance for the segment to worsen in year on year terms.

Over the first nine months of this fiscal year, the Energy & Electric Systems Group and ED&C•Drive Systems Group saw a year-on-year decline in sales, while the Electronic Device Group and Retail Systems Group saw a year-on-year increase.

Also, operating income, ordinary income, and net income were all down sharply year on year.

Summary of 3Q Results

(¥ billions)

	Third Quarter Results			Nine Months		
	FY2006	FY2007	YoY Change	FY2006	FY2007	YoY Change
Net sales	201.1	202.5	100.7%	602.1	602.2	100.0%
Operating income	2.9	-1.1	-	9.7	-0.5	-
Ordinary income	4.4	0.2	4.8%	12.1	1.6	13.8%
Net income (loss)	2.8	0.4	14.3%	6.5	-0.5	-

Results by Segment

[Energy & Electric Systems Group]

YoY change: sales down 7%; operating loss grew by ¥1.1 billion

Sales decreased 7.0% year on year to ¥71.3 billion, while the segment's operating loss rose by ¥1,194 million year on year to ¥2,903 million.

Sales and earnings are heavily concentrated in the fourth quarter of the fiscal year for this segment, particularly for the industrial plant engineering business.

In the automation & solutions business, sales rose compared with the same period of the previous year thanks mainly to large information systems projects, but operating income declined due primarily to the low profitability of some other projects.

Environmental systems sales fell year on year due to a decline in projects, but operating income rose thanks to successful cost-curtailed efforts.

As for electrical machinery engineering, sales fell year on year due to a decline in large projects, although the number of small and medium-sized projects increased. On the other hand, operating income rose due to an improvement in the gross margin of small and medium-sized projects. Orders, particularly from key industries like steel, were strong.

Electric power systems sales and operating income fell sharply compared with the same period of the previous year, a period that saw large overseas projects posted to earnings. Orders remained strong, in particular for thermal power plant equipment overseas.

The plant facility construction business saw sales increase due to a rise in the number of large projects. Operating income also improved.

In the first nine months of the fiscal year, sales rose in the automation and solutions business, the electrical machinery engineering business, and the plant facility construction business, thanks mainly to strong private-sector demand. However, sales declined in the environmental systems business and the electrical power systems business, in both cases due to a decline in large projects. As a result, overall segment sales fell year on year, as did operating income.

[ED&C•Drive Systems Group]

YoY change: sales rose 0.7%; operating income fell 13.1%

Sales rose 0.7% year on year to ¥49.7 billion, but operating income fell 13.1% year on year to ¥2,834 million.

Domestically, the segment pursued sales expansion in buoyant sectors. Overseas, steps were taken to expand sales of global products, particularly in the rapidly growing Chinese market. In addition, the segment continued upgrading its inverter sales network in the U.S.

ED&C component sales fell compared with the previous year due to a sluggish domestic market. Operating income also fell, due to the aforementioned decline in sales as well as high

raw material prices.

The control and drive systems business saw a year-on-year rise in both sales and operating income, as sales of products like semiconductors and cranes to major growth customers continued to rise.

In the first nine months of the fiscal year, sales rose in the control and drive systems business, but ED&C component revenue fell. As a result, overall segment sales declined year on year, as did operating income.

[Electronic Device Group]

YoY change: sales rose 12.7%; operating income fell 72.5%

Sales rose 12.7% year on year to ¥50.3 billion, but operating income fell 72.5% year on year to ¥779 million.

Semiconductor sales and operating income were both up year on year, due in part to higher sales of industrial devices stemming from aggressive investment to increase production of IGBT modules for industrial use, which continue to enjoy a demand boom. In addition, the third quarter saw strong performances by automotive electronics devices and power supplies for information devices.

Magnetic disk sales rose year on year due to increased shipments, primarily of glass substrate disks. The glass substrate disk business is growing rapidly, thanks to the early conversion to perpendicular magnetic recording technology and efforts to increase production. Operating income, however, was down sharply, as depreciation and other fixed costs rose due to the capital investment required to boost production. Moreover, raw material costs were high.

Imaging device sales fell year on year due to a decline in product prices and unfavorable exchange rates, despite a rise in photoconductor sales volume. Operating income, however, was largely unchanged.

In the first nine months of the fiscal year, the magnetic disk and imaging device businesses saw revenue decline, but sales rose in the semiconductor business and other business. As a result, overall segment sales were up year on year. Operating income, however, was down sharply year on year due to a decline in magnetic disk business profitability.

[Retail Systems Group]

YoY change: sales rose 3.9%; operating loss grew by ¥0.1 billion

Sales rose 3.9% year on year to ¥36.2 billion, while the segment's operating loss grew by ¥171 million to ¥1,391 million.

The vending machines, food service equipment, and currency handling systems business saw sales rise year on year. Sales of mainstay beverage vending machines rose, thanks to strong sales at major beverage companies, and efforts to outfit existing cigarette vending machines with age verification functionality are going smoothly. In addition, change dispensers

and electronic settlement systems performed well. However, segment operating income was flat, as vending machine production has been reduced in advance of an inventory drawdown, which will primarily impact cigarette vending machines and cup vending machines.

Sales of cold-chain equipment rose compared with the previous year thanks to efforts to increase sales to supermarkets, primarily in the Tokyo and Kinki metropolitan areas. There were negatives, however. Revisions to Japan's Building Standard Law resulted in a large decline in new store openings and existing store refurbishments. Operating income for this business fell due to increased costs associated with sales system upgrades.

In the first nine months of the fiscal year, both the vending machines, food service equipment, and currency handling systems business and the cold-chain equipment business saw sales rise year on year. However, operating income was largely unchanged.

[Others]

YoY change: sales rose 21.6%, operating income fell 53.3%

Sales rose 21.6% year on year to ¥13.4 billion, thanks mainly to the consolidation of a printed circuit board manufacturing and sales company. Operating income fell 53.3% year on year to ¥141 million.

In the first nine months of the fiscal year, sales rose 19.7% year on year to ¥43.4 billion, while operating income fell 6.0% year on year to ¥1,179 million.

2. Qualitative Information Regarding the Consolidated Financial Position

3Q Financial Position

(¥billions)

	December 31, 2006	Breakdown (%)	December 31, 2007	Breakdown (%)	Change
Total assets	1019.7	100.0	1041.6	100.0	21.9
Interest-bearing debt	326.3	32.0	356.7	34.2	30.3
Shareholders' equity	273.1	26.8	259.0	24.9	-14.0

D/E ratio (times)	1.2	1.4	0.2
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*1 Shareholders' equity = Total net assets — Minority interests

*2 D/E ratio = Interest-bearing debt/ Shareholders' equity

Total assets as of December 31, 2007 were ¥1,041.6 billion, ¥21.9 billion higher than on December 31, 2006. Current assets increased by ¥43.4 billion, due mainly to a rise in inventories and trade receivables. Long-term fixed assets, on the other hand, declined by ¥21.5 billion. Although tangible fixed assets increased due to aggressive capital investment, mainly by the Electronics Devices Group, other investment securities declined due to revaluation.

Interest-bearing debt totaled ¥356.7 billion as of December 31, 2007, up ¥30.3 billion from December 31, 2006, due mainly to the issuance of commercial paper.

Total net assets came to ¥268.1 billion as of December 31, 2007, down ¥14.6 billion year on year, due mainly to a decline in unrealized gains on other securities. Retained earnings rose, however. Shareholders' equity, defined as total net assets minus minority investments in consolidated subsidiaries, declined by ¥14 billion year on year to ¥259 billion. The debt-equity ratio rose 0.2 percentage points to 1.4 times.

Free cash flow was negative ¥22.5 billion on a consolidated basis, compared with negative ¥33.5 billion during the same period a year earlier. While efforts were made to promote collection of trade receivables and advances from customers, net cash used in operating activities was ¥10.2 billion, compared with ¥18.6 billion during the same period a year earlier. This use of cash primarily reflected an accumulation of inventory in preparation for sales at the fiscal year-end. In addition, net cash used in investing activities totaled ¥12.3 billion, compared with ¥14.9 billion during the same period a year earlier. This is due primarily to aggressive capital investment, primarily by the Electronic Devices Group. Finally, the shortfall in free cash flow was offset by commercial paper and other financing, so cash and cash equivalents totaled ¥18.6 billion as of December 31, 2007, compared with ¥21.4 billion as of December 31, 2006.

(¥billions)

	3Q FY2006	3Q FY2007
Cash flows from operating activities	-18.6	-10.2
Cash flows from investing activities	-14.9	-12.3
Free cash flow	-33.5	-22.5
Cash flows from financing activities	36.1	17.6
Cash and cash equivalents at period end	21.4	18.6

3. Qualitative Information Regarding Consolidated Results Forecasts

In light of third quarter consolidated results, the Company has revised its consolidated sales forecast for fiscal 2007 as below.

In contrast, the Company's operating income, ordinary income, and net income forecasts are unchanged. In addition, the U.S. dollar/yen exchange rate assumption for the fourth quarter is ¥110 = US\$1.

Consolidated Full-year Forecasts for FY2007

(¥billions)

	FY2006 Results	FY2007 Revised Forecasts (1/29)	Changes	FY2007 Previous Forecasts (10/30)
Net sales	908.0	945.0	+37.0	960.0
Operating income	46.2	36.5	-9.7	36.5
Ordinary income	48.7	34.0	-14.7	34.0
Net income	23.1	17.0	-6.1	17.0

Consolidated Net Sales by business segment

(¥billions)

	FY2006 Results	FY2007 Revised Forecasts (1/29)	Changes	FY2007 Previous Forecasts (10/30)
Energy & Electric Systems	401.8	417.0	+15.2	420.0
ED&C•Drive Systems	193.9	197.0	+3.1	197.0
Electronic Devices	182.3	193.0	+10.7	200.0
Retail Systems	152.5	160.0	+7.5	163.0
Others	65.5	64.0	-1.5	64.0
Elimination and Corporate	-88.1	-86.0	+2.1	-84.0
Total	908.0	945.0	+37.0	960.0

Consolidated Operating income by business segment

(¥billions)

	FY2006 Results	FY2007 Revised Forecasts (1/29)	Changes	FY2007 Previous Forecasts (10/30)
Energy & Electric Systems	12.1	12.5	+0.4	12.5
ED&C•Drive Systems	11.5	11.0	-0.5	11.0
Electronic Devices	19.2	9.5	-9.7	9.5
Retail Systems	2.5	3.5	+1.0	3.5
Others	2.1	2.0	-0.1	2.0
Elimination and Corporate	-1.3	-2.0	-0.7	-2.0
Total	46.2	36.5	-9.7	36.5

*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.

4. Other Items

1. Changes in significant subsidiaries during the period under review (movement of particular subsidiaries following changes in the scope of consolidation)

None

2. Adoption of simplified accounting methods

Certain simplified methods have been adopted for the recording of depreciation of property, plant and equipment, along with corporate taxes

3. Changes in accounting methods from the most recent consolidated fiscal year

None