Qualitative Information

1. Qualitative Information Regarding Consolidated Results

In the first quarter of fiscal 2007, the three-month period from April 1 to June 30, 2007, the business environment for the Fuji Electric Holdings Group was positive overall. Despite surging prices for raw materials and a slowdown in demand for production in IT-related fields, the business climate was boosted by strong growth in China and other Asian economies, and higher private-sector capital investment in Japan.

Under such conditions, the Fuji Electric Holdings Group concentrated business resources in priority areas in line with its medium-term management plan, and worked to strengthen competitiveness through Group-wide operational reforms and other measures. As a result, consolidated results for the first quarter of fiscal 2007 were as follows.

Net sales rose year on year in the ED&C・Drive Systems Group, which posted growth in the control & drive field both in Japan and overseas, and in the Retail Systems Group, which despite a decline in the beverage vending machine business captured demand for age-identification equipment for existing tobacco vending machines, and increased sales of e-money transaction settlement terminals. Sales in the Energy & Electric Systems Group were down year on year due to the absence of large-scale power generation plant projects recorded in the previous fiscal year. At the same time, however, small and mid-size projects increased amid the favorable business environment. Sales in the Electronic Devices Group, despite growth in the semiconductor field following rising demand for IGBT modules for industrial use, fell year on year due to a decline in sales to major customers in the disk media field.

In terms of profitability, despite cost reduction benefits and improvement in the gross profit margin resulting from Group-wide business process reengineering, the operating loss, ordinary loss and net loss all widened compared to a year earlier, mainly due to surging raw material prices, changes in the depreciation system following revisions to the tax code, the impact from sales declines, and falling market prices.

By business segment, earnings in the Energy & Electric Systems Group improved, but declined in the ED&C・Drive Systems, Electronic Devices, and Retail Systems groups.

Summary of 1Q Results (¥ billion)

	FY2006	FY2007	YoY Change
Net Sales	189.4	183.0	96.6%
Operating loss	-2.3	-3.0	—
Ordinary loss	-1.5	-1.8	—
Net loss	-0.4	-0.4	—

Results by Segment

Energy & Electric Systems | **Net Sales: Down 17.5% YoY** | **Operating Loss: Improved ¥0.4bn**

In the Energy & Electric Systems segment the Fuji Electric Holdings Group continued to pursue such structural reforms as concentrating business resources in fields with private-sector demand. Net sales in this segment were down 17.5% year on year to ¥54,959 million, due mainly to the absence of large-scale projects for thermal electric power generation facilities in the electric power plant field recorded in the same period a year earlier. Although the segment posted an operating loss of ¥8,164 million, this was an improvement of ¥446 million from the previous fiscal year, arising from an improved gross profit ratio in small and mid-size private-sector projects amid a favorable economic environment, along with cuts in management expenses and other cost reductions.

Sales and earnings in this segment are centered on the power plant business, which books the majority of its results in the fourth quarter of the fiscal year.

In the control systems field, sales rose year on year due to positive results from information systems. Operating income, however, deteriorated due to the impact of increased investment to expand the solar power cell business.

In the environmental systems field, sales were down as a result of fewer projects compared to the previous fiscal year, but operating income improved following streamlining of management expenses.

In the industrial plant engineering field, both sales and operating income were on par with the previous fiscal year. Orders were strong, mainly to target industries such as steel and chemicals.

In the electric power systems field, sales were down significantly because of a decline in large-scale projects for thermal power generation facilities, but operating income improved as a result of an upturn in profitability. Orders for geothermal power generation plants and other facilities were up due to robust demand for electric power, particularly in Asia.

In the plant facility construction division, sales were down from the previous fiscal year, and operating income deteriorated slightly.

ED&C・Drive Systems | **Net Sales: Up 0.1% YoY** | **Operating Income: Down 25.0%**

Net sales in the ED&C・Drive Systems segment rose 0.1% year on year to ¥45,144 million, though operating income declined 25.0% to ¥1,515 million.

In Japan, sales to machine tool manufacturers and other booming sectors rose, as the business environment for this segment was positive amid continued increases in private-sector capital investment. In overseas markets, sales increased for global products, mainly in China, which continues to grow strongly. The Group also established a new sales office in India. Sales in the ED&C components field declined year on year due to a slowdown in Japan in the switchboard field, while in the control & drive systems field sales increased to major customers in the crane, semiconductor and other booming sectors, covering the drop-off in sales in the ED&C components field. Orders in the control & drive field were favorable in Japan, as well as in China and Europe.

Operating income declined from a year earlier mainly due to the impact of rising raw material prices, an increase in retirement benefit expenses, and higher depreciation expenses following revision to the tax code.

Electronic Devices **Net Sales: Down 0.3% YoY Operating Income: Down 16.5%**

In the Electronic Devices segment, although both sales and earnings in the semiconductor and imaging device fields rose significantly, this was insufficient to cover the impact from the drop-off in sales to major customers in the disk media field. Net sales for the segment overall declined 0.3% to ¥45,754 million, while operating income fell 16.5% to ¥2,311 million.

In the semiconductor field, despite a decline in sales of driver ICs and other components for plasma televisions due to a market slowdown, the Group made proactive investments to increase production capacity for IGBT modules for industrial use, demand for which remains strong, leading to an increase in sales.

In the disk media field, the Group pushed ahead with development of perpendicular magnetic recording technology. In new products, the Group began volume production in April of a new 160GB disk, the world's largest capacity on a 2.5-inch glass substrate, and in June, started volume production of a 334GB disk on a 3.5-inch aluminum substrate.

In the imaging device field, the Group increased sales of organic photoconductive drums (OPCs) for color printers, and worked to further increase productivity and streamline operations at Fuji Electric (Shenzhen) Co., Ltd.

Retail Systems **Net Sales: Up 14.5% YoY Operating Income: Down 7.6%**

Net sales in the Retail Systems segment rose 14.5% from the same period of the previous fiscal year to ¥41,121 million, while operating income declined 7.6% to ¥1,272 million.

In the vending machine, food service equipment and currency handling system field, although mainstay can vending machines were negatively impacted by lower investment by major customers, sales rose significantly from the previous fiscal year due to bulk purchases of e-money transaction settlement devices for convenience store chains, and demand for age-identification equipment for existing tobacco vending machines. Operating profit, however, was down year on year due to production adjustments for vending machines.

In cold-chain equipment, amid a slight year-on-year increase in demand in the industry, the Group achieved a significant rise in sales and improvement in operating income through aggressive efforts to capture store refurbishment-related demand, along with orders for facilities in new locations, such as expressway parking areas being built or renovated.

Others **Net Sales: Up 30.0% YoY Operating Income: Up 8.7%**

Net sales in the Others segment rose 30.0% from a year earlier to ¥13,443 million, with operating income up 8.7% to ¥251 million, due mainly to the inclusion of a new printed circuit board manufacturing and sales company in the scope of consolidation.

2. Qualitative Information Regarding the Consolidated Financial Position

1Q Financial Position (¥ billions)

	June 30, 2006	Breakdown (%)	June 30, 2007	Breakdown (%)	Change
Total assets	942.2	100.0	1,065.0	100.0	+122.7
Interest-bearing debt	290.2	30.8	326.9	30.7	+36.7
Shareholders' equity	254.4	27.0	291.7	27.4	+37.2

D/E ratio (times)	1.1	1.1	0.0

*1 Shareholders' equity = Total net assets – Minority interests
*2 D/E ratio = Interest-bearing debt/Shareholders' equity

Total assets as of June 30, 2007 stood at ¥1,065.0 billion, ¥122.7 billion more than a year earlier. Current assets rose ¥63.1 billion, mainly due to increases in trade receivables and inventories, while total long-term assets increased ¥59.4 billion, mainly due to the acquisition of property, plant and equipment stemming from proactive capital investment concentrated in the Electronic Devices Group, along with a rise in the market value of other marketable securities.

The balance of interest-bearing debt increased due to issues of commercial paper and other factors, amounting to ¥326.9 billion at the end of the subject first quarter, up ¥36.7 billion from the end of the same period of the previous fiscal year.

Net assets at the end of the first quarter amounted to ¥300.9 billion, up ¥37.1 billion from the end of the same period of the previous fiscal year, due mainly to an increase in retained earnings and a rise in the valuation difference on available-for-sale securities. Shareholders' equity (total net assets less minority interests) increased ¥37.2 billion year on year, while the debt-equity ratio was 1.1 times, the same as a year earlier.

(¥ billions)

	1QFY2006	1QFY2007
Cash flows from operating activities	-9.0	-8.8
Cash flows from investing activities	-7.4	-9.1
Free cash flow	-16.4	-17.9
Cash flows from financing activities	12.3	22.7
Cash and cash equivalents at period end	17.4	24.2

Free cash flow in the period under review was negative ¥17.9 billion, compared to negative ¥16.4 billion a year earlier.

This was due to ¥8.8 billion in net cash used in operating activities, compared to net cash used of ¥9.0 billion in the same period of the previous fiscal year, stemming mainly from income taxes paid and an increase in inventories, along with ¥9.1 billion in net cash used in investing activities, compared to net cash used of ¥7.4 billion in the same period of the previous fiscal year, arising mainly from proactive capital investment concentrated in the Electronic Devices Group.

The shortfall in free cash flow was covered by commercial paper and other financing, resulting in cash and cash equivalents at the end of the first quarter of ¥24.2 billion, compared to ¥17.4 billion at the end of the same period of the previous fiscal year.

3. Qualitative Information Regarding Consolidated Results Forecasts

In light of recent business performance and other factors, the Company has revised its consolidated forecasts for the fiscal 2007 interim period announced together with earnings for fiscal 2006 on April 26, 2007.

The main reason for the revision is an expected decline in sales, and an accompanying drop in profitability in the Electronics Devices Group, due mainly to the accelerated shift to equipment to accommodate perpendicular recording technology, which is part of a rapid response to changes in the market for disk media. For more information refer to "Announcement of Revised Financial Results Forecast" released on July 27, 2007.

The U.S. dollar / yen exchange rate assumption for the interim period is ¥120 = US$1 dollar.

Consolidated Forecasts for Interim Fiscal 2007 (¥ billions)

	Initial forecast	Revised forecast	Change
Net sales	420.0	413.0	-7.0
Operating income	5.5	3.0	-2.5
Ordinary income	5.0	3.0	-2.0
Net income	2.0	0.5	-1.5

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