

Outline of Financial Results for the 1st Quarter of Fiscal 2006 (Consolidated)

Aug.3, 2005

For Immediate Release

Company Name: Fuji Heavy Industries Ltd. (Code No.: 7270: Tokyo Stock Exchange First Section)
(URL: <http://www.fhi.co.jp/fina/index.html>)
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1. Basis for preparation of financial results of this quarter

- I. **Adoption of simplified accounting practices: Yes**
Income taxes are calculated using a simplified accounting method.
- II. **Accounting change from prior year: No**
- III. **Changes in scope of consolidation and application of the equity method: No**

2. Performance in the 1st Quarter of Fiscal 2006 (from April 1, 2005 to June 30, 2005)

Note that all amounts have been rounded off to the nearest million yen, unless otherwise specified

(1) Consolidated Results of Operations

(Unit: Millions of yen, except for per share figures)

	Net sales	Operating income	Ordinary income	Net income
1 st Quarter of FY 2006	¥ 299,948 (-2.5%)	¥ 1,152 (-)	¥ 423 (-82.9%)	(¥ 1,177) (-)
1 st Quarter of FY 2005	¥ 307,543 (8.5%)	¥ 12 (-99.9%)	¥ 2,479 (-78.9%)	¥ 619 (-89.7%)
Fiscal 2005	¥ 1,446,491 -	¥ 42,017	¥ 43,572 -	¥ 18,238 -

	Net income per share, basic (Yen)	Net income per share, diluted (Yen)
1 st Quarter of FY 2006	(¥ 1.51)	(¥ 1.51)
1 st Quarter of FY 2005	¥ 0.80	¥ 0.80
Fiscal 2005	¥ 23.27	¥ 23.27

Note: Percentage figures in the net sales, operating income, ordinary income and net income columns represent changes from prior 1st quarter period.

Qualitative Data on the Progress of Consolidated Operating Results

Consolidated net sales for the first quarter fell 7.6 billion yen, or 2.5 percent, to 299.9 billion yen due to factors such as the end of consignment production by the US manufacturing subsidiary (Subaru of Indiana Automotive Inc.) and a decline in the number of units sold in Japan, despite solid performance in Europe and Australia.

Although there were detracting factors such as a deterioration of the model mix, a reduction in expenses led to an operating income of 1.2 billion yen, up 1.1 billion yen year on year. However, ordinary income fell to 400 million yen, down 2.1 billion yen, or 82.9 percent, due to an increase in derivative write-downs. The company posted a net loss of 1.2 billion yen after taxation effects, down from the 600 million yen profit posted for the same period in the previous year.

(2) Financial Position

(Unit: Millions of yen, except for per share figures)

	Total assets	Shareholders' equity	Shareholders' equity to total assets (%)	Shareholders' equity per share (Yen)
1 st Quarter of FY 2006	¥ 1,368,664	¥ 467,972	34.2 %	¥ 600.35
Fiscal 2005	¥ 1,357,459	¥ 471,149	34.7 %	¥ 604.51

Qualitative Data on the Progress of Consolidated Financial Condition

Total assets at the end of the first quarter rose to 1,368.7 billion yen, up 11.2 billion yen compared to the end of the previous consolidated fiscal year. The main factor behind this was a rise in inventory assets, etc. due to increased inventory for the high-demand season in the automotive business.

Liabilities increased to 897.3 billion yen, up 14.4 billion yen compared to the end of the previous consolidated fiscal year. The main cause of this was an increase in current liabilities, etc.

Shareholders' equity fell to 468 billion yen, down by 3.2 billion yen compared to the end of the previous consolidated fiscal year. The main cause of this was a decrease in retained earnings, etc. resulting from the payment of dividends.

[Reference]

Projections for Fiscal 2006 (From April 1, 2005 to March 31, 2006)

Unchanged from the latest forecast (announced on May 12, 2005)

The above projections are made based on available information and assumptions as of Aug. 3, 2005, and are subject to the uncertainties of future operations. Therefore, actual results could differ materially from those anticipated.

[Consolidated Financial Statements]

(1) Summary of Consolidated Balance Sheets

(Unit: Millions of yen)

	1 st Quarter of 2006 (as of June 30, 2005)	Fiscal 2005 (as of March 31, 2005)	Changes Increase/(Decrease)
ASSETS			
Current assets	656,612	649,070	7,542
Cash and time deposits	36,095	40,742	(4,647)
Notes and accounts receivable, trade	94,244	116,278	(22,034)
Marketable securities	101,320	87,003	14,317
Inventories	208,269	175,087	33,182
Short-term loans	112,496	128,202	(15,706)
Deferred tax assets	32,770	34,859	(2,089)
Other	72,644	68,158	4,486
Allowance for doubtful accounts	(1,226)	(1,259)	33
Fixed assets	712,052	708,389	3,663
Property, plant and equipment, net	543,919	543,726	193
Buildings and structures	129,462	129,376	86
Machinery, equipment and vehicles	181,034	183,946	(2,912)
Land	171,776	170,809	967
Construction in progress	12,344	12,891	(547)
Other	49,303	46,704	2,599
Intangible assets	42,759	43,211	(452)
Investments and other assets	125,374	121,452	3,922
Investment securities	67,615	71,114	(3,499)
Long-term loans	7,268	5,976	1,292
Deferred tax assets	30,140	24,481	5,659
Other	23,102	22,632	470
Allowance for devaluation of investments	(41)	(41)	-
Allowance for doubtful accounts	(2,710)	(2,710)	(0)
Total assets	1,368,664	1,357,459	11,205

	1 st Quarter of 2006 (as of June 30, 2005)	Fiscal 2005 (as of March 31, 2005)	Changes Increase/(Decrease)
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities	642,631	610,311	32,320
Notes and accounts payable, trade	187,756	190,790	(3,034)
Short-term borrowings	213,865	220,295	(6,430)
Commercial paper	28,000	22,000	6,000
Current portion of bonds	30,300	10,300	20,000
Accrued income taxes	9,185	8,872	313
Accrued expenses	77,265	74,326	2,939
Accrued bonus	23,148	15,277	7,871
Accrued warranty claims	21,265	20,490	775
Other	51,847	47,961	3,886
Long-term liabilities	254,622	272,532	(17,910)
Bonds	80,500	100,500	(20,000)
Long-term debts	59,771	59,095	676
Deferred tax liabilities on revaluation of land	478	478	-
Accrued pension and severance liability	60,731	59,002	1,729
Accrued directors' severance and retirement benefits	912	1,150	(238)
Consolidation adjustments	11,653	12,352	(699)
Other	40,577	39,955	622
Total liabilities	897,253	882,843	14,410
Minority interest in consolidated subsidiaries	3,439	3,467	(28)
Shareholders' equity			
Common stock	153,795	153,795	-
Capital surplus	160,071	160,071	-
Retained earnings	173,243	178,022	(4,779)
Revaluation reserve for land	421	421	-
Net unrealized holding gains on securities	14,573	16,945	(2,372)
Translation adjustments	(31,897)	(35,874)	3,977
Less treasury stock, at cost	(2,234)	(2,231)	(3)
Total shareholders' equity	467,972	471,149	(3,177)
Total liabilities and shareholders' equity	1,368,664	1,357,459	11,205

(2) Summary of Consolidated Statements of Income

(Unit: Millions of yen)

	1 st Quarter of FY 2006 (ended June 30, 2005)	1 st Quarter of FY 2005 (ended June 30, 2004)	Changes Increase/(Decrease)		Fiscal 2005 (ended March 31, 2005)
	Amount	Amount	Amount	%	Amount
Net sales	299,948	307,543	(7,595)	(2.5)	1,446,491
Cost of sales	231,069	235,819	(4,750)	(2.0)	1,107,718
Gross profit	68,879	71,724	(2,845)	(4.0)	338,773
Selling, general and administrative expenses	67,727	71,712	(3,985)	(5.6)	296,756
Operating income	1,152	12	1,140	-	42,017
Non-operating income	3,366	4,972	(1,606)	(32.3)	14,096
Interest and dividends income	1,055	717	338	47.1	2,393
Amortization of consolidation adjustments	700	1,836	(1,136)	(61.9)	6,868
Other	1,611	2,419	(808)	(33.4)	4,835
Non-operating expenses	4,095	2,505	1,590	63.5	12,541
Interest expenses	726	578	148	25.6	2,437
Loss on revaluation of derivatives	2,375	419	1,956	466.8	3,132
Other	994	1,508	(514)	(34.1)	6,972
Ordinary income	423	2,479	(2,056)	(82.9)	43,572
Extraordinary gains	37	270	(233)	(86.3)	2,261
Gain on sale of fixed assets	4	50	(46)	(92.0)	1,417
Gain on sale of investment securities	33	220	(187)	(85.0)	541
Other	-	-	-	-	303
Extraordinary losses	259	476	(217)	(45.6)	24,767
Loss on sale and disposal of fixed assets	259	476	(217)	(45.6)	6,169
Loss on devaluation of inventories	-	-	-	-	8,122
Loss on compensation to suppliers	-	-	-	-	4,174
Loss on discontinued operations	-	-	-	-	3,467
Other	-	-	-	-	2,835
Income before income taxes and minority interest	201	2,273	(2,072)	(91.2)	21,066
Tax expense	1,397	1,662	(265)	(15.9)	2,649
Minority interest in income of consolidated subsidiaries	-	-	-	-	179
Minority interest in loss of consolidated subsidiaries	19	8	11	137.5	-
Net income	(1,177)	619	(1,796)	-	18,238

(3) Segment Information

[Business segment information]

1st Quarter of FY2006 (from April 1, 2005 to June 30, 2005)

(Unit: Millions of yen)

	Automobiles	Industrial products	Aerospace	Other	Total	Elimination and corporate	Consolidated total
I. Sales and operating income (loss)							
Sales							
(1) Outside customer	270,802	11,757	14,378	3,011	299,948	-	299,948
(2) Inter-segment	916	46	9	672	1,643	(1,643)	-
Total sales	271,718	11,803	14,387	3,683	301,591	(1,643)	299,948
Operating cost and expense	271,618	11,648	13,756	3,675	300,697	(1,901)	298,796
Operating income (loss)	100	155	631	8	894	258	1,152

1st Quarter of FY2005 (from April 1, 2004 to June 30, 2004)

(Unit: Millions of yen)

	Automobiles	Industrial products	Aerospace	Other	Total	Elimination and corporate	Consolidated total
I. Sales and operating income (loss)							
Sales							
(1) Outside customer	278,136	10,740	13,731	4,936	307,543	-	307,543
(2) Inter-segment	892	92	12	735	1,731	(1,731)	-
Total sales	279,028	10,832	13,743	5,671	309,274	(1,731)	307,543
Operating cost and expense	278,693	10,918	13,907	5,867	309,385	(1,854)	307,531
Operating income (loss)	335	(86)	(164)	(196)	(111)	123	12

[Segment information by geographic area]

1st Quarter of FY2006 (from April 1, 2005 to June 30, 2005)

(Unit: Millions of yen)

	Japan	North America	Other	Total	Elimination and corporate	Consolidated total
I. Sales and operating income (loss)						
Sales						
(1) Outside customer	186,331	109,619	3,998	299,948	-	299,948
(2) Inter-segment	59,249	528	86	59,863	(59,863)	-
Total sales	245,580	110,147	4,084	359,811	(59,863)	299,948
Operating cost and expense	239,151	113,747	3,992	356,890	(58,094)	298,796
Operating income (loss)	6,429	(3,600)	92	2,921	(1,769)	1,152

1st Quarter of FY2005 (from April 1, 2004 to June 30, 2004)

(Unit: Millions of yen)

	Japan	North America	Other	Total	Elimination and corporate	Consolidated total
I. Sales and operating income						
Sales						
(1) Outside customer	190,286	113,443	3,814	307,543	-	307,543
(2) Inter-segment	64,098	393	87	64,578	(64,578)	-
Total sales	254,384	113,836	3,901	372,121	(64,578)	307,543
Operating cost and expense	248,572	120,793	3,780	373,145	(65,614)	307,531
Operating income	5,812	(6,957)	121	(1,024)	1,036	12

[Overseas sales]

1st Quarter of FY2006 (from April 1, 2005 to June 30, 2005)

(Unit: Millions of yen)

	North America	Europe	Other	Total
Overseas sales	118,499	23,369	28,876	170,744
Consolidated net sales				299,948
Percentage of overseas sales over consolidated sales (%)	39.5%	7.8%	9.6%	56.9%

1st Quarter of FY2005 (from April 1, 2004 to June 30, 2004)

(Unit: Millions of yen)

	North America	Europe	Other	Total
Overseas sales	126,577	20,643	23,751	170,971
Consolidated net sales				307,543
Percentage of overseas sales over consolidated sales (%)	41.2%	6.7%	7.7%	55.6%



<Reference for the 1st Quarter of FY2006 Consolidated Financial Results>

(August 3,2005)
Fuji Heavy Industries Ltd.

(in 100 millions of yen) (in thousands of units)	ACTUAL RESULTS 1st Quarter of FY 2005 Apr.2004 to Jun.2004		ACTUAL RESULTS 1st Quarter of FY 2006 Apr.2005 to Jun.2005		FORECAST FY2006 Apr.2005 to Mar.2006	
	Net Sales	3,075	2,999	△ 2.5 %	14,700	1.6 %
Domestic	1,366	1,292	△ 5.4 %	6,472	3.2 %	
Overseas	1,710	1,707	△ 0.1 %	8,228	0.4 %	
Margin Percentage	0.0%	0.4%	—	2.1%	—	
Operating income	0	12	—	310	△ 26.2 %	
Margin Percentage	0.8%	0.1%	—	1.8%	—	
Ordinary income	25	4	△ 82.9 %	270	△ 38.0 %	
Margin Percentage	0.2%	△ 0.4%	—	1.0%	—	
Net income	6	△ 12	—	150	△ 17.8 %	
Analysis of increase/decrease in operating income			Gain factors	Gain factors		
			Decrease of expenses and others 45	Reduction in costs 110		
		Decrease in R&D expenses 28				
		Reduction in costs 22				
		Loss factors	Loss factors			
		Decrease in sales mix 74	Decrease in sales mix 92			
		Foreign exchange 9	Foreign exchange 86			
			Increase in R&D expenses 25			
			Increase of expenses and others 17			
Exchange rate YEN/US\$	110	107		105		
Capital investment	—	95		670		
Depreciation and amortization	—	125		580		
R&D expenses	123	96		555		
Interest bearing debt	4,072	4,124		4,100		
Performance of operation			Net sales to decrease	Net sales to increase		
			Net income to decrease	Net income to decrease		
				Best net sales		
Domestic sales units	54	50	△ 8.7 %	251	△ 1.3 %	
Small Cars	20	19	△ 7.9 %	107	3.3 %	
Minicars	34	31	△ 9.3 %	143	△ 4.5 %	
Overseas sales units	67	71	4.8 %	331	1.0 %	
North America	44	43	△ 2.3 %	219	4.3 %	
Europe	11	12	11.3 %	58	△ 4.7 %	
Others	12	16	24.5 %	54	△ 4.8 %	
Total sales units	122	120	△ 1.3 %	582	0.0 %	
SIA Isuzu SUVs units	6	0	—	0	—	

*Figures of Total Sales are the sum of retail sales units of the Japanese subsidiary dealers, wholesale units of the overseas subsidiary distributors, and wholesale units of FHI to other distributors/dealers.