

Outline of Financial Results for the 3rd Quarter

of Fiscal 2006 (Consolidated)

Feb.3, 2006

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:Yes

Effective this semi-annual period, the Company and consolidated subsidiaries adopted the new accounting standard for impairment of fixed assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and the implementation guidance for the accounting standard for impairment of fixed assets (the Financial Accounting Standard Implementation Guidance No. 6 issued by the Accounting Standards Board of Japan on October 31, 2003). As a result of this adoption, income before income taxes and minority interest in the 3rd quarter of fiscal 2006 was decreased by ¥ 1,811 million.

III. Changes in scope of consolidation and application of the equity method: Yes

Effective this semi-annual period, SUBARU TECNICA INTERNATIONAL Inc., Robin America Inc., and other 4 subsidiaries were consolidated by equity method because of growing importance.

2. Performance in the 3rd Quarter of Fiscal 2006 (from April 1, 2005 to December 31, 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 or loss
3 rd Quarter of FY 2006	¥ 1,039,490 (-1.0%)	¥ 37,568 (41.9%)	¥ 31,178 (8.9%)	¥ 12,814 (-38.2%)
3 rd Quarter of FY 2005	¥ 1,050,410 (2.1%)	¥ 26,473 (-25.7%)	¥ 28,622 (-33.7%)	¥ 20,723 (-27.9%)
Fiscal 2005	¥ 1,446,491 -	¥ 42,017 -	¥ 43,572 -	¥ 18,238 -

	Net income or loss per share, basic (Yen)	Net income per share, diluted (Yen)
3 rd Quarter of FY 2006	¥ 16.85	¥ 16.85
3 rd Quarter of FY 2005	¥ 26.60	¥ 26.60
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 3rd quarter period.

Information on the Progress of Consolidate Operating Results

In the first nine months of this fiscal year, net sales in non-automotive divisions exceeded the figures for the same period of the previous year, but the automobile division saw a decline in passenger cars sold in Japan, and although there was a net sales increase for the "B9 TRIBECA" that went into full-scale sales last June, the end of consignment production in the American manufacturing subsidiary (Subaru of Indiana Automotive Inc.) led to consolidated net sales of ¥1,039.5 billion, down ¥10.9 billion, or 1.0%, from the same period of the previous year.

Although a deterioration of the sales mixture led to reduced income, reductions in material costs and SG&A expenses and other, and improved efficiency in R&D expenses contributed to operating income increasing ¥11.1 billion, or 41.9%, to ¥37.6 billion. Despite of losses on revaluation of derivatives and amortization of consolidation adjustment account led to ordinary income increasing by ¥2.6 billion, or 8.9%, to ¥31.2 billion. Net income fell by ¥7.9 billion, or 38.2%, to ¥12.8 billion due to the provision for premium retirement benefits accompanying the call for voluntary retirees and the extraordinary loss on the termination of a joint development project with Saab Automobile AB.

(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)
3 rd Quarter of FY 2006	¥ 1,338,427	¥ 453,133	33.9 %	¥ 632.29
Fiscal 2005	¥ 1,357,459	¥ 471,149	34.7 %	¥ 604.51

Information on the Consolidated Financial Condition

Total assets as of the end of the first nine months of this fiscal year were ¥1,338.4 billion, down ¥19 billion from the end of the previous fiscal year due to a decrease in marketable securities, although there was an increase in tangible fixed assets due to capital investment for the new B9 TRIBECA.

Liabilities were ¥881.8 billion, down ¥1 billion from the end of the previous fiscal year due to repayment of interest-bearing debt and a reduction of the consolidation adjustment account.

Shareholders' equity was ¥453.1 billion, down ¥18 billion from the end of the previous fiscal year due to factors such as the acquisition of treasury stock..

[Reference]

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

(Unit:Millions of yen)

	Net sales	Ordinary income	Net income
Full year	¥ 1,480,000	¥ 39,000	¥ 12,000

Reference: Projected net income per share (full year): ¥ 16.74

Information on the forecast of financial performance

Net sales are almost in line with projections, but an upward revision of ¥29 billion to ¥39 billion to the ordinary income in performance forecasts announced on November 8, 2005 based on the current exchange rates and progress in reduction in material costs. No changes will be made to the original performance forecasts for net income as the gain on sales of fixed assets of the affiliate being expected to be realized in next fiscal year.

Note) Projection of net income in Fiscal 2006 is unchanged as above stated. But projected net income per share (full year) increase ¥1.34 because the number of outstanding stocks for calculation of projected net income per share is decreased by 62,504,000 shares due to share buy-back as treasury stock on Oct. 7 and 11, 2005 and so on.

The above projections are made based on available information and assumptions as of Feb. 3, 2006, 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)

	3 rd Quarter of FY2006 (as of Dec. 31, 2005)	Fiscal 2005 (as of March 31, 2005)	Changes Increase/(Decrease)
ASSETS			
Current assets	608,734	649,070	(40,336)
Cash and time deposits	55,940	40,742	15,198
Notes and accounts receivable, trade	97,502	116,278	(18,776)
Marketable securities	28,717	87,003	(58,286)
Inventories	209,280	175,087	34,193
Short-term loans	130,242	128,202	2,040
Deferred tax assets	32,747	34,859	(2,112)
Other	55,478	68,158	(12,680)
Allowance for doubtful accounts	(1,172)	(1,259)	87
Fixed assets	729,693	708,389	21,304
Property, plant and equipment, net	557,031	543,726	13,305
Buildings and structures	128,155	129,376	(1,221)
Machinery, equipment and vehicles	188,239	183,946	4,293
Land	171,589	170,809	780
Construction in progress	9,583	12,891	(3,308)
Other	59,465	46,704	12,761
Intangible assets	41,663	43,211	(1,548)
Investments and other assets	130,999	121,452	9,547
Investment securities	72,748	71,114	1,634
Long-term loans	7,778	5,976	1,802
Deferred tax assets	29,546	24,481	5,065
Other	22,651	22,632	19
Allowance for devaluation of investments	(41)	(41)	-
Allowance for doubtful accounts	(1,683)	(2,710)	1,027
Total assets	1,338,427	1,357,459	(19,032)

	3 rd Quarter of FY2006 (as of Dec 31, 2005)	Fiscal 2005 (as of March 31, 2005)	Changes Increase/(Decrease)
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities	633,997	610,311	23,686
Notes and accounts payable, trade	195,758	190,790	4,968
Short-term borrowings	216,831	220,295	(3,464)
Commercial paper	12,000	22,000	(10,000)
Current portion of bonds	20,000	10,300	9,700
Accrued income taxes	11,166	8,872	2,294
Accrued expenses	62,465	74,326	(11,861)
Accrued bonus	8,074	15,277	(7,203)
Accrued warranty claims	22,466	20,490	1,976
Other	85,237	47,961	37,276
Long-term liabilities	247,820	272,532	(24,712)
Bonds	80,500	100,500	(20,000)
Long-term debts	61,755	59,095	2,660
Deferred tax liabilities on revaluation of land	478	478	-
Accrued pension and severance liability	56,176	59,002	(2,826)
Accrued directors' severance and retirement benefits	904	1,150	(246)
Consolidation adjustments	2,649	12,352	(9,703)
Other	45,358	39,955	5,403
Total liabilities	881,817	882,843	(1,026)
Minority interest in consolidated subsidiaries	3,477	3,467	10
Shareholders' equity			
Common stock	153,795	153,795	-
Capital surplus	160,071	160,071	-
Retained earnings	187,202	178,022	9,180
Revaluation reserve for land	421	421	-
Net unrealized holding gains on securities	17,681	16,945	736
Translation adjustments	(24,482)	(35,874)	11,392
Less treasury stock, at cost	(41,555)	(2,231)	(39,324)
Total shareholders' equity	453,133	471,149	(18,016)
Total liabilities and shareholders' equity	1,338,427	1,357,459	(19,032)

(2) Summary of Consolidated Statements of Income

(Unit: Millions of yen)

	3 rd Quarter of FY 2006 (ended Dec. 31, 2005)	3 rd Quarter of FY 2005 (ended Dec. 31, 2004)	Changes Increase/(Decrease)		Fiscal 2005 (ended March 31, 2005)
	Amount	Amount	Amount	%	Amount
Net sales	1,039,490	1,050,410	(10,920)	(1.0)	1,446,491
Cost of sales	789,249	802,739	(13,490)	(1.7)	1,107,718
Gross profit	250,241	247,671	2,570	1.0	338,773
Selling, general and administrative expenses	212,673	221,198	(8,525)	(3.9)	296,756
Operating income	37,568	26,473	11,095	41.9	42,017
Non-operating income	9,581	10,892	(1,311)	(12.0)	14,096
Interest and dividends income	2,441	1,613	828		2,393
Amortization of consolidation adjustments	2,616	5,327	(2,711)		6,868
Equity gain from affiliated companies	1,317	-	1,317		-
Other	3,207	3,952	(745)		4,835
Non-operating expenses	15,971	8,743	7,228	82.7	12,541
Interest expenses	2,308	1,896	412		2,437
Loss on revaluation of derivatives	4,721	-	4,721		3,132
Equity loss from affiliated companies	-	527	(527)		378
Other	8,942	6,320	2,622		6,594
Ordinary income	31,178	28,622	2,556	8.9	43,572
Extraordinary gains	6,074	3,213	2,861	89.0	2,261
Gain on sale of fixed assets	625	219	406		1,417
Gain on sale of investment securities	5,262	295	4,967		541
Other	187	2,699	(2,512)		303
Extraordinary losses	17,081	2,762	14,319	-	24,767
Loss on sale and disposal of fixed assets	1,735	1,819	(84)		6,169
Loss on termination of a joint development project	5,613	-	5,613		-
Impairment loss of fixed assets	1,811	-	1,811		-
Premium retirement benefit, etc.	7,875	-	7,875		-
Loss on devaluation of inventories	-	-	-		8,122
Loss on compensation to suppliers	-	-	-		4,174
Loss on discontinued operations	-	-	-		3,467
Other	47	943	(896)		2,835
Income before income taxes and minority interest	20,171	29,073	(8,902)	(30.6)	21,066
Tax expense	7,363	8,266	(903)	(10.9)	2,649
Minority interest in income of consolidated subsidiaries	-	(84)	(84)	-	(179)
Minority interest in loss of consolidated subsidiaries	6	-	6	-	-
Net income	12,814	20,723	(7,909)	(38.2)	18,238

Note: "Extraordinary gain-other" amounting to ¥2,699 million in the 3rd quarter of FY 2005 includes ¥2,525 million of gain, which is the amount after offsetting ¥10,168 million of depreciation expense of the consolidation adjustments (credit side), arose from making Subaru of Indiana Automotive, Inc. (SIA) a wholly owned subsidiary of the Company, against ¥7,643 million of losses related to operating lease equipments in the consignment division of SIA.

(3) Segment Information

[Information by business segment]

3rd Quarter of FY2006 (from April 1, 2005 to Dec. 31, 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	940,049	37,990	52,080	9,371	1,039,490	-	1,039,490
(2) Inter-segment	2,797	100	27	1,976	4,900	(4,900)	-
Total sales	942,846	38,090	52,107	11,347	1,044,390	(4,900)	1,039,490
Operating cost and expense	909,916	36,882	50,137	10,483	1,007,418	(5,496)	1,001,922
Operating income (loss)	32,930	1,208	1,970	864	36,972	596	37,568

3rd Quarter of FY2005 (from April 1, 2004 to Dec. 31, 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	959,347	34,050	41,334	15,679	1,050,410	-	1,050,410
(2) Inter-segment	2,843	200	31	2,291	5,365	(5,365)	-
Total sales	962,190	34,250	41,365	17,970	1,055,775	(5,365)	1,050,410
Operating cost and expense	935,501	33,769	42,027	18,501	1,029,798	(5,861)	1,023,937
Operating income (loss)	26,689	481	(662)	(531)	25,977	496	26,473

[Information by geographic segment]

3rd Quarter of FY2006 (from April 1, 2005 to Dec 31, 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	636,889	390,749	11,852	1,039,490	-	1,039,490
(2) Inter-segment	194,312	1,633	230	196,175	(196,175)	-
Total sales	831,201	392,382	12,082	1,235,665	(196,175)	1,039,490
Operating cost and expense	793,335	393,509	11,858	1,198,702	(196,780)	1,001,922
Operating income (loss)	37,866	(1,127)	224	36,963	605	37,568

3rd Quarter of FY2005 (from April 1, 2004 to Dec 31, 2004)

(Unit: Millions of yen)

	Japan	North America	Other	Total	Elimination and corporate	Consolidated total
I. Sales and operating income (loss)						
Sales						
(1) Outside customer	641,364	397,844	11,202	1,050,410	-	1,050,410
(2) Inter-segment	190,875	1,318	292	192,485	(192,485)	-
Total sales	832,239	399,162	11,494	1,242,895	(192,485)	1,050,410
Operating cost and expense	804,470	406,700	11,130	1,222,300	(198,363)	1,023,937
Operating income (loss)	27,769	(7,538)	364	20,595	5,878	26,473

[Overseas sales]

3rd Quarter of FY2006 (from April 1, 2005 to Dec 31, 2005)

(Unit: Millions of yen)

	North America	Europe	Other	Total
Overseas sales	421,446	94,341	95,637	611,424
Consolidated net sales				1,039,490
Percentage of overseas sales over consolidated sales (%)	40.5%	9.1%	9.2%	58.8%

3rd Quarter of FY2005 (from April 1, 2004 to Dec 31, 2004)

(Unit: Millions of yen)

	North America	Europe	Other	Total
Overseas sales	437,323	88,048	79,553	604,924
Consolidated net sales				1,050,410
Percentage of overseas sales over consolidated sales (%)	41.6%	8.4%	7.6%	57.6%



<Reference for the 3rd Quarter of FY2006(Apr. 2005 to Dec. 2005) Consolidated Financial Results>

(Feb. 3, 2006)

Fuji Heavy Industries Ltd.

(in 100 millions of yen) (in thousands of units)	RESULTS	RESULTS		RESULTS	FORECAST		FORECAST
	3rd Quarter of FY2005	3rd Quarter of FY2006		FY2005	FY2006		FY2006
	Apr. 2004 to Dec. 2004	Apr. 2005 to Dec. 2005		Apr. 2004 to Mar. 2005	Apr. 2005 to Mar. 2006		(Nov. 2005) Apr. 2005 to Mar. 2006
Net Sales	10,504	10,395	(1.0) %	14,465	14,800	2.3 %	14,800
Domestic	4,455	4,281	(3.9) %	6,271	6,190	(1.3) %	6,230
Overseas	6,049	6,114	1.1 %	8,194	8,610	5.1 %	8,570
Margin Percentage	2.5%	3.6%		2.9%	3.3%		2.6%
Operating Income	265	376	41.9 %	420	490	16.6 %	390
Margin Percentage	2.7%	3.0%		3.0%	2.6%		2.0%
Ordinary Income	286	312	8.9 %	436	390	(10.5) %	290
Margin Percentage	2.0%	1.2%		1.3%	0.8%		0.8%
Net Income	207	128	(38.2) %	182	120	(34.2) %	120
Factors of Change in Operating Income		Gain factors			Gain factors		Gain factors
		Reduction in cost	91		Reduction in cost	124	Reduction in cost 113
		Decrease of expenses and others	79		Foreign exchange	103	Decrease in R&D expenses 40
		Decrease in R&D expenses	68		Decrease of expenses and others	52	Decrease of expenses and others 27
		Foreign exchange	48		Decrease in R&D expenses	40	Foreign exchange 12
		Loss factors			Loss factors		Loss factors
		Decrease in sales mix	175		Decrease in sales mix	249	Decrease in sales mix 222
Foreign Exchange Rate YEN/US\$	109		111	108		111	108
R&D Expenses	400		332	530		490	490
Interest bearing debt	4,089		3,911	4,122		4,000	4,100
Performance of operation		Net Sales to decrease Net Income to decrease			Net Sales to increase Net Income to decrease Best Net Sales		
Domestic Sales	179	164	(8.3) %	254	235	(7.5) %	237
Small Cars	72	69	(4.6) %	104	102	(2.2) %	103
Minicars	107	95	(10.9) %	150	133	(11.2) %	134
Export	240	244	2.0 %	328	339	3.5 %	336
North America	153	146	(4.5) %	210	209	(0.7) %	213
Europe	45	47	5.2 %	61	64	6.0 %	62
Other	42	51	22.4 %	57	66	16.5 %	61
Units Total	419	408	(2.4) %	582	574	(1.3) %	573
SIA Isuzu SUVs	13	0	-	13	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.

* Exchange rate is the non-consolidated base of Fuji Heavy Industries Ltd..