

Outline of Financial Results for the 1st Quarter of Fiscal 2008 (Consolidated)



July 31, 2007

For Immediate Release

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1. Performance in the 1st Quarter of Fiscal 2008 (from April 1, 2007 to June 30, 2007)

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 (loss)	
1 st Quarter of FY2008	318,232	(3.4%)	3,510	(67.4%)	627	(93.5)	(332)	-
1 st Quarter of FY2007	329,534	9.9%	10,768	834.7%	9,645	-	4,598	-
Fiscal 2007	1,494,817	-	47,906	-	42,215	-	31,899	-

	Net income (loss) per share, basic (Yen)	Net income (loss) per share, diluted (Yen)
1 st Quarter of FY2008	(0.46)	-
1 st Quarter of FY2007	6.42	6.41
Fiscal 2007	44.46	44.44

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

(2) Consolidated Financial Position

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

	Total assets	Net assets	Shareholders' equity to total assets (%)	Net assets per share (Yen)
1 st Quarter of FY2008	1,313,918	493,840	37.5 %	686.19
Fiscal 2007	1,316,041	495,703	37.5 %	687.81

2. Projections (Consolidated) for Fiscal 2008 (from April 1, 2007 to March 31, 2008)

(Unit: Millions of yen, except for per share figures, percentage figures in parentheses indicate a change from the previous fiscal year/period)

	Net sales		Operating income		Ordinary income		Net income		Net income per share, basic (Yen)
Half year	690,000	(1.2%)	10,000	(44.8%)	5,000	(64.0%)	0	(100.0%)	0.00
Full year	1,550,000	3.7%	35,000	(26.9%)	30,000	(28.9%)	16,000	(49.8%)	22.28

Note: Please refer to page 2, "3. Qualitative Information on Projection for Fiscal 2008 (From April 1, 2007 to March 31, 2008)" of [Qualitative Information, Financial Statements etc.] for more details.

3. Other

- (1) Changes in significant subsidiaries during the year
(Changes in subsidiaries resulting in changes in scope of consolidation) : No
- (2) Adoption of simplified accounting practices : Yes
Income taxes are calculated using a simplified accounting method.
- (3) Accounting policy change from prior year : No

The above projections are made based on available information and assumptions as of July 31, 2007, and are subject to the uncertainties of future operations. Therefore, actual results could differ materially from those anticipated.

[Qualitative Information, Financial Statements, etc.]

1. Qualitative Information on Consolidated Operating Performance

Consolidated sales for the first quarter of the fiscal year ending March 2008 fell 11.3 billion yen (-3.4%) year-on-year basis to 318.2 billion yen. This was because although we launched full model changed All-New Subaru Impreza in June 2007, it contributed little in this quarter, and the Automobile division saw a decline in unit sales both in Japan and overseas.

Regarding the profit, in addition to the gain on currency exchange because of the weak yen, we worked to reduce the cost of materials and SG&A and other expenses. However, these efforts could not offset a deterioration in the sales volume and mix in the Automobile division, and operating income thus dropped 7.3 billion yen (-67.4%) year-on-year basis to 3.5 billion yen while ordinary income fell 9.0 billion yen (-93.5%) year-on-year basis to 0.6 billion yen. We recorded a net loss of 0.3 billion yen (versus net income of 4.6 billion yen for the same period of the previous fiscal year).

2. Qualitative Information on Consolidated Financial Position

Total assets as of the end of the first quarter of the fiscal year ending March 2008 were 1,313.9 billion yen, down 2.1 billion yen compared with the end of the previous fiscal year ended March 2007.

Liabilities were 820.1 billion yen, down 0.3 billion yen from the end of the previous fiscal year.

Net assets were 493.8 billion yen, down 1.9 billion yen from the end of the previous fiscal year.

3. Qualitative Information on Projection for Fiscal 2008 (From April 1, 2007 to March 31, 2008)

Regarding the future outlook, for the first half of the fiscal year ending March 2008, despite the deterioration in the sales mix in the Automobile division, we are maintaining our initial sales forecast as we expect the gain on currency exchange due to the weak yen to continue on from the first quarter. However, we will revise our forecast for operating income to 10.0 billion yen and for ordinary income to 5.0 billion yen, with the increases of 5.0 billion yen and 4.0 billion yen, respectively, over our previous forecasts.

Meanwhile, regarding the outlook for the full fiscal year, while taking our first-half guidance into account, we are forecasting the same figures as those we announced in April. This is because in addition to there being difficulty in forecasting domestic sales in the Automobile division owing to a sluggish demand in the domestic market, there is also uncertainty about exchange rate and raw material price trends.

The following table shows the differences between our earnings forecast for the first half announced in the previous April 27, 2007 financial statement and our current forecast for the same period.

(First Half)

	Sales	Operating Income	Ordinary Income	Net Income	Net Income Per Share
Previous projection (A)	(million yen) 690,000	(million yen) 5,000	(million yen) 1,000	(million yen) 0	(yen) 0.00
Current revised projection (B)	690,000	10,000	5,000	0	0.00
Increase and decrease (B-A)	-	5,000	4,000	-	-
Change of percentage (%)	-	100.0	400.0	-	-
Actual results of the first half of the FY2007	698,676	18,126	13,883	11,604	16.19

The above earnings estimates are calculated based on an assumed exchange rate of US\$1/¥120.00.

4. Consolidated Financial Statements

(1) Summary of Consolidated Balance Sheets

(Unit: Millions of yen)

	Fiscal 2007 (as of March 31, 2007)	1 st Quarter of 2008 (as of June 30, 2007)	Changes Increase/(Decrease)	
	Amount	Amount	Amount	%
ASSETS				
I Current assets				
Cash and time deposits	52,406	35,762	(16,644)	
Notes and accounts receivable, trade	99,290	88,796	(10,494)	
Marketable securities	32,017	26,737	(5,280)	
Inventories	224,919	245,928	21,009	
Deferred tax assets	27,072	29,092	2,020	
Short-term loans	101,184	116,434	15,250	
Other	59,501	51,886	(7,615)	
Allowance for doubtful accounts	(1,713)	(1,644)	69	
Total current assets	594,676	592,991	(1,685)	(0.3)
II Fixed assets				
1. Property, plant and equipment, net				
Buildings and structures	129,280	128,928	(352)	
Machinery, equipment and vehicles	122,828	124,053	1,225	
Land	174,835	175,821	986	
Construction in progress	18,335	15,304	(3,031)	
Leased assets	59,896	60,596	700	
Other	45,410	41,619	(3,791)	
Total property, plant and equipment, net	550,584	546,321	(4,263)	(0.8)
2. Intangible assets				
Goodwill	19,092	19,324	232	
Other	16,100	15,839	(261)	
Total intangible assets	35,192	35,163	(29)	(0.1)
3. Investments and other assets				
Investment securities	85,819	89,970	4,151	
Long-term loans	3,696	3,696	0	
Deferred tax assets	20,825	20,587	(238)	
Other	28,472	28,587	115	
Allowance for doubtful accounts	(3,223)	(3,397)	(174)	
Total investments and other assets	135,589	139,443	3,854	2.8
Total fixed assets	721,365	720,927	(438)	(0.1)
Total assets	1,316,041	1,313,918	(2,123)	(0.2)

(Unit: Millions of yen)

	Fiscal 2007 (as of March 31, 2007)	1 st Quarter of 2008 (as of June 30, 2007)	Changes Increase/(Decrease)	
	Amount	Amount	Amount	%
LIABILITIES AND NET ASSETS				
I Current liabilities				
Notes and accounts payable, trade	190,394	170,941	(19,453)	
Short-term borrowings	172,454	175,031	2,577	
Commercial paper	11,000	17,000	6,000	
Current portion of bonds	10,000	10,000	-	
Accrued income taxes	4,572	4,640	68	
Accrued expenses	55,789	50,366	(5,423)	
Accrued bonus	15,247	23,041	7,794	
Accrued warranty claims	23,934	23,491	(443)	
Other	80,277	90,554	10,277	
Total current liabilities	563,667	565,064	1,397	0.2
II Long-term liabilities				
Bonds	90,000	90,000	-	
Long-term debts	60,400	57,181	(3,219)	
Deferred tax liabilities on revaluation of land	703	-	(703)	
Accrued pension and severance benefits	45,516	45,704	188	
Accrued directors' severance and retirement benefits	987	669	(318)	
Provision for loss on guarantees	745	745	-	
Negative goodwill	821	769	(52)	
Other	57,499	59,946	2,447	
Total long-term liabilities	256,671	255,014	(1,657)	(0.6)
Total liabilities	820,338	820,078	(260)	0.0
NET ASSETS				
I Shareholders' capital				
Common stock	153,795	153,795	-	
Capital surplus	160,104	160,101	(3)	
Retained earnings	214,831	211,668	(3,163)	
Less-treasury stock, at cost	(40,511)	(40,504)	7	
Total shareholders' capital	488,219	485,060	(3,159)	(0.6)
II Valuation, translation, and other adjustments				
Net unrealized holding gains on securities	22,182	25,607	3,425	
Revaluation reserve for land	290	-	(290)	
Translation adjustments	(16,687)	(17,821)	(1,134)	
Total valuation, translation, and other adjustments	5,785	7,786	2,001	34.6
III Minority interest in consolidated subsidiaries	1,699	994	(705)	(41.5)
Total net assets	495,703	493,840	(1,863)	(0.4)
Total liabilities and net assets	1,316,041	1,313,918	(2,123)	(0.2)

(2) Summary of Consolidated Statements of Income

(Unit: Millions of yen)

	1 st Quarter of FY2007 (ended June 30, 2006)	1 st Quarter of FY2008 (ended June 30, 2007)	Changes Increase/(Decrease)		Fiscal 2007 (ended March 31, 2007)
	Amount	Amount	Amount	%	Amount
I Net sales	329,534	318,232	(11,302)	(3.4)	1,494,817
II Cost of sales	247,044	243,266	(3,778)	(1.5)	1,142,674
Gross profit	82,490	74,966	(7,524)	(9.1)	352,143
III Selling, general and administrative expenses	71,722	71,456	(266)	(0.4)	304,237
Operating income	10,768	3,510	(7,258)	(67.4)	47,906
IV Non-operating income					
Interest and dividends income	1,027	1,283	256		3,864
Amortization of negative goodwill	544	-	(544)		2,175
Exchange gain	-	345	345		-
Gain on revaluation of derivatives	1,634	-	(1,634)		4,268
Equity income from affiliated companies	-	394	394		1,549
Other	1,132	1,287	155		5,949
Total non-operating income	4,337	3,309	(1,028)	(23.7)	17,805
V Non-operating expenses					
Interest expenses	945	1,066	121		4,017
Exchange loss	-	-	-		11,906
Loss on revaluation of derivatives	565	4,300	3,735		72
Other	3,950	826	(3,124)		7,501
Total non-operating expenses	5,460	6,192	732	13.4	23,496
Ordinary income	9,645	627	(9,018)	(93.5)	42,215
VI Extraordinary gains					
Gain on sale of property, plant and equipment	49	84	35		6,673
Gain on sale of investment securities	-	1,397	1,397		58
Prior period adjustment	-	-	-		1,451
Gain on transfer of the substitutional portion of the employee's pension fund	-	-	-		2,423
Other	-	83	83		104
Total extraordinary gains	49	1,564	1,515	-	10,709
VII Extraordinary losses					
Loss on sale and disposal of property, plant and equipment	332	288	(44)		4,774
Loss on sale of investment securities	-	-	-		18
Loss on devaluation of investment securities	-	-	-		335
Impairment loss on property, plant and equipment	-	-	-		550
Allowance for losses on guarantees	-	-	-		745
Loss on liquidation of affiliated companies	-	-	-		913
Total extraordinary losses	332	288	(44)	(13.3)	7,335
Income before income taxes and minority interest	9,362	1,903	(7,459)	(79.7)	45,589
Tax expense	4,769	2,253	(2,516)	(52.8)	13,642
Minority interest in income of consolidated subsidiaries	-	-	-	-	(48)
Minority interest in loss of consolidated subsidiaries	5	18	13	260.0	-
Net income (loss)	4,598	(332)	(4,930)	-	31,899

Note: In the 1st quarter of FY2007, ¥345 million of equity income from affiliated companies was included in "Other (¥1,132 million)" of "Non-operating income", and ¥3,148 million of exchange loss was included in "Other (¥3,950 million)" of "Non-operating expenses".

(3) Segment Information

[Business segment information]

1st Quarter of FY2008 (from April 1, 2007 to June 30, 2007)

(Unit: Millions of yen)

	Automobiles	Industrial products	Aerospace	Other	Total	Elimination and corporate	Consolidated total
I . Net sales and operating income							
Net sales							
(1) Outside customer	286,227	11,129	18,810	2,066	318,232	-	318,232
(2) Inter-segment	768	3	1	1,577	2,349	(2,349)	-
Total sales	286,995	11,132	18,811	3,643	320,581	(2,349)	318,232
Operating cost and expense	286,866	10,831	16,588	3,414	317,699	(2,977)	314,722
Operating income	129	301	2,223	229	2,882	628	3,510

1st Quarter of FY2007 (from April 1, 2006 to June 30, 2006)

(Unit: Millions of yen)

	Automobiles	Industrial products	Aerospace	Other	Total	Elimination and corporate	Consolidated total
I . Net sales and operating income							
Net sales							
(1) Outside customer	297,672	13,116	16,347	2,399	329,534	-	329,534
(2) Inter-segment	700	4	6	620	1,330	(1,330)	-
Total sales	298,372	13,120	16,353	3,019	330,864	(1,330)	329,534
Operating cost and expense	291,002	12,492	14,327	2,473	320,294	(1,528)	318,766
Operating income	7,370	628	2,026	546	10,570	198	10,768

[Geographical segment information]

1st Quarter of FY2008 (from April 1, 2007 to June 30, 2007)

(Unit: Millions of yen)

	Japan	North America	Other	Total	Elimination and corporate	Consolidated total
I . Net sales and operating income (loss)						
Net sales						
(1) Outside customer	183,832	121,575	12,825	318,232	-	318,232
(2) Inter-segment	65,494	3,889	91	69,474	(69,474)	-
Total sales	249,326	125,464	12,916	387,706	(69,474)	318,232
Operating cost and expense	240,500	130,103	12,769	383,372	(68,650)	314,722
Operating income (loss)	8,826	(4,639)	147	4,334	(824)	3,510

1st Quarter of FY2007 (from April 1, 2006 to June 30, 2006)

(Unit: Millions of yen)

	Japan	North America	Other	Total	Elimination and corporate	Consolidated total
I . Net sales and operating income (loss)						
Net sales						
(1) Outside customer	192,892	132,791	3,851	329,534	-	329,534
(2) Inter-segment	62,876	647	69	63,592	(63,592)	-
Total sales	255,768	133,438	3,920	393,126	(63,592)	329,534
Operating cost and expense	244,355	134,325	3,781	382,461	(63,695)	318,766
Operating income (loss)	11,413	(887)	139	10,665	103	10,768

[Overseas net sales]1st Quarter of FY2008 (from April 1, 2007 to June 30, 2007)

(Unit: Millions of yen)

	North America	Europe	Other	Total
Overseas net sales	132,618	34,477	38,769	205,864
Consolidated net sales				318,232
Percentage of overseas net sales over consolidated sales (%)	41.7%	10.8%	12.2%	64.7%

1st Quarter of FY2007 (from April 1, 2006 to June 30, 2006)

(Unit: Millions of yen)

	North America	Europe	Other	Total
Overseas net sales	144,070	30,893	33,239	208,202
Consolidated net sales				329,534
Percentage of overseas net sales over consolidated sales (%)	43.7%	9.4%	10.1%	63.2%



<Reference for the 1st Quarter of FY2008 Consolidated Financial Results>

(July 31,2007)
Fuji Heavy Industries Ltd.

(in 100 millions of yen) (in thousands of units)	ACTUAL RESULTS	ACTUAL RESULTS		FORECAST		FORECAST	
	1st Quarter of FY 2007 Apr.2006 to Jun.2006	1st Quarter of FY 2008 Apr.2007 to Jun.2007		1st HALF of FY 2008 Apr.2007 to Sep.2007		FY2008 Apr.2007 to Mar.2008	
Net Sales	3,295	3,182	-3.4 %	6,900	-1.2 %	15,500	3.7 %
Domestic	1,213	1,124	-7.4 %	2,600	-9.2 %	5,600	-2.8 %
Overseas	2,082	2,059	-1.1 %	4,300	4.3 %	9,900	7.8 %
Margin Percentage	3.3%	1.1%		1.4%		2.3%	
Operating income	108	35	-67.4 %	100	-44.8 %	350	-26.9 %
Margin Percentage	2.9%	0.2%		0.7%		1.9%	
Ordinary income	96	6	-93.5 %	50	-64.0 %	300	-28.9 %
Margin Percentage	1.4%			-		1.0%	
Net income	46	-3.0	-	0	-	160	-49.8 %
Analysis of increase/decrease in operating income		Gain factors Reduction in costs 26 Foreign exchange 24 Decrease of expenses and others 18 Loss factors Decrease in sales mix 138 Increase in R&D expenses 3		Gain factors Foreign exchange 63 Reduction in costs 30 Decrease of expenses and others 27 Loss factors Decrease in sales mix 182 Increase in R&D expenses 19		Gain factors Reduction in costs 53 Foreign exchange 14 Loss factors Increase of expenses and others 118 Increase in R&D expenses 53 Decrease in sales mix 25	
Exchange rate	115YEN/US\$	119YEN/US\$		120YEN/US\$		118YEN/US\$	
Capital investment	87	104		210		600	
Depreciation and amortization	146	148		310		640	
R&D expenses	111	114		270		560	
Interest bearing debt	3,835	3,492		3,390		3,290	
Performance of operation		Net sales to decrease Net income to decrease		Net sales to decrease Net income to decrease		Net sales to increase Net income to decrease Best Net sales	
Domestic sales units	45	44	-2.1 %	106	-4.9 %	218	-3.9 %
Small Cars	16	14	-9.9 %	41	2.9 %	89	10.0 %
Minicars	29	30	2.2 %	65	-9.2 %	129	-11.7 %
Overseas sales units	79	75	-4.3 %	166	6.0 %	366	4.2 %
North America	47	40	-13.6 %	91	1.9 %	215	4.1 %
Europe	16	15	-2.5 %	37	15.6 %	80	11.5 %
Others	17	20	20.2 %	38	7.4 %	71	-2.8 %
Total sales units	124	120	-3.5 %	273	1.4 %	584	1.0 %

*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.