

# FY2008 3rd Quarter Consolidated Financial Results

## For the Nine Months Ended December 31, 2007



February 4, 2008

Company Name : **Fuji Heavy Industries Ltd.** (Tokyo Stock Exchange First Section, Code No.7270)  
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### 1. Performance in the 3rd Quarter of FY 2008 (from April 1, 2007 to December 31, 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	
3rd Quarter of FY 2008	1,105,309	4.4 %	36,613	2.4 %	32,712	8.4 %	17,877	(27.5%)
3rd Quarter of FY 2007	1,058,733	1.9 %	35,753	(4.8 %)	30,188	(3.2 %)	24,669	92.5 %
FY 2007	1,494,817	-	47,906	-	42,215	-	31,899	-

Note: Percentage figures in the net sales, operating income, ordinary income and net income columns represent changes from prior 3rd quarter period.

	Net income per share, basic (Yen)	Net income per share, diluted (Yen)
3rd Quarter of FY 2008	24.89	-
3rd Quarter of FY 2007	34.40	34.38
FY 2007	44.46	44.44

#### (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)
3rd Quarter of FY 2008	1,277,216	501,080	39.2 %	696.30
FY 2007	1,316,041	495,703	37.5 %	687.81

### 2. Dividends

(unit: Yen)

	Cash dividends per share		
	Semi-annual	Year-end	Annual
FY 2007	4.50	4.50	9.00
FY 2008	4.50		9.00
FY 2008 (Forecast)		4.50	9.00

### 3. Forecast of Consolidated Results for FY 2008 (from April 1, 2007 to March 31, 2008)

There is no change in the earnings forecast released on October 31, 2007.

### 4. Other

- (1) Changes in significant subsidiaries during the 3rd Quarter of FY 2008 : No  
 (Changes in subsidiaries resulting in changes in scope of consolidation)
- (2) Adoption of simplified accounting practices : Yes
- (3) Changes in Accounting principles, procedures and presentation etc. : Yes

Note: Please refer to page 2, "4. Other" of [Qualitative Information, Financial Statements, etc.] for more details.

The above projections are made based on available information and assumptions as of February 4, 2008, 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 third quarter of the fiscal year ending March 2008 were up ¥46.6 billion, or 4.4% over the same period of the previous fiscal year to ¥1,105.3 billion. Although sales in the Japanese market have been sluggish in the Automobile Division, this increase was achieved due to factors such as increased sales volume in overseas markets and foreign exchange differences with our foreign subsidiaries. Regarding the profit, in addition to the gain on currency exchange because of the weak yen, we worked to reduce the cost of materials, SG & A and other expenses. So we were able to cover the decreased sales volume and mix in the Automobile Division. Operating income was up ¥0.9 billion, or 2.4% over the same period of the previous fiscal year to ¥36.6 billion, and an ordinary income was up ¥2.5 billion, or 8.4% over the same period of the previous fiscal year to ¥32.7 billion. However, net income was down ¥6.8 billion, or 27.5% over the same period of the previous fiscal year to ¥17.9 billion due to decreased gains on sales of fixed assets and similar causes.

### 2. Qualitative Information on Consolidated Financial Position

Total assets as of the end of the third quarter of this fiscal year ending March 2008 were ¥1,277.2 billion, which was a decrease of ¥38.8 billion from the previous fiscal year.

Liabilities were down to ¥776.1 billion, which was a decrease of ¥44.2 billion from the previous fiscal year.

Net assets were ¥501.1 billion, which was an increase of ¥5.4 billion over the previous fiscal year.

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

At the current time, the fiscal projection remains the same as presented in the FY2008 First Half Consolidated Financial Results (October. 31, 2007).

### 4. Other

#### (1) Changes in significant subsidiaries during the 3rd Quarter of FY 2008

(Changes in subsidiaries resulting in changes in scope of consolidation)

Nothing

#### (2) Adoption of simplified accounting practices

Income taxes are calculated using a simplified accounting method.

#### (3) Changes in Accounting principles, procedures and presentation etc.

In FY 2008, the Company and domestic consolidated subsidiaries changed their depreciation / amortization method for fixed assets acquired on or after April 1, 2007 to conform to the enacted revisions to the tax depreciation schedules under the Corporate Tax Law and related tax regulations. The effects of this change were to decrease operating income by ¥1,324 million, and to decrease ordinary income and income before income taxes and minority interest by ¥1,330 million each as compared to the respective amounts that would have been reported under the previous method.

In addition, during FY 2008, the Company and domestic consolidated subsidiaries started to depreciate the residual book value of fixed assets acquired on or before March 31, 2007 on a straight-line basis over a 5-year period commencing in the year following a year in which those assets have reached their depreciation limit under the previous depreciation / amortization method. This change resulted in a decrease in operating income of ¥1,742 million, and a decrease in both ordinary income and income before income taxes and minority interest of ¥1,781 million, as compared to the respective amounts that would have been reported had the change not been implemented.

## 5. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Unit: millions of yen)

	FY 2007 (as of March 31, 2007)	3rd Quarter of FY 2008 (as of December 31, 2007)	Changes Increase / (Decrease)	
	Amount	Amount	Amount	%
<b>[ASSETS]</b>				
<b>I Current assets</b>				
Cash and time deposits	52,406	47,548	(4,858)	
Notes and accounts receivable, trade	99,290	82,433	(16,857)	
Marketable securities	32,017	18,690	(13,327)	
Inventories	224,919	253,288	28,369	
Deferred tax assets	27,072	22,646	(4,426)	
Short-term loans	101,184	99,433	(1,751)	
Other	59,501	56,065	(3,436)	
Allowance for doubtful accounts	(1,713)	(1,499)	214	
<b>Total current assets</b>	<b>594,676</b>	<b>578,604</b>	<b>(16,072)</b>	<b>(2.7)</b>
<b>II Fixed assets</b>				
<b>1. Property, plant and equipment, net</b>				
Buildings and structures	129,280	127,778	(1,502)	
Machinery and vehicles	122,828	126,979	4,151	
Land	174,835	179,690	4,855	
Construction in progress	18,335	7,819	(10,516)	
Leased assets	59,896	53,216	(6,680)	
Other	45,410	37,085	(8,325)	
<b>Total property, plant and equipment, net</b>	<b>550,584</b>	<b>532,567</b>	<b>(18,017)</b>	<b>(3.3)</b>
<b>2. Intangible assets</b>				
Goodwill	19,092	18,847	(245)	
Other	16,100	13,600	(2,500)	
<b>Total intangible assets</b>	<b>35,192</b>	<b>32,447</b>	<b>(2,745)</b>	<b>(7.8)</b>
<b>3. Investments and other assets</b>				
Investment securities	85,819	80,740	(5,079)	
Long-term loans	3,696	3,910	214	
Deferred tax assets	20,825	21,919	1,094	
Other	28,472	30,167	1,695	
Allowance for doubtful accounts	(3,223)	(3,138)	85	
<b>Total investments and other assets</b>	<b>135,589</b>	<b>133,598</b>	<b>(1,991)</b>	<b>(1.5)</b>
<b>Total fixed assets</b>	<b>721,365</b>	<b>698,612</b>	<b>(22,753)</b>	<b>(3.2)</b>
<b>Total assets</b>	<b>1,316,041</b>	<b>1,277,216</b>	<b>(38,825)</b>	<b>(3.0)</b>

(Unit: Millions of yen)

	FY 2007 (as of March 31, 2007)	3rd Quarter of FY 2008 (as of December 31, 2007)	Changes Increase / (Decrease)	
	Amount	Amount	Amount	%
<b>[LIABILITIES AND NET ASSETS]</b>				
<b>I Current liabilities</b>				
Notes and accounts payable, trade	190,394	181,879	(8,515)	
Short-term borrowings	172,454	177,836	5,382	
Commercial paper	11,000	20,000	9,000	
Current portion of bonds	10,000	30,000	20,000	
Accrued income taxes	4,572	5,282	710	
Accrued expenses	55,789	50,645	(5,144)	
Accrued bonus	15,247	7,777	(7,470)	
Accrued warranty claims	23,934	23,321	(613)	
Other	80,277	71,065	(9,212)	
<b>Total current liabilities</b>	<b>563,667</b>	<b>567,805</b>	<b>4,138</b>	<b>0.7</b>
<b>II Long-term liabilities</b>				
Bonds	90,000	60,000	(30,000)	
Long-term debts	60,400	43,788	(16,612)	
Deferred tax liabilities on revaluation of land	703	-	(703)	
Accrued pension and severance benefits	45,516	44,260	(1,256)	
Accrued directors' severance and retirement benefits	987	729	(258)	
Provision for losses on guarantees	745	745	-	
Negative goodwill	821	-	(821)	
Other	57,499	58,809	1,310	
<b>Total long-term liabilities</b>	<b>256,671</b>	<b>208,331</b>	<b>(48,340)</b>	<b>(18.8)</b>
<b>Total liabilities</b>	<b>820,338</b>	<b>776,136</b>	<b>(44,202)</b>	<b>(5.4)</b>
<b>[NET ASSETS]</b>				
<b>I Shareholders' capital</b>				
Common stock	153,795	153,795	-	
Capital surplus	160,104	160,099	(5)	
Retained earnings	214,831	226,623	11,792	
Less-treasury stock, at cost	(40,511)	(40,529)	(18)	
<b>Total shareholders' capital</b>	<b>488,219</b>	<b>499,988</b>	<b>11,769</b>	<b>2.4</b>
<b>II Valuation, translation, and other adjustments</b>				
Net unrealized holding gains on securities	22,182	20,346	(1,836)	
Revaluation reserve for land	290	-	(290)	
Foreign currency translation adjustments	(16,687)	(20,256)	(3,569)	
<b>Total valuation, translation, and other adjustments</b>	<b>5,785</b>	<b>90</b>	<b>(5,695)</b>	<b>(98.4)</b>
<b>III Minority interest in consolidated subsidiaries</b>	<b>1,699</b>	<b>1,002</b>	<b>(697)</b>	<b>(41.0)</b>
<b>Total net assets</b>	<b>495,703</b>	<b>501,080</b>	<b>5,377</b>	<b>1.1</b>
<b>Total liabilities and net assets</b>	<b>1,316,041</b>	<b>1,277,216</b>	<b>(38,825)</b>	<b>(3.0)</b>

## (2) Consolidated Statements of Income

(Unit: Millions of yen)

	3rd Quarter of FY 2007 (ended December 31, 2006)	3rd Quarter of FY 2008 (ended December 31, 2007)	Changes Increase / (Decrease)		Fiscal 2007 (ended March 31, 2007)
	Amount	Amount	Amount	%	Amount
I Net sales	1,058,733	1,105,309	46,576	4.4	1,494,817
II Cost of sales	796,228	844,586	48,358	6.1	1,142,674
Gross profit	262,505	260,723	(1,782)	(0.7)	352,143
III Selling, general and administrative expenses	226,752	224,110	(2,642)	(1.2)	304,237
<b>Operating income</b>	<b>35,753</b>	<b>36,613</b>	<b>860</b>	<b>2.4</b>	<b>47,906</b>
IV Non-operating income					
Interest and dividend income	2,581	4,053	1,472		3,864
Amortization of negative goodwill	1,631	-	(1,631)		2,175
Gain on revaluation of derivatives	-	85	85		4,268
Equity income from affiliated companies	1,393	412	(981)		1,549
Other	4,003	2,847	(1,156)		5,949
Total non-operating income	9,608	7,397	(2,211)	(23.0)	17,805
V Non-operating expenses					
Interest expenses	2,994	3,086	92		4,017
Foreign exchange losses	-	4,144	4,144		11,906
Loss on revaluation of derivatives	99	399	300		72
Other	12,080	3,669	(8,411)		7,501
Total non-operating expenses	15,173	11,298	(3,875)	(25.5)	23,496
<b>Ordinary income</b>	<b>30,188</b>	<b>32,712</b>	<b>2,524</b>	<b>8.4</b>	<b>42,215</b>
VI Extraordinary gains					
Gain on sale of property, plant and equipment	6,492	1,115	(5,377)		6,673
Gain on sale of securities	8	1,433	1,425		58
Prior period adjustment	1,451	1,557	106		1,451
Gain on sale of loans receivable	-	280	280		-
Gain on transfer of the substitutional portion of the employees' pension fund	2,423	-	(2,423)		2,423
Other	154	163	9		104
Total extraordinary gains	10,528	4,548	(5,980)	(56.8)	10,709
VII Extraordinary losses					
Loss on sale and disposal of property, plant and equipment	3,306	3,087	(219)		4,774
Loss on sale of securities	-	-	-		18
Loss on devaluation of securities	290	-	(290)		335
Impairment loss on property, plant and equipment	108	1,593	1,485		550
Allowance for losses on guarantees	-	-	-		745
Loss on liquidation of affiliated companies	914	-	(914)		913
Other	19	6	(13)		-
Total extraordinary losses	4,637	4,686	49	1.1	7,335
Income before income taxes and minority interest	36,079	32,574	(3,505)	(9.7)	45,589
Tax expense	11,259	14,696	3,437	30.5	13,642
Minority interest in income of consolidated subsidiaries	(151)	(1)	(150)	(99.3)	(48)
<b>Net income</b>	<b>24,669</b>	<b>17,877</b>	<b>(6,792)</b>	<b>(27.5)</b>	<b>31,899</b>

Note: "Gain on revaluation of derivatives" included in "Other" non-operating income of 4,003 million yen in 3rd Quarter of FY 2007 is 947 million yen.

"Foreign exchange loss" included in "Other" non-operating expenses of 12,080 million yen in 3rd Quarter of FY 2007 are 7,676 million yen.

### (3) Segment Information

#### [Information by business segment information]

3rd Quarter of FY2008 (from April 1, 2007 to December 31, 2007)

(Unit: Millions of yen)

	Automobiles	Industrial products	Aerospace	Other	Total	Elimination and corporate	Consolidated total
Net sales							
(1) Outside customers	1,004,358	30,646	62,616	7,689	1,105,309	-	1,105,309
(2) Inter-segment	2,147	11	1	4,880	7,039	(7,039)	-
Total sales	1,006,505	30,657	62,617	12,569	1,112,348	(7,039)	1,105,309
Operating cost and expense	977,879	29,910	57,882	11,858	1,077,529	(8,833)	1,068,696
Operating income	28,626	747	4,735	711	34,819	1,794	36,613

3rd Quarter of FY2007 (from April 1, 2006 to December 31, 2006)

(Unit: Millions of yen)

	Automobiles	Industrial products	Aerospace	Other	Total	Elimination and corporate	Consolidated total
Net sales							
(1) Outside customers	945,930	38,261	65,548	8,994	1,058,733	-	1,058,733
(2) Inter-segment	2,255	16	13	1,851	4,135	(4,135)	-
Total sales	948,185	38,277	65,561	10,845	1,062,868	(4,135)	1,058,733
Operating cost and expense	920,366	36,653	61,420	9,078	1,027,517	(4,537)	1,022,980
Operating income	27,819	1,624	4,141	1,767	35,351	402	35,753

#### [Information by Geographical segment]

3rd Quarter of FY2008 (from April 1, 2007 to December 31, 2007)

(Unit: Millions of yen)

	Japan	North America	Other	Total	Elimination and corporate	Consolidated total
Net sales						
(1) Outside customers	618,863	447,078	39,368	1,105,309	-	1,105,309
(2) Inter-segment	199,605	14,049	342	213,996	(213,996)	-
Total sales	818,468	461,127	39,710	1,319,305	(213,996)	1,105,309
Operating cost and expense	793,274	455,129	38,634	1,287,037	(218,341)	1,068,696
Operating income	25,194	5,998	1,076	32,268	4,345	36,613

3rd Quarter of FY2007 (from April 1, 2006 to December 31, 2006)

(Unit: Millions of yen)

	Japan	North America	Other	Total	Elimination and corporate	Consolidated total
Net sales						
(1) Outside customers	638,653	397,494	22,586	1,058,733	-	1,058,733
(2) Inter-segment	187,601	6,607	205	194,413	(194,413)	-
Total sales	826,254	404,101	22,791	1,253,146	(194,413)	1,058,733
Operating cost and expense	799,119	400,166	22,110	1,221,395	(198,415)	1,022,980
Operating income	27,135	3,935	681	31,751	4,002	35,753

**[Overseas net sales]**

3rd Quarter of FY2008 (from April 1, 2007 to December 31, 2007)

(Unit: Millions of yen)

	North America	Europe	Other	Total
Overseas net sales	483,350	125,485	127,071	735,906
Consolidated net sales				1,105,309
Percentage of overseas net sales over consolidated sales	43.7 %	11.4 %	11.5 %	66.6%

3rd Quarter of FY2007 (from April 1, 2006 to December 31, 2006)

(Unit: Millions of yen)

	North America	Europe	Other	Total
Overseas net sales	428,988	106,998	105,076	641,062
Consolidated net sales				1,058,733
Percentage of overseas net sales over consolidated sales	40.5%	10.1%	9.9 %	60.5 %



<Reference for the 3rd Quarter of FY2008(Apr. 2007 to Dec. 2007) Consolidated Financial Results>

(Feb. 4, 2008)

Fuji Heavy Industries Ltd.

(in 100 millions of yen) (in thousands of units)	RESULTS	RESULTS		RESULTS	FORECAST	
	3rd Quarter of FY2007	3rd Quarter of FY2008		FY2007	FY2008	
	Apr. 2006 to Dec. 2006	Apr. 2007 to Dec. 2007		Apr. 2006 to Mar. 2007	Apr. 2007 to Mar. 2008	
<b>Net Sales</b>	10,587	11,053	4.4 %	14,948	15,600	4.4 %
Domestic	4,177	3,694	(11.6) %	5,762	5,300	(8.0) %
Overseas	6,411	7,359	14.8 %	9,186	10,300	12.1 %
Margin Percentage	3.4%	3.3%		3.2%	2.6%	
<b>Operating Income</b>	358	366	2.4 %	479	400	(16.5) %
Margin Percentage	2.9%	3.0%		2.8%	2.2%	
<b>Ordinary Income</b>	302	327	8.4 %	422	350	(17.1) %
Margin Percentage	2.3%	1.6%		2.1%	1.1%	
<b>Net Income</b>	247	179	(27.5) %	319	170	(46.7) %
<b>Factors of Change in Operating Income</b>		<b>Gain factors</b> Foreign exchange 65 Reduction in cost 55 Decrease of expenses and others 54  <b>Loss factors</b> Decrease in sales mix 155 Increases in R&D expenses 10			<b>Gain factors</b> Reduction in cost 63 Decrease of expenses and others 6  <b>Loss factors</b> Decrease in sales mix 101 Increases in R&D expenses 43 Foreign exchange 4	
<b>Foreign Exchange Rate YEN/US\$</b>	116	118		117	115	
<b>Capital investment</b>	374	405		596	600	
<b>Depreciation and amortization</b>	437	478		589	640	
<b>R&amp;D Expenses</b>	373	384		507	550	
<b>Interest bearing debt</b>	3,721	3,316		3,439	3,290	
<b>Performance of operation</b>		Net Sales to increase Net Income to decrease Best Net Sales			Net Sales to increase Net Income to decrease Best Net Sales	
<b>Domestic Sales</b>	160	144	(10.1) %	227	204	(10.3) %
Passenger Cars	56	51	(8.7) %	81	78	(3.4) %
Minicars	104	93	(10.8) %	146	125	(14.1) %
<b>Export</b>	246	273	10.9 %	351	389	10.8 %
North America	141	149	6.1 %	207	215	4.2 %
Europe	52	58	11.0 %	71	85	18.6 %
Other	53	65	23.3 %	73	89	21.9 %
<b>Units Total</b>	406	417	2.6 %	578	593	2.5 %

\* 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..