

Non-consolidated Semi-annual Financial Results for Fiscal 2007 Oct. 31, 2006

For Immediate Release

Company Name : **Fuji Heavy Industries Ltd.**
 Name of Stock Exchange : Tokyo Stock Exchange (First Section)
 Code No. : 7270
 Location of Head Office : Tokyo, Japan
 URL : <http://ir.fhi.co.jp/index.html>
 Representative : Mr. Ikuo Mori, President and CEO
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Date of the Board of Directors Meeting Held for Approving the Financial Results: October 31, 2006

Date of Interim Dividends: November 30, 2006

Provision for Interim Dividends: Provision exists

Number of Shares in Unit Share System: 1,000 shares

1. Performance in 1st Half of Fiscal 2007 (from April 1, 2006 to September 30, 2006)

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

(1) Results of Operations

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

	Net sales	Operating income	Ordinary income
1 st Half of FY 2007	¥482,537 (1.4%)	¥18,667 (-30.3%)	¥13,660 (-38.3%)
1 st Half of FY 2006	¥475,863 (-2.2%)	¥26,764 (34.1%)	¥22,154 (31.1%)
Fiscal 2006	¥976,143	¥52,123	¥41,379

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

	Net income	Net income per share, basic (Yen)
1 st Half of FY 2007	¥ 6,192 (-53.2%)	¥ 8.64
1 st Half of FY 2006	¥ 13,218 (97.1%)	¥ 16.96
Fiscal 2006	¥ 10,274	¥ 13.60

Notes: 1. Average number of shares : 1st Half of FY 2007 : 717,005,397 shares
 outstanding during the periods : 1st Half of FY 2006 : 779,490,154 shares
 Fiscal 2006 : 750,628,190 shares

2. Accounting change : See "Changes in Accounting Policies" section

3. Percentage figures in the net sales, operating income, ordinary income and net income columns represent changes from prior semi-annual period.

(2) Financial Position

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

	Total assets	Net assets	Net assets to total assets	Net assets per share (Yen)
1 st Half of FY 2007	¥936,728	¥476,041	50.8%	¥663.88
1 st Half of FY 2006	¥955,054	¥514,780	53.9%	¥660.43
Fiscal 2006	¥905,010	¥474,631	52.4%	¥661.91

Notes: 1. Number of shares outstanding at : 1st Half of FY 2007 : 717,063,936 shares
end of the periods 1st Half of FY 2006 : 779,467,307 shares
Fiscal 2006 : 716,968,667 shares

2. Number of treasury stock at end : 1st Half of FY 2007 : 65,801,937 shares
of the periods 1st Half of FY 2006 : 3,398,566 shares
Fiscal 2006 : 65,897,206 shares

3. The amounts under Net assets as of 1st Half of FY 2006 and Fiscal 2006 represent the amounts of total shareholders' equity.

2. Projections for Fiscal 2007 (from April 1, 2006 to March 31, 2007)

(Unit: Millions of yen)

	Net sales	Ordinary income	Net income
Full year	¥950,000	¥31,000	¥14,000

Reference: Projected net income per share (full year): ¥19.52

3. Cash Dividends

(Unit: Yen)

	Cash dividends per share		
	Semi-annual	Year-end	Full year
FY 2006 (Result)	¥4.50	¥4.50	¥9.00
FY 2007 (Result)	¥4.50	-	¥9.00
FY 2007 (Projection)	-	¥4.50	

The above projections are made based on available information and assumptions as of Oct.31, 2006, and are subject to the uncertainties of future operations. Therefore, actual results could differ materially from those anticipated. The assumptions used for the above projections are stated on page 8.

Non-consolidated Balance Sheets

(Unit: Millions of yen)

	1 st Half Year Fiscal 2007 (as of September 30, 2006)	Fiscal 2006 (as of March 31, 2006)	Changes Increase/ (Decrease)	1 st Half Year Fiscal 2006 (as of September 30, 2005)
ASSETS				
Current assets	415,176	364,049	51,127	405,739
Cash and time deposits	23,739	37,789	(14,050)	60,023
Notes receivable, trade	1,785	1,859	(74)	1,949
Accounts receivable, trade	111,269	113,763	(2,494)	106,567
Marketable securities	16,689	2	16,687	26,825
Finished products	35,299	24,847	10,452	28,509
Raw materials	9,539	8,827	712	7,765
Work in process	78,582	69,819	8,763	55,190
Supplies	1,305	1,228	77	1,269
Advances paid	13,366	9,912	3,454	28,692
Prepaid expenses	3,802	2,641	1,161	2,683
Deferred tax assets	16,533	17,633	(1,100)	19,940
Accounts receivable, other	26,210	19,686	6,524	15,462
Short-term loans	75,639	54,995	20,644	49,141
Other	2,613	1,987	626	1,766
Allowance for doubtful accounts	(1,194)	(939)	(255)	(42)
Fixed assets	521,552	540,961	(19,409)	549,315
Property, plant and equipment, net	233,556	234,053	(497)	233,083
Buildings	52,020	52,132	(112)	51,382
Structures	7,026	6,905	121	6,671
Machinery and equipment	71,566	72,917	(1,351)	76,482
Aircrafts	13	14	(1)	15
Vehicles	1,251	1,261	(10)	1,283
Tools	11,923	12,538	(615)	9,438
Land	82,824	82,274	550	82,102
Construction in progress	6,933	6,012	921	5,710
Intangible assets	14,461	16,065	(1,604)	21,100
Industrial rights	109	118	(9)	102
Software	13,109	14,243	(1,134)	15,471
Other	1,243	1,704	(461)	5,527
Investments and other assets	273,535	290,843	(17,308)	295,132
Investment securities	50,737	52,852	(2,115)	43,434
Investments in subsidiaries and affiliated companies	141,277	142,662	(1,385)	147,538
Investment securities, other than stock	28	27	1	27
Investments in subsidiaries and affiliated companies, other than stock	1,056	453	603	453
Long-term loans	52,154	67,004	(14,850)	67,149
Long-term prepaid expenses	2,244	2,382	(138)	2,724
Deferred tax assets	27,424	24,621	2,803	32,086
Other	7,574	7,635	(61)	7,668
Allowance for devaluation of investments	(382)	(744)	362	(316)
Allowance for doubtful accounts	(8,577)	(6,049)	(2,528)	(5,631)
Total assets	936,728	905,010	31,718	955,054

(Unit: Millions of yen)

	1 st Half Year Fiscal 2007 (as of September 30, 2006)	Fiscal 2006 (as of March 31, 2006)	Changes Increase/ (Decrease)	1 st Half Year Fiscal 2006 (as of September 30, 2005)
LIABILITIES AND NET ASSETS				
Current liabilities	303,461	289,452	14,009	303,059
Notes payable, trade	3,586	3,804	(218)	3,825
Accounts payable, trade	178,442	172,129	6,313	174,692
Short-term borrowings	16,540	12,140	4,400	7,500
Current portion of long-term debts	9	11	(2)	3,714
Current portion of bonds	10,000	20,000	(10,000)	20,000
Accounts payable, other	22,432	10,523	11,909	8,122
Accrued expenses	28,326	34,356	(6,030)	36,291
Accrued income taxes	3,991	5,677	(1,686)	9,804
Advances received	13,941	5,378	8,563	12,334
Deposits received	1,723	1,248	475	1,147
Income in advance	182	172	10	174
Accrued bonus	9,917	10,060	(143)	9,869
Accrued warranty claims	7,347	7,063	284	7,631
Notes payable for acquisition of fixed assets	1,311	1,428	(117)	2,019
Other	5,714	5,463	251	5,937
Long-term liabilities	157,226	140,927	16,299	137,215
Bonds	90,000	80,000	10,000	80,000
Long-term debts	24,733	24,741	(8)	13,554
Long-term accounts payable, other	6,797	2,148	4,649	2,073
Long-term deposits received	1,169	1,394	(225)	1,456
Accrued pension and severance liability	33,045	31,308	1,737	39,991
Accrued directors' severance and retirement benefits	158	170	(12)	141
Accrued losses on guarantees	1,322	1,163	159	-
Other	2	3	(1)	0
Total liabilities	460,687	430,379	30,308	440,274
Shareholders' equity				
Common stock	-	153,795	-	153,795
Capital surplus	-	160,071	-	160,071
Capital reserve	-	160,071	-	160,071
Retained earnings	-	182,364	-	188,823
Legal reserve	-	7,901	-	7,901
Advanced depreciation reserve	-	687	-	687
General reserve	-	85,335	-	85,335
Unappropriated retained earnings	-	88,441	-	94,900
Net unrealized holding gains on securities	-	19,920	-	14,313
Less treasury stock, at cost	-	(41,519)	-	(2,222)
Total shareholders' equity	-	474,631	-	514,780
Total liabilities and shareholders' equity	-	905,010	-	955,054
Net assets				
Shareholders' equity	457,656	-	-	-
Common stock	153,795	-	-	-
Capital surplus	160,071	-	-	-
Capital reserve	160,071	-	-	-
Retained earnings	185,251	-	-	-
Legal reserve	7,901	-	-	-
Advanced depreciation reserve	687	-	-	-
General reserve	85,335	-	-	-
Unappropriated retained earnings	91,328	-	-	-
Less-treasury stock, at cost	(41,461)	-	-	-
Valuation, translation and other adjustments	18,385	-	-	-
Net unrealized holding gains on securities	18,385	-	-	-
Total net assets	476,041	-	-	-
Total liabilities and net assets	936,728	-	-	-

Non-consolidated Statements of Income

(Unit: Millions of yen)

	1 st Half Year Fiscal 2007 (ended September 30, 2006)		1 st Half Year Fiscal 2006 (ended September 30, 2005)		Changes Increase/ (Decrease)	Fiscal 2006 (ended March 31, 2006)	
	Amount	Ratio of Total (%)	Amount	Ratio of Total (%)		Amount	Ratio of Total (%)
Net sales	482,537	100.0	475,863	100.0	6,674	976,143	100.0
Cost of sales	390,759	81.0	379,022	79.6	11,737	778,248	79.7
Gross profit	91,778	19.0	96,841	20.4	(5,063)	197,895	20.3
Selling, general and administrative expenses	73,111	15.1	70,077	14.8	3,034	145,772	15.0
Operating income	18,667	3.9	26,764	5.6	(8,097)	52,123	5.3
Non-operating income	3,942	0.8	3,960	0.9	(18)	7,863	0.8
Interest and dividend income	1,413		1,497		(84)	2,664	
Other	2,529		2,463		66	5,199	
Non-operating expenses	8,949	1.9	8,570	1.8	379	18,607	1.9
Interest expenses	793		761		32	1,454	
Loss on revaluation of derivatives	246		3,244		(2,998)	2,983	
Other	7,910		4,565		3,345	14,170	
Ordinary income	13,660	2.8	22,154	4.7	(8,494)	41,379	4.2
Extraordinary gains	1,591	0.3	5,678	1.2	(4,087)	5,786	0.6
Gain on sale of fixed assets	132		44		88	534	
Gain on sale of investment securities	-		5,231		(5,231)	5,243	
Reversal of allowance for doubtful accounts	0		8		(8)	9	
Reversal of allowance for devaluation of investments	8		395		(387)	0	
Prior period adjustment	1,451		-		1,451	-	
Extraordinary losses	6,364	1.3	9,045	2.0	(2,681)	28,004	2.8
Loss on sale and disposal of properly, plant and equipment	712		710		2	1,881	
Loss on sale of investment securities	-		-		-	2,216	
Loss on devaluation of securities	742		2,372		(1,630)	6,608	
Impairment loss of property, plant and equipment	39		321		(282)	329	
Allowance for losses on guarantees	159		-		159	1,163	
Allowance for devaluation of investments	382		29		353	744	
Allowance for doubtful accounts	2,523		-		2,523	-	
Loss on liquidation of affiliated companies	1,807		-		1,807	-	
Additional retirement payments	-		-		-	7,969	
Loss on termination of joint development projects	-		5,613		(5,613)	7,094	
Income before income taxes	8,887	1.8	18,787	3.9	(9,900)	19,161	2.0
Income taxes-current	3,353	0.6	9,942	2.0	(6,589)	7,303	0.7
Income taxes-deferred	(658)	(0.1)	(4,373)	(0.9)	3,715	1,584	0.2
Net income	6,192	1.3	13,218	2.8	(7,026)	10,274	1.1
Unappropriated retained earnings brought forward	-		81,683		-	81,683	
Loss on disposal of treasury stock	-		1		-	8	
Interim dividends	-		-		-	3,508	
Unappropriated retained earnings at end of the period	-		94,900		-	88,441	

Non-consolidated Statements of Net Assets

1st Half Year Fiscal 2007 (from April 1, 2006 to September 30, 2006)

(Unit: Millions of yen)

	Shareholders' equity							
	Common stock	Capital surplus		Legal reserve	Retained earnings			Total
		Capital reserve	Total		Other			
					Ad.dep. reserve	General reserve	Unappropriated retained earnings	
Balance, March 31, 2006	153,795	160,071	160,071	7,901	687	85,335	88,441	182,364
Increase (decrease) during the period								
Dividends paid	-	-	-	-	-	-	(3,226)	(3,226)
Payment of bonus to directors and statutory auditors	-	-	-	-	-	-	(66)	(66)
Net income	-	-	-	-	-	-	6,192	6,192
Increase in treasury stock	-	-	-	-	-	-	-	-
Disposal of treasury stock	-	-	-	-	-	-	(13)	(13)
Changes (other than shareholders' capital), net	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	2,887	2,887
Balance, September 30, 2006	153,795	160,071	160,071	7,901	687	85,335	91,328	185,251

	Shareholders' equity		Valuation, translation and other adjustments		Net assets total
	Treasury stock	Total	Net unrealized holding gains on securities	Total	
Balance, March 31, 2006	(41,519)	454,711	19,920	19,920	474,631
Increase (decrease) during the period					
Dividends paid	-	(3,226)	-	-	(3,226)
Payment of bonus to directors and statutory auditors	-	(66)	-	-	(66)
Net income	-	6,192	-	-	6,192
Increase in treasury stock	(29)	(29)	-	-	(29)
Disposal of treasury stock	87	74	-	-	74
Changes (other than shareholders' capital), net	-	-	(1,535)	(1,535)	(1,535)
Total	58	2,945	(1,535)	(1,535)	1,410
Balance, September 30, 2006	(41,461)	457,656	18,385	18,385	476,041

Summary of Significant Accounting Policies

1. Method and Basis for Valuation of Marketable Securities and Investment Securities

- (1) Held-to-maturity debt securities: The amortized cost method (straight-line amortization)
- (2) Investments in subsidiaries and affiliated companies: Stated at cost determined by the moving-average method.
- (3) Other securities:
 - (1) Securities for which fair market value is available: Stated at fair value as of the balance sheet date with unrealized holding gains and losses included as a component of net assets until realized. Realized gains and losses on sale of securities are computed using the moving-average method.
 - (2) Securities for which fair market value is not available: Stated at cost determined by the moving-average method, after devaluation for any permanent impairment.

2. Method and Basis for Valuation of Derivative Instruments

Derivative financial instruments are stated at fair value.

3. Method and Basis for Valuation of Inventories

- (1) Finished products: Stated at cost determined by the moving-average method (the first-in, first-out method is used for certain items).
- (2) Raw materials, work in process and supplies: Stated at cost determined by the first-in, first-out method (the moving-average method is used for certain items).

4. Depreciation/Amortization Method of Fixed Assets

(1) Property, plant and equipment:

Depreciation of the property, plant and equipment is computed by the declining-balance method, except for the buildings (excluding building improvements) acquired on or after April 1, 1998, for which the straight-line method is applied.

Estimated useful lives for depreciable assets are as follows:

Building and structures:	8-50 years
Machinery, equipment and vehicles:	4-12 years

(2) Intangible assets:

Intangible assets are amortized by the straight-line method. Computer software used internally by the Company is amortized by the straight-line method over the relevant economic useful lives of 3 or 5 years.

5. Basis for Significant Accruals and Reserves

(1) Allowance for doubtful accounts:

Allowance for doubtful accounts is provided based on the amount calculated as the actual ratio of bad debt for ordinary receivables, and an estimated amount of uncollectible account for specific over-due receivables.

(2) Allowance for devaluation of investments:

Allowance for devaluation of investments is provided for losses from declines in the value of investment securities for which fair value is not readily available and investments in subsidiaries and affiliated companies, based on the evaluation of the investees' financial conditions, such as net assets and the probability of recovering the value.

(3) Accrued bonus:

Accrued bonus is recorded based on the estimated future payments pro-rated for employee services rendered during the current semi-annual period.

(4) Accrued warranty claims:

The Company provides for accrued warranty claims on products sold based on its past experiences of warranty services and estimated future warranty costs.

(5) Accrued pension and severance liability:

Accrued pension and severance liability for employees is provided based on the estimated amounts of projected pension and severance obligation and the fair value of plan assets at end of the current semi-annual period. Prior service cost is being amortized by the straight-line method over the period (18 years) which is shorter than the average remaining service periods of the eligible employees. Actuarial gains and losses are amortized from the following fiscal year by the straight-line method over the period (18 years), which is shorter than the average remaining service periods of the eligible employees.

(6) Accrued directors' severance and retirement benefits:

Directors and statutory auditors of the Company are entitled to receive a lump-sum payment at the time of severance or retirement, subject to the approval of the shareholders. The liabilities for such benefits are determined based on the Company's internal rules.

(7) Accrued losses on guarantees:

In preparation for losses on financial guarantees, an amount is estimated taking into account the financial conditions of guaranteed parties.

6. Revenue recognition

Revenues of the Aerospace Division's production contracts with the production term exceeding one year and the amount each contract exceeding ¥ 5,000 million are recognized by the percentage-of-completion method.

7. Basis for translation of foreign currency-denominated accounts

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at each semi-annual balance sheet date with the resulting gain or loss included currently in the statements of income.

8. Accounting for Leases

Finance leases which do not transfer ownership of the leased assets to lessees are accounted for as operating leases.

9. Accounting for hedging activities

(1) Method of hedge accounting:

Principally, the deferred hedge accounting method is applied.

For interest rate swap contracts used as hedges which meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract is executed.

(2) Derivative financial instruments qualifying as a hedge, along with the hedged transactions, assets and liabilities, are as follows:

<u>Financial instrument</u>	<u>Transactions, assets and liabilities</u>
Interest swaps	Borrowings

(3) Hedge policy:

The risk exposures to movements in interest rates are hedged according to the Company's risk management policy.

(4) Method for evaluating hedge effectiveness:

An evaluation of hedge effectiveness is not considered necessary as the terms and notional amounts of these hedging instruments are the same as those of the hedged transactions, assets and liabilities, and therefore they are presumed to be highly effective in offsetting the effect of movements in interest rates at their inception as well as during their term.

10. Other significant matters in preparation of the semi-annual financial statements

(1) Consumption taxes are excluded from the related transaction amounts and are accounted for separately.

(2) All amounts for this semi-annual period and the fiscal year 2006 have been rounded off to the nearest million yen, whereas all amounts for prior semi-annual period have been rounded down to the nearest million yen, unless otherwise specified.

Changes in Accounting Policies

(Accounting standard for director's bonus)

Effective this semi-annual period, the Company adopted the provisions of "Accounting Standard for Director's Bonus" (Business Accounting Standards Committee, November 29, 2005, Business Accounting standard No. 4).

The adoption of this standard had no effect on income.

(Accounting standard for presentation of net assets in the balance sheet)

Effective this semi-annual period, the Company adopted the provisions of "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Business Accounting Standard Committee, December 9, 2005, Business Accounting Standard No. 5) and "Implementation guidance for the accounting standard for presentation of net assets in the balance sheet" (Business Accounting Standard Committee, December 9, 2005, Financial Accounting Standard Implementation Guidance No. 8).

The adoption of this standard had no effect on income.

The amount that would have otherwise been reported as total "shareholders' equity" is ¥ 476,041 million.

Due to certain revisions to the regulations concerning semi-annual financial statements, the semi-annual financial statements in this semi-annual period have been prepared in conformity with the revised regulations concerning semi-annual financial statements.

Notes to Non-consolidated Semi-annual Financial Statements

(Balance Sheets)

1. Accumulated depreciation for property, plant and equipment (Unit: Millions of yen)

1 st Half Year Fiscal 2007	Fiscal 2006
¥ 466,131	¥ 459,276

2. Pledged assets

	(Unit: Millions of yen)	
	1 st Half Year Fiscal 2007	Fiscal 2006
Buildings and structures	¥ 5,891	¥ 10,775
	¥ [5,891]	¥ [10,775]
Machinery and equipment	2,487	15,970
	[2,487]	[15,970]
Land	1,007	1,014
	[1,007]	[1,014]
Total	¥ 9,385	¥ 27,759
	¥ [9,385]	¥ [27,759]

Note: The above amounts in parentheses represent a mortgage of the factory foundation assets.

(Statements of Income)

1. Significant items of extraordinary gains:

Prior period adjustment

Period adjustment represents a gain due to final settlement on reversal of a portion of "Loss on termination of a joint development project (a joint development project for new model vehicles)" which was recorded as an extraordinary loss in prior period.

2. Significant items of extraordinary losses:

Loss on liquidation of affiliated companies

"Loss on liquidation of affiliated companies" consists of the following two components:

(1) Integration of dealer subsidiaries

The Company has recorded ¥950 million for estimated losses as a result of integration of dealer subsidiaries in Osaka prefecture and Wakayama prefecture.

(2) Liquidation of a joint venture

The Company has recorded a ¥857 million loss on liquidation of Fuji AT Ltd, which was a joint venture with JATCO Ltd.

Allowance for doubtful accounts

The allowance has been provided for affiliated companies.

3. Depreciation/amortization expense:

(Unit: Millions of yen)

	1 st Half Year Fiscal 2007	1 st Half Year Fiscal 2006
Property, plant and equipment	¥12,196	¥12,159
Intangible assets	¥ 2,700	¥ 2,886

(Statements of Net Assets)

Number of treasury stock

Class	At beginning of the period (as of March 31,2006)	Increase	Decrease	At end of the period (as of September 30,2006)	Memo
Common stock	65,897,206	42,911	138,180	65,801,937	

(Securities and Investments)

Investments in subsidiaries and affiliated companies for which fair market value is available

(1) 1st Half Year Fiscal 2007 (as of September 30, 2006)

(Unit: Millions of yen)

	Book value	Fair market value	Difference
Investment in subsidiaries	1,759	5,148	3,389
Total	1,759	5,148	3,389

(2) Fiscal 2006 (as of March 31, 2006)

(Unit: Millions of yen)

	Book value	Fair market value	Difference
Investment in subsidiaries	1,759	6,034	4,275
Total	1,759	6,034	4,275

(Lease Transactions)

This footnote is not presented herein for it will be disclosed in the EDINET filing.

Subsequent Event

The share exchange to make Fuji Machinery Co., Ltd. a wholly owned subsidiary

Fuji Machinery Co., Ltd., a consolidated subsidiary, accounts for approximately 90% of its sales to Fuji Heavy Industries Ltd. (the Company). In order to enhance group management, the Company, at its Board of Directors' meeting on May 9, 2006, approved a share exchange (under the simplified share exchange provisions), in which Fuji Machinery Co., Ltd. will become a wholly owned subsidiary, and it executed a share exchange agreement with Fuji Machinery Co., Ltd.

1. Principal terms and conditions of the share exchange

(2) Timetable

October 1, 2006: Closing date of share exchange (Deadline to submit stock certificate)

The Company will conduct this share exchange in accordance with the simplified share exchange provisions in Article 796 of the Corporate Law, without seeking the approval at a shareholders' meeting.

(2) Share exchange ratio

	The Company (Future 100% parent company)	Fuji Machinery Co., Ltd. (Future wholly-owned subsidiary)
Share exchange ratio	1	0.52

Note: Basis of determining the share exchange ratio

The Company and Fuji Machinery Co., Ltd. individually engaged third party appraisers to analyze the exchange ratio. The analysis was performed based on the market stock prices, the comparable-company comparisons, and the discounted cash flows. The Company and Fuji Machinery Co., Ltd. have agreed to the above ratio, taking into consideration the results of such third party appraisals and certain other factors.

(3) Share transfer payment in connection with the share exchange

No share transfer payment will be paid in connection with the share exchange.

2. Operations following the closing of the share exchange

(1) Company name, nature of business, management, and location of the head office

There will be no change as a result of the share exchange.

(2) Common stock of the Company

There will be no change in the amount of common stock of the Company because the Company intends to re-issue its treasury stock for all the shares to be exchanged.

(3) Effect on the results of the Company's operation

The Company expects the share exchange will have no material effect on its results of operations.



<Reference for the First Half of FY2007(Apr. 2006 to Sep. 2006) Non-Consolidated Financial Results>

(Oct. 31, 2006)

Fuji Heavy Industries Ltd.

(in 100 millions of yen) (in thousands of units)	RESULTS	RESULTS		RESULTS	FORECAST		FORECAST
	1st HALF of FY2006 Apr. 2005 to Sep. 2005	1st HALF of FY2007 Apr. 2006 to Sep. 2006		FY2006 Apr. 2005 to Mar. 2006	FY2007 Apr. 2006 to Mar. 2007		FY2007 (May 2006) Apr. 2006 to Mar. 2007
Net Sales	4,759	4,825	1.4 %	9,761	9,500	(2.7) %	9,900
Domestic	2,155	2,067	(4.1) %	4,376	4,100	(6.3) %	4,500
Overseas	2,604	2,758	5.9 %	5,386	5,400	0.3 %	5,400
Margin Percentage	5.6%	3.9%		5.3%	4.1%		3.1%
Operating Income	268	187	(30.3) %	521	390	(25.2) %	310
Margin Percentage	4.7%	2.8%		4.2%	3.3%		3.1%
Ordinary Income	222	137	(38.3) %	414	310	(25.1) %	310
Margin Percentage	2.8%	1.3%		1.1%	1.5%		1.4%
Net Income	132	62	53.2 %	103	140	36.3 %	140
Factors of Change in Operating Income		Gain factors Foreign exchange 88 Decrease of expenses and others 61 Reduction in cost 16 Loss factors Decrease in sales mix 212 Increases in cost 34			Gain factors Decrease of expenses and others 99 Foreign exchange 89 Reduction in cost 43 Loss factors Decrease in sales mix 324 Increase in cost 38		Gain factors Reduction in cost 16 Loss factors Decrease in sales mix 82 Increase in R&D expenses 68 Foreign exchange 55 Decrease of expenses and others 22
Foreign Exchange Rate YEN/US\$	109		115	112		115	110
Capital Investment	85		123	239		380	380
Depreciation and Amortization	122		122	249		255	270
R&D Expenses	215		249	467		505	535
Interest bearing debt	1,248		1,413	1,369		1,400	1,400
Performance of operation		Net Sales to increase Operation Income to decrease			Net Sales to decrease Operation Income to decrease		
Domestic Production Volume	230	250	8.8 %	467	479	2.7 %	484
Domestic Sales	123	120	(2.7) %	245	242	(1.1) %	264
Small Cars	54	42	(22.2) %	106	83	(22.3) %	96
Minicars	69	78	12.4 %	138	159	15.2 %	168
Export	106	121	14.8 %	225	232	3.3 %	219
North America	47	54	14.7 %	100	100	0.0 %	102
Europe	27	32	19.4 %	58	64	9.4 %	57
Other	31	35	11.1 %	66	68	2.8 %	61
Knock Down Parts	63	51	(18.5) %	120	101	(15.6) %	115