

FY2008 First Half Consolidated Financial Results

For the Six Months Ended September 30, 2007



MEMBERSHIP

October 31, 2007

Company Name : **Fuji Heavy Industries Ltd.** (Tokyo Stock Exchange First Section, Code No.7270)
 URL : <http://www.fhi.co.jp/english/ir/>
 Representative : Ikuo Mori, President and CEO
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 Payment of dividends : Scheduled for November 30, 2007

1. Performance in the 1st Half of FY 2008 (from April 1, 2007 to September 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 | |
|---------------------------------|-----------|-------|------------------|-------|-----------------|-------|------------|----------|
| 1 st Half of FY 2008 | 708,817 | 1.5 % | 18,905 | 4.3 % | 14,162 | 2.0 % | 7,832 | (32.5 %) |
| 1 st Half of FY 2007 | 698,676 | 4.7 % | 18,126 | 4.1 % | 13,883 | 2.6 % | 11,604 | 45.8 % |
| 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 1st half period.

| | Net income per share, basic (Yen) | Net income per share, diluted (Yen) |
|---------------------------------|--------------------------------------|--|
| 1 st Half of FY 2008 | 10.91 | 10.90 |
| 1 st Half of FY 2007 | 16.19 | 16.18 |
| FY 2007 | 44.46 | 44.44 |

Note: Equity in net income of unconsolidated subsidiaries and affiliated companies
 1st half of FY 2008 : 14 million yen
 1st half of FY 2007 : 728 million yen
 FY 2007 : 1,549 million yen

(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 Half of FY 2008 | 1,318,399 | 505,848 | 38.3 % | 702.90 |
| 1 st Half of FY 2007 | 1,339,453 | 472,261 | 35.1 % | 655.67 |
| FY 2007 | 1,316,041 | 495,703 | 37.5 % | 687.81 |

Note: Shareholders' equity
 1st half of FY 2008 : 504,832 million yen
 1st half of FY 2007 : 469,964 million yen
 FY 2007 : 494,004 million yen

(3) Consolidated Cash Flows

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

| | Cash Flows from operating activities | Cash Flows from investing activities | Cash Flows from financing activities | Cash and Cash equivalents at end of period |
|---------------------------------|---|---|---|---|
| 1 st Half of FY 2008 | 62,004 | (26,295) | (32,044) | 105,979 |
| 1 st Half of FY 2007 | 71 | (26,289) | (8,693) | 76,309 |
| FY 2007 | 65,616 | (43,428) | (36,209) | 99,060 |

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 | | |
| FY 2008 (Forecast) | | 4.50 | 9.00 |

3. Forecast of Consolidated Results for FY 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) |
|-----------|-----------|-------|------------------|----------|-----------------|----------|------------|----------|--------------------------------------|
| Full year | 1,560,000 | 4.4 % | 40,000 | (16.5 %) | 35,000 | (17.1 %) | 17,000 | (46.7 %) | 23.67 |

4. Other

(1) Changes in significant subsidiaries during the 1st Half of FY 2008 : No
(Changes in subsidiaries resulting in changes in scope of consolidation)

(2) Changes in Accounting principles, procedures and presentation etc.
(Related to preparation of Consolidated Financial Statements)

- 1) Changes due to adoption of new accounting standards : Yes
2) Changes except for 1) : Yes

Note: Please refer to page 16, "6. Change of the Basis for Preparation of Consolidated Financial Statements of Significant Accounting Policies" for more details.

(3) Number of shares outstanding (Common Stock)

| | | |
|---|--|--|
| 1) Number of shares outstanding (including treasury stock) | 1 st Half of FY 2008 : 782,865,873 shares FY 2007 : 782,865,873 shares | 1 st Half of FY 2007 : 782,865,873 shares |
| 2) Number of treasury stock | 1 st Half of FY 2008 : 64,654,526 shares FY 2007 : 64,639,092 shares | 1 st Half of FY 2007 : 66,098,017 shares |

Note: Please refer to page 20, "Information per Share" for the number of shares used as the basis for calculation of net income per share (consolidated).

(Reference) Non-consolidated Financial Results Highlights

Performance in the 1st Half of FY 2008 (from April 1, 2007 to September 30, 2007)

(1) Non-consolidated Results of Operations

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

| | Net sales | Operating income | Ordinary income | Net income(loss) |
|---------------------------------|-----------------|------------------|-----------------|------------------|
| 1 st Half of FY 2008 | 480,870 (0.3 %) | 17,385 (6.9 %) | 14,357 5.1 % | 9,749 57.4 % |
| 1 st Half of FY 2007 | 482,537 1.4 % | 18,667 (30.3 %) | 13,660 (38.3 %) | 6,192 (53.2 %) |
| Fiscal 2007 | 964,424 - | 33,507 - | 27,135 - | (6,391) - |

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

| | Net income (loss) per share, basic (Yen) |
|---------------------------------|--|
| 1 st Half of FY 2008 | 13.57 |
| 1 st Half of FY 2007 | 8.64 |
| Fiscal 2007 | (8.90) |

(2) Non-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 Half of FY 2008 | 899,182 | 470,421 | 52.3 % | 654.63 |
| 1 st Half of FY 2007 | 936,728 | 476,041 | 50.8 % | 663.88 |
| Fiscal 2007 | 891,282 | 464,023 | 52.1 % | 645.71 |

Note: Shareholders' equity 1st half of FY 2008: 470,421 million yen 1st half of FY 2007: 476,041 million yen FY 2007: 464,023 million yen

The above projections are made based on available information and assumptions as of October 31, 2007, and are subject to the uncertainties of future operations. Therefore, actual results could differ materially from those anticipated. About the assumptions used for the above projections, please refer to page 4.

1. Operating Results

1. Analysis of operating results

(1) Operating results for the current consolidated interim accounting period

As for the Automobile Division, the number of All-New Subaru "Impreza" launched in June 2007 increased in the Japanese market, but was unable to cover the sales loss on other models below the same period of the previous fiscal year. On the other hand, in addition to the strong trends in overall sales in the overseas market, sales of the All-New "Impreza" in Europe contributed to the sales volume exceeding from the same period of the previous fiscal year. As for the Non-Automobile Division, net sales also declined below the same period of the previous fiscal year. As a result, consolidated net sales were up ¥10.1 billion, or 1.5% over the previous fiscal year to ¥708.8 billion, standing at a record high.

Despite a deterioration in the sales volume and mix in the Automobile Division, operating income was up ¥0.8 billion, or 4.3% over the same period of the previous fiscal year to ¥18.9 billion due to the reduction of SG&A and other expenses in addition to gains on currency exchange generated by a weak yen, and ordinary income was up ¥0.3 billion, or 2.0% over the previous fiscal year to ¥14.2 billion. However, interim net income was down ¥3.8 billion, or 32.5% over the same period of the previous fiscal year to ¥7.8 billion due to the decrease in gains on fixed assets sold and the like.

Results by Business Segment

(Automobile Division)

Although the All-New "Impreza" launched in June 2007 enjoyed large sales, the number of domestic passenger cars (excluding Minicars) sold was 35 thousand (a decrease of 11.4% from the same period of the previous fiscal year), since a full model change of the "Impreza" was made during this period and the "Legacy" and the "Forester" suffered a decline in overall demand.

On the other hand, the number of domestic Minicars sold was 64 thousand (a decrease of 11.3% from the same period of the previous fiscal year), due to the end of the new-car effect of the "Stella" launched in June 2006, and due to a decrease in demand for Minicars for freight. As a result, the sales in Japan were 99 thousand (a decrease of 11.3% from the same period of the previous fiscal year).

In the North American market, the sales volume reached 90 thousand (an increase of 0.7% over the same period of the previous fiscal year) and remained strong despite the decrease in overall demand.

In Europe, the introduction of the All-New "Impreza" and strong sales in Russia served as an engine for overall sales, driving a sales volume of 38 thousand (an increase of 18.7% over the same period of the previous fiscal year).

Also, in Australia, although the numbers for the "Forester" decreased, the All-New "Impreza" and the "Tribeca" made up for it for a sales volume of 20 thousand (an increase of 0.6% over the same period of the previous fiscal year).

Furthermore, as a result of sales in China, Singapore, Latin America, and the Middle East remaining strong, the total number of overseas sales was 172 thousand (an increase of 9.8% over the same period of the previous fiscal year).

The combined sales volume for Japan and overseas markets amounted to 271 thousand, an increase of 3 thousand (1.0%) over the same period of the previous fiscal year, and the overall net income was up ¥19.0 billion, or 3.0% over the same period of the previous fiscal year to ¥641.4 billion. In addition, operating income was up ¥0.5 billion, or 3.7% over the same period of the previous fiscal year to ¥13.2 billion.

(Industrial Products Division)

Domestic sales fell below the same period of the previous fiscal year, as sales of engines for construction machinery decreased due to the stagnation of overall demand.

As for overseas, sales of engines for construction machinery remained strong in the Middle Eastern market, and the European market experienced an increase in sales of engines for agriculture machinery, with net sales reaching record highs in both markets. However, as sales of engines for leisure products and power generators decreased due to sluggish demand for them in the North American market, overseas sales volume decreased from the same period of the previous fiscal year.

Moreover, due to factors such as the removal of Fuji Robin Industries Ltd. from the scope of consolidation, overall net sales were down ¥5.4 billion, or 20.0% from the same period of the previous fiscal year to ¥21.8 billion. In addition, operating income was down ¥0.4 billion, or 33.8% from the same period of the previous fiscal year to ¥0.8 billion.

(Aerospace Division)

As for the sales to the Japan Ministry of Defense, although sales of the "AH-64D" combat helicopter and the "Target Drone" unmanned target plane increased, net sales decreased from the same period of the previous fiscal year. This was caused by a decrease in sales of the prototype of the next-generation Maritime Patrol and Cargo Transport Aircraft "PX/CX", which has entered the termination phase of delivery.

In the commercial sector, although the number of deliveries of center wings for the "Boeing 777" increased, the development sales of center wings for the "Boeing 787" increased, and the number of deliveries of main wings for the small business jet "Eclipse 500" and the medium business jet "H4000" increased, they were unable to cover the sales loss on the decrease in products for the Japan Ministry of Defense. Overall net sales were down ¥2.2 billion, or 5.1% from the same period of the previous fiscal year to ¥40.3 billion. However, operating income was up ¥0.4 billion, or 14.6% over the same period of the previous fiscal year to ¥3.1 billion due to financial variations such as the gain on currency exchange from a weak yen.

(Other Businesses)

The sales volume of "Fuji Mighty" sanitation trucks rose from the same period of the previous fiscal year due to the launch in May 2007 of 2-ton and 3-ton sanitation trucks in the new "Fuji Mighty 81 series". However, decrease in sales caused by withdrawal from an

environmental facility business in fiscal year 2007, as well as the reallocation of sales for Yusoki Kogyo K.K. to the Aerospace Division, impacted overall net sales, which were down ¥1.2 billion, or 18.8% from the same period of the previous fiscal year to ¥5.3 billion. In addition, operating income was down ¥0.6 billion, or 53.8% from the same period of the previous fiscal year to ¥0.6 billion.

Results by Geographic Region

(Japan)

As the decrease of sales in the domestic market in the Automotive Division could not be covered by the increase in units exported overseas, net sales were down ¥24.9 billion, or 5.7% from the same period of the previous fiscal year to ¥410.2 billion. In addition, operating income was down ¥1.9 billion, or 9.0% from the same period of the previous fiscal year to ¥18.7 billion due to negative factors such as a deterioration in the sales volume and mix in spite of our efforts to reduce material costs, SG&A and other expenses, and foreign exchange gains from a weak yen.

(North America)

In addition to the fact that the sales volume in North America as a whole remained strong thanks to the steady export of the "Tribeca" to Europe/Australia as well as the gains on currency exchange, net sales were up ¥19.7 billion, or 7.7% over the same period of the previous fiscal year to ¥273.9 billion. In addition, operating income resulted in a loss of ¥0.8 billion, an improvement of ¥4.3 billion over the same period of the previous fiscal year. (In the same period of the previous fiscal year, the loss was ¥5.1 billion.)

(Other Regions)

In Europe, net sales were up ¥15.4 billion, or 165.8% over the same period of the previous fiscal year to ¥24.7 billion thanks to the increase in sales volume by our local subsidiary. Operating income was also up ¥0.3 billion, or 106.9% over the same period of the previous fiscal year to ¥0.6 billion.

(2) Forecast for fiscal 2007

Although the Japanese economy is expected to moderately expand, overall demand will grow increasingly severe in the automotive industry as seen in the fact that a dark sign has appeared in the Minicar market, which remained strong until last year. On the other hand, in the America economy, uncertainty is prevailing for the future, such as the decrease in housing investments and unrest in the financial market. Therefore, the management environment surrounding us will remain in the balance together with causes of concern such as soaring raw material prices and future currency movements.

Against this backdrop, the outlook for this fiscal year is as follows:

(Consolidated forecast for the whole fiscal year)

| | | | |
|------------------|--------|---------|---------------------------|
| Net sales | ¥1,560 | billion | (up 4.4% year-on-year) |
| Operating income | ¥40 | billion | (down 16.5% year-on-year) |
| Ordinary income | ¥35 | billion | (down 17.1% year-on-year) |
| Net income | ¥17 | billion | (down 46.7% year-on-year) |

2. Analysis of financial results

(1) Assets, liabilities, net assets

Total assets were ¥1,318.4 billion, which was an increase of ¥2.4 billion over the previous fiscal year. This was mainly due to an increase in inventories.

Liabilities were ¥812.6 billion, which was a decrease of ¥7.8 billion from the previous fiscal year. This was mainly due to a decrease in interest-bearing liabilities.

Net assets were ¥505.8 billion, which was an increase of ¥10.1 billion over the previous fiscal year. This was mainly due to increase retained earnings.

(2) Cash flow

Cash and cash equivalents (hereinafter cash) at the end of the period under review amounted to ¥106 billion, a year-on-year increase of ¥6.9 billion.

The factors accounting for cash flow during the period under review were as follows.

(Cash flow from operating activities)

Net cash provided by operating activities increased, up ¥61.9 billion over the same period of the previous fiscal year to ¥62 billion, despite an increase of ¥22.7 billion in inventories. This is due to the increase in notes and accounts payable of ¥14.3 billion, interim net income before taxes and minority interest of ¥15.8 billion, and depreciation and amortization expenses of ¥41.7 billion.

(Cash flow from investment activities)

Cash flow from investment activities resulted in ¥26.3 billion due to ¥18.6 billion in revenue from the collection of loans receivable (net figures with disbursement of loans receivable), which is the same level as the same period of the previous fiscal year in spite of ¥31.6 billion used for the purchase of property, plant and equipment (net of revenue from sales), and ¥11 billion used for the purchase of leased assets (net of revenue from sale).

(Cash flow from financing activities)

Cash flow from financing activities decreased by ¥23.4 billion from the same period of the previous fiscal year to ¥32 billion after the deduction of ¥11 billion for the net decrease in commercial papers, ¥10 billion for redemption of bonds, and ¥6 billion for the net decrease in short-term borrowings.

3. Basic policy regarding the distribution of profits

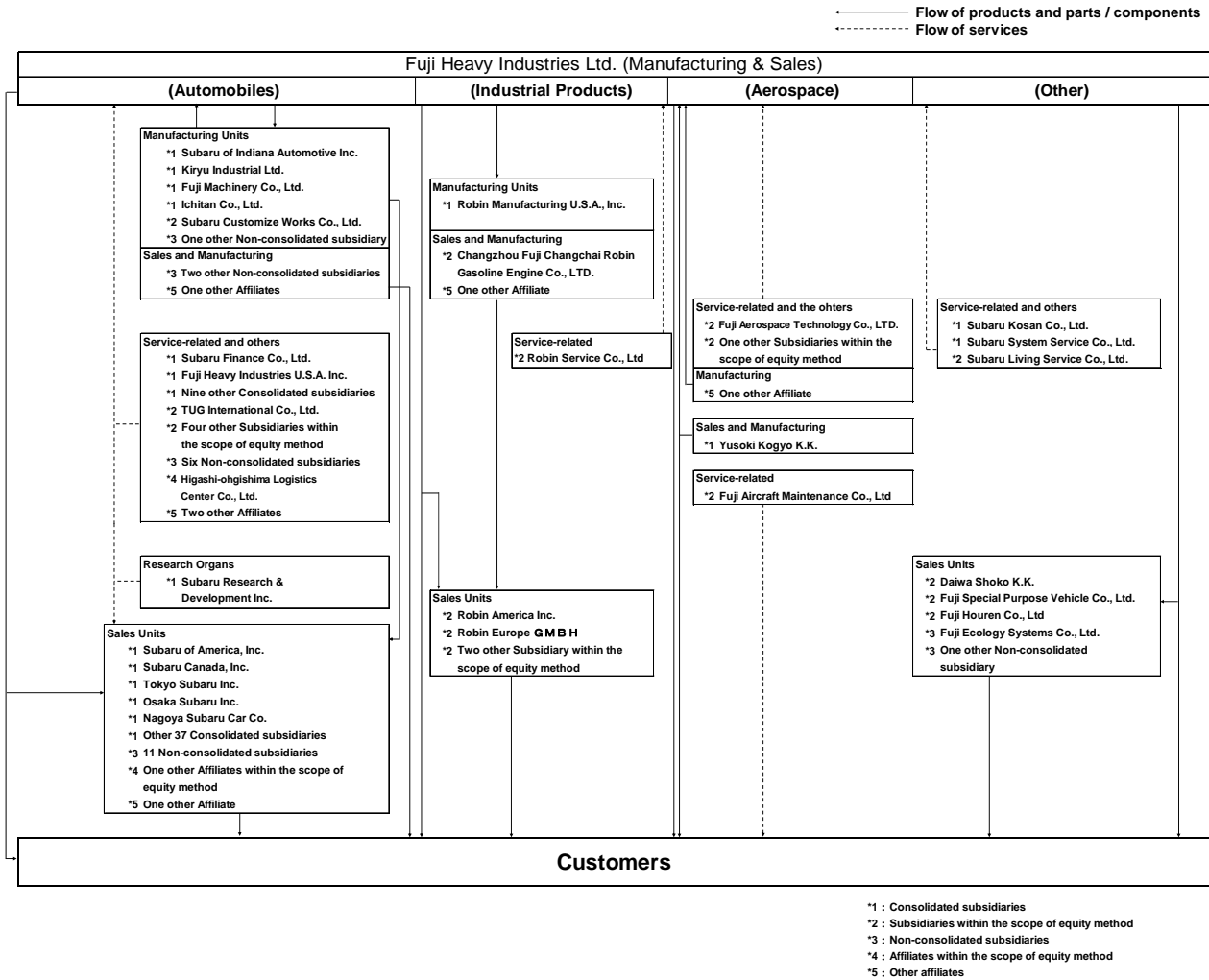
FHI views shareholders' return as a crucial managerial task and follows a basic policy of maintaining stable long-term dividends while taking comprehensive consideration of such factors as its earnings performance and its dividend payout ratio. FHI intends to use retained earnings to improve its balance sheet as well as allocate these funds to the investment of its R&D for new product, production, and strengthening its sales network for the attainment of further future growth and development.

Therefore, FHI decided to pay our shareholders an interim dividend of ¥4.50 per share, which is the same amount as the previous fiscal year.

2. Condition of the FHI Group

As of September 30, 2007 the FHI Group consisted of Fuji Heavy Industries Ltd., 103 subsidiaries, and 9 affiliated companies primarily engaged in four operations related to the Automobile Division, Industrial Products Division, Aerospace Division and Other Businesses, producing a wide range of products.

The flow chart below illustrates the relationship that each subsidiary and affiliate maintains with the parent company.



3. Management Policies

1. Basic management policies

As there has been no significant change from the details announced in the Consolidated Interim Financial Results for Fiscal 2006 (released on October 31, 2006), this part is omitted.

The relevant financial results can be seen at the following URL

(FHI website)

<http://www.fhi.co.jp/ir/finance/fr.html>

(Tokyo Stock Exchange website (Information search page of listed companies))

<http://www.tse.or.jp/listing/compsearch/index.html>

2. Medium-to-long term management strategies

As there has been no significant change from the detail announced in the Consolidated Financial Results for Fiscal 2006 (released on April 27, 2007), this part is omitted.

The aforesaid Consolidated Financial Results for Fiscal 2006 is available on our website at the following URL.

(Fuji Heavy Industries company website)

<http://www.fhi.co.jp/ir/finance/fr.html>

(Tokyo Stock Exchange website (for the search of information on listed companies))

<http://www.tse.or.jp/listing/compsearch/index.html>

4. Consolidated Financial Statements

1. Consolidated Balance Sheets

(Unit: millions of yen)

| | FY 2007 (as of March 31, 2007) | | 1 st Half of FY 2008 (as of September 30, 2007) | | Changes Increase/ (Decrease) | 1 st Half of FY 2007 (as of September 30, 2006) | |
|---|-----------------------------------|------------------------|---|------------------------|------------------------------------|---|------------------------|
| | Amount | Component ratio (%) | Amount | Component ratio (%) | Amount | Amount | Component ratio (%) |
| ASSETS | | | | | | | |
| I Current assets | | | | | | | |
| Cash and time deposits | 52,406 | | 47,705 | | (4,701) | 46,732 | |
| Notes and accounts receivable, trade | 99,290 | | 93,892 | | (5,398) | 100,041 | |
| Marketable securities | 32,017 | | 25,644 | | (6,373) | 33,207 | |
| Inventories | 224,919 | | 247,470 | | 22,551 | 254,092 | |
| Deferred tax assets | 27,072 | | 25,471 | | (1,601) | 29,971 | |
| Short-term loans | 101,184 | | 99,869 | | (1,315) | 110,892 | |
| Other | 59,501 | | 55,481 | | (4,020) | 53,324 | |
| Allowance for doubtful accounts | (1,713) | | (1,509) | | 204 | (2,024) | |
| Total current assets | 594,676 | 45.2 | 594,023 | 45.1 | (653) | 626,235 | 46.8 |
| II Fixed assets | | | | | | | |
| 1. Property, plant and equipment, net | | | | | | | |
| Buildings and structures | 129,280 | | 129,207 | | (73) | 127,218 | |
| Machinery and vehicles | 122,828 | | 122,104 | | (724) | 122,969 | |
| Land | 174,835 | | 178,087 | | 3,252 | 172,675 | |
| Construction in progress | 18,335 | | 19,094 | | 759 | 9,655 | |
| Leased assets | 59,896 | | 63,992 | | 4,096 | 67,784 | |
| Other | 45,410 | | 40,767 | | (4,643) | 47,272 | |
| Total property, plant and equipment, net | 550,584 | 41.8 | 553,251 | 42.0 | 2,667 | 547,573 | 40.9 |
| 2. Intangible assets | | | | | | | |
| Goodwill | 19,092 | | 20,075 | | 983 | 18,352 | |
| Other | 16,100 | | 14,878 | | (1,222) | 17,406 | |
| Total intangible assets | 35,192 | 2.7 | 34,953 | 2.6 | (239) | 35,758 | 2.6 |
| 3. Investments and other assets | | | | | | | |
| Investment securities | 85,819 | | 84,358 | | (1,461) | 79,463 | |
| Long-term loans | 3,696 | | 3,011 | | (685) | 4,739 | |
| Deferred tax assets | 20,825 | | 21,139 | | 314 | 22,911 | |
| Other | 28,472 | | 30,861 | | 2,389 | 25,606 | |
| Allowance for doubtful accounts | (3,223) | | (3,197) | | 26 | (2,832) | |
| Total investments and other assets | 135,589 | 10.3 | 136,172 | 10.3 | 583 | 129,887 | 9.7 |
| Total fixed assets | 721,365 | 54.8 | 724,376 | 54.9 | 3,011 | 713,218 | 53.2 |
| Total assets | 1,316,041 | 100.0 | 1,318,399 | 100.0 | 2,358 | 1,339,453 | 100.0 |

(Unit: Millions of yen)

| | FY 2007 (as of March 31, 2007) | | 1 st Half of FY 2008 (as of September 30, 2007) | | Changes Increase/ (Decrease) | 1 st Half of FY 2007 (as of September 30, 2006) | |
|--|-----------------------------------|------------------------|---|------------------------|------------------------------------|---|------------------------|
| | Amount | Component ratio (%) | Amount | Component ratio (%) | Amount | Amount | Component ratio (%) |
| LIABILITIES AND NET ASSETS | | | | | | | |
| I Current liabilities | | | | | | | |
| Notes and accounts payable, trade | 190,394 | | 201,915 | | 11,521 | 186,224 | |
| Short-term borrowings | 172,454 | | 174,621 | | 2,167 | 191,264 | |
| Commercial paper | 11,000 | | - | | (11,000) | 8,000 | |
| Current portion of bonds | 10,000 | | 30,000 | | 20,000 | 10,500 | |
| Accrued income taxes | 4,572 | | 6,532 | | 1,960 | 4,852 | |
| Accrued expenses | 55,789 | | 55,683 | | (106) | 63,061 | |
| Accrued bonus | 15,247 | | 15,631 | | 384 | 15,299 | |
| Accrued warranty claims | 23,934 | | 23,861 | | (73) | 22,909 | |
| Other | 80,277 | | 84,066 | | 3,789 | 100,218 | |
| Total current liabilities | 563,667 | 42.8 | 592,309 | 44.9 | 28,642 | 602,327 | 45.0 |
| II Long-term liabilities | | | | | | | |
| Bonds | 90,000 | | 60,000 | | (30,000) | 90,000 | |
| Long-term debts | 60,400 | | 52,162 | | (8,238) | 67,300 | |
| Deferred tax liabilities on revaluation of land | 703 | | - | | (703) | 703 | |
| Accrued pension and severance benefits | 45,516 | | 46,069 | | 553 | 53,899 | |
| Accrued directors' severance and retirement benefits | 987 | | 664 | | (323) | 886 | |
| Provision for losses on guarantees | 745 | | 745 | | - | - | |
| Negative goodwill | 821 | | - | | (821) | 1,908 | |
| Other | 57,499 | | 60,602 | | 3,103 | 50,169 | |
| Total long-term liabilities | 256,671 | 19.5 | 220,242 | 16.7 | (36,429) | 264,865 | 19.7 |
| Total liabilities | 820,338 | 62.3 | 812,551 | 61.6 | (7,787) | 867,192 | 64.7 |
| NET ASSETS | | | | | | | |
| I Shareholders' capital | | | | | | | |
| Common stock | 153,795 | 11.7 | 153,795 | 11.7 | - | 153,795 | 11.5 |
| Capital surplus | 160,104 | 12.2 | 160,100 | 12.1 | (4) | 160,071 | 12.0 |
| Retained earnings | 214,831 | 16.3 | 219,811 | 16.7 | 4,980 | 199,300 | 14.9 |
| Less-treasury stock, at cost | (40,511) | (3.1) | (40,518) | (3.1) | (7) | (41,487) | (3.1) |
| Total shareholders' capital | 488,219 | 37.1 | 493,188 | 37.4 | 4,969 | 471,679 | 35.3 |
| II Valuation, translation, and other adjustments | | | | | | | |
| Net unrealized holding gains on securities | 22,182 | 1.7 | 22,043 | 1.7 | (139) | 19,405 | 1.4 |
| Revaluation reserve for land | 290 | 0.0 | - | - | (290) | 290 | 0.0 |
| Foreign currency translation adjustments | (16,687) | (1.2) | (10,399) | (0.8) | 6,288 | (21,410) | (1.6) |
| Total valuation, translation, and other adjustments | 5,785 | 0.5 | 11,644 | 0.9 | 5,859 | (1,715) | (0.2) |
| III Minority interest in consolidated subsidiaries | | | | | | | |
| | 1,699 | 0.1 | 1,016 | 0.1 | (683) | 2,297 | 0.2 |
| Total net assets | 495,703 | 37.7 | 505,848 | 38.4 | 10,145 | 472,261 | 35.3 |
| Total liabilities and net assets | 1,316,041 | 100.0 | 1,318,399 | 100.0 | 2,358 | 1,339,453 | 100.0 |

2. Consolidated Statements of Income

(Unit: Millions of yen)

| | 1 st Half of FY 2007 (ended September 30, 2006) | | 1 st Half of FY 2008 (ended September 30, 2007) | | Changes Increase/ (Decrease) | Fiscal 2007 (ended March 31, 2007) | |
|--|---|------------------------------|---|------------------------------|------------------------------------|---------------------------------------|------------------------------|
| | Amount | Ratio of net sales (%) | Amount | Ratio of net sales (%) | Amount | Amount | Ratio of net sales (%) |
| I Net sales | 698,676 | 100.0 | 708,817 | 100.0 | 10,141 | 1,494,817 | 100.0 |
| II Cost of sales | 524,042 | 75.0 | 538,442 | 76.0 | 14,400 | 1,142,674 | 76.4 |
| Gross profit | 174,634 | 25.0 | 170,375 | 24.0 | (4,259) | 352,143 | 23.6 |
| III Selling, general and administrative expenses | 156,508 | 22.4 | 151,470 | 21.3 | (5,038) | 304,237 | 20.4 |
| Operating income | 18,126 | 2.6 | 18,905 | 2.7 | 779 | 47,906 | 3.2 |
| IV Non-operating income | | | | | | | |
| Interest and dividend income | 1,815 | | 2,533 | | 718 | 3,864 | |
| Amortization of negative goodwill | 1,087 | | - | | (1,087) | 2,175 | |
| Gain on revaluation of derivatives | - | | 702 | | 702 | 4,268 | |
| Equity income from affiliated companies | 728 | | 14 | | (714) | 1,549 | |
| Other | 2,232 | | 2,206 | | (26) | 5,949 | |
| Total non-operating income | 5,862 | 0.8 | 5,455 | 0.8 | (407) | 17,805 | 1.2 |
| V Non-operating expenses | | | | | | | |
| Interest expenses | 1,915 | | 2,088 | | 173 | 4,017 | |
| Foreign exchange losses | - | | 5,304 | | 5,304 | 11,906 | |
| Loss on revaluation of derivatives | 246 | | 17 | | (229) | 72 | |
| Other | 7,944 | | 2,789 | | (5,155) | 7,501 | |
| Total non-operating expenses | 10,105 | 1.4 | 10,198 | 1.5 | 93 | 23,496 | 1.6 |
| Ordinary income | 13,883 | 2.0 | 14,162 | 2.0 | 279 | 42,215 | 2.8 |
| VI Extraordinary gains | | | | | | | |
| Gain on sale of property, plant and equipment | 6,060 | | 1,024 | | (5,036) | 6,673 | |
| Gain on sale of securities | 6 | | 1,412 | | 1,406 | 58 | |
| Prior period adjustment | 1,451 | | 1,567 | | 116 | 1,451 | |
| Gain on sale of loans receivable | - | | 280 | | 280 | - | |
| Gain on transfer of the substitutional portion of the employees' pension fund | - | | - | | - | 2,423 | |
| Other | 71 | | 107 | | 36 | 104 | |
| Total extraordinary gains | 7,588 | 1.1 | 4,390 | 0.6 | (3,198) | 10,709 | 0.7 |
| VII Extraordinary losses | | | | | | | |
| Loss on sale and disposal of property, plant and equipment | 2,924 | | 1,207 | | (1,717) | 4,774 | |
| Loss on sale of securities | - | | - | | - | 18 | |
| Loss on devaluation of securities | 284 | | - | | (284) | 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 | 857 | | - | | (857) | 913 | |
| Total extraordinary losses | 4,173 | 0.6 | 2,800 | 0.4 | (1,373) | 7,335 | 0.5 |
| Income before income taxes and minority interest | 17,298 | 2.5 | 15,752 | 2.2 | (1,546) | 45,589 | 3.0 |
| Income taxes-current | 4,273 | 0.6 | 5,706 | 0.8 | 1,433 | 7,231 | 0.5 |
| Income taxes-deferred | 1,351 | 0.2 | 2,220 | 0.3 | 869 | 6,411 | 0.4 |
| Minority interest in (income) loss of consolidated subsidiaries | (70) | 0.0 | 6 | 0.0 | 76 | (48) | 0.0 |
| Net income | 11,604 | 1.7 | 7,832 | 1.1 | (3,772) | 31,899 | 2.1 |

3. Consolidated Statement of changes in Net Assets

1st Half of FY 2007 (from April 1, 2006 to September 30, 2006)

(Unit: Millions of yen)

| | Shareholders' capital | | | | |
|--|-----------------------|-----------------|-------------------|----------------|---------|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total |
| Balance, March 31, 2006 | 153,795 | 160,071 | 189,996 | (41,545) | 462,317 |
| Increase (decrease) during the period | | | | | |
| Cash dividends | - | - | (3,226) | - | (3,226) |
| Payment of bonuses to directors and statutory auditors | - | - | (107) | - | (107) |
| Net income | - | - | 11,604 | - | 11,604 |
| Purchase in treasury stock | - | - | - | (29) | (29) |
| Disposal of treasury stock | - | - | (13) | 87 | 74 |
| Increase in the number of companies accounted for by the equity method | - | - | 1,038 | - | 1,038 |
| Other changes in shareholders' capital | - | - | 8 | - | 8 |
| Changes (other than shareholders' capital), net | - | - | - | - | - |
| Total | - | - | 9,304 | 58 | 9,362 |
| Balance, September 30, 2006 | 153,795 | 160,071 | 199,300 | (41,487) | 471,679 |

| | Valuation, translation and other adjustments | | | | Minority interest in consolidated subsidiaries | Total net assets |
|--|--|------------------------------|--|---------|--|------------------|
| | Net unrealized holding gains on securities | Revaluation reserve for land | Foreign currency translation adjustments | Total | | |
| Balance, March 31, 2006 | 21,145 | 290 | (18,230) | 3,205 | 2,264 | 467,786 |
| Increase (decrease) during the period | | | | | | |
| Cash dividends | - | - | - | - | - | (3,226) |
| Payment of bonuses to directors and statutory auditors | - | - | - | - | - | (107) |
| Net income | - | - | - | - | - | 11,604 |
| Purchase in treasury stock | - | - | - | - | - | (29) |
| Disposal of treasury stock | - | - | - | - | - | 74 |
| Increase in the number of companies accounted for by the equity method | - | - | (18) | (18) | - | 1,020 |
| Other changes in shareholders' capital | - | - | - | - | - | 8 |
| Changes (other than shareholders' capital), net | (1,740) | - | (3,162) | (4,902) | 33 | (4,869) |
| Total | (1,740) | - | (3,180) | (4,920) | 33 | 4,475 |
| Balance, September 30, 2006 | 19,405 | 290 | (21,410) | (1,715) | 2,297 | 472,261 |

| | Shareholders' capital | | | | |
|--|-----------------------|-----------------|-------------------|----------------|---------|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total |
| Balance, March 31, 2007 | 153,795 | 160,104 | 214,831 | (40,511) | 488,219 |
| Increase (decrease) during the period | | | | | |
| Cash dividends | - | - | (3,234) | - | (3,234) |
| Net income | - | - | 7,832 | - | 7,832 |
| Purchase in treasury stock | - | - | - | (34) | (34) |
| Disposal of treasury stock | - | (4) | - | 27 | 23 |
| Increase due to changes in the scope of consolidation | - | - | 278 | - | 278 |
| Increase in the number of companies accounted for by the equity method | - | - | 124 | - | 124 |
| Other changes in shareholders' capital | - | - | (20) | - | (20) |
| Changes (other than shareholders' capital), net | - | - | - | - | - |
| Total | - | (4) | 4,980 | (7) | 4,969 |
| Balance, September 30, 2007 | 153,795 | 160,100 | 219,811 | (40,518) | 493,188 |

| | Valuation, translation and other adjustments | | | | Minority interest in consolidated subsidiaries | Total net assets |
|--|--|------------------------------|--|--------|--|------------------|
| | Net unrealized holding gains on securities | Revaluation reserve for land | Foreign currency translation adjustments | Total | | |
| Balance, March 31, 2007 | 22,182 | 290 | (16,687) | 5,785 | 1,699 | 495,703 |
| Increase (decrease) during the period | | | | | | |
| Cash dividends | - | - | - | - | - | (3,234) |
| Net income | - | - | - | - | - | 7,832 |
| Purchase in treasury stock | - | - | - | - | - | (34) |
| Disposal of treasury stock | - | - | - | - | - | 23 |
| Increase due to changes in the scope of consolidation | - | - | - | - | - | 278 |
| Increase in the number of companies accounted for by the equity method | - | - | - | - | - | 124 |
| Other changes in shareholders' capital | - | - | - | - | - | (20) |
| Changes (other than shareholders' capital), net | (139) | (290) | 6,288 | 5,859 | (683) | 5,176 |
| Total | (139) | (290) | 6,288 | 5,859 | (683) | 10,145 |
| Balance, September 30, 2007 | 22,043 | - | (10,399) | 11,644 | 1,016 | 505,848 |

| | Shareholders' capital | | | | |
|--|-----------------------|-----------------|-------------------|----------------|---------|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total |
| Balance, March 31, 2006 | 153,795 | 160,071 | 189,996 | (41,545) | 462,317 |
| Increase (decrease) during the year | | | | | |
| Cash dividends | - | - | (6,452) | - | (6,452) |
| Payment of bonuses to directors and statutory auditors | - | - | (107) | - | (107) |
| Net income | - | - | 31,899 | - | 31,899 |
| Purchase in treasury stock | - | - | - | (71) | (71) |
| Disposal of treasury stock | - | 33 | - | 1,105 | 1,138 |
| Increase in the number of companies accounted for by the equity method | - | - | 1,038 | - | 1,038 |
| Other comprehensive income of foreign subsidiaries | - | - | (1,513) | - | (1,513) |
| Other changes in shareholders' capital | - | - | (30) | - | (30) |
| Changes (other than shareholders' capital), net | - | - | - | - | - |
| Total | - | 33 | 24,835 | 1,034 | 25,902 |
| Balance, March 31, 2007 | 153,795 | 160,104 | 214,831 | (40,511) | 488,219 |

| | Valuation, translation and other adjustments | | | | Minority interest in consolidated subsidiaries | Total net assets |
|--|--|------------------------------|--|-------|--|------------------|
| | Net unrealized holding gains on securities | Revaluation reserve for land | Foreign currency translation adjustments | Total | | |
| Balance, March 31, 2007 | 21,145 | 290 | (18,230) | 3,205 | 2,264 | 467,786 |
| Increase (decrease) during the year | | | | | | |
| Cash dividends | - | - | - | - | - | (6,452) |
| Payment of bonuses to directors and statutory auditors | - | - | - | - | - | (107) |
| Net income | - | - | - | - | - | 31,899 |
| Purchase in treasury stock | - | - | - | - | - | (71) |
| Disposal of treasury stock | - | - | - | - | - | 1,138 |
| Increase in the number of companies accounted for by the equity method | - | - | (18) | (18) | - | 1,020 |
| Other comprehensive income of foreign subsidiaries | - | - | - | - | - | (1,513) |
| Other changes in shareholders' capital | - | - | - | - | - | (30) |
| Changes (other than shareholders' capital), net | 1,037 | - | 1,561 | 2,598 | (565) | 2,033 |
| Total | 1,037 | - | 1,543 | 2,580 | (565) | 27,917 |
| Balance, March 31, 2007 | 22,182 | 290 | (16,687) | 5,785 | 1,699 | 495,703 |

4. Consolidated Statements of Cash Flows

(Unit: Millions of yen)

| | 1 st Half of FY 2007 (ended September 30, 2006) | 1 st Half of FY 2008 (ended September 30, 2007) | Changes Increase/ (Decrease) | FY 2007 (ended March 31, 2007) |
|---|--|--|------------------------------------|--------------------------------------|
| I Cash flows from operating activities: | | | | |
| Income before income taxes and minority interest | 17,298 | 15,752 | (1,546) | 45,589 |
| Depreciation and amortization expenses | 40,118 | 41,698 | 1,580 | 81,454 |
| Increase (decrease) in allowance for doubtful accounts | 345 | (227) | (572) | 425 |
| Increase (decrease) in accrued warranty claims | (400) | (1,078) | (678) | 284 |
| Increase (decrease) in accrued pension and severance liability | 1,492 | 830 | (662) | (6,790) |
| Increase in allowance for losses on guarantees | - | - | - | 745 |
| Interest and dividends income | (1,815) | (2,533) | (718) | (3,864) |
| Amortization of negative goodwill | (1,087) | - | 1,087 | (2,175) |
| Gain on revaluation of derivatives | - | (702) | (702) | (4,268) |
| Equity income from affiliated companies | (728) | (14) | 714 | (1,549) |
| Interest expenses | 1,915 | 2,088 | 173 | 4,017 |
| Loss on revaluation of derivatives | 246 | 17 | (229) | 72 |
| Gain on sale of property, plant and equipment | (6,060) | (1,024) | 5,036 | (6,673) |
| Gain on sale of securities | (6) | (1,412) | (1,406) | (58) |
| Gain on assignment of accounts receivable of loans | - | (280) | (280) | - |
| Loss on sale and disposal of property, plant and equipment | 2,924 | 1,207 | (1,717) | 4,774 |
| Loss on sale of securities | - | - | - | 18 |
| Loss on devaluation of securities | 284 | - | (284) | 335 |
| Impairment loss on property, plant and equipment | 108 | 1,593 | 1,485 | 550 |
| Loss on liquidation of affiliated companies | 857 | - | (857) | - |
| Decrease in notes and accounts receivable, trade | 4,796 | 2,809 | (1,987) | 6,392 |
| Increase in inventories | (39,712) | (22,668) | 17,044 | (12,787) |
| Increase (decrease) in notes and accounts payable, trade | (24,308) | 14,336 | 38,644 | (20,520) |
| Increase (decrease) in deposits received | 8,918 | 6,213 | (2,705) | (825) |
| Other, net | (5,436) | 9,177 | 3,741 | (4,257) |
| Sub total | 10,621 | 65,782 | 55,161 | 80,889 |
| Interest and dividends received | 2,256 | 2,767 | 511 | 4,334 |
| Interest paid | (1,842) | (2,070) | (228) | (3,945) |
| Income taxes paid | (10,857) | (4,475) | 6,382 | (15,555) |
| Bonus paid to directors and statutory auditors | (107) | - | 107 | (107) |
| Net cash provided by operating activities | 71 | 62,004 | 61,933 | 65,616 |
| II Cash flows from investing activities: | | | | |
| Purchase of marketable securities | (959) | (2,176) | (1,217) | (3,517) |
| Proceeds from sale of marketable securities | 3,980 | 2,116 | (1,864) | 8,472 |
| Purchase of property, plant and equipment | (21,992) | (32,957) | (10,965) | (57,388) |
| Proceeds from sale of property, plant and equipment | 7,413 | 1,355 | (6,058) | 7,571 |
| Purchase of leased assets | (39,101) | (37,661) | 1,440 | (64,100) |
| Proceeds from sale of leased assets | 26,779 | 26,656 | (123) | 52,112 |
| Purchase of intangible assets | (1,785) | (1,814) | (29) | (3,100) |
| Purchase of investment securities | (3,197) | (10,917) | (7,720) | (16,599) |
| Proceeds from sale of investment securities | 1,834 | 11,688 | 9,854 | 11,430 |
| Disbursement of loans receivable | (40,901) | (52,958) | (12,057) | (114,761) |
| Collection of loans receivable | 41,968 | 71,510 | 29,542 | 138,280 |
| Other, net | (328) | (1,137) | (809) | (1,828) |
| Net cash used in investing activities | (26,289) | (26,295) | (6) | (43,428) |
| III Cash flows from financing activities: | | | | |
| Net decrease in short-term borrowings | (2,943) | (6,046) | (3,103) | (30,169) |
| Net increase (decrease) in commercial paper | - | (11,000) | (11,000) | 3,000 |
| Proceeds from long-term debts | 500 | 100 | (400) | 1,700 |
| Repayment on long-term debts | (2,967) | (1,853) | 1,114 | (3,848) |
| Issuance of bonds | 20,000 | - | (20,000) | 20,000 |
| Redemption of bonds | (20,000) | (10,000) | 10,000 | (20,500) |
| Purchase of treasury stock | (29) | (34) | (5) | (62) |
| Proceeds from disposal of treasury stock | 74 | 23 | (51) | 224 |
| Dividends paid | (3,226) | (3,234) | (8) | (6,452) |
| Other, net | (102) | - | 102 | (102) |
| Net cash used in financing activities | (8,693) | (32,044) | (23,351) | (36,209) |
| IV Effect of exchange rate changes on cash and cash equivalents | (1,146) | 3,064 | 4,210 | 756 |
| V Net increase (decrease) in cash and cash equivalents | (36,057) | 6,729 | 42,786 | (13,265) |
| VI Cash and cash equivalents at beginning of the period | 112,366 | 99,060 | (13,306) | 112,366 |
| VII Net increase (decrease) related to the change of scope of consolidation | - | 190 | 190 | (41) |
| VIII Cash and cash equivalents at end of the period | 76,309 | 105,979 | 29,670 | 99,060 |

5. Basis for Preparation of Consolidated Financial Statements of Significant Accounting Policies

Depreciation / amortization method of fixed assets

Company and Domestic Consolidated subsidiaries:

| | | |
|---------------|---|---|
| Buildings: | (1) Acquired on or before March 31, 1998 | : Computed by the declining-balance method under the previous tax regulations |
| | (2) Acquired from April 1, 1998 to March 31, 2007 | : Computed by the straight-line method under the previous tax regulations |
| | (3) Acquired on or after April 1, 2007 | : Computed by the straight-line method under the new tax regulations |
| Other Assets: | 1. Acquired on or before March 31, 2007 | : Computed by the declining-balance method under the previous tax regulations |
| | 2. Acquired on or after April 1, 2007 | : Computed by the declining-balance method under the new tax regulations |

Depreciation of the property, plant and equipment of consolidated foreign subsidiaries is computed by the straight-line method at rates based on the estimated useful lives of the assets according to their general class, type of construction, and use.

Since there has been no change in the significant accounting policies disclosed in our most recent Annual Consolidated Financial Report (Yukashoken-Hokokusho), released on June 27, 2007, except for "Depreciation / amortization method of fixed assets" as described above, disclosures of other significant accounting policies are omitted.

6. Change of the Basis for Preparation of Consolidated Financial Statements of Significant Accounting Policies

Depreciation / amortization method of fixed assets

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 601 million yen, and to decrease ordinary income and income before income taxes and minority interest by 604 million yen each as compared to the respective amounts that would have been reported under the previous method. Please refer to “Segment Information”, about the effect on the business and geographical segments.

(Additional Information)

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. Please refer to “Segment Information”, about the effect on the business and geographical segments.

This change resulted in a decrease in operating income of 1,183 million yen, and a decrease in both ordinary income and income before income taxes and minority interest of 1,209 million yen, as compared to the respective amounts that would have been reported had the change not been implemented.

Changes in Scope of Consolidation and Application of the Equity Method

As of the end of 1st Half of FY 2008, the numbers of Consolidated Subsidiaries and affiliated investees accounted for under the equity method were 62 and 21, respectively. As a result of our reevaluation of their significance to the consolidated financial statements, the following changes in the scope of consolidation and application of the equity method have been made during FY2008:

Scope of Consolidation

| | Company Name | Reason for change |
|----------|---------------------------------|---------------------------------------|
| Increase | Subaru Auto Accessory Co., Ltd. | Change from an Equity Method investee |
| | Subaru System Service Co., Ltd. | Change from an Equity Method investee |
| | Shin Nagano Subaru, inc. | New Consolidated subsidiary |
| Decrease | Fics Co. | Excluded due to liquidation |
| | Fuji Robin Industries Ltd. | Excluded due to sale of stock |

Application of the Equity Method

| | Company Name | Reason for change |
|----------|---|----------------------------|
| Increase | Fuji Industrial Products Sales Co., Ltd. and 4 other companies | New Equity Method investee |
| Decrease | Subaru Auto Accessory Co., Ltd. | Included in Consolidation |
| | Subaru System Service Co., Ltd. | Included in Consolidation |

Changes in presentation of financial statements

[Consolidated balance sheets]

“Negative goodwill” which was presented separately in FY 2007 is included in “Other” long-term liabilities in FY 2008 because of its decreased materiality.

[Consolidated statements of income]

“Amortization of Negative goodwill” which was presented separately in FY 2007 is included in “Other” non-operating income in FY 2008 because of its decreased materiality. On the other hand, “Gain on revaluation of derivatives” which was included in “Other” non-operating income in FY 2007, has been presented as a separate line item in FY 2008. “Gain on revaluation of derivatives” included in “Other” non-operating income of 2,232 million yen in FY 2007 is 142 million yen.

“Exchange loss” which was included in “Other” non-operating expenses in FY 2007, has been presented as a separate line item in FY 2008. “Exchange loss” included in “Other” non-operating expenses of 7,944 million yen in FY 2007 are 4,714 million yen.

[Consolidated Statements of Cash Flows]

“Amortization of negative goodwill” in the cash flows from operating activities which was presented separately in FY 2007 is included in “Other” cash flows in operating activities in FY 2008, because of its decreased materiality.

“Gain on revaluation of derivatives” which was included in “Other” cash flows in operating activities in FY 2007, has been presented as a separate line item in FY 2008. “Gain on revaluation of derivatives” included in “Other” cash flows in operating activities of 5,436 million yen in FY 2007 are 142 million yen.

7. Notes to Consolidated Financial Statements

Consolidated Balance Sheets

| | | |
|--|---------------------------------|---------------------------------|
| | 1 st Half of FY 2007 | 1 st Half of FY 2008 |
| Accumulated depreciation for property, plant and equipment : | 730,424 million yen | 755,721 million yen |

Consolidated Statements of income

| | | |
|--|---------------------------------|---------------------------------|
| | 1 st Half of FY 2007 | 1 st Half of FY 2008 |
| 1. Research and development cost included in general and administrative expenses and cost of sales : | 25,063 million yen | 26,612 million yen |

2. Extraordinary gains and losses

| 1 st Half of FY 2007 | 1 st Half of FY 2008 |
|---|--|
| (1) Prior period adjustment Prior 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. | (1) Prior period adjustment Prior period adjustment represents a gain on reversal of certain expenses due to revision to the estimated expense related to a change in the medical insurance system of a foreign subsidiary and the settlement of a tariff rate issue on imported parts. |
| (2) Loss on liquidation of affiliated companies The Company has recorded a loss on liquidation of Fuji AT Ltd, which was a joint venture with JATCO Ltd. | Not Applicable. |

Not Applicable.

(2) Impairment loss

The Company recorded an impairment loss with regard to the following asset groups.

| Use | Location | Category |
|-------------------------------|--|--|
| Asset for dealership business | Yamagata prefecture and 1 other location | Buildings and structures, land and other |
| Underutilized real estate | Hokkaido prefecture and 1 other location | Land |

The operating properties for dealers are grouped by each company, the leased property and unused property are grouped on a property by property basis.

The impairment loss by each category of property, plant and equipment was as follows;

| | |
|--------------------------|-------------------|
| Buildings and structures | 884 million yen |
| Land | 703 million yen |
| Other | 6 million yen |
| Total | 1,593 million yen |

Omission of Disclosures in This Release

The disclosure of the following footnote information is omitted because the need of such disclosures is not considered to be significant for the purpose of this release:

- Notes to Consolidated Statement of Net Assets
- Notes to Consolidated Statements of Cash Flows
- Lease transactions
- Securities and investments
- Derivative transactions
- Stock options, etc.

Segment Information

(1) Information by business segment information

1st Half of FY2007 (from April 1, 2006 to September 30, 2006)

(Unit: Millions of yen)

| | Automobiles | Industrial products | Aerospace | Other | Total | Elimination and corporate | Consolidated total |
|----------------------------|-------------|---------------------|-----------|-------|---------|---------------------------|--------------------|
| Net sales | | | | | | | |
| (1) Outside customers | 622,447 | 27,217 | 42,476 | 6,536 | 698,676 | - | 698,676 |
| (2) Inter-segment | 1,482 | 12 | 9 | 1,274 | 2,777 | (2,777) | - |
| Total sales | 623,929 | 27,229 | 42,485 | 7,810 | 701,453 | (2,777) | 698,676 |
| Operating cost and expense | 611,187 | 26,043 | 39,791 | 6,606 | 683,627 | (3,077) | 680,550 |
| Operating income | 12,742 | 1,186 | 2,694 | 1,204 | 17,826 | 300 | 18,126 |

1st Half of FY2008 (from April 1, 2007 to September 30, 2007)

(Unit: Millions of yen)

| | Automobiles | Industrial products | Aerospace | Other | Total | Elimination and corporate | Consolidated total |
|----------------------------|-------------|---------------------|-----------|-------|---------|---------------------------|--------------------|
| Net sales | | | | | | | |
| (1) Outside customers | 641,408 | 21,782 | 40,321 | 5,306 | 708,817 | - | 708,817 |
| (2) Inter-segment | 1,539 | 8 | 1 | 3,500 | 5,048 | (5,048) | - |
| Total sales | 642,947 | 21,790 | 40,322 | 8,806 | 713,865 | (5,048) | 708,817 |
| Operating cost and expense | 629,737 | 21,005 | 37,235 | 8,250 | 696,227 | (6,315) | 689,912 |
| Operating income | 13,210 | 785 | 3,087 | 556 | 17,638 | 1,267 | 18,905 |

FY2007 (from April 1, 2006 to March 31, 2007)

(Unit: Millions of yen)

| | Automobiles | Industrial products | Aerospace | Other | Total | Elimination and corporate | Consolidated total |
|----------------------------|-------------|---------------------|-----------|--------|-----------|---------------------------|--------------------|
| Net sales | | | | | | | |
| (1) Outside customers | 1,339,291 | 49,699 | 94,012 | 11,815 | 1,494,817 | - | 1,494,817 |
| (2) Inter-segment | 3,050 | 20 | 16 | 2,575 | 5,661 | (5,661) | - |
| Total sales | 1,342,341 | 49,719 | 94,028 | 14,390 | 1,500,478 | (5,661) | 1,494,817 |
| Operating cost and expense | 1,304,510 | 48,211 | 88,354 | 12,133 | 1,453,208 | (6,297) | 1,446,911 |
| Operating income | 37,831 | 1,508 | 5,674 | 2,257 | 47,270 | 636 | 47,906 |

Notes: 1. Definition of business segments:

Business segments are defined based on product line and market.

2. Main products by each business segment:

| Business segment | Main products |
|---------------------|--|
| Automobiles | LEGACY, IMPREZA, FORESTER, TRIBECA, STELLA, R1, R2, PLEO, SAMBER |
| Industrial products | Robin engines, power generators, pumps |
| Aerospace | Aircraft, parts of space-related devices |
| Other | Garbage collection vehicles, specialized vehicles, real estate lease |

3. All operating costs and expenses are allocated to each business segment.

4. The Company and domestic consolidated subsidiaries changed their depreciation / amortization method in FY 2008 as mentioned in "Changes in the Basis for Preparation of Consolidated Financial Statements and Significant Accounting Policies". The effects of this change were to decrease operating income of "Automobiles" by 575 million yen. In addition, the change in the depreciation / amortization method for the residual book value during FY 2008 described in "Additional Information" resulted in a decrease in operating income of "Automobiles" of 986 million yen. The effects of these changes on other business segments were insignificant.

(2) Information by Geographical segment

1st Half of FY 2007 (from April 1, 2006 to September 30, 2006)

(Unit: Millions of yen)

| | Japan | North America | Other | Total | Elimination and corporate | Consolidated total |
|----------------------------|---------|---------------|-------|---------|---------------------------|--------------------|
| Net sales | | | | | | |
| (1) Outside customers | 435,144 | 254,237 | 9,295 | 698,676 | - | 698,676 |
| (2) Inter-segment | 126,158 | 1,250 | 128 | 127,536 | (127,536) | - |
| Total sales | 561,302 | 255,487 | 9,423 | 826,212 | (127,536) | 698,676 |
| Operating cost and expense | 540,710 | 260,541 | 9,118 | 810,369 | (129,819) | 680,550 |
| Operating income (loss) | 20,592 | (5,054) | 305 | 15,843 | 2,283 | 18,126 |

1st Half of FY 2008 (from April 1, 2007 to September 30, 2007)

(Unit: Millions of yen)

| | Japan | North America | Other | Total | Elimination and corporate | Consolidated total |
|----------------------------|---------|---------------|--------|---------|---------------------------|--------------------|
| Net sales | | | | | | |
| (1) Outside customers | 410,222 | 273,891 | 24,704 | 708,817 | - | 708,817 |
| (2) Inter-segment | 143,102 | 7,698 | 202 | 151,002 | (151,002) | - |
| Total sales | 553,324 | 281,589 | 24,906 | 859,819 | (151,002) | 708,817 |
| Operating cost and expense | 534,582 | 282,438 | 24,275 | 841,295 | (151,383) | 689,912 |
| Operating income (loss) | 18,742 | (849) | 631 | 18,524 | 381 | 18,905 |

FY 2007 (from April 1, 2006 to March 31, 2007)

(Unit: Millions of yen)

| | Japan | North America | Other | Total | Elimination and corporate | Consolidated total |
|----------------------------|-----------|---------------|--------|-----------|---------------------------|--------------------|
| Net sales | | | | | | |
| (1) Outside customers | 881,102 | 576,053 | 37,662 | 1,494,817 | - | 1,494,817 |
| (2) Inter-segment | 244,896 | 14,222 | 283 | 259,401 | (259,401) | - |
| Total sales | 1,125,998 | 590,275 | 37,945 | 1,754,218 | (259,401) | 1,494,817 |
| Operating cost and expense | 1,085,376 | 585,104 | 37,114 | 1,707,594 | (260,683) | 1,446,911 |
| Operating income | 40,622 | 5,171 | 831 | 46,624 | 1,282 | 47,906 |

Notes: 1. Geographic areas are based on geographical proximity.

2. Principal countries or districts in each geographic area:

North America: United States and Canada

Other: Europe

3. All operating costs and expenses are allocated to each segment.

4. The Company and domestic consolidated subsidiaries changed depreciation / amortization method in FY 2008 as mentioned in "Changes in the Basis for Preparation of Consolidated Financial Statements and Significant Accounting Policies". The effects of this change were to decrease operating income of "Japan" by 601 million yen. In addition, the change in the depreciation / amortization method for the residual book value during FY 2008 described in "Additional Information" resulted in a decrease in operating income of "Japan" of 1,183 million yen.

(3) Overseas net sales

1st Half of FY 2007 (from April 1, 2006 to September 30, 2006)

(Unit: Millions of yen)

| | North America | Europe | Other | Total |
|--|---------------|--------|--------|---------|
| Overseas net sales | 277,031 | 65,832 | 69,424 | 412,287 |
| Consolidated net sales | | | | 698,676 |
| Percentage of overseas net sales over consolidated sales (%) | 39.7 % | 9.4 % | 9.9 % | 59.0 % |

1st Half of FY 2008 (from April 1, 2007 to September 30, 2007)

(Unit: Millions of yen)

| | North America | Europe | Other | Total |
|--|---------------|--------|--------|---------|
| Overseas net sales | 296,756 | 80,173 | 86,145 | 463,074 |
| Consolidated net sales | | | | 708,817 |
| Percentage of overseas net sales over consolidated sales (%) | 41.9 % | 11.3 % | 12.1 % | 65.3 % |

FY2007 (from April 1, 2006 to March 31, 2007)

(Unit: Millions of yen)

| | North America | Europe | Other | Total |
|--|---------------|---------|---------|-----------|
| Overseas net sales | 622,149 | 152,458 | 143,994 | 918,601 |
| Consolidated net sales | | | | 1,494,817 |
| Percentage of overseas net sales over consolidated sales (%) | 41.6 % | 10.2 % | 9.7 % | 61.5 % |

Notes: 1. Geographic areas are based on geographical proximity.

2. Principal countries or districts in each geographic area:

North America: United States and Canada

Europe: Germany, Switzerland, United Kingdom and Russia

Other: Australia

3. Overseas sales are sales to outside of Japan by the Company and consolidated subsidiaries.

Information per share

| | 1 st Half of FY 2007 | 1 st Half of FY 2008 | FY 2007 |
|---|---------------------------------|---------------------------------|---------|
| Net assets per share (Yen) | 655.67 | 702.90 | 687.81 |
| Net income per share, basic (Yen) | 16.19 | 10.91 | 44.46 |
| Net income per share, diluted (Yen) | 16.18 | 10.90 | 44.44 |
| Weighted average number of common shares outstanding during the year (thousands) | 716,709 | 718,224 | 717,410 |
| Weighted average number of additional dilutive common shares due to stock options (thousands) | 473 | 90 | 396 |

Subsequent Event

Not Applicable.



<Reference for the First Half of FY2008(Apr. 2007 to Sep. 2007) Consolidated Financial Results>

(Oct 31, 2007)

Fuji Heavy Industries Ltd.

| (in 100 millions of yen) (in thousands of units) | RESULTS | RESULTS | | RESULTS | FORECAST | | FORECAST |
|---|------------------------|---|----------|------------------------|--|----------|---|
| | 1st HALF of FY2007 | 1st HALF of FY2008 | | FY2007 | FY2008 | | FY2008 |
| | Apr. 2006 to Sep. 2006 | Apr. 2007 to Sep. 2007 | | Apr. 2006 to Mar. 2007 | Apr. 2007 to Mar. 2008 | | (May 2007) Apr. 2007 to Mar. 2008 |
| Net Sales | 6,987 | 7,088 | 1.5 % | 14,948 | 15,600 | 4.4 % | 15,500 |
| Domestic | 2,864 | 2,457 | (14.2) % | 5,762 | 5,300 | (8.0) % | 5,600 |
| Overseas | 4,123 | 4,631 | 12.3 % | 9,186 | 10,300 | 12.1 % | 9,900 |
| Margin Percentage | 2.6% | 2.7% | | 3.2% | 2.6% | | 2.3% |
| Operating Income | 181 | 189 | 4.3 % | 479 | 400 | (16.5) % | 350 |
| Margin Percentage | 2.0% | 2.0% | | 2.8% | 2.2% | | 1.9% |
| Ordinary Income | 139 | 142 | 2.0 % | 422 | 350 | (17.1) % | 300 |
| Margin Percentage | 1.7% | 1.1% | | 2.1% | 1.1% | | 1.0% |
| Net Income | 116 | 78 | (32.5) % | 319 | 170 | (46.7) % | 160 |
| Factors of Change in Operating Income | | Gain factors Decrease of expenses and others 111 Foreign exchange 65 Reduction in cost 38 Loss factors Decrease in sales mix 191 Increases in R&D expenses 15 | | | Gain factors Reduction in cost 63 Foreign exchange 36 Loss factors Decrease in sales mix 116 Increases in R&D expenses 53 Increases of expenses and others 9 | | Gain factors Reduction in cost 53 Increases in sales mix 5 Loss factors Increase of expenses and others 108 Foreign exchange 56 Increase in R&D expenses 23 |
| Foreign Exchange Rate YEN/US\$ | 115 | 120 | | 117 | 118 | | 115 |
| Capital Investment | 209 | 279 | | 596 | 600 | | 600 |
| Depreciation and Amortization | 289 | 307 | | 589 | 640 | | 640 |
| R&D Expenses | 251 | 266 | | 507 | 560 | | 530 |
| Interest bearing debt | 3,671 | 3,168 | | 3,439 | 3,290 | | 3,290 |
| Performance of Operation | | Net Sales to increase Net Income to decrease Best Net Sales | | | Net Sales to decrease Net Income to decrease Best Net Sales | | |
| Domestic Sales | 112 | 99 | (11.3) % | 227 | 204 | (10.3) % | 218 |
| Small Cars | 40 | 35 | (11.4) % | 81 | 78 | (3.4) % | 89 |
| Minicars | 72 | 64 | (11.3) % | 146 | 125 | (14.1) % | 129 |
| Overseas Sales | 157 | 172 | 9.8 % | 351 | 389 | 10.8 % | 366 |
| North America | 89 | 90 | 0.7 % | 207 | 215 | 4.2 % | 215 |
| Europe | 32 | 38 | 18.7 % | 71 | 85 | 18.6 % | 80 |
| Other | 35 | 44 | 24.8 % | 73 | 89 | 21.9 % | 71 |
| Units Total | 269 | 271 | 1.0 % | 578 | 593 | 2.5 % | 584 |

* 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..