

Consolidated Financial Results for Fiscal 2006

Additional information and correction

June 8, 2006

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Accompanying exhibits are the additional notes to Consolidated Financial Results for Fiscal 2006 and Non-Consolidated Financial Results for Fiscal 2006 announced on 9 May, 2006. In addition, a portion of Consolidated Financial Results for Fiscal 2006 is corrected because of mistake. A part of correction is underlined.

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【Additional item】

I . Note to Consolidated Financial Result for Fiscal 2006

(Consolidated Balance Sheet)

1. Investments in non-consolidated subsidiaries and affiliated companies:

	(Unit: Millions of yen)	
	Fiscal 2006	Fiscal 2005
Investments and other assets		
Investment securities (stocks)	¥ 10,353	¥ 5,791
Other (investments in capital)	¥ 1,179	¥ 1,179

2. Contingent liabilities

The Company's guarantees for the indebtedness from financial institutes are as follows:

	(Unit: millions of yen)	
	Fiscal 2006	Fiscal 2005
Employees	¥ 23,833	¥ 25,059
Customers of Subaru Canada, Inc.	12,674	9,030
Other	4,944	6,319
Total	¥ 41,451	¥ 40,408

(Consolidated Statement of Income)

1. Major components of selling, general and administrative expenses are as follows:

	(Unit: Millions of yen)	
	Fiscal 2006	Fiscal 2005
1) Salary and bonus	¥ 48,421	¥ 50,047
2) Provision for accrued bonus	¥ 6,589	¥ 6,623
3) Advertisement cost	¥ 45,823	¥ 47,884
4) Sales incentives	¥ 38,827	¥ 33,670
5) Research and development cost	¥ 45,809	¥ 52,042

2. Gain on sale of fixed assets are as follows:

	(Unit: Millions of yen)	
	Fiscal 2006	Fiscal 2005
Land	¥ 3,615	¥ 1,302
Other	257	115
	¥ 3,872	¥ 1,417

3. Loss on sale and disposal of fixed assets are as follows:

		(Unit: Millions of yen)	
		Fiscal 2006	Fiscal 2005
Buildings and structures		2,704	2,607
Machinery, equipment and vehicles		1,309	2,709
Other		260	853
	Total	¥ 4,273	¥ 6,169

(Pension and Severance Plans)

1. The Company and consolidated domestic subsidiaries have non-contributory funded defined benefit pension plans, and some domestic subsidiaries have defined contribution pension plan. In addition, in some occasion, additional retirement payment is made to employees for their retirement. Consolidated foreign subsidiaries primarily have defined contribution plans.

As of March 31, 2006, the Company has transferred from the lump sum retirement plan to the qualified retirement pension plan for 80% of employees who terminate their employment at the age of 50 or over.

As of March 31, 2006, the Company and 44 of its consolidated domestic subsidiaries, which adds up to 45 companies in total, have retirement lump-sum payment, 30 subsidiaries have qualified retirement pension plan, 2 subsidiaries have defined contribution plan, and one subsidiary has a multi-employer welfare pension fund (after deducting overlap of concerted consignment contract, connection contract, and establishment of alliance of fund within the group). In addition, there are 14 overall employees' pension funds corresponding to the provisions of Article 33 of "Practice Guidelines of Accounting for Retirement Benefits"

2. Reconciliation between the projected pension and severance obligation and accrued pension and severance liability as of March 31, 2006 and 2005 are as follows:

		(Unit: Millions of yen)	
		Fiscal 2006	Fiscal 2005
		As of March 31, 2006	As of March 31, 2005
a.	Projected pension and severance obligation	¥ 125,549	¥ 138,357
b.	Plan assets	(65,763)	(59,548)
c.	Unfunded pension and severance obligations (a+b)	59,786	78,809
d.	Unamortized actuarial gain/loss	(7,062)	(17,472)
e.	Unamortized prior service cost	(448)	(2,423)
f.	Net amount recorded in consolidated balance sheet (c+d+e)	52,276	58,914
g.	Prepaid pension cost	(46)	(88)
h.	Accrued pension and severance liability (f-g)	¥ 52,322	¥ 59,002

Notes:

<1> Fiscal 2006

1. The above amounts include the government pension plan funded by social security taxes paid by employees and employer.
2. Certain insignificant consolidated subsidiaries calculate the liability using the simplified method.
3. In addition to the above plan assets, there are plan assets of ¥ 17,425 million for the multi-employer pension plan as of March 31, 2006, which could not be allocated to each specific participating employer and are allocated based on the number of participants.

<2> Fiscal 2005

1. The above amounts include the government pension plan funded by social security taxes paid by employees and employer.
2. Certain insignificant consolidated subsidiaries calculate the liability using the simplified method.
3. In addition to the above plan assets, there are plan assets of ¥ 15,081 million for the multi-employer pension plan as of March 31, 2005, which could not be allocated to each specific participating employer and are allocated based on the number of participants.

3. Periodic pension and severance costs for the year ended March 31, 2006 and 2005 consist of the following:

	(Unit: Millions of yen)	
	Fiscal 2006	Fiscal 2005
	From April 1, 2005 to March 31, 2006	From April 1, 2004 to March 31, 2005
a. Service cost	¥ 9,351	¥ 9,647
b. Interest cost	2,557	2,636
c. Expected return on plan assets	(1,266)	(1,175)
d. Amortization of actuarial gain/loss	1,218	1,853
e. Amortization of prior service cost	186	257
f. Pension and severance cost (a+b+c+d+e)	<u>¥ 12,046</u>	<u>¥ 13,218</u>

Notes:

<1> Fiscal 2006

1. The above amounts do not include the social security taxes paid by employees.
2. Service costs of consolidated subsidiaries using the simplified method are included in service cost above.
3. Service costs above includes ¥ 831 million for the multi-employer pension plan for the year ended March 31, 2006, for which plan assets could not be allocated to each specific participating employer.
4. Service costs above includes contributions for the defined contribution plans of consolidated foreign subsidiaries amounting to ¥1,397 million for the years ended March 31, 2006.

5. In addition to the pension and severance cost above, ¥ 7,467 million of additional retirement payments were made, of which additional retirement payments amounting to ¥ 37 million were included in general and administrative expenses for the years ended March 31, 2006. And additional retirement payments amounting to ¥ 7,430 million were included in extraordinary losses for the years ended March 31, 2006.

<2> Fiscal 2005

1. The above amounts do not include the social security taxes paid by employees.
2. Service costs of consolidated subsidiaries using the simplified method are included in service cost above.
3. Service costs above includes ¥ 877 million for the multi-employer pension plan for the year ended March 31, 2005, for which plan assets could not be allocated to each specific participating employer.
4. Service costs above includes contributions for the defined contribution plans of consolidated foreign subsidiaries amounting to ¥1,476 million for the years ended March 31, 2005.
5. In addition to the pension and severance cost above, ¥ 371 million of additional retirement payment is made, of which additional retirement payments amounting to ¥ 92 million are included in general and administrative expenses for the years ended March 31, 2005. And additional retirement payments amounting to ¥ 279 million are included in loss on discontinued operations (extraordinary losses) for the years ended March 31, 2005.

4. Actuarial assumptions used in computation of pension and severance liability are as follows:

<1> Fiscal 2006

a. Attribution of expected benefit obligation	The straight-line method
b. Discount rate	2.0 to 2.5 %
c. Expected rate of return on plan assets	0.8 to 4.0 %
d. Amortization of actuarial gain/loss	Primarily 18 years (It is amortized by the straight-line method starting from the following fiscal year based on periods shorter than the average remaining service period of the eligible employees)
e. Amortization of prior service cost	14 to 18 years

<2> Fiscal 2005

a. Attribution of expected benefit obligation	The straight-line method
b. Discount rate	2.0 to 2.5%
c. Expected rate of return on plan assets	1.4 to 4.0 %
d. Amortization of actuarial gain/loss	Primarily 18 years (It is amortized by the straight-line method starting from the following fiscal year based on periods shorter than the average remaining service period of the eligible employees)
f. Amortization of prior service cost	14 to 18 years

(Income Taxes)

1. Significant components of the deferred tax assets and liabilities are as follows:

	(Unit: Millions of yen)	
	Fiscal 2006 As of March 31, 2006	Fiscal 2005 As of March 31, 2005
Deferred tax assets		
Accrued pension and severance liabilities	¥ 20,933	¥ 22,473
Accrued expenses	10,114	11,075
Impairment loss on fixed assets of a consolidated foreign subsidiary	-	7,760
Impairment loss on fixed assets	10,541	-
Accrued warranty claims	8,318	7,637
Unrealized gain on sales of fixed assets	6,382	6,552
Accrued bonus	6,296	6,177
Inventories	5,458	6,016
Unrealized gain on sales of inventories	5,240	4,444
Deficit carry forwards	17,843	7,628
Other	14,423	15,204
Sub-total	105,548	94,966
Valuation allowance	(18,149)	(11,890)
Total	87,399	83,076
Deferred tax liabilities		
Depreciation and amortization	(16,364)	(15,261)
Net unrealized holding gains on investment securities	(14,442)	(11,496)
Revaluation reserve for land	(703)	(478)
Advanced depreciation reserve	(468)	(468)
Other	(3,085)	(2,455)
Total	(35,062)	(30,158)
Net deferred tax assets	¥ 52,337	¥ 52,918

Note: Net deferred tax assets are included in the following accounts in the accompanying balance sheets:

Current assets-deferred tax assets:	¥ 32,992	¥ 34,859
Fixed assets-deferred tax assets:	¥ 23,612	¥ 24,481
Current liabilities-deferred tax liabilities (Current liabilities-other):	¥ (4)	¥ -
Long-term liabilities-deferred tax liabilities on revaluation of land:	¥ (703)	¥ (478)
Long-term liabilities-deferred tax liabilities (Long-term liabilities-other):	¥ (3,560)	¥ (5,944)

2. A reconciliation of the statutory income tax rate in Japan to the Company's effective income tax rate is as follows:

	Fiscal 2006 〔 from April 1, 2005 to March 31, 2006 〕	Fiscal 2005 〔 from April 1, 2004 to March 31, 2005 〕
Statutory income tax rate in Japan	40.5	40.5
(Reconciling items)		
Changes in valuation allowance and tax benefit realized from the losses carried forward	20.2	19.8
Adjustment of past corporate income taxes and corporate income taxes refundable	2.8	(1.6)
Adjustment of past deferred income taxes	(6.8)	-
Adjustment of past corporate income taxes of a consolidated subsidiary in the United States	-	15.8
Special deduction on corporate income taxes	(6.1)	(5.4)
Entertainment and other non-deductible expenses	1.1	1.6
Equity income	(2.0)	-
Amortization of consolidation adjustments	(4.6)	(59.0)
Other	0.0	0.9
Effective income tax rate	45.1 %	12.6 %

II. Note to Non-consolidated Financial Results for Fiscal 2006

(Balance Sheet)

3. Pledged assets and secured liabilities

Pledged assets are as follows:

	(Unit: Millions of yen)	
	Fiscal 2006	Fiscal 2005
Buildings	¥ 10,107	¥ 15,689
Structures	668	822
Machinery and equipment	15,970	21,981
Land	1,014	1,196
Total	<u>¥ 27,759</u>	<u>¥ 39,688</u>

Secured liabilities are as follows:

	(Unit: Millions of yen)	
	Fiscal 2006	Fiscal 2005
Current portion of long-term debts	¥ -	¥ 3,700
Long-term debts	7,020	7,010
Total	<u>¥ 7,020</u>	<u>¥ 10,710</u>

Note: Pledged assets above are provided for secured liabilities above as the factory foundation.

4. Contingent liabilities

<1> Fiscal 2006

(1) The Company's guarantees for the indebtedness from financial institutes and the contribution from investors are as follows:

	(Unit: Millions of yen)
Subaru Finance Co., Ltd.	¥ 100,350
Subaru of Indiana Automotive, Inc.	¥ 29,368
Employees	¥ 23,401
Yusoki Kogyo K.K.	¥ 3,120
Subaru Kosan Co., Ltd. and 3 other entities	<u>¥ 2,265</u>
Total	<u>¥ 158,504</u>

(2) The Company's guarantees for the indebtedness of the affiliated companies are ¥ 24 million.

(3) Total amount is ¥ 158,528 million.

<2> Fiscal 2005

(1) The Company's guarantees for the indebtedness from financial institutes and the contribution from investors are as follows:

(Unit: Millions of yen)

Subaru Finance Co., Ltd.	¥ 121,150
Subaru of Indiana Automotive, Inc.	¥ 42,549
Employees	¥ 24,466
Yusoki Kogyo K.K.	¥ 5,802
Subaru Kosan Co., Ltd. and 5 other entities	<u>¥ 3,546</u>
Total	<u>¥ 197,513</u>

(2) The Company's guarantees for the indebtedness of the affiliated companies are ¥ 53 million.

(3) Total amount is ¥ 197,566 million.

3. The balance of assets transferred to the special purpose company

(Unit: Millions of yen)

Fiscal 2006	Fiscal 2005
¥ 18,174	¥ -

4. The unexecuted balances of commitments for borrowings are as follows:

(Unit: Millions of yen)

	Fiscal 2006	Fiscal 2005
Total commitments	¥ 43,000	¥ 53,000
Less amounts currently executed	<u>¥ -</u>	<u>¥ 10,000</u>
Unexecuted balance	<u>¥ 43,000</u>	<u>¥ 43,000</u>

5. Number of treasury stock owned at end of the year (common stock)

Fiscal 2006	Fiscal 2005
65,897,206 shares	3,361,911 shares

6. Limitation on dividends

<1> Fiscal 2006

Net unrealized gains on securities of ¥ 19,920 million are restricted from dividends pursuant to Article 124, No.3 of the Japanese Commercial Code Enforcement Regulation.

<2> Fiscal 2005

Net unrealized gains on securities of ¥ 16,262 million are restricted from dividends pursuant to Article 124, No.3 of the Japanese Commercial Code Enforcement Regulation.

(Statement of Income)

1. Major components of selling, general and administrative expenses are as follows:

<1> Fiscal 2006

	(Unit: Millions of yen)	
	Selling	General and administrative
Salary and bonus	¥ 5,769	¥ 2,457
Packing and freight cost	¥ 12,432	¥ 19
Sales incentives	¥ 22,875	¥ -
Advertisement cost	¥ 20,405	¥ 183
Research and development cost	¥ -	¥ 46,683

<2> Fiscal 2005

	(Unit: Millions of yen)	
	Selling	General and administrative
Salary and bonus	¥ 5,894	¥ 2,592
Packing and freight cost	¥ 12,674	¥ 22
Sales incentives	¥ 20,913	¥ -
Advertisement cost	¥ 23,267	¥ 232
Research and development cost	¥ -	¥ 52,854

2. Gain on sale of fixed assets is as follow:

	(Unit: Millions of yen)	
	Fiscal 2006	Fiscal 2005
Land	¥ 507	¥ 474
Machinery and equipment and other	27	11
Total	<u>¥ 534</u>	<u>¥ 485</u>

3. Loss on sale and disposal of fixed assets is as follow:

	(Unit: Millions of yen)	
	Fiscal 2006	Fiscal 2005
Buildings	¥ 519	¥ 420
Machinery and equipment	921	1,187
Vehicles	174	88
Tools	131	199
Other	136	354
Total	¥ 1,881	¥ 2,248

(Income Taxes)

1. Significant components of the deferred tax assets and liabilities are as follows:

	(Unit: Millions of yen)	
	Fiscal 2006	Fiscal 2005
	As of March 31,2006	As of March 31,2005
Deferred tax assets (Short-term)		
Accrued enterprise taxes	¥ 617	¥ 96
Loss on devaluation of inventories	4,440	4,513
Accrued bonus	4,074	3,968
Accrued warranty claims	2,861	3,297
Other	5,641	5,380
Sub total	17,633	17,254
Deferred tax assets (Long-term)		
Loss on devaluation of investment securities	¥ 250	¥ 649
Loss on devaluation of securities of subsidiaries and affiliated companies	23,453	18,647
Allowance for doubtful accounts	2,450	2,306
Accrued pension and severance liabilities	12,680	14,417
Allowance for devaluation of investments	-	1,862
Other	3,223	2,729
Sub total	42,056	40,610
Valuation allowance	(3,409)	-
Deferred tax assets total	56,280	57,864
Deferred tax liabilities (Long-term)		
Net unrealized holding gains on investment securities	(13,558)	(11,069)
Advanced depreciation reserve	(468)	(468)
Total	(14,026)	(11,537)
Net deferred tax assets	¥ 42,254	¥ 46,327

2. A reconciliation of the statutory income tax rate in Japan to the Company's effective income tax rate is as follows:

	Fiscal 2006 〔From April 1, 2005〕 〔to March 31, 2006〕	Fiscal 2005 〔From April 1, 2004〕 〔to March 31, 2005〕
Statutory income tax rate in Japan (reconciling items)	40.5 %	40.5 %
Entertainment and other non-deductible expenses	0.8	5.5
Non-taxable dividends received	(1.1)	(6.8)
Inhabitant taxes per capita	0.2	1.6
Special deduction on corporate income taxes	(9.1)	(37.9)
Adjustment of past corporate income taxes	3.9	9.2
Adjustment of past deferred income taxes	(5.9)	-
Allowance for devaluation	17.8	-
Other	(0.7)	(4.1)
Effective income tax rate	<u>46.4 %</u>	<u>8.0 %</u>

【Correction item】

I . Consolidated Financial Results for Fiscal 2006

4. Consolidated financial statements (Segment information) P.32

(Before correction)

(1) Business segment information

Fiscal 2006 (from April 1, 2005 to March 31, 2006)

(Unit: Millions of yen)

	Automobiles	Industrial products	Aerospace	Other	Total	Elimination and corporate	Consolidated total
II. Assets, depreciation/amortization expense and capital expenditure							
Assets	1,110,445	56,621	147,557	68,435	1,383,058	(34,658)	1,348,400
Depreciation/Amortization expense	74,431	1,795	1,941	1,906	80,073	-	80,073
Capital expenditure	109,821	1,195	7,605	668	119,289	-	119,289

(After correction)

(1) Business segment information

Fiscal 2006 (from April 1, 2005 to March 31, 2006)

(Unit: Millions of yen)

	Automobiles	Industrial products	Aerospace	Other	Total	Elimination and corporate	Consolidated total
II. Assets, depreciation/amortization expense, impairment loss on fixed assets and capital expenditure							
Assets	1,110,445	56,621	147,557	68,435	1,383,058	(34,658)	1,348,400
Depreciation/Amortization expense	74,431	1,795	1,941	1,906	80,073	-	80,073
Impairment loss on fixed assets	3,968	-	-	96	4,064	-	4,064
Capital expenditure	109,955	1,195	7,605	534	119,289	-	119,289