

Consolidated Financial Results

For the Second Quarter of the Fiscal Year Ending March 31, 2011



November 2, 2010

Company Name : **Fuji Heavy Industries Ltd.** (Tokyo Stock Exchange First Section, Code No.: 7270)
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 Scheduled date of submitting Quarterly Report : November 11, 2010
 Scheduled date for dividend payment : December 3, 2010
 Quarterly earnings supplementary explanatory documents : Yes
 Holding of quarterly financial results meeting : Yes (for investment analysts and institutional investors)

(All amounts have been rounded off to the nearest million yen, unless otherwise specified)

1. Consolidated Results for the Second Quarter of Fiscal Year 2011 (April 1, 2010 to September 30, 2010)

(1) Consolidated Results of Operations

(In Japanese yen rounded to million, except for per share figures, percentage figures indicate a change from the previous fiscal year / period)

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss)	
2nd Quarter of FY2011	803,994	26.5%	57,349	—	58,825	—	44,566	—
2nd Quarter of FY2010	635,550	(14.6%)	(11,437)	—	(11,835)	—	(21,732)	—

	Net income (loss) per share, basic (Yen)	Net income per share, diluted (Yen)
2nd Quarter of FY2011	57.20	—
2nd Quarter of FY2010	(27.89)	—

(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)
2nd Quarter of FY2011	1,214,800	409,557	33.6%	523.59
FY2010	1,231,367	381,893	30.9%	488.58

Note: Shareholders' equity As of September 30, 2010: 408,235 million yen As of March 31, 2010: 380,587 million yen

2. Dividends

	Cash dividends per share (yen)				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual
FY 2010	—	0.00	—	0.00	0.0
FY 2011	—	4.50	—	—	—
FY 2011 (Forecast)	—	—	—	4.50	9.00

Note: Revision of the forecasts in the second quarter of the fiscal year ending March 31, 2011: No

3. Projection of Consolidated Results for Fiscal Year 2011 (April 1, 2010 to March 31, 2011)

(In Japanese yen rounded to million, except for per share figures, percentage figures 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	1,590,000	11.3%	70,000	155.9%	68,000	204.1%	50,000	—	64.15	

Note: Revision of the forecasts at the timing of announcement of the results of second quarter of the fiscal year ending March 31, 2011: Yes

4. Others (For detail, please refer to "2. Others" on page 5)

- (1) Changes of significant subsidiaries in the second quarter of fiscal year 2011 : No
(Transfer of subsidiaries resulting in changes in the scope of consolidation)
- (2) Application of simple accounting as well as specific accounting for preparing the : Yes
quarterly consolidated financial statements
- (3) Changes in accounting policies, procedures and methods of presentation for preparing the quarterly
consolidated financial statements (changes described in the section of "Changes in significant matters forming the
basis of preparing the quarterly consolidated financial statements")
- [1] Changes due to revisions of accounting standards : Yes
- [2] Changes due to other reasons : No
- (4) Number of outstanding shares (Common Stock)
- | | | | | |
|--|--------------------------|--------------------|------------------------|--------------------|
| [1] Number of outstanding shares
(including treasury stock) | As of September 30,2010: | 782,865,873 shares | As of March 31,2010: | 782,865,873 shares |
| [2] Number of treasury stock | As of September 30,2010: | 3,180,613 shares | As of March 31,2010: | 3,901,219 shares |
| [3] Average number of shares
(for six month period) | 2nd Quarter of FY2011: | 779,165,554 shares | 2nd Quarter of FY2010: | 779,175,440 shares |

*The status of the implementation of the second quarterly review

The second quarterly review is now conducted on the basis of the Financial Instruments and Exchange Act on the date for the release of this quarterly report.

*Proper use of projection of operating results, and other information

The above performance projections were made based on the information available as of the date when this document was released. Therefore, actual results may differ considerably due to various factors that might occur in the future.

For assumptions and other information on which the performance projections were based, please refer to "(3) Qualitative Information on Consolidated Operating Results Forecast" on page 4.

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1. Qualitative Information on Quarterly Consolidated Operating Results, etc.

(1) Qualitative Information on Consolidated Operating Performance

Consolidated net sales for the first half of the current fiscal year were up ¥168.4 billion (26.5%) over the same period of the previous fiscal year to ¥804.0 billion thanks mainly to favorable automobile sales in Japan and overseas markets, despite the foreign exchange loss from the strong yen.

Regarding the profit, reflecting the rise in net sales, operating income went up ¥68.8 billion to ¥57.3 billion, ordinary income up ¥70.7 billion to 58.8 billion, and net income up ¥66.3 billion to ¥44.6 billion over the same period of the previous fiscal year.

[Results by Business Segment]

Results for the current consolidated first half period by business segment are as described below.

[1] Automobile Division

With both the eco-car tax reduction and purchase subsidy programs continuing, total passenger car sales in Japan were 38 thousand units, increased 4 thousand (12.6%) units compared with the same period of the previous fiscal year. This was due to the strengthening of the main models, such as the introduction of the advanced driving assist system “EyeSight (ver.2)” for the Legacy in May and the addition of a derivative Impreza model in June,.

On the other hand, minicars sales were 51 thousand, an increase of 5 thousand (10.6%) units compared with the same period of the previous fiscal year, fueled by the market launch of new car, Lucra, Pleo, and Pleo Van models in April in addition to the stronger sales of Samber series compared with the same period of the previous fiscal year.

As a result, a total of 89 thousand units were sold in Japan for an increase of 9 thousand, (11.5%) over the same period of the previous fiscal year.

Overseas sales units in all markets increased over the same period of the previous fiscal year mainly due to the new Legacy.

By region, sales increased 36 thousand (33.4%) over the same period of the previous fiscal year to 144 thousand units in North America market driven by favorable sales centered on the Legacy, reflecting sales growth ahead of overall demand growth.

The sales substantially increased 15 thousand (87.7%) units over the same period of the previous fiscal year to 32 thousand units in China driven by robust sales of Forester and Legacy models, amid continuing overall demand growth.

Although the sales environment came under pressure from the strong yen and the termination of government-sponsored scrapping incentives in some markets, sales in Europe including Russia were 29 thousand units, increased 14 thousand (85.7%) units compared with the same period of the previous fiscal year with the signs of an overall demand recovery in Russia helped by the start of government incentives.

Sales in Australia were 21 thousand units, increased 6 thousand (40.9%) units compared with the same period of the previous fiscal year along with the solid overall demand growth.

In other regions, sales increased 9 thousand (118.2%) units over the same period of the previous fiscal year to 16 thousand units.

As a result, the sales in overseas markets were 243 thousand, an increase of 79 thousand, (48.6%) units over the same period of the previous fiscal year.

The combined sales volume for Japan and overseas markets amounted to 331 thousand, an increase of 88 thousand, (36.4%) over the same period of previous fiscal year, and overall net sales were up ¥167.6 billion, (29.2%) over the same period of the previous fiscal year, to ¥742 billion. Segment income was also up ¥69.8 billion over the same period of the previous fiscal year to ¥55.5 billion.

[2] Aerospace Division

Sales declined from the same period of the previous fiscal year, despite the sales launch of “P-1” fixed-wing patrol aircraft to Japan Ministry of Defense, mainly due to the end of contracts for “Forward Field Observation System”.

In the commercial sector, despite lower sales of existing models such as the reduced production of Boeing 777 as well as currency differences from the stronger yen, the higher sales of Boeing 787 lifted sales compared with the same period of the previous fiscal year.

As a result, overall net sales were down ¥5 billion (11.9%) over the same period of the previous fiscal year

to ¥37.4 billion, with segment income down ¥1.9 billion (78.4%) over the same period of the previous fiscal year to ¥0.5 billion.

[3] Industrial Products Division

With demand recovering steadily since the start of the year and market inventories at all-time lows, unit sales of engines increased centered on civil engineering and electrical machinery applications in the domestic market, and overseas unit sales of engines in the respective markets also increased centered on North America and emerging markets including Southeast Asia and Russia.

As a result, net sales were up ¥4.3 billion (35.5%) over the same period of the previous fiscal year to ¥16.4 billion, with segment income up ¥1.3 billion over the same period of the previous fiscal year to ¥0.1 billion.

[4] Other Businesses

Net sales were up ¥1.5 billion (23.7%) over the same period of the previous fiscal year to ¥8.1 billion, because of the increased unit sales of wind power generation systems and Fuji Mighty sanitation trucks. Segment income was also up ¥0.3 billion (32.9%) over the same period of the previous fiscal year to ¥1.2 billion.

Note: “Segment income” in section [Results by Segment] corresponds to “Operating income”, which was used until last year.

(2) Qualitative Information on Consolidated Financial Position

[1] Assets, Liabilities, and Net Assets

Total assets at the end of the second quarter consolidated accounting period of the current fiscal year was ¥1,214.8 billion, reflecting a ¥16.6 billion decline over the end of the previous fiscal year. This was mainly due to a ¥15 billion fall in notes and accounts receivable-trade.

Total liabilities fell ¥44.2 billion over the end of the previous fiscal year to ¥805.2 billion. This was mainly due to the redemption of ¥20 billion in bonds payable and a ¥9.5 billion fall in short-term loans payable.

Net assets increased ¥27.7 billion over the end of the previous fiscal year to ¥409.6 billion. This was mainly due to a ¥44.5 billion increase in retained earnings as the same amount of net income for the period posted despite a ¥15.6 billion drop in the foreign currency translation adjustment due to the stronger yen.

[2] Cash Flows

Cash and cash equivalents at the end of the second quarter consolidated cumulative period of the current fiscal year (hereinafter “Cash”) totaled ¥214.2 billion.

(Net cash provided by operating activities)

Net cash from operating activities was ¥90.5 billion (compared with ¥101.5 billion provided by operating activities in the same period of the previous fiscal year). Main factors were ¥55.7 billion in income before income taxes and minority interests and a ¥13.4 billion reduction in notes and accounts receivable-trade.

(Net cash provided by investment activities)

Net cash used in investment activities was ¥26.5 billion (compared with ¥33.2 billion used in investment activities in the same period of the previous fiscal year). Main factor was a ¥23 billion net outlay for property, plant and equipment purchases (net of proceeds from sales of property, plant and equipment).

(Net cash used in financing activities)

Net cash used in financing activities was ¥29.2 billion (compared with ¥3.5 billion provided by financing activities in the same period of the previous fiscal year). Main factor was ¥20 billion in redemption of bonds and a ¥9.4 billion net decrease in short-term loans payable.

(3) Qualitative Information on Projection for Current Fiscal Year

The previous projection of fiscal year ending March 2011 is revised as described below. This revision takes into account our expectations for favorable automobile sales particularly in North America and China despite the anticipated foreign exchange loss due to the strong yen (against the US\$).

The revised projection of the current fiscal year is based on assumed foreign exchange rates of ¥86/US\$1.0 (¥89 at the previous announcement) and ¥113/EUR1.0 (unchanged from the previous announcement). Also, the outlook for the second half of the current fiscal year is based on assumed foreign exchange rates of ¥83/US\$1.0 and ¥110/EUR1.0.

(Full-Year of the Fiscal Year Ending March 2011)

	Net sales	Operating Income	Ordinary Income	Net Income	Net Income per Share
Previous projection (A)	¥ million 1,470,000	¥ million 43,000	¥ million 38,000	¥ million 23,000	Yen 29.53
Revised projection (B)	1,590,000	70,000	68,000	50,000	64.15
Change in amount (B-A)	120,000	27,000	30,000	27,000	
Percentage change (%)	8.2	62.8	78.9	117.4	
(Supplemental information) Actual results of the previous fiscal year (Fiscal Year Ended March 31, 2010)	1,428,690	27,350	22,361	(16,450)	(21.11)

2. Others

- (1) Changes of significant subsidiaries in the second quarter of fiscal year 2011
(Transfer of subsidiaries resulting in changes in the scope of consolidation)
Not Applicable

- (2) Application of simple accounting as well as specific accounting for preparing the quarterly consolidated financial statements

[Specific accounting for preparing the quarterly consolidated financial statements]

(Income taxes)

Income tax expense was calculated as multiplying income before income taxes and minority interests by reasonably estimated annual effective tax rate. This annual tax rate was reasonably estimated after applying the deferred tax accounting to the annual income before income taxes and minority interests which included the amounts of this second quarter period ended September 30, 2010.

“Income taxes-deferred” was included in “Total income taxes”.

- (3) Changes in accounting policies, procedures and methods of presentation for preparing the quarterly consolidated financial statements

[Changes in significant matters forming the basis of preparing the quarterly consolidated financial statements]

(Changes in accounting policies)

Application of accounting standard for Asset Retirement Obligations

From the first quarter of fiscal year 2011, the Company has adopted Accounting Standard for Asset Retirement Obligations (ASBJ Statement No.18, March 31, 2008) and its Implementation Guidance on Accounting Standard for Asset Retirement Obligations (ASBJ Guidance No.21, March 31, 2008).

This impact of this adoption on profit and loss was insignificant.

[Changes in Presentation of Financial Statements]

(Quarterly Consolidated Statements of Income)

On the basis of "Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, December 26)", the Company has adopted "Cabinet Office Ordinance Partially Revising Regulation on Terminology, Forms and Presentation of Financial Statements (Cabinet Office Ordinance No.5, March 24)". Therefore "Income before minority interests" is included in the quarterly Consolidated Statements of income for the second quarter of fiscal year 2011.

“Gain on sales of investment securities” was included in “Other” of “Extraordinary income” in the second quarter of fiscal 2010. However it is presented separately because of its increased materiality in the second quarter of fiscal 2011. In addition, “Gain on sales of investment securities” included in “Other” in the second quarter of fiscal 2010 was 61 million yen.

“Reversal of allowance for doubtful accounts” was included in “Other” of “Extraordinary income” in the second quarter of fiscal 2010. However it is presented separately because of its increased materiality from the first quarter of fiscal 2011. In addition, “Reversal of allowance for doubtful accounts” included in “Other” in the second quarter of fiscal 2010 was 41 million yen.

(Quarterly Consolidated Statements of cash flows)

“Increase (Decrease) in provision for product warranties” was included in “Other” of “Net cash provided by (used in) operating activities” in the second quarter of fiscal 2010. However it is presented separately because of its increased materiality in the first quarter of fiscal 2011. In addition, “Increase (Decrease) in provision for product warranties” included in “Other” in the second quarter of fiscal 2010 was overdrawn 192 million yen.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Unit: Millions of yen)

	2nd Quarter of FY2011 (as of September 30, 2010)	FY2010 (as of March 31, 2010)
ASSETS		
I Current assets		
Cash and deposits	141,387	168,643
Notes and accounts receivable-trade	88,492	103,521
Lease investment assets	23,715	27,788
Short-term investment securities	63,337	12,458
Merchandise and finished goods	94,038	101,351
Work in process	61,669	59,596
Raw materials and supplies	36,530	35,672
Deferred tax assets	13,367	15,549
Short-term loans receivable	77,415	75,780
Other	37,322	40,216
Allowance for doubtful accounts	(1,755)	(1,686)
Total current assets	635,517	638,888
II Noncurrent assets		
1. Property, plant and equipment		
Buildings and structures, net	121,899	125,086
Machinery, equipment and vehicles, net	88,872	87,411
Land	178,266	179,512
Vehicles and equipment on operating leases, net	18,104	18,394
Construction in progress	11,445	12,672
Other, net	23,760	26,452
Total property, plant and equipment	442,346	449,527
2. Intangible assets		
Other	12,414	11,999
Total intangible assets	12,414	11,999
3. Investments and other assets		
Investment securities	62,211	67,783
Deferred tax assets	3,488	5,742
Other	63,265	62,602
Allowance for investment loss	(16)	(25)
Allowance for doubtful accounts	(4,425)	(5,149)
Total investments and other assets	124,523	130,953
Total noncurrent assets	579,283	592,479
Total assets	1,214,800	1,231,367

(Unit: Millions of yen)

2nd Quarter of FY2011
(as of September 30, 2010)

FY2010
(as of March 31, 2010)

LIABILITIES**I Current liabilities**

Notes and accounts payable-trade	212,330	217,051
Short-term loans payable	132,671	142,121
Current portion of long-term loans payable	14,531	13,912
Current portion of bonds	20,010	20,010
Income taxes payable	4,690	2,873
Accrued expenses	50,375	56,244
Provision for bonuses	15,099	15,348
Provision for product warranties	20,875	19,999
Provision for loss on construction contracts	2,563	1,399
Other	62,150	66,104

Total current liabilities	535,294	555,061
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II Noncurrent liabilities

Bonds payable	24,085	44,090
Long-term loans payable	145,365	147,479
Deferred tax liabilities	11,649	13,541
Provision for retirement benefits	35,897	34,867
Provision for directors' retirement benefits	511	685
Other	52,442	53,751

Total noncurrent liabilities	269,949	294,413
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Total liabilities	805,243	849,474
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NET ASSETS**I Shareholders' equity**

Capital stock	153,795	153,795
Capital surplus	160,071	160,071
Retained earnings	154,646	110,172
Treasury stock	(1,731)	(2,173)

Total shareholders' equity	466,781	421,865
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II Valuation and translation adjustments

Valuation difference on available-for-sale securities	8,673	10,309
Foreign currency translation adjustment	(67,219)	(51,587)

Total valuation and translation adjustments	(58,546)	(41,278)
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Minority interests	1,322	1,306
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Total net assets	409,557	381,893
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Total liabilities and net assets	1,214,800	1,231,367
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(2) Quarterly Consolidated Statements of Income

(Unit: Millions of yen)

	FY2010 (April 1, 2009 to September 30, 2009)	FY2011 (April 1, 2010 to September 30, 2010)
I Net sales	635,550	803,994
II Cost of sales	522,836	620,231
Gross profit	112,714	183,763
III Selling, general and administrative expenses	124,151	126,414
Operating income (loss)	(11,437)	57,349
IV Non-operating income		
Interest income	420	554
Dividends income	365	358
Equity in earnings of affiliates	633	2,146
Real estate rent	294	260
Gain on valuation of derivatives	4,121	3,363
Other	791	1,181
Total non-operating income	6,624	7,862
V Non-operating expenses		
Interest expenses	2,380	2,593
Foreign exchange losses	2,913	1,962
Other	1,729	1,831
Total non-operating expenses	7,022	6,386
Ordinary income (loss)	(11,835)	58,825
VI Extraordinary income		
Gain on sales of noncurrent assets	41	58
Gain on sales of investment securities	—	358
Reversal of allowance for doubtful accounts	—	244
Gain on sales of loans receivable	294	324
Other	102	11
Total extraordinary income	437	995
VII Extraordinary loss		
Loss on sales and retirement of noncurrent assets	1,339	503
Impairment loss	3,162	835
Loss on prior periods adjustment	—	1,347
Loss on abandonment of inventories	1,191	—
Loss on adjustment for changes of accounting standard for asset retirement obligation	—	372
Loss on reconstruction of office building	—	657
Other	336	407
Total extraordinary losses	6,028	4,121
Income (loss) before income taxes and minority interests	(17,426)	55,699
Total income taxes	4,362	11,035
Income before minority interests	—	44,664
Minority interests in income (loss)	(56)	98
Net income (loss)	(21,732)	44,566

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	FY2010 (April 1, 2009 to September 30, 2009)	FY2011 (April 1, 2010 to September 30, 2010)
I Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	(17,426)	55,699
Depreciation and amortization	33,522	27,566
Impairment loss	3,162	835
Increase (decrease) in provision for bonuses	(56)	(249)
Increase (decrease) in provision for product warranties	—	2,097
Increase (decrease) in provision for loss on construction contracts	146	1,164
Increase (decrease) in provision for retirement benefits	1,721	856
Interest and dividends income	(785)	(912)
Interest expenses	2,380	2,593
Loss (gain) on valuation of derivatives	(4,121)	(3,363)
Equity in (earnings) losses of affiliates	(633)	(2,146)
Loss (gain) on sales and retirement of noncurrent assets	1,298	445
Decrease (increase) in notes and accounts receivable-trade	3,419	13,366
Decrease (increase) in inventories	35,277	(4,420)
Increase (decrease) in notes and accounts payable-trade	24,505	(2,409)
Decrease (increase) in lease investment assets	(314)	3,782
Decrease (increase) in operating loans receivable	(1,106)	(2,162)
Decrease (increase) in vehicles and equipment on operating leases	(8,216)	(2,889)
Increase (decrease) in deposits received	9,395	1,010
Other, net	19,573	7,616
Subtotal	101,741	98,479
Interest and dividends income received	787	915
Interest expenses paid	(1,998)	(2,687)
Income taxes (paid) refund	985	(6,223)
Net cash provided by (used in) operating activities	101,515	90,484
II Net cash provided by (used in) investing activities		
Purchase of short-term investment securities	(264)	(1,741)
Proceeds from sales of short-term investment securities	687	2,214
Purchase of property, plant and equipment	(33,116)	(23,539)
Proceeds from sales of property, plant and equipment	856	529
Purchase of intangible assets	(1,154)	(1,598)
Purchase of investment securities	(5,555)	(10,193)
Proceeds from sales of investment securities	2,977	9,053
Payments of loans receivable	(29,177)	(40,624)
Collection of loans receivable	31,900	42,025
Other, net	(401)	(2,650)
Net cash provided by (used in) investing activities	(33,247)	(26,524)

(Millions of yen)

	FY2010 (April 1, 2009 to September 30, 2009)	FY2011 (April 1, 2010 to September 30, 2010)
III Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(42,361)	(9,433)
Increase (decrease) in commercial papers	(18,000)	—
Proceeds from long-term loans payable	71,653	13,370
Repayments of long-term loans payable	(11,476)	(12,584)
Proceeds from issuance of bonds	4,000	—
Redemption of bonds	—	(20,005)
Other, net	(337)	(530)
Net cash provided by (used in) financing activities	3,479	(29,182)
IV Effect of exchange rate change on cash and cash equivalents	(4,992)	(12,083)
V Net increase (decrease) in cash and cash equivalents	66,755	22,695
VI Cash and cash equivalents at beginning of period	96,515	191,466
VII Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	226	—
VIII Cash and cash equivalents at end of period	163,496	214,161

(4) Notes on Premise of Going Concern

Not Applicable

(5) Segment Information

[Business Segment Information]

2nd Quarter of FY 2010 (April 1, 2009 to September 30, 2009)

(Unit: Millions of yen)

	Automobiles	Aerospace	Industrial products	Other	Total	Elimination and corporate	Consolidated total
Net sales							
(1) Outside customers	574,413	42,472	12,133	6,532	635,550	—	635,550
(2) Inter-segment	1,170	—	27	5,558	6,755	(6,755)	—
Total sales	575,583	42,472	12,160	12,090	642,305	(6,755)	635,550
Operating income (loss)	(14,283)	2,442	(1,164)	931	(12,074)	637	(11,437)

[Geographic Segment Information]

2nd Quarter of FY 2010 (April 1, 2009 to September 30, 2009)

(Unit: Millions of yen)

	Japan	North America	Other	Total	Elimination and corporate	Consolidated total
Net sales						
(1) Outside customers	366,477	258,205	10,868	635,550	—	635,550
(2) Inter-segment	126,653	1,198	260	128,111	(128,111)	—
Total sales	493,130	259,403	11,128	763,661	(128,111)	635,550
Operating income (loss)	(14,304)	7,391	279	(6,634)	(4,803)	(11,437)

[Overseas Net Sales]

2nd Quarter of FY 2010 (April 1, 2009 to September 30, 2009)

(Unit: Millions of yen)

	North America	Europe	Asia	Other	Total
Overseas net sales	279,834	34,330	35,651	41,852	391,667
Consolidated net sales	—	—	—	—	635,550
Percentage of overseas net sales over consolidated sales	44.0%	5.4%	5.6%	6.6%	61.6%

(Additional information)

From the first quarter of fiscal 2011, the Company has adopted "Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No.17, March 27, 2009) and Implementation Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No.20, March 21, 2008).

1.Outline of business segment

The business segments the Company reports are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic investigation to determine distribution of management resources and evaluate their business result.

The Company places Automobile at the center of the whole businesses, and introduces an internal company system into Aerospace, Industrial Products and Eco technology divisions. This framework makes clearer the responsibility of each division and accelerates business execution. The Company manages the subsidiaries on the basis of this classification. Therefore the business segments consist of Automobile, Aerospace, Industrial products, Eco technology, and Other which does not belong to any division.

As for Eco technology division, the Company includes it into "Other" because it does not satisfy the quantitative standard for the business segments reported. As a result, business segments reported are Automobile, Aerospace, and Industrial products.

Automobile segment manufactures vehicles and related products. Aerospace segment manufactures aircrafts, parts of space-related devices. Industrial products segment manufactures Robin engines and related products.

2.Information on sales and income(loss) by business segment reported

2nd Quarter of FY 2011 (April 1, 2010 to September 30, 2010)

(Unit: Millions of yen)

	Business segment reported				Other *1	Total	Adjustment *2	Consolidated Statement of income *3
	Automobiles	Aerospace	Industrial products	Sub- Total				
Net sales								
(1) Outside customers	742,042	37,433	16,438	795,913	8,081	803,994	—	803,994
(2) Inter-segment	1,239	—	3	1,242	6,326	7,568	(7,568)	—
Total sales	743,281	37,433	16,441	797,155	14,407	811,562	(7,568)	803,994
Segment income (loss)	55,498	528	92	56,118	1,237	57,355	(6)	57,349

Note: *1. Other means the category which is not included into any business segment reported. It consists of garbage collection vehicles, specialized vehicles, real estate lease, etc.

*2. Adjustment of segment income (loss) refers to elimination of intersegment transaction.

*3 Segment income (loss) is adjusted on operating income on the quarterly consolidated statements of income.

(6) Notes on Significant Changes in the Amount of Shareholders' Equity

Not Applicable

(7) Explanatory Note

(Consolidated Statement of income)

[2nd Quarter of FY 2010 (April 1, 2009 to September 30, 2009)]

(Extraordinary loss)

1) After assessing the severe business environment for domestic distributors, such as the sluggish automobile market caused by a business slowdown, and the response to sophisticated and diversified customer needs, we have determined that it was necessary to quickly implement regional business activities while simultaneously establishing a rational management system. Therefore, the transition to the integrated system was performed from Subaru distributors sequentially after October, 2008. As a part of the rationalization, the company is performing restructuring of dealership network in Japan gradually. And related to dealerships which the Company has closed (or, has decided to close) by the end of second quarter fiscal 2010, it recorded an extraordinary loss in this fiscal year as follows.

Loss on sales and retirement of noncurrent assets	72	million yen
Impairment loss	556	million yen
Other	111	million yen
Total	739	million yen

2) The Company recorded an impairment loss with regard to the following asset groups in the first half period of the fiscal 2010. (Impairment loss related to restructuring of dealership network in Japan above-mentioned 1 is included)

Use	Location	Category
Assets for dealership business	Nagasaki Prefecture and 2 other location	Buildings and structures, land and other
Idle assets	Osaka Prefecture and 5 other location	Buildings and structures, and land

The assets on which impairment was recognized are grouped as follows:

The operating assets for dealership are grouped by each company, and the idle assets are grouped on a property by property basis.

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

Account	Amount
Buildings and structures, net	1,898 million yen
Machinery, equipment and vehicles, net	96 million yen
Land	1,143 million yen
Other	25 million yen
Total	3,162 million yen

3) Loss on abandonment of inventories

The Company conducted a review of business field in the industrial products segment in the first half period of the fiscal 2010. As a result, the Company abandoned obsolete inventories and recorded an extraordinary loss of 1,191 million yen in the first half period of the fiscal 2010.

[2nd Quarter of FY 2011 (April 1, 2010 to September 30, 2010)]

(Extraordinary loss)

1) The Company recorded an impairment loss with regard to the following asset groups in the first half period of the fiscal 2011.

Use	Location	Category
Idle assets	Tokyo Metropolitan Government and 10 other location	Buildings and structures, land, and other

The idle assets are grouped on a property by property basis.

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

Account	Amount
Buildings and structures,net	79 million yen
Land	754 million yen
Other	2 million yen
Total	835 million yen

2) Loss on prior periods adjustment(1,347 million yen) is the adjustment of cost of sales in prior years.

3) In relation to the reconstruction of Ebisu Subaru Building, following extraordinary losses are recorded.

Contents	Amount
Estimation of dismantlement cost	334 million yen
Temporary depreciation cost	323 million yen
Total	657 million yen

<Reference for the First Half of FY2011 (Apr. 1, 2010 to Sep. 30, 2010) Consolidated Financial Results>

(in 100 millions of yen) (in thousands of units)	ACTUAL RESULTS		ACTUAL RESULTS			ACTUAL RESULTS		FORECAST		
	1st HALF of FY2010		1st HALF of FY2011			FY2010		FY2011		
	Apr. 2009 to Sep. 2009		Apr. 2010 to Sep. 2010			Apr. 2009 to Mar. 2010		Apr. 2010 to Mar. 2011		
			Difference	Ratio			Difference	Ratio		
Net Sales	6,356	8,040	1,684	26.5	14,287	15,900	1,613	11.3	14,700	
Domestic	2,439	2,520	81	3.3	5,208	4,800	(408)	(7.8)	4,490	
Overseas	3,917	5,520	1,604	40.9	9,079	11,100	2,021	22.3	10,210	
Operating Income/Loss	(114)	573	688	—	274	700	427	155.9	430	
Margin Percentage	—	7.1			1.9	4.4			2.9	
Ordinary Income/Loss	(118)	588	707	—	224	680	456	204.1	380	
Margin Percentage	—	7.3			1.6	4.3			2.6	
Net Income/Loss	(217)	446	663	—	(165)	500	665	—	230	
Margin Percentage	—	5.5			—	3.1			1.6	
Change of operating income by factors										
			Improvement of sales volume & mixture and others	734			Improvement of sales volume & mixture and others	743		
			Decrease of SG&A expenses and others	81			Reduction in cost	94		
			Reduction in cost	63			Decrease of SG&A expenses and others	10		
			Loss on currency exchange	(159)			Loss on currency exchange	(359)		
			Increase of R&D expenses	(31)			Increase of R&D expenses	(61)		
Exchange rates	YEN/US\$	YEN96/US\$	YEN90/US\$		YEN93/US\$	YEN86/US\$		YEN89/US\$		
	YEN/EURO	YEN133/EURO	YEN116/EURO		YEN132/EURO	YEN113/EURO		YEN113/EURO		
Capital expenditures	320	220	561	560	560	560				
Depreciation and amortization	288	240	571	520	520					
R&D expenses	171	203	372	433	460					
Interest bearing debts	3,832	3,367	3,676	3,200	3,200					
Performance of operation										
			Net Sales to increase			Net Sales to increase				
			Net Income to increase			Net Income to increase				
Domestic sales	79	89	9	11.5	171	162	(9)	(5.3)	161	
Passenger Cars	33	38	4	12.6	75	68	(7)	(9.2)	69	
Minicars	46	51	5	10.6	96	94	(2)	(2.2)	92	
Overseas sales	163	243	79	48.6	392	497	106	27.0	469	
North America	108	144	36	33.4	250	302	52	20.8	270	
Europe	16	29	14	85.7	39	59	20	51.4	60	
China	17	32	15	87.7	49	63	14	28.2	60	
Others	22	37	15	65.8	54	74	20	36.9	78	
Total sales	243	331	88	36.4	563	659	97	17.2	630	
Production Units Total	233	322	89	38.2	557	644	87	15.6	604	
Domestic	197	245	47	24.0	453	478	25	5.5	458	
U.S.	36	78	42	116.7	104	166	62	59.3	146	
Net sales by business segment	Automobile	5,744	7,420	1,676	29.2	12,945				
	Aerospace	425	374	(50)	(11.9)	932				
	Industrial Products	121	164	43	35.5	239				
	Other	65	81	15	23.7	171				
Operating income by business segment	Automobile	(143)	555	698	—	217				
	Aerospace	24	5	(19)	(78.4)	48				
	Industrial Products	(12)	1	13	—	(24)				
	Other	9	12	3	32.9	26				
	Elimination and Corporate	6	(0)	(6)	—	7				

* 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 sales rate of FHI.