SUBARU

Annual Report 2009

For the year ended March 31, 2009

Challenge for Winning the Place

“Challenge for Winning the Place”

Challenge:

The New Legacy for Our Customers

Symbolizing the culmination of its medium-term management plan’s pivotal “customers come first” philosophy, FHI has made Legacy a full model change car as its flagship to meet customer expectations.

Challenge:

The Survival

In addition to pushing ahead with the medium-term management plan with greater speed and flexibility, FHI is working on rigorous cost reductions to survive the current severe business environment.

Challenge:

The Next 50 Years

Last year marked the 50th anniversary of the Subaru 360’s launch. Ongoing structural reforms involving organizational streamlining are under way in order for Subaru to remain a company much loved by its customers for the next 50 years.

STEERING

FEELING

DRIVING

Contents

In our quest to deliver globally "a distinctive Subaru experience," we are determined to survive the current adversities in any way we can.

Based on the medium-term management plan that commenced in 2007, we delivered to the market the Impreza and Forester, which competed well in a severe sales environment. As the culmination of our aim to "integrate the pleasure of driving with environmental responsibility, safety, comfort and reliability," the new-generation Legacy provides us the drive to turn this adversity into advantage.

IKUO MORI
Representative
Director of the Board,
President and CEO

"In a turbulent business environment, FHI recorded its first loss in 15 years."

Fiscal 2009 in Review

In fiscal 2009, ended March 31, 2009, the business environment surrounding the automobile industry experienced a period of dramatic change. In terms of business performance, a gulf divided the first and second halves of the fiscal year. At the beginning of the fiscal year under review, we planned consolidated sales volume of 636 thousand units, an increase of 39 thousand units compared with fiscal 2008. This figure was in keeping with the medium-term management plan, the key themes of which are to "provide a distinctive Subaru experience" and "increase sales globally," factoring in the effect of new Impreza and Forester models. In contrast, with regard to profit, we had forecast operating income of ¥23.0 billion, half that of fiscal 2008, having assumed an exchange rate of ¥100 to the U.S. dollar, ¥16 stronger than the previous fiscal year, and anticipated such factors as skyrocketing prices for raw materials.

In the first half of the period under review, full production was maintained of the Forester, for which there was robust demand, following on from the Impreza, which had been launched in the previous year. We produced 268 thousand vehicles, an improvement of 31 thousand vehicles compared with the same period of the previous fiscal year, with consolidated sales volume totaling 282 thousand, an increase of 11 thousand units. Operating income remained essentially on par with the same period of the previous fiscal year at ¥18.3 billion. Early in 2009, however, the outlook for the year was revised downward when we had to acknowledge sales of 555 thousand vehicles and, furthermore, an operating loss of ¥9.0 billion due

Performance Overview

Billions of yen

	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	(Forecast) **FY2010**
Automobiles Sales Volume (thousand units)	551	582	571	578	597	555	**508**
Net Sales	1,439.5	1,446.5	1,476.4	1,494.8	1,572.3	1,445.8	**1,320.0**
Operating Income (Loss)	50.3	42.0	58.3	47.9	45.7	(5.8)	**(35.0)**
Ordinary Income (Loss)	56.6	43.6	46.8	42.2	45.4	(4.6)	**(40.0)**
Net Income (Loss)	38.6	18.2	15.6	31.9	18.5	(69.9)	**(55.0)**
Capital Expenditures	74.6	85.3	56.2	59.6	56.3	58.0	**59.0**
Depreciation Expenses	53.2	51.1	57.5	58.9	65.5	65.1	**59.0**
R&D Expenses	57.5	53.0	46.9	50.7	52.0	42.8	**43.0**
Interest-Bearing Debt	379.0	412.2	374.1	343.9	304.5	381.7	**400.0**
Exchange Rate (¥/$, non-consolidated)	116	108	112	117	116	102	**95**
ROE	8.9	3.9	3.3	6.6	3.7	—	—
ROA*	3.9	3.3	4.6	3.9	3.9	—	—
Total Assets	1,349.7	1,357.5	1,348.4	1,316.0	1,296.4	1,165.4	—
Net Assets**	457.0	474.6	467.8	495.7	494.4	394.7	—

* ROA was calculated as "(operating income + interest and dividend income)/(average of assets at the beginning and end of the term)"
** Net Assets until the year ended March 2006 was the figure of total shareholders' equity.

to the rapid deterioration in economic conditions from the fall of 2008 onward and a slowdown in overall demand.

For fiscal 2009, with the yen slightly weaker against the U.S. dollar than had been expected, FHI reported consolidated net sales of ¥1,445.8 billion, a level that was slightly above forecast. Buoyed by successful efforts to further curtail costs, the Company reduced the depth of its earnings decline for an operating loss of ¥5.8 billion. Losses of ¥88.4 billion turned the net income of ¥18.5 billion recorded in fiscal 2008 into a net loss of ¥69.9 billion. This was largely attributable to the reversal of deferred tax assets amounting to ¥39.4 billion, the uncollectible or delayed collection receivables and damage to the assets of the ¥8.9 billion to FHI's Aerospace Company business partner, Eclipse Aviation Corporation, and the extraordinary loss of ¥3.0 billion incurred due to withdrawal from the FIA World Rally Championship (WRC).

As this, our first net loss in 15 years, had brought about a reduction in retained earnings, it was with some regret that we had to inform shareholders that we would be suspending the year-end dividend.

Sales of 555 thousand vehicles were 41 thousand fewer than in fiscal 2008 but were in line with our revised forecast. Although we sold 26 thousand vehicles in China, 14 thousand more than in the previous fiscal year, overseas sales as a whole were down 11 thousand, to 377 thousand vehicles. Likewise in the Japanese domestic market, where unit sales of both passenger cars and minicars were fewer than in fiscal 2008, sales decreased by 30 thousand, to 179 thousand vehicles.

Implement emergency measures to counter rapid changes in the business environment

In addition to making inventory and production adjustments, from early 2009 we have been implementing a raft of measures to counter the effects of the sudden changes in the situation. These measures have included the cancellation of directors' bonuses, 10% cuts in director and executive officer compensation as well as cuts in manager compensation. To reduce costs across the entire FHI Group, we made the transition from a sales distributor structure to a regional company structure ahead of schedule and made progress with the integration of operational and management affairs as well as streamlining. In addition, zero-base reviews are being undertaken, targeting across-the-board costs and efforts to make significant cutbacks. With the exception of those projects designed to lead the way to future growth, thorough verification of the urgency and effectiveness of investment planning was conducted with a view to reducing the existing plan by more than 20%.

In the current fiscal year, ending March 31, 2010, we will work on the simultaneous launch of the new Legacy onto the Japanese and U.S. markets, emphasizing the United States as the most important market. Although this will be our first attempt at a simultaneous launch, we are planning capital expenditure of ¥59.0 billion, only ¥10.0 billion more than in the previous fiscal year. The ¥59.0 billion represents approximately 30% less than the ¥90.0 billion allowed for in the medium-term management plan. Besides reducing deprecia-

"Comprehensively reducing costs and saving all expenses"

Subaru takes pride in the new Legacy
that will excel on the global stage.


LEGACY
B4

"We will continue to provide cars that stand out for their superior Subaru driving performance."

tion and amortization by roughly 10% as part of the medium-term management plan, we will keep research and development expenses on par with those of the fiscal year under review. Without undermining future investment, we will plan a streamlining process that clarifies priorities and continue cost reductions.

However, as a rapid recovery in demand is not foreseen, amid currency exchange fluctuations and a business situation that remains shrouded in uncertainties, it would appear that there will be no end to the gloomy outlook in the current fiscal year. Thus for fiscal 2010 we are forecasting sales volume of 508 thousand units, consolidated net sales of ¥1,320.0 billion, an operating loss of ¥35.0 billion and a net loss of ¥55.0 billion. Therefore, we will be suspending the interim dividend payment and have yet to not decide the year-end dividend.

The prospects

Some light in the darkness has been provided by the robust Forester and Impreza sales in North America; in the calendar year 2008, we were the only full lineup automaker to achieve higher year-on-year sales. In the period January to June 2009, we maintained the number of sales units at the previous year's level. This is because under the medium-term management plan, in addition to a series of successful full model changes aimed at global market sales, we are strengthening dealerships in a step-by-step manner and have been particular successful in our efforts to expand our sales network in the Sunbelt area of the United States.

The launch of the new Legacy marks the culmination of three aims in the medium-term management plan: "provide a distinctive Subaru experience," "increase sales globally" and "strengthen competitiveness in quality and cost." While accomplishing the evolution of a car with driving performance, by such means as a newly designed engine cradle mount system and the newly developed "Lineartronic", CVT (Continuously Variable Transmission), we have made heartfelt efforts to find ways to seamlessly integrate features to allay global environmental concerns.

As shown by the robust sales in the United States, we definitely have to place importance on the types of cars that we are manufacturing, even more than on worldwide overall demand trends. The new Legacy, which had its world premiere at the New York International Auto Show, has earned plaudits from both the media and dealers alike. It is thought that the Legacy will be a worthy successor in the mainstay North American market, enabling the car to boost expectations that have been lifted from the gloom by our successes there with the Forester and Impreza.

In Europe, where orders have plummeted, we are planning our recovery around the eagerly anticipated launch of the Legacy. On the other hand, there are those emerging markets, such as China and Russia, where we can take advantage of Subaru's characteristics. Forester sales are robust in China so we can further expand Subaru sales by introducing the new Legacy. In Russia, where we are currently struggling, we believe that we can expect a recovery in demand within two or three years. For the next step we are intending to monitor developments in India and Brazil, should progress be made with infrastructure upgrades and motorization.

For the time being, we are working to return to global annual sales of 550-600 thousand vehicles and will be aiming for 700 thousand vehicles.

Manufacturing cars that provide **a distinctive Subaru experience**

Subaru has targeted "the integration of new driving comfort and reliability with global environment" as its future direction. The challenge in this is the pursuit of the automobile's qualitative transformation for environmental correspondence. The focus of that transformation is the power unit, away from conventional gasoline engines, with the wide choice that is being launched onto the market: diesel and hybrid engines, the electric vehicle (EV) and fuel cells. There is no doubt that this change of direction is coming, and that featuring each of these automobile power unit applications will give rise to a best match combination.

The role that we play in this situation is nothing other than developing the best-choice cars that accurately address these changes for customers. For a car to have good attributes is not simply a matter of its power unit; a large part involves the maturity of the whole package, including the pleasure of driving with a superior suspension system. This is where Subaru utilizes technologies that it has continuously honed. Advancing the development of leading power units, we introduced our diesel engine into the European market in March 2008 and the EV in Japan in July 2009.

To make Subaru's strengths even more prominent, we make full use of our complementary relationships through an alliance with Toyota Motor Corporation. We also have a deepening relationship with Daihatsu Motor Co., Ltd., which will supply us with minicars.

Ways of **selling a car**

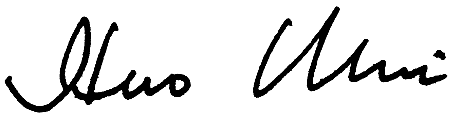
Besides environmental responsiveness, we consider another critical issue to be the pursuit of genuine customer satisfaction. In accordance with our brand strategy, we send out information about the development of Subaru cars. Customers who would like to then come to our showrooms and take a car for a test drive to gain a better understanding of aspects that are impossible to grasp merely by checking what is on the Internet.

There is no particular magic involved in this strategy. It is important to establish the way of thinking and to structure how we can deliver customer satisfaction simply and honestly.

In **conclusion**

That the Impreza and Forester are performing well even under these severe operating conditions provides proof positive that up to now we have been faultless. We are confident of the medium-term management plan's direction and will press forward with an added sense of urgency. As the condition of the road ahead is extremely uncertain, we will put our medium-term management plan targets on hold. We will firstly give added momentum to the new Legacy, place ourselves on course for a recovery in the second half of the current fiscal year and put all our efforts into achieving the targets for the fiscal period ending March 31, 2010. In fiscal 2011, we will ensure stable growth and be certain to affect a recovery in business performance. In this context, we consider the real answer to the initiatives that we have taken through the medium-term management plan to be the launch of Legacy.

As we are riding out the current adversity in any way we can, we would very much welcome your support in the years ahead.



IKUO MORI
Representative Director of the Board,
President and CEO

> **"It is vital for us to know our customers through the cars."**

Showcasing the New Legacy

Delivering True Customer Value on the World Stage

— The new Legacy provides an “enriching experience” to all drivers and passengers —

An Interview with the Project General Manager for the New-Generation Legacy

Q: Could you please tell us about the positioning of the Legacy within FHI's medium-term management plan?

The Legacy accounts for a quarter of Subaru's total unit sales (560 thousand vehicles in FY2009); the ratio is even higher in terms of revenues and profits. Benefiting from the launch of a new model in 2009, Legacy sales are projected to make an increasingly important contribution to FHI's overall sales volume and mix over the next 12 to 18 months. On a geographic basis, North America—where the model is manufactured locally by Subaru of Indiana Automotive, Inc. (SIA)—accounts for approximately half of all Legacy sales, with the remainder spread throughout Japan and other markets. As identified in our medium-term management plan, wider market acceptance of the Legacy in the world has a significant impact on Subaru's ongoing growth.

Q: What effect did the adoption of this global perspective have on the development process?

The Legacy was historically built as a vehicle of the Japanese, by the Japanese, for the Japanese. However, in the coming months and years, it is imperative that the new-generation Legacy not only competes but also excels on the world stage. We have thus taken comprehensive steps to extend our design, product planning and development processes beyond the limitations of the domestic market. In addition to identifying the product features of competing vehicles in the U.S. market, we have endeavored to ascertain the expectations, requirements and causes of dissatisfaction among current Legacy owners. Once putting aside our idea just focusing solely on the manufacture of quality—in other words, on engineer oriented vehicles should satisfy our customers—we took into consideration how our products are viewed and worked diligently to address each aspect of the high function and performance levels required by customers including the customer's future requirement of the car.

Q: A key theme of the medium-term management plan is to "increase sales globally." How do you plan to put this into practice? Can you also elaborate on FHI's activities in each of its major markets?

In Japan, the two-liter sedan and station wagon classes, mainstay markets for Subaru's Legacy series, are both showing signs of steady contraction and persistent decline. Despite efforts to clarify the Legacy's target users demographically, this downturn in its customer base is making it increasingly difficult to ensure continuous sales.

Naturally, the Legacy's ideal target base consists of those customers who feel an overall sympathy with its features and concept. Therefore, it is problematic to convey the appropriate appeal of the Legacy when catering solely to the needs of the typical two-liter sedan and station wagon users. Put another way, this particular series continues to attract wide acclaim from current and previous owners as well as generating interest from those who have yet to enjoy the Legacy experience. Over and above a conceptual image, we have thus placed considerable emphasis on identifying the needs of this latent market while at the same time delivering to the future lifestyle requirements of Legacy fans from wide-ranging perspectives, including ride comfort and convenience in the real world.

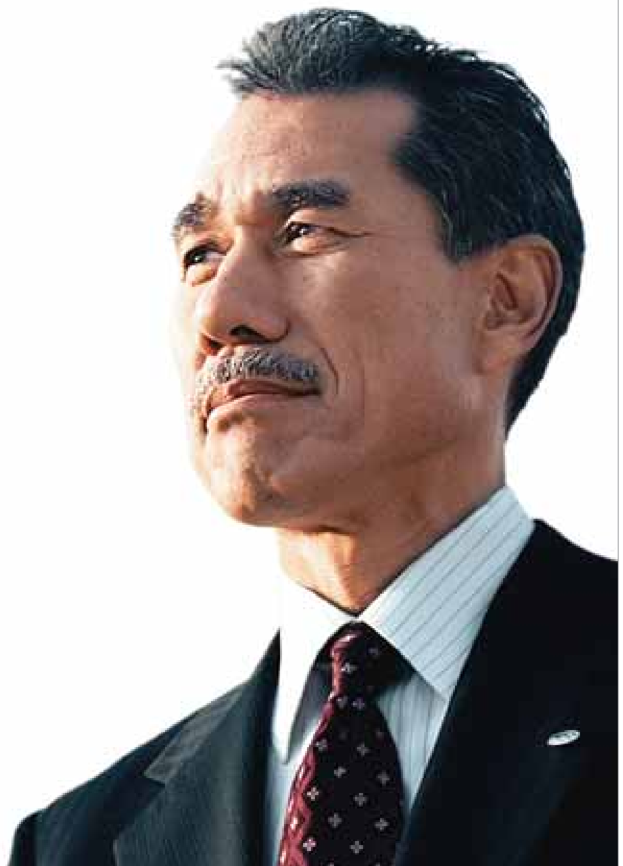

2.5-liter Boxer Engine (Left)
Eco Gauge (Right)

Project General Manager of New Legacy

Takeshi Tachimori

Corporate Vice President,
Chief General Manager,
Subaru Product & Portfolio Planning Division

"Delivering to the future lifestyle requirements of customers."



Lineartronic: a new developed CVT(Continuously Variable Transmission)

Interior: increasing both vehicle height and width to satisfy customers

Cradle structure: newly designed as a powertrain mounting system

As a pioneer in the U.S. crossover vehicle category, our principal focus is on staging a recovery with the Outback, sales of which peaked at between 7 thousand and 8 thousand units per month. Stimulated by Subaru's robust crossover performance, our competitors launched successive series of models exclusive to the U.S. market. A combination of factors—our inability to afford an exclusive body approach and the influx of rival models—meant that our Outback could not keep up with customers' changing needs. To rectify this situation, we took comprehensive steps to identify customers' selection criteria. In uncovering how the Outback is currently perceived—those features in our existing lineup that are considered attractive and those that tend to detract from a potential purchase—we redesigned our criteria, increasing both vehicle height and width.

Turning to the U.S. sedan market, where unlike the Outback our monthly sales have only reached 1 thousand units, we have to deliver products that can compete on an equal footing with other North American models. To position the Legacy as the vehicle users will choose next, we upgraded its capacity, driving comfort as well as fuel efficiency. In addition to delivering superior handling and ride comfort, we have made the Subaru brand image and character stand out from the crowd and reinforced the Legacy's market presence through the use of distinctive styling and design.

In this context, we looked closely at vehicle dimensions. The comparative overall widths of the domestically marketed Legacy sedan/station wagon and the Outback are 1,780mm and 1,820mm, respectively. To have enough size appearance in the United States, we standardized the width of both the Outback and Legacy sedan at 1,820mm. In order to better satisfy the plenty of room requirements of drivers and passengers, we increased their overall height.

Q: Are you selling a two-liter class Legacy in emerging markets?

Historically, Legacy sales in the United States have been based on the 2.5-liter class, while the two-liter class made up the vast majority of sales in Japan, Europe and other export markets. Taking into consideration the product prices and related tax imposts, we have identified the two-liter class as critical to our ongoing marketing efforts in Europe and such emerging markets as Southeast Asia, the Middle East and South America. In contrast, in Japan, we are focusing solely on the optimally balanced 2.5-liter class.

Ordinarily, the two-liter class outperforms the 2.5-liter in terms of fuel efficiency. Under actual driving conditions, however, thanks to the newly developed CVT (Continuously Variable Transmission), "Lineartronic", which lowers the overall engine speed, the torque-handling capability of the 2.5-liter Legacy dramatically, improves fuel efficiency. Focusing on the actual level of customer satisfaction, we have therefore selected the 2.5-liter class. Based on practical market research and with little or no discrepancy in fuel efficiency between the 2.5- and two-liter classes, customers have shown a clear preference for the former.

Q: What steps have you taken to address the cost reduction issues?

In the case of the fourth-generation Legacy, two factors served to place considerable downward pressure on profits: our inability to fully offset emission and collision safety compliance costs through product price mark ups and the extensive use of aluminum parts designed to improve fuel efficiency.

Learning from past experience, we carried out examinations on an individual market basis to validate that the incurred costs would be recognized by customers as product value. At the same time, we undertook comprehensive comparisons of the equipment and specifications of competing vehicles in the United States to clearly identify distinguishing characteristics as well as essential items. In order to ensure a cost structure commensurate with product value, we worked diligently to reduce costs from the design and purchasing stages and to eliminate all factors that could cause a profit decline.

Q: In the past, production and sales in North America have lagged behind Japan by around a year. What measures were adopted in the lead up to concurrent production?

Following its launch in 2003, the fourth-generation Legacy was acclaimed "Car Of The Year Japan." At the beginning of the following year, I was appointed to the position of Project General Manager (PGM) responsible for the development and launch of the next-generation Legacy. In taking on this PGM role, the usual first step would have been to assemble a project team made up of engineering division members and to then consider and determine the contents of vehicle to be developed. In my case, however, I spent the first year evaluating wide-ranging aspects of the U.S. and domestic markets to ascertain those requirements critical to ensuring overall sales success. Before considering the contents of vehicle to develop, I held in-depth preliminary discussions with both manufacturing and sales divisions. With the United States recognized as the best sales area for the Legacy, local sales and marketing divisions insisted that we eliminate the historic one year lag that existed with Japan. Having previously been posted to Subaru's U.S. operations, I could only agree with these sentiments and vowed to make the necessary changes.

A key component of my initial duties was therefore to consider and determine the development and manufacturing process that would most efficiently lead to concurrent production in the United States and Japan. From a cost perspective, a review of the production process was naturally essential to securing further cost reduction. In this regard, we drew from the ideas culled from such wide-ranging fields as procurement and production, fine-tuning overall schedules as delays arose. As a matter of fact, the idea to increase and align the dimensions of the Legacy sedan with those of the Outback in the United States came from a member of our purchasing division.

Q: What was the turning point in the development of the new-generation Legacy?

Even at the conceptual level, the issue was never "What should we improve and how?" but "How should we work with customers?" and "Fundamentally, how should we approach them?" How to approach customers is a critical concept that must be understood from the very beginning of the car development process, be it in product planning or in the engineering division.

My role has therefore been to bring the relevant issues into sharp focus. I have had to think about how to persuade others and to move forward. In intending to respond to every issue, I have studied each one and asked myself "Is this really impossible? Would doing this make it possible?" While I placed all the project team members in a difficult situation when I commented "Look, we are successful," I invariably received the reply "Yes, indeed we are!"

In fact, if I had to pick the most difficult aspect, I would have to say it was overcoming what we considered to be obstacles, and then thinking about how we could overcome them. I'm not referring here to a naive mentality. It was more the difficulty in transferring this thought cycle and process into action logically, or in other words, applying our minds to accomplish each task.

In order to release products as a truly professional manufacturer, Subaru has therefore changed its conventional ways of thinking, approach its customers and the methods used to develop its products through the project of new-generation Legacy.

Q: Finally, how would you define the "enriching experience" that you sought to deliver with the Legacy?

If I were to explain my interpretation of an "enriching experience," I think that it would definitely involve "grand touring innovation." In the past, grand touring was associated with travel, the idea of "taking a journey on the road of life." Each journey brings with it new discoveries and experiences, which serve as a wellspring for human growth and development. The "enriching experience" that we sought to deliver with the Legacy encompasses pushing boundaries and exploration, to visit new places, make new discoveries and enjoy all those things that are part of life's rich tapestry. The Legacy's "enriching experience" could therefore be regarded as the pinnacle of life's pleasures and rewards.

"Encompass pushing boundaries and exploration."

Further Pursuing the Ideas of Outstanding Driving Performance to Provide the "Distinctive Subaru Experience"

Rd.9 Finland Rally in the 2008 WRC

"We remain unwavering in our commitment to Subaru automobiles."

The fifth-generation Legacy marks a memorable milestone: the 20th anniversary of the model's launch. The first-generation Legacy blazed the trail and the "Grand Touring" concept has brought us to where we are today. The distinctive value of the Legacy rests in its ability to encapsulate the enjoyment of driving along your own chosen road, derived from an expansive sense of the freedom to drive anywhere you please that is intrinsic to cars. Underpinning this quintessential driving experience is Symmetrical AWD (combining a Boxer Engine with symmetrical all-wheel drive), Subaru's core technology. By arranging the main heavy components of the car in a straight line, including its horizontally opposed engine, the proprietary symmetrically positioned AWD layout enables our automobiles to deliver outstanding performance whatever the speed range and regardless of the road surface.

The new Legacy epitomizes "Grand Touring Innovation," which provides all drivers and passengers with an enriching experience, while delivering eco performance and passenger enjoyment in addition to traditional driver fun. To embody this new value in the new Legacy, we incorporated the new Subaru DC^3 (Subaru Dynamic Chassis Control Concept) Intelligent-Chassis and revamped the engine mount structure, switching from that of the Subaru 1000 and subsequent models to cradle-type mounts. Changing to a structure where the engine and transmission are attached directly to the body, we mounted the engine and transmission by means of a cradle-shaped frame, thereby reducing vibration and noise and also improving ride comfort and collision safety. In addition, the new Legacy features the newly developed CVT (Continuously Variable Transmission), "Lineartronic", to provide an enriching experience. Furthermore, we paid particular attention to environmental considerations, including actual fuel efficiency and lower gas emissions.

Based on the premise that taking driving to the limit would serve to make its cars safer, Subaru competitively participated in the top category of the FIA World Rally Championship (WRC) over a period that spanned 19 years. The principal reasons for this participation were that we wanted to hone our technological expertise through competition against the world's leading teams, raise brand awareness and reinforce our image globally. We entered our first-generation Legacy in the 1990 WRC. The Legacy became the first Group N car ever to complete the Safari Rally, thereby taking the class championship. Between 1991 and 1997, Subaru continued its winning streak in the Safari Rally, claiming four consecutive Group N championships. At the Rally of New Zealand in 1993, Subaru clinched the overall championship. Even after the Legacy was superseded by the Impreza, Subaru won three year consecutive Manufacturers' Champion, from 1995 to 1997, and captured the Drivers' Champion in 1995, 2001 and 2003. This stellar performance greatly enhanced Subaru's brand value, the know-how gained from the WRC being fed back and utilized in the development of our volume-production road vehicles. Due to two factors—the achievement of the three principal reasons behind entering the WRC, and the drastically changing business environment brought about by rapidly changing global economic conditions—Subaru ended its WRC involvement at the end of the 2008 season to make more efficient use of its business resources and to protect and strengthen the Subaru brand.

Nevertheless, we remain unwavering in our commitment to Subaru automobiles. Subaru will achieve an optimal blend between a comfortable and reliable new driving style and environmental responsibility by creating automobiles with appeal that allow drivers and passengers to savor the pleasures of driving with a heightened sense of security.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Subaru's Worldwide Presence

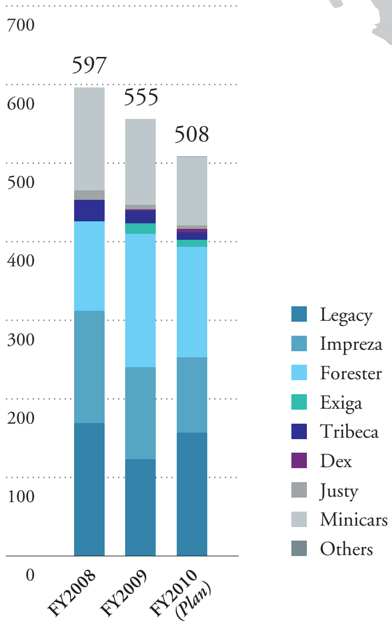
With the overarching goal being to "increase sales globally," one of five major challenges of our medium-term management plan, we are promoting a marketing strategy that views overseas markets as pivotal to our earnings base. In addition to strong contributions from such new models as the Impreza and Forester, the launch of the Legacy diesel in Europe played a particularly vital role in supporting brisk sales. Despite a downturn in overseas sales, we experienced a substantial upswing in unit sales in China, which continues to enjoy remarkable economic growth.

Global

In fiscal 2009, global sales (the combined sales volume for Japan and overseas markets) amounted to 555 thousand units, a decrease of 41 thousand units compared with the previous fiscal year. This was largely attributable to the weak economic environment and slump in demand. While global sales are projected to fall approximately 9% year on year to 508 thousand units in the fiscal year ending March 31, 2010, we will endeavor to expand overseas sales through the launch of the new Legacy and by bolstering marketing efforts, focusing mainly on North America.

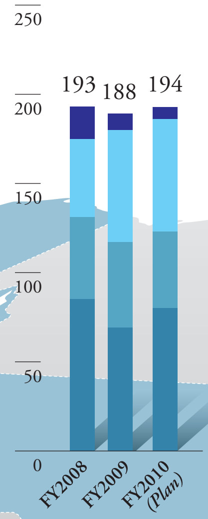
Global

(Thousand Units)



United States

(Thousand Units)

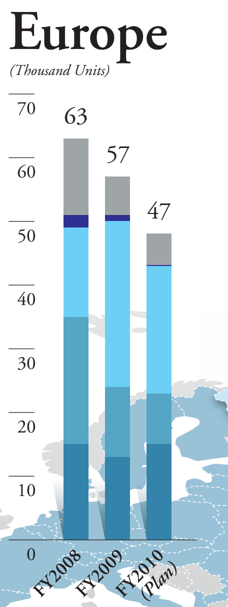


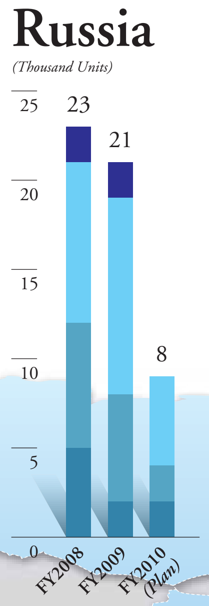
United States

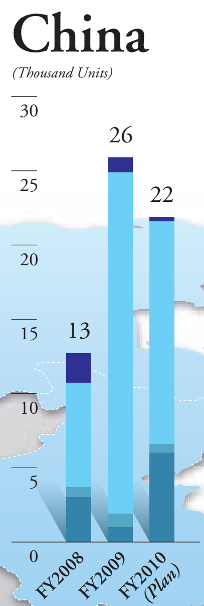
Sales volume in the United States was 188 thousand units in fiscal 2009, five thousand units down from the previous fiscal year. Despite firm sales of the new Impreza and Forester, this downturn was mainly due to weak results in other models. Fueled by the projected benefits from launching the next-generation Legacy, our target for fiscal 2010 is to raise sales volume by roughly 3% to 194 thousand units.

Note:
Sales volume for the United States through to fiscal 2009 was based on the calendar year (January to December). For fiscal 2010, data is for the 12-month period from April 1, 2009 to March 31, 2010.

LEGACY

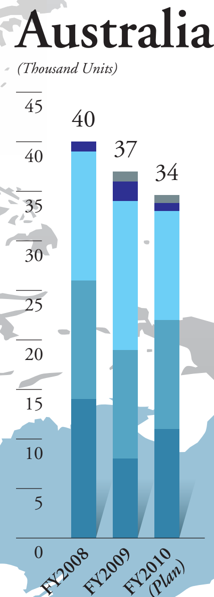






China

Sales volume in China for fiscal 2009 was 26 thousand units, a significant year-on-year increase of 14 thousand units, with growth largely reflecting robust Forester sales. Our advantages with respect to safety and driving performance are attracting wide acclaim in this market. With the benefits of the launch of the new Forester showing signs of having run their course, we estimate an approximate 15% decline to 22 thousand units in fiscal 2010. Despite this contraction, we will continue to target sales volume growth.



IMPREZA

FORESTER

CSR Policy

As a corporate entity that carries out *monozukuri* ("manufacturing products") to bring enjoyment to its customers, the FHI Group has revised its CSR policy. The purpose of the revision, which has received the approval of the CSR and Environmental Committee, was to clarify the requirements for approaches at the corporate organizational level: (1) CSR centered on upholding the Corporate Code of Conduct and respect of critical items, and (2) aggressive CSR centered on contributing to social issues through business activities as a good corporate citizen.

1. Based on FHI's Corporate Code of Conduct, we shall respect the law, human rights, international codes of conduct and stakeholder rights as well as uphold standards of moral behavior.

2. As a good corporate citizen, the FHI Group shall work toward rectifying the global social problems facing modern society.

In addition to focusing on relationships with various stakeholders, our CSR activities emphasize the FHI Group's mission, which is to contribute to society's ongoing development through our global business activities.

CSR Management

One aspect of our management vision in the medium-term management plan is stated as: "A corporation that fulfills its social responsibility." In conjunction with the basic "customers come first" philosophy that represents our indispensable policy in realizing our long-term vision of becoming "a compelling company with a strong market presence," this plan aims for FHI to retain the trust of each and every stakeholder, to contribute to the development of a sustainable society and to improve FHI's corporate value.

Environmental Initiatives

FHI regards global environmental matters as one of its most pressing management issues. On that basis, FHI has established an "Environmental Policy," formulated "Operating Criteria for Environmental Conservation" for specific actions to achieve that policy and encourages environmental activities.

Environmental Policy

Subaru recognizes the integral relationship between the environment and its business activities and strives to provide products that are friendly to the earth, society, and people. Subaru is protecting the environment to ensure our future.

Corporate Activities and Environmental Impacts

Subaru is a transportation manufacturer focusing on automobiles. Automobiles, which are a convenient and comfortable form of transportation, are now indispensable for living in a modern society. On the other hand, however, automobiles require limited global resources as materials and fuels. Consequently, they emit carbon dioxide (CO_2), which causes global warming, as well as other air pollutants. Profoundly aware of these two sides to the automobile, Subaru accepts the task to aim for fusion of the global environment response (drastically improving fuel economy and reducing gas emissions) and the benefits of automobiles (pleasant driving, comfort and reliance).

Improving Fuel Economy

While utilizing the advantages of AWD and high-power engines, Subaru has been working to first achieve fuel economy improvements in gasoline-engine vehicles and then to bring those vehicles to market. Subaru will make those advances in technological development by such means as fuel efficiency gains through engine improvements, reducing transfer loss in the drivetrain and reducing vehicle weight and running resistance. The new Legacy, which was on the global market in 2009, is equipped with the world's first chain-type CVT developed for AWD vehicles, "Lineartronic"; this feature will enhance the superior power output characteristics and environmental performance of Subaru's proprietary horizontally opposed engine.

Clean Energy Vehicles

Clean energy vehicles have such features as emitting fewer global warming substances (CO_2) and air pollutants (carbon monoxides, hydrocarbons, nitrogen oxides, etc.) and have less environmental impact than gasoline-engine vehicles.

Subaru launched its Subaru Plug-in STELLA electric vehicle (EV) in July 2009. Equipped with highly efficient lithium-ion batteries that provide sufficient power for a city commuter car, the vehicle achieves a range of 90km (Subaru figure) when driven in 10-15 mode, the standard emission certification and fuel economy test for a vehicle in its class. The EV can be recharged up to 80% of its capacity in 15 minutes using a quick-charging system and is fully rechargeable in eight hours with an AC100V household power outlet or five hours with AC200V.

FHI positions the EV as one of the viable solutions and key technologies for environmental preservation and will conduct further R&D to address pricing issues and technical problems with respect to per-charge driving distance.

Safety Performance

As well as naturally striving to ensure that the driver and passengers in a Subaru vehicle enjoy a safe and comfortable ride from a variety of driving scenarios, Subaru aims to improve the overall safety of the mobility society from such perspectives as the surrounding environments and people's safety. Therefore, Subaru is working on the development of vehicle safety technologies such as "Active Safety," which prevents accidents, and "Passive Safety," which minimizes damage if an accident should occur. Furthermore, Subaru is actively participating in such projects as an Intelligent Traffic System (ITS, for use on highways) and the Advanced Safety Vehicle (ASV), which are being promoted by collaboration between industry, government and academia.

Active Safety

The Legacy announced in May 2008 is equipped with the "Eyesight" Active Driving Assist system. By means of a stereo camera and a newly developed 3-D graphic processing engine, the Eyesight driving assist system brings to fruition superior pre-crash safety for pedestrians and cyclists too. The Eyesight system, which supports such functions as "lane departure warning," "shaking alarms" and "cruise control for all speed ranges," was the first in the world to include a "low-speed range (below 15km/h) pre-crash system for when in traffic" and a "creep suppression and control system for automatic vehicles."

Passive Safety

Subaru cars possess superior ability with respect to "safety from any direction" thanks to their safety body, a new, proprietary, ring-shaped reinforcement frame structure. To ensure the compatible co-existence that will reduce damage to other vehicles and pedestrians, Subaru is also addressing comprehensive collision safety performance.

The Forester and Exiga, which were selected by the Japan New Car Assessment Program (JNCAP) in fiscal 2008, were given the highest assessments in both collision safety performance test (full-wrap frontal, offset frontal and side collision tests) and pedestrian head protection performance tests, winning the "JAPAN EXCELLENT CAR 2008/9."

The new Legacy represents a quantum leap not only in terms of comfort and driving qualities, but also in its collision safety performance. In the event of a head-on collision, the cradle mount structure adopted to support its horizontally opposed engine is designed to fold, forcing the power unit obliquely downward and thereby protecting the cabin.

Advanced Safety Vehicle (ASV)

In addition to functions that are designed to enable drivers to avoid vehicle collisions by exchanging location and direction information when on the move by vehicle-to-vehicle communications, Subaru has developed the Subaru ASV-4 (the fourth-generation Advanced Safety Vehicle). The ASV-4 is equipped with a system that is fed traffic data via links to traffic infrastructure, for example, sensors built on the road.

This vehicle participated in evaluation trials on public roads in the Tochigi area in September 2008 and in the Tokyo waterfront subcenter area in January 2009. In addition to being geared toward assessing its commercial feasibility, these trials made progress in evaluating its effectiveness in reducing accidents.

Subaru Plug-in STELLA

Subaru Plug-in STELLA Major Specifications

Length × Width × Height :	3,395mm×1,475mm×1,660mm
Curb weight :	1,010kg
Passenger seating :	4
Maximum speed :	100km/h
Per-charge driving distance :	90km (10-15 mode)
Electric motor :	Permanent magnet synchronous system
Maximum power output :	47kW
Maximum torque :	170N/m
Drive train :	Front-wheel drive
Battery type :	Lithium-ion batteries
Total voltage :	346V
Total energy :	9kWh

Corporate Governance

Basic Approach to Corporate Governance

In line with its Corporate Philosophy, FHI views the strengthening of corporate governance as one of management's highest priorities, so that it can measure up to the trust and confidence placed in the Company by all of its shareholders, customers and other stakeholders. In the pursuit of more efficient management, FHI is working to clarify management and execution functions to enhance decision-making speed. Ensuring proper management and business execution through a well developed auditing system, the Company works to augment both its compliance and risk management frameworks. Fair and timely information disclosure is also leading to more transparent management.

An Overview of Internal Organizations and Status of Internal Control System Development

FHI adopts an audit system, which encompasses the decision-making process as well as the audit of matters of importance to business execution made by the Board of Directors and Board of Corporate Auditors. Comprising seven members, the Board of Directors works to make decisions related to business affairs speedier and more streamlined. The Board of Corporate Auditors is currently made up of four auditors. Objectivity in the oversight of management is enhanced by the appointment of two outside corporate auditors.

With regard to the business execution system, an Executive Management Board was established to serve as an entity engaged in preliminary deliberations, performing initial reviews of issues before they are presented to the Board of Directors and deliberating on companywide management strategies and the execution of important business operations. In addition to utilizing an executive officer system, an internal company system was introduced—centered around the core Automobile, Aerospace, Industrial Products and Eco technology divisions—as a means of making clearer the responsibility of each division and accelerating business execution.

With a view to ensuring that executive officers comply with the law and with the Company's Articles of Incorporation in the execution of their duties, the Board of Directors decided on a basic policy concerning upgrades to the system necessary to ensure the adequacy of business operations of other companies in May 2006.

Internal Audits and Status of Audits Performed by Corporate Auditors

In keeping with auditing policies and plans formulated by the Board of Corporate Auditors, corporate auditors attend Board of Directors' meetings. In addition to attending the important meetings of other bodies, performing on-site audits at Company business premises, conducting oversight of subsidiaries and Internal Audit Department hearings, they audit directors' business execution. Furthermore, the Internal Audit Department, comprising seven members, is established as an internal audit organization to be in charge with the responsibility of auditing the business operations of each department as well as domestic and overseas Group companies on a systematic basis. At the beginning of each financial period the Internal Audit Department coordinates the internal audit plan for the full fiscal year as well as Board of Corporate Auditors' meeting policies and works toward further collaboration, while communicating with corporate auditors regarding all information such as the results of internal audits, monthly reports on the status of internal audit activities and engaging in exchanges of opinions. Moreover, FHI goes to great lengths to strengthen its audit functions in accordance with audits performed by its independent auditors.

Status of Heightened Risk Management System

Spearheaded by its Strategy Development Division, which maintains a cross-function over each business, the FHI Group is strengthening risk management through close cooperation across all relevant departments and Group companies. In addition, the Internal Audit Department conducts regular audits of the business execution of each department and Group company.

To facilitate the establishment of internal control systems, the Company is setting up and operating compliance systems and infrastructure, positioning compliance as the most fundamental element of proper risk management. To promote compliance-oriented practices across the entire Group, we established the Compliance Committee, which discusses and makes decisions on important compliance issues and exchanges and communicates relevant information. We have also assigned compliance managers and compliance officers in each department and Group company, providing a system in which compliance is practiced rigorously in each workplace. In addition, for some time we have conducted regular educational and training programs for executives and employees, and we promote compliance-related awareness through internal magazines and other means.

Internal Control System Upgraded

Having formulated a basic policy for the maintenance of an internal control system, which has since been launched and fully implemented, FHI has made further headway in setting up a project team. This team is tasked with maintaining an internal control information system for financial reporting in accordance with the Japanese Financial Instruments and Exchange Law, which has been in force since April 2008. As a result, following recent upgrade of the internal control system at the end of March 2009, the Chief Executive Officer (CEO) and Chief Finance Officer (CFO) assess and confirm proper system maintenance and effective functioning, obtaining internal control audit reports and audits to that effect from the independent auditor. These audits and reports were published as the Securities Report and Internal Control System Report for the fiscal year ended March 31, 2009.

Management

(As of June 24, 2009)

IKUO MORI
Representative Director of the Board,
President and CEO

HIROSHI KOMATSU
Representative Director of the Board,
Senior Executive Vice President

HIROYUKI OIKAWA
Director of the Board,
Executive Vice President

KAZUSHIGE OKUHARA
Director of the Board,
Executive Vice President

MASATSUGU NAGATO
Director of the Board,
Executive Vice President

JUN KONDO
Director of the Board,
Executive Vice President

YASUYUKI YOSHINAGA
Director of the Board,
Executive Vice President

Representative Director of the Board, President and CEO
IKUO MORI

Representative Director of the Board, Senior Executive Vice President
HIROSHI KOMATSU

Directors of the Board, Executive Vice Presidents
HIROYUKI OIKAWA
KAZUSHIGE OKUHARA
MASATSUGU NAGATO
JUN KONDO
YASUYUKI YOSHINAGA

Senior Vice Presidents
YOSHIO HASUNUMA
NAOTO MUTO
AKIRA MABUCHI
TAMAKI KAMOGAWA
TOMOHIKO IKEDA
HISASHI NAGANO
MITSURU TAKAHASHI (CFO)
MOTOHISA MIYAWAKI

Vice Presidents
MASAKAZU KIMURA
TAKESHI TACHIMORI
MOTOKIYO NOMURA
MASAHIRO KASAI
NAOTO ARAI
YASUO UENO
HIDETOSHI KOBAYASHI
YOSHIO HIRAKAWA
RYOICHI SHIMOKAWA
TATSUHIKO MUKAWA
YASUO KOSAKAI

Standing Corporate Auditors
SHUNSUKE TAKAGI
YOJI ISHIMARU
NOBUSHIGE IMAI

Corporate Auditor
GIICHI MIYAKAWA

Consolidated Ten-Year Financial Summary

FUJI HEAVY INDUSTRIES LTD. AND CONSOLIDATED SUBSIDIARIES

Years ended March 31

										Millions of Yen	Thousands of U.S. dollars
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2009
For the Year:											
Net sales	¥1,330,125	¥1,311,887	¥1,362,493	¥1,372,337	¥1,439,451	¥1,446,491	¥1,476,368	¥1,494,817	¥1,572,346	¥1,445,790	$14,713,922
Cost of sales	995,131	978,841	992,950	1,011,582	1,085,716	1,107,718	1,125,293	1,142,674	1,217,662	1,164,564	11,851,862
Gross profit	334,994	333,046	369,543	360,755	353,735	338,773	351,075	352,143	354,684	281,226	2,862,060
Selling, general and administrative expenses	243,593	251,373	281,063	293,234	303,411	296,756	292,736	304,237	309,004	287,029	2,921,117
Operating income (loss)	91,401	81,673	88,480	67,521	50,324	42,017	58,339	47,906	45,680	(5,803)	(59,057)
Income (loss) before income taxes and minority interests	64,839	21,291	56,136	46,970	56,266	21,066	28,674	45,589	31,906	(21,517)	(218,980)
Net income (loss)	31,348	22,628	30,283	33,484	38,649	18,238	15,611	31,899	18,481	(69,933)	(711,714)
At Year-End:											
Net assets*	¥ 213,806	¥ 363,199	¥ 399,598	¥ 414,614	¥ 457,027	¥ 474,616	¥ 467,786	¥ 495,703	¥ 494,423	¥ 394,719	$ 4,017,087
Shareholders' equity	206,404	357,455	396,112	411,252	453,708	471,149	465,522	494,004	493,397	393,946	4,009,220
Total assets	1,038,558	1,168,501	1,269,558	1,344,072	1,349,727	1,357,459	1,348,400	1,316,041	1,296,388	1,165,431	11,860,686
Ratio of net assets to total assets (%)	19.9%	30.6%	31.2%	30.6%	33.6%	34.7%	34.5%	37.5%	38.1%	33.8%	
Per Share (in yen and U.S. dollars):											
Net income or net loss:											
Basic	¥ 51.90	¥ 30.44	¥ 40.74	¥ 44.84	¥ 50.62	¥ 23.27	¥ 20.66	¥ 44.46	¥ 25.73	¥ (91.97)	$ (0.94)
Diluted	48.53	29.06	38.83	42.91	49.66	23.27	20.66	44.44	25.73	—	—
Net assets	338.75	480.86	532.88	553.90	582.60	604.51	649.41	687.81	687.02	505.59	5.15
Other Information:											
Automobile inventory (1,000 units):											
Japan	26.1	29.7	33.5	22.9	28.4	24.5	18.5	16.5	12.4	13.5	
United States	29.2	40.0	41.2	44.7	48.1	51.2	55.6	46.3	49.5	54.2	
Depreciation/amortization expenses	¥ 60,190	¥ 64,070	¥ 63,964	¥ 67,896	¥ 71,112	¥ 71,010	¥ 80,073	¥ 81,454	¥ 87,164	¥ 74,036	$ 753,470
Capital expenditures (addition to fixed assets)	103,922	102,301	118,376	119,423	128,026	147,759	119,289	126,329	118,869	95,153	968,380
R&D expenses	40,123	46,622	54,903	60,110	57,541	52,962	46,893	50,709	52,020	42,831	435,895
Number of shares issued (thousands of shares)**	614,553	746,502	746,506	746,521	782,865	782,865	782,865	782,865	782,865	782,865	
Number of shareholders**	49,381	32,996	33,094	35,584	34,704	34,558	46,367	42,920	44,484	40,839	
Number of employees**:											
Parent only	13,668	13,603	13,374	13,064	12,928	12,703	11,998	11,752	11,909	12,137	
Consolidated	26,914	26,502	26,483	27,478	27,296	26,989	26,115	25,598	26,404	27,659	

Note: U.S. dollar figures have been translated from yen, for convenience only, at the rate of ¥98.26 to US$1.00, the approximate rate of exchange at March 31, 2009.

* Prior year amounts have been reclassified to conform to the current year presentation.

** As of March 31

Management's Discussion and Analysis of Results of Operations and Financial Position

The Fuji Heavy Industries Ltd. Group

The Fuji Heavy Industries Ltd. ("FHI") Group is engaged in production and sales activities across a wide range of business sectors. These activities are conducted under four business divisions: Automobiles, the Group's core operating domain, Aerospace, Industrial Products and Other.

On a consolidated financial accounts settlement basis, FHI and 68 subsidiaries (a year-on-year increase of six) as well as 15 equity-method affiliated companies (a year-on-year decrease of six) were included in the scope of the FHI Group's consolidation as of March 31, 2009, the end of fiscal 2009 ("the fiscal year under review"). During fiscal 2009, seven of FHI's equity-method subsidiaries were reclassified as consolidated subsidiaries due to their growing importance.

Overview

Triggered by subprime loan issues in the United States, the effects of the ensuing global financial crisis spilled over rapidly into the real economy. This was particularly evident from the second half of the fiscal year under review. Conditions were extremely difficult in the industries in which FHI operates. In addition to sluggish demand for such products as automobiles, continued appreciation in the value of the yen exacerbated the overall negative trend.

Guided by its medium-term management plan, which was launched in April 2007, as well as the underlying key words "customers come first," the FHI Group worked diligently to overcome these conditions by bringing to market a succession of new products that pinpoint customer needs. In specific terms, FHI introduced to the domestic market the "Exiga," a new type of multi-passenger vehicle, in June 2008 and the new compact car "Dex" in November 2008 supplied on an OEM basis by Daihatsu Motor Co., Ltd.

Confronted by a volatile economic environment, FHI also implemented emergency measures aimed at reducing costs across the board. Endeavoring to establish a stable profit stream immune to fluctuations in operating conditions, FHI introduced a number of structural improvements while focusing on internal reform.

Despite these initiatives, the Group was unable to offset the impact of the harsh operating environment. Consolidated net sales in fiscal 2009 were ¥1,445.8 billion, down ¥126.6 billion, or 8.0%, from ¥1,572.3 billion in the fiscal year ended March 31, 2008. This was primarily attributable to a weak performance by the mainstay Automobiles division, reflecting lower sales volume on the back of sluggish demand for automobiles and appreciation in the value of the yen, as well as revenue downturns in both the Aerospace and Industrial Products divisions. On a geographic basis, sales in Japan declined 6.7% compared with the previous fiscal year to ¥507.5 billion, due mainly to stagnant consumer demand. Despite higher sales in China, overseas sales decreased 8.8% year on year to ¥938.3 billion, owing to lower sales in North America, Europe and other regions.

From a profit perspective, the FHI Group reported an operating loss of ¥5.8 billion. This represented a negative turnaround of ¥51.5 billion from the operating income of ¥45.7 billion recorded in the previous fiscal year. In addition to the drop in sales and the impact from the stronger yen, this downturn was attributable to the increase in fixed costs associated with the launch of new car models. In the fiscal year under review, FHI incurred an extraordinary loss, namely the write-off of uncollectible business partner receivables while reversing a portion of its deferred tax assets. Accounting for the aforementioned factors, the FHI Group reported a net loss of ¥69.9 billion, down ¥88.4 billion from net income of ¥18.5 billion in the fiscal year ended March 31, 2008.

Segment Information

Automobiles Division

In the fiscal year under review, most overseas economies weakened, impacted by a slump in demand and Japan's economy was no exception. As a result, global sales volume was 555 thousand units, down 41 thousand units, or 6.9%, compared with the previous fiscal year.

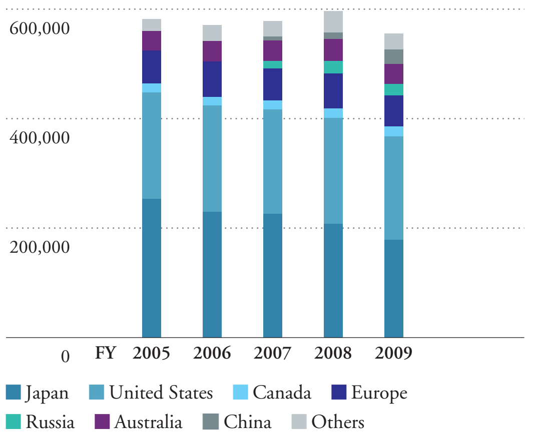
On the domestic front, passenger car sales benefitted from the release of such new models as the Exiga and Dex. The number of passenger cars sold, however, decreased eight thousand units, or 10.2%, year on year to 70 thousand units. The reason for this decrease can be attributed to a combination of two main factors: diminishing new car effects of Impreza and Forester, and declining sales volume of the existing Legacy, which had effectively reached the end of its lifecycle. Similarly, minicar sales declined 22 thousand units, or 16.8%, to 109 thousand units, reflecting the absence of any new model release and the prolonged life of existing models. Accounting for each of the aforementioned factors, total sales volume in Japan contracted 30 thousand units, or 14.3%, compared with the previous fiscal year, to 179 thousand units.

Overseas sales were firm during the first half of the fiscal year under review. Reeling from the effects of the broadening economic downturn as well as the abrupt and sharp appreciation in the value of the yen in the second half, the FHI Group was forced to implement inventory adjustments. As a result, overseas sales volume decreased 11 thousand units, or 3.0%, to 377 thousand units. By region, sales in North America were down three thousand units, or 1.5%, to 207 thousand units. Although the Impreza, which was released in 2007, and the recently launched new Forester made strong contributions, these were insufficient to compensate for declining sales of the Legacy, ahead of its full model change, and the Tribeca. The new Forester and the Legacy diesel launched in Europe in 2008 boosted sales volume particularly in the first half of the fiscal year. Taking into account the drop in other model sales and inventory adjustments implemented in the fourth quarter, however, sales volume in Europe decreased nine thousand units, or 9.9%, year on year to 77 thousand units. In China, where Forester sales were robust, sales volume surged 14 thousand units, or 107.5%, to 26 thousand units. Buffeted by the drop in sales of the Legacy and Impreza in the Middle East, sales volume in other regions declined 10 thousand units, or 25.1%, to 29 thousand units.

Consequently, net sales in the Automobiles division decreased ¥104.9 billion, or 7.4%, compared with the previous fiscal year, to ¥1,316.3 billion. From operating income in the fiscal year ended March 31, 2008, earnings declined ¥46.3 billion. As a result, the Automobiles division reported an operating loss of ¥9.2 billion due mainly to lower sales, the impact of foreign currency exchange rates and particularly appreciation in the value of the yen and an increase in fixed costs.

Consolidated Automobile Sales by Region**

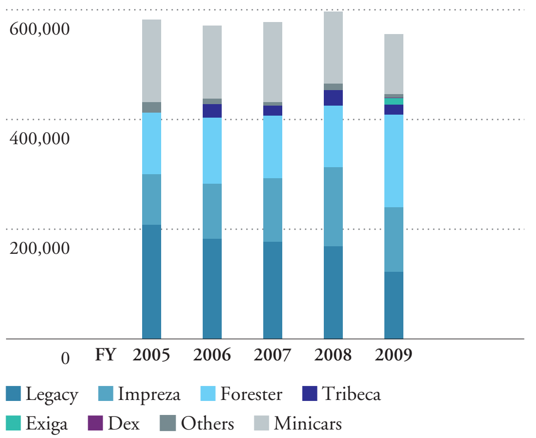
(Number of Units)



** Excluding CKD Overseas

Consolidated Automobile Sales by Model**

(Number of Units)



** Excluding CKD Overseas

Consolidated Automobile Sales

Number of Units

	2005	2006	2007	2008	2009
Domestic Units:					
Legacy	56,977	50,619	43,951	31,079	20,415
Impreza	25,194	26,911	24,135	29,678	19,733
Forester	17,709	17,405	11,807	16,863	16,424
Exiga	—	—	—	—	11,126
Dex	—	—	—	—	2,034
Others	4,138	2,747	1,308	435	363
Subtotal	104,018	97,682	81,201	78,055	70,095
Minicars	150,021	132,483	145,610	130,635	108,694
Domestic Total	254,039	230,165	226,811	208,690	178,789
Overseas Units by Region:					
United States	193,917	193,562	190,276	192,760	188,240
Canada	16,506	16,384	16,247	17,587	18,873
Europe	60,517	64,724	58,475	63,373	56,764
Russia	—	—	12,929	22,622	20,711
Australia	35,414	36,506	38,136	40,210	36,716
China	—	—	7,454	12,621	26,184
Others	21,241	30,034	27,610	38,802	29,056
Subtotal	327,595	341,210	351,127	387,975	376,544
Overseas Units by Model:					
Legacy	150,987	132,236	133,720	137,829	102,106
Impreza	66,670	72,790	90,927	113,777	97,472
Forester	95,173	104,059	102,969	96,839	153,289
Tribeca	—	24,187	18,268	27,327	17,658
Others	14,765	7,938	5,243	12,203	6,019
Subtotal	327,595	341,210	351,127	387,975	376,544
Total	581,634	571,375	577,938	596,665	555,333

Non-Consolidated Automobile Sales

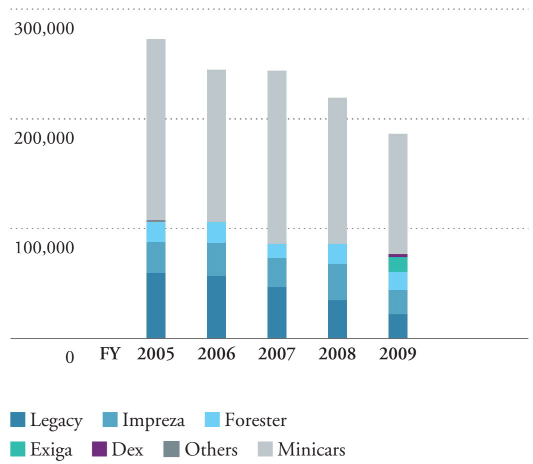
Number of Units

	2005	2006	2007	2008	2009
Domestic Units:					
Legacy	59,843	57,013	47,176	34,634	22,059
Impreza	27,437	30,063	26,159	32,873	21,935
Forester	19,457	19,256	12,946	18,740	16,954
Exiga	—	—	—	—	12,787
Dex	—	—	—	—	2,651
Others	1,397	—	—	—	—
Subtotal	108,134	106,332	86,281	86,247	76,386
Minicars	164,624	138,398	157,453	132,872	110,043
Domestic Total	272,758	244,730	243,734	219,119	186,429
Export Units:					
Legacy	44,101	42,809	46,410	48,568	28,787
Impreza	69,946	75,935	92,782	119,000	99,688
Forester	90,131	104,425	99,637	98,602	164,960
Others	8,324	1,554	894	7,533	6,978
Export total	212,502	224,723	239,723	273,703	300,413
U.S. Retail Sales*:					
Legacy	89,453	87,788	84,442	78,428	66,878
Impreza	32,209	33,637	41,148	46,329	49,098
Forester	58,424	53,541	51,258	44,534	60,748
Baja	7,316	6,239	5,241	1,127	—
Tribeca	—	14,797	18,614	16,790	10,975
Total	187,402	196,002	200,703	187,208	187,699
CKD** Overseas	115,317	119,784	100,972	110,363	77,871
(SIA Portion)	115,317	119,784	100,972	110,363	77,871
SIA Production Units*					
Legacy	105,550	91,510	89,351	84,960	73,473
Tribeca	—	27,481	21,022	24,218	18,108

* U.S. Retail Sales and SIA Production Units are the aggregate figures for the calender year from January through December.
** CKD: Complete Knocked Down

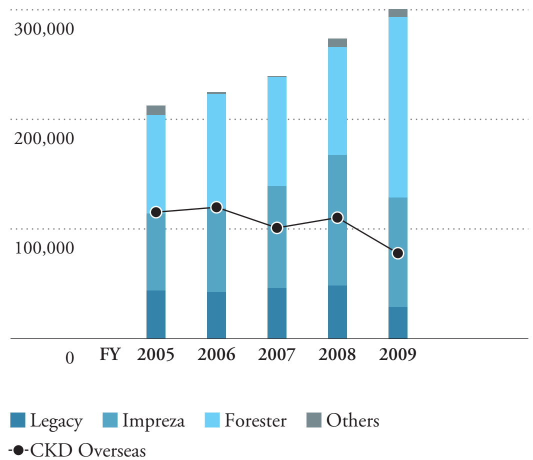
Non-Consolidated Domestic Automobile Sales by Model

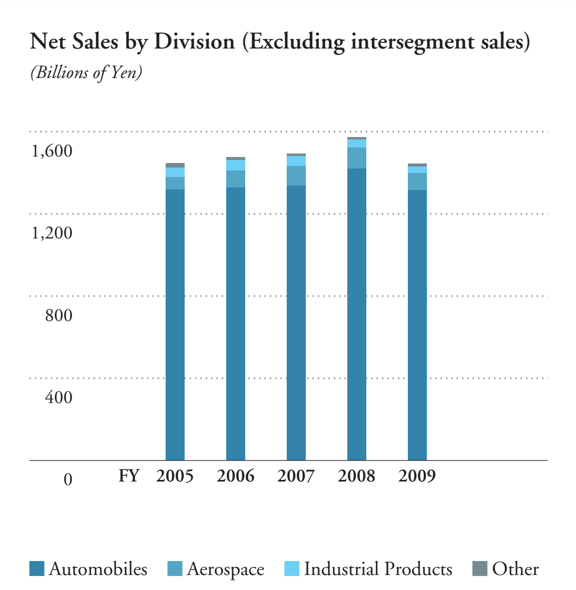
(Number of Units)



Non-Consolidated Automobile Export Units by Model

(Number of Units)





Net Sales by Division (Excluding intersegment sales) Billions of Yen

	2005	2006	2007	2008	2009
Automobiles	¥1,319.6	¥1,329.2	¥1,339.3	¥1,421.2	¥1,316.3
Aerospace	59.4	81.8	94.0	99.7	80.9
Industrial Products	46.8	52.4	49.7	40.7	34,9
Other	20.6	13.0	11.8	10.8	13.7
Total	¥1,446.5	¥1,476.4	¥1,494.8	¥1,572.3	¥1,445.8

Aerospace Division

On an individual product basis, steady progress was made with the delivery of unmanned aircraft research systems to the Japan Ministry of Defense. On the other hand, sales decreased in the case of the "XP-1/CX" next-generation fixed-wing Maritime Patrol Aircraft and Cargo Transport Aircraft and the AH-64D combat helicopter. As a result, sales were lower than the previous fiscal year.

In the commercial sector, deliveries of center wing sections for the Boeing 787 and main wings for the H4000 mid-sized business jet increased. Year-on-year sales decreased, however, due to a strike at Boeing that led to decreased aircraft production, the cessation of Eclipse 500 light business jet production and foreign exchange losses caused by the strong yen.

Based on these factors, sales in the Aerospace division contracted ¥18.8 billion, or 18.9%, compared with the previous fiscal year, to ¥80.9 billion. Operating income was down ¥2.9 billion, or 64.5%, to ¥1.6 billion.

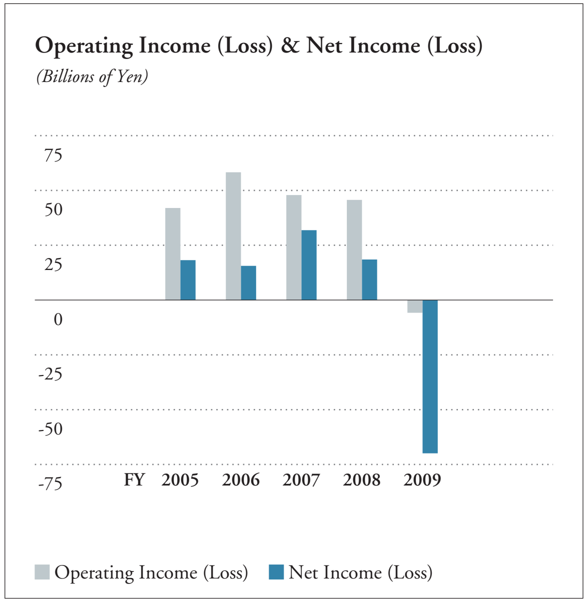
Industrial Products Division

In the domestic market, sales of finished power generators increased in the fiscal year ended March 31, 2009. This was more than offset, however, by a slump in sales of engines for construction machinery. As a result, overall industrial product sales in Japan decreased year on year. Overseas, the FHI Group recorded the highest number of engines sold to the European market on the back of robust orders through to the end of the first half. In similar fashion to results in Japan, however, an overall year-on-year decrease in overseas sales was recorded due to the strong impact of lackluster economic activity in the North American market.

As a result, sales in the Industrial Products division declined ¥5.8 billion, or 14.2%, compared with the previous fiscal year, to ¥34.9 billion. In the fiscal year under review, the division reported an operating loss of ¥1.6 billion. This represented a negative turnaround of ¥2.3 billion from the operating income reported in the previous fiscal year.

Other Division

In addition to deliveries of large-scale wind turbine generator systems, the inclusion of two wholly owned subsidiaries within the Group's scope of consolidation contributed to the increase in sales. As a result, sales in the Other division climbed ¥2.9 billion, or 26.7% compared with the previous fiscal year, to ¥13.7 billion. Operating income also rose ¥0.6 billion, or 23.5%, year on year, to ¥3.1 billion.



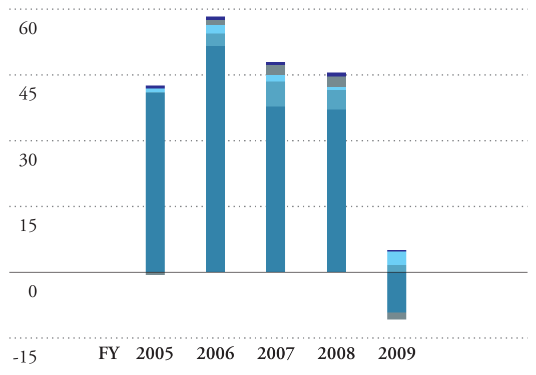
Billions of Yen

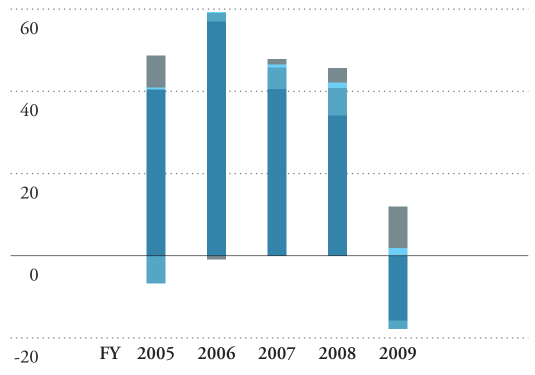
	2005	2006	2007	2008	2009
Operating Income (Loss)	¥42.0	¥58.3	¥47.9	¥45.7	¥ (5.8)
Net Income (Loss)	18.2	15.6	31.9	18.5	(69.9)

Cost of Sales, Expenses and Operating Income

Compared with the previous fiscal year, the cost of sales decreased 4.4%, to ¥1,164.6 billion. On the other hand, the cost of sales ratio increased 3.1 percentage points, to 80.5%. This was mainly attributable to the combined impact of the strong yen, which served to drive down sales, the increase in fixed cost and the Group's inability to fully offset sharp hikes in raw material prices. From an operating income in fiscal 2008, the FHI Group posted an operating loss of ¥5.8 billion in the fiscal year under review. This represented a negative year-on-year turnaround of ¥51.5 billion. Despite research and development expenses declining to ¥9.2 billion, reflecting the periodic lull in new model development, and a positive contribution of ¥0.3 billion owing to improvements in the sales volume and mix, this significant deterioration in earnings was mainly attributable to foreign exchange losses totaling ¥43.5 billion, the increase in SG&A and other expenses of ¥14.3 billion and the aforementioned sharp increase in raw material prices, which exceeded cost reduction efforts by ¥3.2 billion.

Turning to other income and expenses, net expenses recorded in fiscal 2008 increased ¥1.9 billion to ¥15.7 billion in the fiscal year under review. Despite a reduction in the impairment loss on manufacturing property, plant and equipment, this year-on-year increase in net expenses reflects the loss on valuation of investment securities and increase in provision of allowance for doubtful accounts following the collapse of Eclipse Aviation Corporation, which was an Aerospace division business partner, loss on valuation of inventories and expenses incurred due to withdrawal from the FIA World Rally Championship (WRC). Taking into account the aforementioned factors, the FHI Group recorded a loss before income taxes and minority interests of ¥21.5 billion, down ¥53.4 billion from income before income taxes and minority interests of ¥31.9 billion in the previous fiscal year. Impacted by the ¥39.4 billion reversal of deferred tax assets, net loss for the period amounted to ¥69.9 billion. This was a ¥88.4 billion turnaround from net income of ¥18.5 billion in fiscal 2008.





Operating Income (Loss) by Division — Billions of Yen

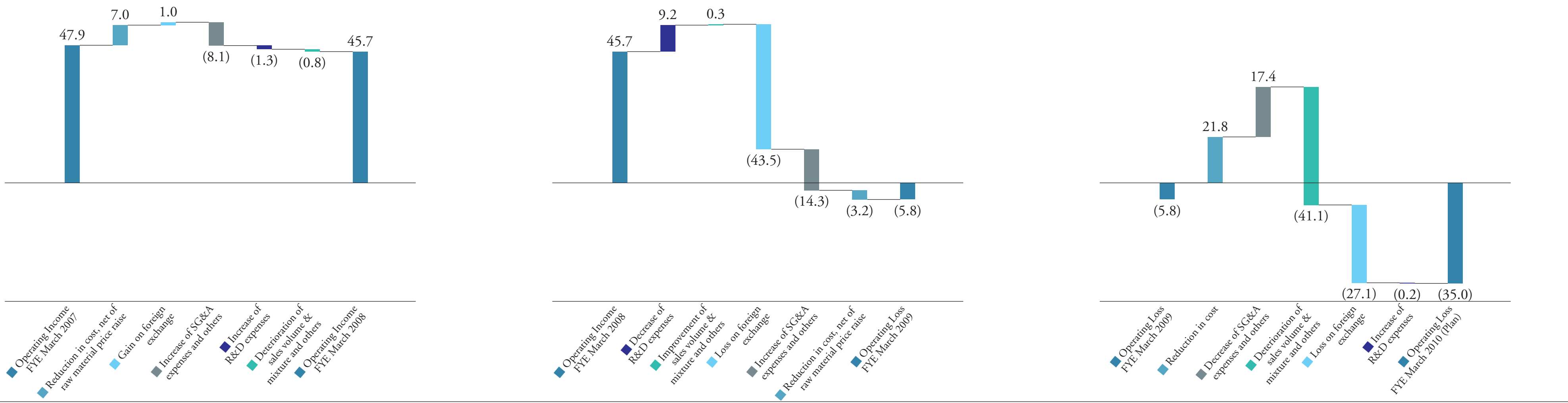
	2005	2006	2007	2008	2009
Automobiles	¥40.9	¥51.6	¥37.8	¥37.1	¥(9.2)
Aerospace	0.2	2.8	5.7	4.4	1.6
Industrial Products	0.8	2.0	1.5	0.7	(1.6)
Other	(0.6)	1.2	2.3	2.5	3.1
Corporate and Elimination	0.6	0.7	0.6	0.9	0.3
Total	¥42.0	¥58.3	¥47.9	¥45.7	¥(5.8)

Operating Income (Loss) by Region — Billions of Yen

	2005	2006	2007	2008	2009
Japan	¥40.5	¥57.0	¥40.6	¥34.2	¥(15.8)
North America	(6.7)	2.0	5.2	6.6	(2.0)
Other	0.4	0.3	0.8	1.4	1.9
Corporate and Elimination	7.8	(0.9)	1.3	3.5	10.1
Total	¥42.0	¥58.3	¥47.9	¥45.7	¥ (5.8)

Analysis of Increases and Decreases in Operating Income (Consolidated, Three-Year YoY Comparison)

(Billions of Yen)



Liquidity and Financing

Securing Liquidity

FHI believes that it has secured liquidity at a level sufficient to satisfy its current needs through the use of commitment lines contracted with major banks, combined with cash and cash equivalents.

Taking into account increases in short-term borrowings and long-term debt, interest-bearing debt as of the end of fiscal 2009 totaled ¥381.7 billion, ¥77.1 billion higher than the end of the previous fiscal year. As a result, the debt/equity ratio deteriorated 0.35 of a point, to 0.97.

Financial Position

Total assets as of March 31, 2009 stood at ¥1,165.4 billion, a decrease of ¥131.0 billion compared with the previous fiscal year-end. This was mainly due to foreign exchange losses arising from the conversion of overseas subsidiary assets and reversals of both short- and long-term deferred tax assets.

Of this total, current assets stood at ¥586.0 billion, down ¥36.8 billion compared with March 31, 2008. This change largely reflected decreases in notes and accounts receivable-trade and short-term loans receivable as well as a reversal of short-term deferred tax assets.

Total property, plant and equipment decreased ¥43.6 billion year on year to ¥468.1 billion, a downturn primarily attributable to a transfer of a portion of lease assets, net to current assets following the application of accounting standards as they relate to lease transactions. While there was no material year-on-year movement in the Company's buildings, land and facilities held, FHI undertook capital expenditure of ¥58.0 billion in the fiscal year under review, an increase of ¥1.7 billion compared with the fiscal year ended March 31, 2008.

Investment and other assets totaled ¥111.3 billion, a drop of ¥50.5 billion compared with the previous fiscal year-end. This was largely attributable to the decrease in long-term deferred tax assets and investment securities, in addition to the decline of goodwill because of amortization owing to the change of accounting treatment for overseas subsidiaries.

Total liabilities were down ¥31.3 billion year on year, to ¥770.7 billion. Current liabilities declined ¥36.8 billion to ¥561.2 billion mostly as a result of decreases in notes and accounts payable, trade and accrued expenses. Total long-term liabilities stood at ¥209.5 billion, ¥5.5 billion higher than the end of the previous fiscal year. This was mainly attributable to an upswing in long-term debt.

As of March 31, 2009, interest-bearing debt amounted to ¥381.7 billion, up ¥77.1 billion compared with March 31, 2008. This reflected increases in short-term borrowings, commercial paper and long-term debts.

Net assets totaled ¥394.7 billion, down ¥99.7 billion compared with the end of the previous fiscal year. This was mainly due to the decrease in retained earnings of ¥101.2 billion to ¥126.6 billion, the drop in valuation difference on available-for-sale securities and the foreign currency translation adjustment of ¥10.7 billion and ¥26.0 billion, respectively. Accounting for the aforementioned factors, net assets per share as of the end of the fiscal year under review was ¥505.59, down ¥181.43 from ¥687.02 as of the end of the previous fiscal year.

Cash Flows

In the fiscal year under review, net cash used in operating activities was ¥26.9 billion. In comparison, net cash provided by operating activities of ¥107.4 billion had been recorded in the previous fiscal year. This came largely as the result of a decrease in working capital and the loss before income taxes and minority interests of ¥21.5 billion posted in the fiscal year ended March 31, 2009.

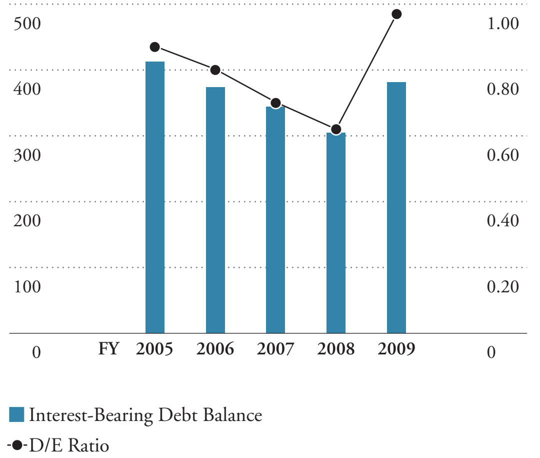
Net cash used in investing activities rose from ¥44.9 billion in fiscal 2008 to ¥72.4 billion in the fiscal year under review, mainly reflecting net increases in property, plant and equipment as well as investment securities (after deducting proceeds from property, plant and equipment and investment security sales).

As a result, free cash flow amounted to negative ¥99.3 billion. This was a turnaround of ¥161.8 billion from ¥62.5 billion in the previous fiscal year.

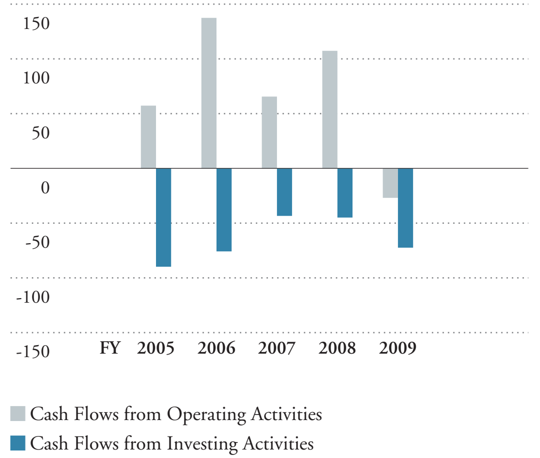
Net cash provided by financing activities totaled ¥80.4 billion, compared with net cash used in financing activities of ¥45.1 billion in the fiscal year ended March 31, 2008. While FHI redeemed bonds to the tune of ¥30.0 billion, this result was largely attributable to the net increase in short-term loans-payable, upswings in proceeds from long-term loans payable and commercial paper as well as proceeds from sales of treasury stock (net of cash outflows for the purchase of treasury stock).

Accounting for the aforementioned activities and the effect of exchange rate changes, the net decrease in cash and cash equivalents amounted to ¥34.4 billion. After taking into consideration the increases or decreases in cash and cash equivalents resulting from the change in the scope of consolidation and in the accounting period of consolidated subsidiaries, cash and cash equivalents as of the end of the fiscal year under review stood at ¥96.5 billion, down ¥18.1 billion year on year.

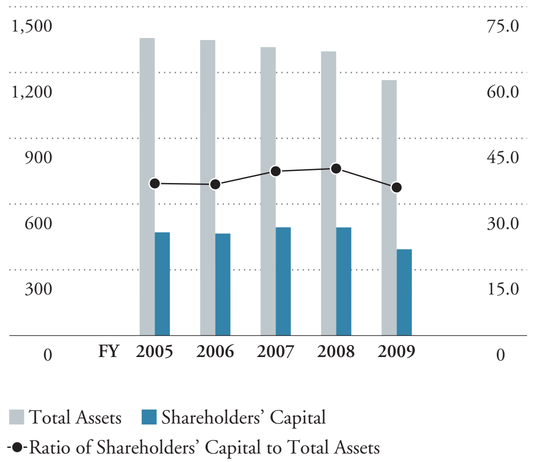
Interest-Bearing Debt Balance & D/E Ratio
(Billions of Yen)



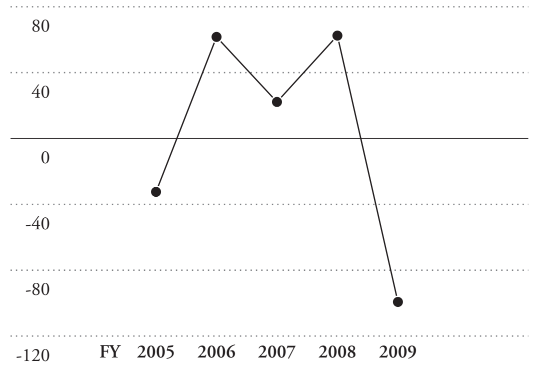
Cash Flows from Operating Activities & Cash Flows from Investing Activities
(Billions of Yen)



Total Assets, Shareholders' Capital & Ratio of Shareholders' Capital to Total Assets
(Billions of Yen, %)

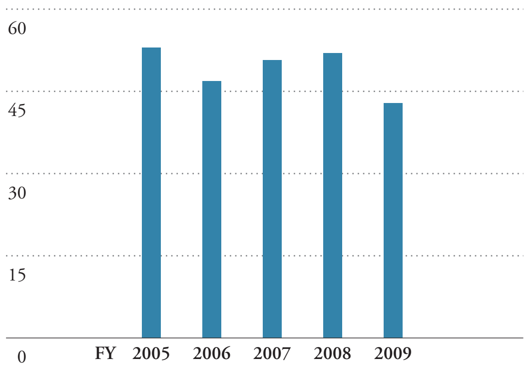


Free Cash Flow
(Billions of Yen)



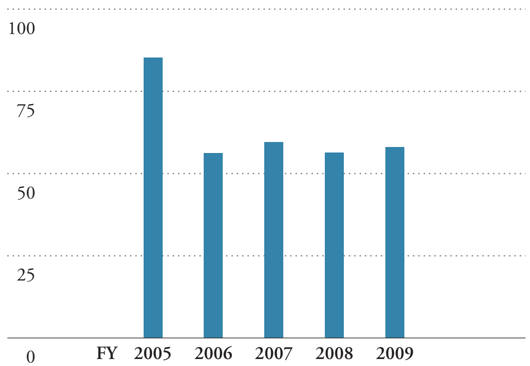
Research & Development Expenses

(Billions of Yen)



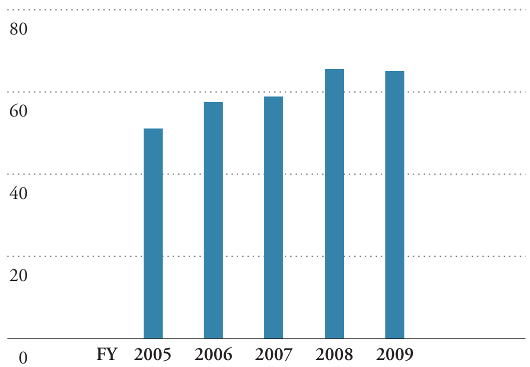
Capital Expenditures

(Billions of Yen)



Depreciation Expenses

(Billions of Yen)



Billions of Yen

	2005	2006	2007	2008	2009
R&D Expenses	¥53.0	¥46.9	¥50.7	¥52.0	¥42.8
Capital Expenditures	85.3	56.2	59.6	56.3	58.0
Depreciation Expenses	51.1	57.5	58.9	65.5	65.1

Research and Development Expenses

Having completed a round of R&D activity with respect to Forester and Legacy new model changes, FHI concentrated on improving efficiencies in its advanced development organization. As a result, R&D expenses declined ¥9.2 billion, or 17.7%, year on year, to ¥42.8 billion.

Capital Expenditures and Depreciation

Capital expenditures edged up ¥1.7 billion compared with the previous fiscal year, to ¥58.0 billion. In addition to expenditure aimed at boosting production capacity at FHI's Gunma manufacturing plant prompted by robust Forester sales in the first half of the fiscal year, funds were utilized to acquire land for domestic dealers and for the Subaru of America, Inc. (SOA)-related site control project. Despite an increase in FHI non-consolidated depreciation expense, total depreciation edged down ¥0.4 billion year on year, to ¥65.1 billion. This was mainly attributable to a decline in mold cost depreciation at Subaru of Indiana Automotive, Inc. (SIA).

Basic Policy Regarding the Distribution of Profits

FHI views the return of profits to shareholders as a critical task for management, and follows a basic policy of maintaining stable long-term dividends while taking into consideration a wide range of factors, including its earnings performance and dividend payout ratio. Based on this policy, FHI declared an interim dividend of ¥4.50 per share, unchanged from the corresponding period of the previous fiscal year. Impacted by the sudden and sharp deterioration in its operating environment from the second half of the fiscal year under review, which resulted in a downturn in the Group's overall performance, and in the likelihood that difficult operating conditions will continue for the foreseeable future, it is with deep regret that FHI has decided to suspend payment of a fiscal year-end dividend and the interim dividend for the following term. While a decision regarding the period-end dividend for fiscal 2010 has not been made, FHI will work diligently to secure improved performance and a return to a stable growth trajectory.

Outlook

Japan's automobile market is expected to confront increasingly bleak conditions. Buffeted by a further downturn in the real global economy, demand for automobiles is anticipated to remain weak. With trends in foreign currency exchange rates shrouded in uncertainty, FHI envisages little room for complacency with regard to its future operating environment.

Against this backdrop, the FHI Group is forecasting (as of May 2009) net sales of ¥1,320.0 billion in the fiscal year ending March 31, 2010. This represents a year-on-year downturn of ¥125.8 billion, or 8.7%, and is mainly attributable to the decline in automobile sales volume. On the earnings front, the Group's consolidated operating loss is projected to increase ¥29.2 billion compared with the fiscal year under review, to ¥35.0 billion. With expectations that contributions from the launch of the new Legacy will emerge from the second half of the fiscal year, and despite concerted efforts to reduce cost as well as SG&A and other expenses, this downturn in FHI's consolidated business performance is largely due to projected foreign exchange losses on the back of a strong yen and deterioration in the Group's sales volume and mix reflecting lower automobile sales volume. Buoyed by the absence of reversals of deferred tax assets implemented in the fiscal year under review, net loss in the fiscal year ending March 31, 2010 is expected to total ¥55.0 billion, a year-on-year improvement of ¥14.9 billion.

These forecasts are based on average annual exchange rates of ¥95 to U.S.$1 and ¥125 to €1.

Note: Performance forecasts and medium- to long-term management strategies are based on information available to management as of the date of this report. Accordingly, actual results may differ materially due to a variety of factors.

Medium- to Long-Term Management Strategies

FHI continues to engage in business activities underpinned by its four-year, medium-term management plan covering the period from April 2007 to March 2011. Centered on the philosophy that "Customers come first," this plan seeks to (1) provide a distinctive Subaru experience for drivers and passengers, (2) increase sales globally, (3) strengthen competitiveness in quality and cost, (4) grow through the business alliance with Toyota, and (5) grow the level of employee competence and so enhance the organization. Looking back at the Group's progress over the first two years of the plan, FHI is convinced of the validity of its current direction. Taking into consideration the rapid downturn in the economy and difficulties in realizing a performance recovery over the short term, FHI has decided to temporarily defer the sales volume, operating income, management indicator and shareholder return targets identified in its medium-term management plan. Instead, the FHI Group is implementing the following specific emergency measures.

Implementation of Emergency Measures

1. Review of and reductions in existing capital expenditure plans by more than 20%, placing the utmost priority on urgency and investment efficacy
2. Zero-based review of all expenses with a view to cutbacks
3. Response to rapid changes in automobile demand, prompt inventory correction and production adjustment

New Product Launch and Experimental R&D

1. Systematic global release of the new Legacy, essentially the culmination of the medium-term management plan
2. Supply the Plug-In STELLA electric vehicle to the corporate and public sectors from July 2009
3. Accelerated development of safety technologies as well as environmental technologies for a wide range of products, including electric vehicle

Alliance with the Toyota Group

1. OEM supply for minicars from Daihatsu Motor Co., Ltd. to FHI
2. OEM supply for a compact car from Toyota Motor Corporation to FHI
3. Joint development of a compact FR (front engine rear drive) sporty car
4. Renewal of the existing plant for the production of the jointly developed car

Domestic Sales Structure Reform

1. Transition toward an integrated network of distributors in Japan (structural rationalization, from 46 to 22 distributors)
2. Accelerated efforts to implement community-centric marketing activities
3. Establishment of an optimal and effective management structure

In conjunction with its medium-term management plan, the FHI Group will promote each of the aforementioned emergency measures with a heightened sense of confidence and speed. Endeavoring to overcome a harsh operating environment, the Group is committed to realizing performance recovery by the fiscal year ending March 31, 2011.

Forecast for Global Automobile Sales 1,000 Units

	2009	2010	Change
Japan:			
Passenger cars	70.1	73.4	3.3
Minicars	108.7	87.0	(21.7)
Subtotal	178.8	160.3	(18.5)
Overseas:			
United States	188.2	194.4	6.2
Canada	18.9	20.5	1.6
Europe	56.8	47.3	(9.5)
Russia	20.7	8.4	(12.4)
Australia	36.7	34.4	(2.4)
China	26.2	22.1	(4.1)
Other	29.1	20.5	(8.5)
Subtotal	376.5	347.6	(29.0)
Total	555.3	507.9	(47.4)

Principal Risks

Business risks faced by FHI with the potential to have a significant impact on investor decisions are listed on FHI's website at http://www.fhi.co.jp/english/ir/

Consolidated Subsidiaries and Affiliates

(As of July 1, 2009)

Japan

Fuji Machinery Co., Ltd. (100.0%)
Manufacture and sales of automobile parts and industrial product parts
http://www.fuji-machinery.co.jp/

Ichitan Co., Ltd. (51.0%)
Manufacture and sales of forged automobile/industrial product parts
http://www.ichitan.co.jp/

Kiryu Industrial Co., Ltd. (97.5%)
Manufacture of Subaru specially equipped automobiles and distribution of Subaru automobile parts
http://www.kiryu-kougyo.co.jp/

Subaru Tecnica International Inc. (100.0%)
Management of SUBARU Motorsport Activities, Development and manufacture of competition parts, tuning parts and accessories for SUBARU cars
http://www.subaru-sti.co.jp/

Subaru Kosan Co., Ltd. (100.0%)
Leasing of real estate, shopping mall managements and travel agency operations
http://www.subaru-kohsan.co.jp/index.asp

Subaru Finance Co., Ltd. (100.0%)
Lease & credit facilities provider for Subaru automobiles, financing for FHI subsidized companies, lease for various facility equipments, rolling stocks & FHI made garbage truck and sales of insurance
http://www.subaru-finance.co.jp/

Yusoki Kogyo K.K. (100.0%)
Manufacture and sales of aircraft parts
http://www.yusoki.co.jp/

TOKYO SUBARU INC. (100.0%) and 33 other dealerships
Distribution, sales and services of Subaru automobiles
http://www.tokyo-subaru.co.jp/

Overseas

Subaru of America, Inc. (100.0%) and 10 subsidiaries
Subaru Plaza, 2235 Route 70 West, Cherry Hill,
NJ 08002, U.S.A.
Phone: +1-856-488-8500
Fax: +1-856-488-0485
Distribution and sales of Subaru automobiles and parts
http://www.subaru.com

Fuji Heavy Industries U.S.A., Inc. (100.0%) and one subsidiary
c/o Subaru of America, Inc.
Subaru Plaza, 2235 Route 70 West, Cherry Hill,
NJ 08002, U.S.A.
Phone: +1-856-488-8743
Fax: +1-856-488-8517
Engineering research of Subaru automobiles in North America Market

Subaru Research & Development, Inc.
3995 Research Park Drive, Ann Arbor, MI 48108, U.S.A.
Phone: +1-734-623-0075
Fax: +1-734-623-0076
Research and development of automobiles

Subaru of Indiana Automotive, Inc. (100.0%) and one subsidiary
5500 State Road 38 East, Lafayette, IN 47905, U.S.A.
Phone: +1-765-449-1111
Fax: +1-765-449-6952
Manufacture of Subaru automobiles and contracted manufacture of Toyota automobiles
http://www.subaru-sia.com/

Subaru Canada, Inc. (100.0%) and one subsidiary
560 Suffolk Court Mississauga, Ontario L5R 4J7, Canada
Phone: +1-905-568-4959
Fax: +1-905-568-8087
Distribution and sales of Subaru automobiles and parts
http://www.subaru.ca/

Subaru Europe N.V./S.A. (100.0%)
Leuvensesteenweg 555 B/8, 1930 Zaventem, Belgium
Phone: +32-2-714-0300
Fax: +32-2-725-7792
Distribution, sales and marketing of Subaru automobiles and parts

Subaru of China Ltd. (100.0%)
Beijing Landmark Towers Office Building 2-1501,
8 North Dongsanhuan Road, Chaoyang District,
Beijing 100004, China
Phone: +86-10-6590-0725
Fax: +86-10-6590-0729
Distribution, sales and marketing of Subaru automobiles and parts
http://www.subaru-china.cn/Home.html

Investor Information

(As of March 31, 2009)

Head Office

Subaru Building, 7-2, Nishi-Shinjuku 1-chome,
Shinjuku-ku, Tokyo 160-8316, Japan
Phone:+81-3-3347-2111
Fax:+81-3-3347-2338

Investor Relations Office

Subaru Building, 7-2, Nishi-Shinjuku 1-chome,
Shinjuku-ku, Tokyo 160-8316, Japan
Phone:+81-3-3347-2655
Fax:+81-3-3347-2295

Established

July 15, 1953

Paid-in Capital

¥153,795 million

Number of Shareholders

51,524

Number of Common Stock Issued

782,865,873

Domestic Manufacturing Divisions

Gunma Manufacturing Division (Automobiles Division)
Utsunomiya Manufacturing Division
(Aerospace Division and Eco Technologies Division)
Saitama Manufacturing Division
(Industrial Products Division)

Major Shareholders

1. Toyota Motor Corporation
2. The Master Trust Bank of Japan, Ltd. (Trust account)
3. Japan Trustee Services Bank, Ltd. (Trust Account 4G)
4. Japan Trustee Services Bank, Ltd. (Trust account)
5. The Bank of New York Mellon as Depositary Bank for DR Holders
6. Nippon Life Insurance Company
7. Suzuki Motor Corporation
8. Mizuho Corporate Bank, Ltd.
9. Mizuho Bank, Ltd.
10. Sompo Japan Insurance Inc.

Stock Exchange Listing

Tokyo Stock Exchange

Transfer Agent

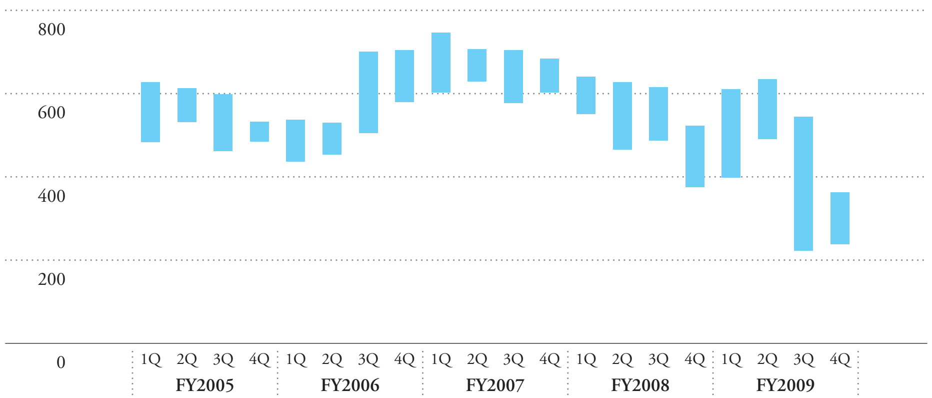
Mizuho Trust & Banking Co., Ltd.
2-1, Yaesu 1-chome, Chuo-ku, Tokyo 103-0028, Japan

Website Address

http://www.fhi.co.jp/english/ir/

Quarterly Common Stock Price Range (Tokyo Stock Exchange)

(Yen)



	FY2005	FY2006	FY2007	FY2008	FY2009
High	627	704	747	641	635
Low	462	437	577	376	223

FORESTER

Designed around the "Best Balance for Active Life" concept, the new Forester blends and integrates three key elements—packaging, drivability, and the environment—at an advanced level. With enhanced environmental performance, the new Forester is a crossover SUV that is capable of eliciting real feelings of "simple operation, a sense of reassurance as well as of a pleasant drive in comfort" from the wide-ranging lifestyle perspectives of all drivers and passengers. This concept has resonated with many customers all over the world, recording strong sales.

The entire Annual Report including the financial statements, please visit FHI's website:
http://www.fhi.co.jp/english/ir/report/ar.html

SUBARU

Fuji Heavy Industries Ltd.

Subaru Building, 7-2, Nishi-Shinjuku 1-chome,
Shinjuku-ku, Tokyo 160-8316, Japan
Phone:+81-3-3347-2111
Fax:+81-3-3347-2338
http://www.fhi.co.jp/english/ir/

Printed in Japan

Consolidated Ten-Years Financial Summary

FUJI HEAVY INDUSTRIES LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31

	2000	2001	2002	2003
For the Year:				
Net sales	¥1,330,125	¥1,311,887	¥1,362,493	¥1,372,337
Cost of sales	995,131	978,841	992,950	1,011,582
Gross profit	334,994	333,046	369,543	360,755
Selling, general and administrative expenses	243,593	251,373	281,063	293,234
Operating income (loss)	91,401	81,673	88,480	67,521
Income(loss) before income taxes and minority interests	64,839	21,291	56,136	46,970
Net income(loss)	31,348	22,628	30,283	33,484
At Year-End:				
Net assets *	¥213,806	¥363,199	¥399,598	¥414,614
Shareholders' equity	206,404	357,455	396,112	411,252
Total assets	1,038,558	1,168,501	1,269,558	1,344,072
Ratio of net assets to total assets (%)	19.9%	30.6%	31.2%	30.6%
Per Share: (in yen and U.S. Dollars)				
Net income(loss):				
Basic	¥51.90	¥30.44	¥40.74	¥44.84
Diluted	48.53	29.06	38.83	42.91
Net assets	338.75	480.86	532.88	553.90
Other Information:				
Depreciation/amortization	¥60,190	¥64,070	¥63,964	¥67,896
Capital expenditures (addition to fixed assets)	103,922	102,301	118,376	119,423
Research and development expenses	40,123	46,622	54,903	60,110
Number of shares issued (thousands of shares) **	614,553	746,502	746,506	746,521
Number of shareholders **	49,381	32,996	33,094	35,584
Number of employees*:				
Parent only	13,668	13,603	13,374	13,064
Consolidated	26,914	26,502	26,483	27,478

Note: U.S. dollar figures have been translated from yen, for convenience only, at the rate of ￥98.26 to US$1.00, the approximate rate of exchange at March 31, 2009.

* Prior year amounts have been reclassified to conform to the current year presentation.

** As of March 31

					Millions of yen	Thousands of U.S. dollars
2004	2005	2006	2007	2008	**2009**	**2009**
¥1,439,451	¥1,446,491	¥1,476,368	¥1,494,817	¥1,572,346	**¥1,445,790**	**$14,713,922**
1,085,716	1,107,718	1,125,293	1,142,674	1,217,662	**1,164,564**	**11,851,862**
353,735	338,773	351,075	352,143	354,684	**281,226**	**2,862,060**
303,411	296,756	292,736	304,237	309,004	**287,029**	**2,921,117**
50,324	42,017	58,339	47,906	45,680	**(5,803)**	**(59,057)**
56,266	21,066	28,674	45,589	31,906	**(21,517)**	**(218,980)**
38,649	18,238	15,611	31,899	18,481	**(69,933)**	**(711,714)**
¥457,027	¥474,616	¥467,786	¥495,703	¥494,423	**¥394,719**	**$4,017,087**
453,708	471,149	465,522	494,004	493,397	**393,946**	**4,009,220**
1,349,727	1,357,459	1,348,400	1,316,041	1,296,388	**1,165,431**	**11,860,686**
33.6%	34.7%	34.5%	37.5%	38.1%	**33.8%**	
¥50.62	¥23.27	¥20.66	¥44.46	¥25.73	**(¥91.97)**	**($0.94)**
49.66	23.27	20.66	44.44	25.73	**-**	**-**
582.60	604.51	649.41	687.81	687.02	**505.59**	**5.15**
¥71,112	¥71,010	¥80,073	¥81,454	¥87,164	**¥74,036**	**$753,470**
128,026	147,759	119,289	126,329	118,869	**95,153**	**968,380**
57,541	52,962	46,893	50,709	52,020	**42,831**	**435,895**
782,865	782,865	782,865	782,865	782,865	**782,865**	
34,704	34,558	46,367	42,920	44,484	**40,839**	
12,928	12,703	11,998	11,752	11,909	**12,137**	
27,296	26,989	26,115	25,598	26,404	**27,659**	

Note: U.S. dollar figures have been translated from yen, for convenience only, at the rate of ￥98.26 to US$1.00, the approximate rate of exchange at March 31, 2009.

* Prior year amounts have been reclassified to conform to the current year presentation.

** As of March 31

Consolidated Balance Sheets

FUJI HEAVY INDUSTRIES LTD. AND CONSOLIDATED SUBSIDIARIES
As of March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2009**	2008	**2009**
Current assets:			
Cash and deposits (Note 3)	**¥78,151**	¥67,053	**$795,349**
Notes and accounts receivable-trade (Note 6)	**82,352**	96,017	**$838,103**
Lease investment assets (Note 18)	**27,074**	-	**$275,534**
Short-term investment securities (Notes 3 and 4)	**11,439**	32,775	**$116,416**
Merchandise and finished goods	**128,645**	133,175	**$1,309,231**
Work in process	**96,425**	100,133	**$981,325**
Raw materials and supplies	**34,249**	27,701	**$348,555**
Deferred tax assets (Note 9)	**15,918**	26,486	**$161,999**
Short-term loans receivable (Note 3)	**59,434**	78,329	**$604,865**
Other current assets	**53,845**	62,504	**$547,984**
Allowance for doubtful accounts	**(1,509)**	(1,346)	**($15,357)**
Total assets	**586,023**	622,827	**5,964,004**
Property, plant and equipment (Notes 5, Note 6 and Note 12)	**1,223,798**	1,280,060	**12,454,692**
Accumulated depreciation	**(739,586)**	(752,311)	**(7,526,828)**
Accumulated impairment loss	**(16,153)**	(16,041)	**(164,390)**
Total property, plant and equipment	**468,059**	511,708	**4,763,474**
Investments and other assets:			
Intangible assets	**13,972**	12,972	**142,194**
Investment securities (Note 4)	**45,792**	57,958	**466,029**
Investments in non-consolidated subsidiaries and affiliated companies	**10,589**	14,974	**107,765**
Long-term loans receivable	**3,334**	3,736	**33,930**
Deferred tax assets (Note 9)	**10,702**	27,256	**108,915**
Other assets	**32,885**	48,044	**334,674**
Allowance for doubtful accounts	**(5,925)**	(3,087)	**(60,299)**
Total investments and other assets	**111,349**	161,853	**1,133,208**
Total assets	**¥1,165,431**	¥1,296,388	**$11,860,686**

	Millions of yen		Thousands of U.S. dollars (Note 1)
LIABILITIES AND NET ASSETS	**2009**	2008	**2009**
Current liabilities:			
Notes and accounts payable, trade	**¥148,015**	¥229,780	**$1,506,361**
Short-term borrowings (Note 6)	**249,149**	150,625	**2,535,610**
Current portion of long-term debts (Note 6)	**21,956**	51,261	**223,448**
Accrued expenses	**83,359**	100,024	**848,351**
Accrued income taxes (Note 9)	**2,062**	8,091	**20,985**
Other current liabilities	**56,707**	58,261	**577,111**
Total current liabilities	**561,248**	598,042	**5,711,866**
Long-term liabilities:			
Long-term debts (Note 6)	**110,583**	102,661	**1,125,412**
Accrued pension and severance liability (Note 8)	**36,997**	40,993	**376,521**
Deferred tax liabilities (Note 9)	**7,448**	432	**75,799**
Other long-term liabilities	**54,436**	59,837	**554,000**
Total long-term liabilities	**209,464**	203,923	**2,131,732**
Contingent liabilities (Note 20)			
Net assets: (Note 1 and 10)			
Shareholders' equity:			
Capital stock			
Authorized– 1,500,000,000 shares			
Issued — 782,865,873 shares	**153,795**	153,795	**1,565,184**
Capital surplus	**160,071**	160,098	**1,629,056**
Retained earnings	**126,593**	227,789	**1,288,347**
Less－treasury stock, at cost,	**(2,086)**	(40,538)	**(21,229)**
2009— 3,682,316 shares			
2008— 64,698,395 shares			
Total shareholders' equity	**438,373**	501,144	**4,461,358**
Total valuation and translation adjustments:			
Valuation difference on available-for-sale securities	**3,002**	13,716	**30,552**
Foreign currency translation adjustment	**(47,429)**	(21,463)	**(482,689)**
Total valuation and translation adjustments	**(44,427)**	(7,747)	**(452,137)**
Minority interests	**773**	1,026	**7,866**
Total net assets	**394,719**	494,423	**4,017,087**
Total liabilities and net assets	**¥1,165,431**	¥1,296,388	**$11,860,686**

The accompanying notes are an integral part of these balance sheets.

Consolidated Statements of Operations

FUJI HEAVY INDUSTRIES LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	**2009**
Net sales	**¥1,445,790**	¥1,572,346	**$14,713,922**
Cost of sales	**1,164,564**	1,217,662	**11,851,862**
Gross profit	**281,226**	354,684	**2,862,060**
Selling, general and administrative expenses (Note 11)	**287,029**	309,004	**2,921,117**
Operating income (loss)	**(5,803)**	45,680	**(59,057)**
Other income (expenses):			
Interest and dividend income	**3,743**	5,503	**38,093**
Interest expenses	**(3,315)**	(4,063)	**(33,737)**
Equity in earnings of affiliates	**926**	501	**9,424**
Real estate rent	**586**	919	**5,964**
Foreign exchange gains (losses)	**7,769**	(4,740)	**79,066**
Gain (loss) on valuation of derivatives	**(5,296)**	4,811	**(53,898)**
Gain (loss) on sales and retirement of noncurrent assets	**(3,452)**	(4,009)	**(35,131)**
Gain (loss) on sales of investment securities	**205**	1,502	**2,086**
Loss on valuation of investment securities (Note 14)	**(1,072)**	(18)	**(10,910)**
Impairment loss (Note 12)	**(1,045)**	(13,174)	**(10,635)**
Gain on revision of retirement benefit plan (Note 8)	**845**	-	**8,600**
Provision of allowance for doubtful accounts (Note 14)	**(2,640)**	-	**(26,867)**
Provision for loss on construction contracts (Note 2)	**(2,901)**	-	**(29,524)**
Gain on sales of loans receivable	**837**	548	**8,518**
Gain on prior period adjustment (Note 13)	**-**	1,539	**-**
Other, net (Note 14 and 15)	**(10,904)**	(3,093)	**(110,972)**
	(15,714)	(13,774)	**(159,923)**
Income (loss) before income taxes and minority interests	**(21,517)**	31,906	**(218,980)**
Income taxes (Note 9):			
Current	**6,637**	14,536	**67,545**
Deferred	**41,961**	(1,148)	**427,041**
	48,598	13,388	**494,586**
Income (loss) before minority interests	**(70,115)**	18,518	**(713,566)**
Minority interests in income (loss)	**(182)**	37	**(1,852)**
Net income (loss)	**(¥69,933)**	¥18,481	**($711,714)**

		Yen	U.S. dollars
Per share data (Note 2) :			
Net income (loss) —Basic	**(¥91.97)**	¥25.73	**($0.94)**
—Diluted *****	**-**	25.73	**-**
Net assets	**505.59**	687.02	**5.15**
Cash dividends (Note 10)	**4.50**	9.00	**0.05**

The accompanying notes are an integral part of these statements.

***** For the year ended March 31, 2009, diluted information is not presented although potentially dilutive securities exist and net loss is recorded.

Consolidated Statements of Changes in Net Assets

FUJI HEAVY INDUSTRIES LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	**2009**
Shareholders' equity			
Capital stock			
Balance at the end of previous period	**153,795**	153,795	**1,565,184**
Balance at the end of current period	**153,795**	153,795	**1,565,184**
Capital surplus			
Balance at the end of previous period	**160,098**	160,104	**1,629,331**
Changes of items during the period			
Disposal of treasury stock	**(27)**	(6)	**(275)**
Total changes of items during the period	**(27)**	(6)	**(275)**
Balance at the end of current period	**160,071**	160,098	**1,629,056**
Retained earnings			
Balance at the end of previous period	**227,789**	214,831	**2,318,227**
Effect of changes in accounting policies applied to foreign subsidiaries	**(12,115)**	-	**(123,295)**
Changes of items during the period			
Dividends from surplus	**(6,742)**	(6,468)	**(68,614)**
Net income (loss)	**(69,933)**	18,481	**(711,714)**
Disposal of treasury stock	**(7,309)**	-	**(74,384)**
Change of scope of consolidation	**(43)**	402	**(438)**
Change of scope of equity method	**72**	-	**733**
Other	**(5,126)**	543	**(52,168)**
Total changes of items during the period	**(89,081)**	12,958	**(906,585)**
Balance at the end of current period	**126,593**	227,789	**1,288,347**
Treasury stock			
Balance at the end of previous period	**(40,538)**	(40,511)	**(412,558)**
Changes of items during the period			
Purchase of treasury stock	**(50)**	(60)	**(509)**
Disposal of treasury stock	**38,502**	33	**391,838**
Total changes of items during the period	**38,452**	(27)	**391,329**
Balance at the end of current period	**(2,086)**	(40,538)	**(21,229)**
Total shareholders' equity			
Balance at the end of previous period	**501,144**	488,219	**5,100,183**
Effect of changes in accounting policies applied to foreign subsidiaries	**(12,115)**	-	**(123,295)**
Changes of items during the period			
Dividends from surplus	**(6,742)**	(6,468)	**(68,614)**
Net income (loss)	**(69,933)**	18,481	**(711,714)**
Purchase of treasury stock	**(50)**	(60)	**(509)**
Disposal of treasury stock	**31,166**	27	**317,179**
Change of scope of consolidation	**(43)**	402	**(438)**
Change of scope of equity method	**72**	-	**733**
Other	**(5,126)**	543	**(52,167)**
Total changes of items during the period	**(50,656)**	12,925	**(515,530)**
Balance at the end of current period	**438,373**	501,144	**4,461,358**

Consolidated Statements of Changes in Net Assets

FUJI HEAVY INDUSTRIES LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	**2009**
Valuation and translation adjustments			
Valuation difference on available-for-sale securities			
Balance at the end of previous period	**13,716**	22,182	**139,589**
Changes of items during the period			
Net changes of items other than shareholders' equity	**(10,714)**	(8,466)	**(109,037)**
Total changes of items during the period	**(10,714)**	(8,466)	**(109,037)**
Balance at the end of current period	**3,002**	13,716	**30,552**
Revaluation reserve for land			
Balance at the end of previous period	**-**	290	**-**
Changes of items during the period			
Net changes of items other than shareholders' equity	**-**	(290)	**-**
Total changes of items during the period	**0**	(290)	**0**
Balance at the end of current period	**0**	0	**0**
Foreign currency translation adjustment			
Balance at the end of previous period	**(21,463)**	(16,687)	**(218,431)**
Changes of items during the period			
Change of scope of equity method	**-**	-	**-**
Net changes of items other than shareholders' equity	**(25,966)**	(4,776)	**(264,258)**
Total changes of items during the period	**(25,966)**	(4,776)	**(264,258)**
Balance at the end of current period	**(47,429)**	(21,463)	**(482,689)**
Total valuation and translation adjustments			
Balance at the end of previous period	**(7,747)**	5,785	**(78,842)**
Changes of items during the period			
Change of scope of equity method	**-**	-	**-**
Net changes of items other than shareholders' equity	**(36,680)**	(13,532)	**(373,295)**
Total changes of items during the period	**(36,680)**	(13,532)	**(373,295)**
Balance at the end of current period	**(44,427)**	(7,747)	**(452,137)**
Minority interests			
Balance at the end of previous period	**1,026**	1,699	**10,442**
Changes of items during the period			
Net changes of items other than shareholders' equity	**(253)**	(673)	**(2,575)**
Total changes of items during the period	**(253)**	(673)	**(2,575)**
Balance at the end of current period	**773**	1,026	**7,867**
Total net assets			
Balance at the end of previous period	**494,423**	495,703	**5,031,782**
Effect of changes in accounting policies applied to foreign subsidiaries*	**(12,115)**	-	**(123,295)**
Changes of items during the period			
Dividends from surplus	**(6,742)**	(6,468)	**(68,614)**
Net income (loss)	**(69,933)**	18,481	**(711,714)**
Purchase of treasury stock	**(50)**	(60)	**(509)**
Disposal of treasury stock	**31,166**	27	**317,179**
Change of scope of consolidation	**(43)**	402	**(438)**
Change of scope of equity method	**72**	-	**733**
Other	**(5,126)**	543	**(52,167)**
Net changes of items other than shareholders' equity	**(36,933)**	(14,205)	**(375,870)**
Total changes of items during the period	**(87,589)**	(1,280)	**(891,400)**
Balance at the end of current period	**394,719**	494,423	**4,017,087**

The accompanying notes are an integral part of these statements.

***** “Effect of changes in accounting policies applied to foreign subsidiaries” was related to amortization of goodwill that had not amortized up to the prior financial year.
The breakdown of “Other” in “ Retained earnings” was as follows.

(Unit: Million of yen)

	FY2008	FY2009
Comprehensive income of foreign subsidiaries	543	52
Impact of fiscal closing date changes of foreign subsidiaries	-	(5,178)

Consolidated Statements of Cash Flows

FUJI HEAVY INDUSTRIES LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	**2009**
Net cash provided by (used in) operating activities			
Income (loss) before income taxes and minority interests	**(¥21,517)**	¥31,906	**($218,980)**
Depreciation and amortization	**74,036**	87,164	**753,470**
Impairment loss	**1,045**	13,174	**10,635**
Increase (decrease) in allowance for doubtful accounts	**2,956**	(500)	**30,083**
Increase (decrease) in provision for bonuses	**(2,037)**	137	**(20,731)**
Increase (decrease) in provision for product warranties	**(533)**	(1,236)	**(5,424)**
Increase (decrease) in provision for loss on construction contracts	**760**	-	**7,735**
Increase (decrease) in provision for retirement benefits	**(5,053)**	(4,136)	**(51,425)**
Interest and dividends income	**(3,743)**	(5,503)	**(38,093)**
Interest expenses	**3,315**	4,063	**33,737**
Loss (gain) on valuation of derivatives	**5,296**	(4,811)	**53,898**
Equity in (earnings) losses of affiliates	**(926)**	(501)	**(9,424)**
Loss (gain) on sales and retirement of noncurrent assets	**3,452**	4,009	**35,131**
Loss (gain) on sales and valuation of investment securities	**867**	(1,502)	**8,824**
Gain on sales of loans receivable	**-**	(548)	**-**
Decrease (increase) in notes and accounts receivable-trade	**5,938**	460	**60,432**
Decrease (increase) in inventories	**(18,717)**	(45,633)	**(190,484)**
Increase (decrease) in notes and accounts payable-trade	**(73,159)**	44,205	**(744,545)**
Decrease (increase) in lease investment assets	**(1,539)**	-	**(15,663)**
Decrease (increase) in operating loans receivable	**9,127**	-	**92,886**
Decrease (increase) in leased assets	**(417)**	-	**(4,244)**
Increase (decrease) in deposits received	**(4,757)**	(11,111)	**(48,412)**
Other	**12,819**	7,496	**130,460**
Sub total	**(12,787)**	117,133	**(130,134)**
Interest and dividends income received	**3,738**	5,864	**38,042**
Interest expenses paid	**(3,062)**	(4,135)	**(31,162)**
Income taxes paid	**(14,781)**	(11,475)	**(150,427)**
Net cash provided by (used in) operating activities	**(26,892)**	107,387	**(273,681)**
Net cash provided by (used in) investing activities			
Purchase of short-term investment securities	**(2,265)**	(4,700)	**(23,051)**
Proceeds from sales of short-term investment securities	**5,326**	6,020	**54,203**
Purchase of property, plant and equipment	**(58,415)**	(59,430)	**(594,494)**
Proceeds from sales of property, plant and equipment	**830**	2,384	**8,447**
Purchase of property for lease	**-**	(60,048)	**-**
Proceeds from sale of leased assets	**-**	57,734	**-**
Purchase of intangible assets	**(2,713)**	(2,782)	**(27,610)**
Purchase of investment securities	**(20,433)**	(18,032)	**(207,948)**
Proceeds from sales of investment securities	**11,848**	15,911	**120,578**
Payments for investments in capital	**(1,548)**	-	**(15,754)**
Payments of loans receivable	**(64,188)**	(108,620)	**(653,246)**
Collection of loans receivable	**60,155**	128,476	**612,202**
Other, net	**(982)**	(1,833)	**(9,995)**
Net cash provided by (used in) investing activities	**(72,385)**	(44,920)	**(736,668)**
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	**51,517**	(15,972)	**524,293**
Increase (decrease) in commercial papers	**18,000**	(5,000)	**183,187**
Proceeds from long-term loans payable	**37,063**	3,100	**377,193**
Repayment of long-term loans payable	**(20,500)**	(10,735)	**(208,630)**
Redemption of bonds	**(30,000)**	(10,000)	**(305,312)**
Purchase of treasury stock	**(50)**	(60)	**(509)**
Proceeds from sales of treasury stock	**31,166**	27	**317,179**
Cash dividends paid	**(6,744)**	(6,470)	**(68,634)**
Other,net	**(3)**	-	**(31)**
Net cash provided by (used in) financing activities	**80,449**	(45,110)	**818,736**
Effect of exchange rate change on cash and cash equivalents	**(15,614)**	(1,968)	**(158,905)**
Net increase (decrease) in cash and cash equivalents	**(34,442)**	15,389	**(350,519)**
Cash and cash equivalents at beginning of period	**114,649**	99,060	**1,166,792**
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	**2,045**	200	**20,812**
Increase by change in accounting period of consolidated subsidiaries	**14,263**	-	**145,156**
Cash and cash equivalents at end of period	**¥96,515**	¥114,649	**$982,241**

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

FUJI HEAVY INDUSTRIES LTD. AND CONSOLIDATED SUBSIDIARIES

1. Basis of Presentation of the Financial Statements

The accompanying consolidated financial statements of Fuji Heavy Industries Ltd. (the "Company") have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of the Company's overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of their domicile. The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance, as required by the Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese-language consolidated financial statements, but not considered necessary for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2009, which was ¥98.26 to U.S.$1. The convenience translation should not be construed as a representation that the Japanese yen amounts have been, could have been, or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies

[1] The Scope of Consolidation and Application of the Equity Method

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. The fiscal year-end of consolidated domestic subsidiaries and main foreign subsidiaries is the same as that of the parent company, while the fiscal year-end of the seven consolidated foreign subsidiaries is December 31.The operating results of those subsidiaries that have fiscal year-ends different from that of the parent company are consolidated by using the financial statements as of each subsidiary's respective fiscal year-end, the necessary adjustments being made in consolidation if there are any significant transactions between January 1 and March 31.

The consolidated financial statements include the accounts of the Company and 68 subsidiaries in fiscal 2009 (62 subsidiaries in fiscal 2008).

In addition, 13 non-consolidated subsidiaries and two affiliated companies were accounted for by the equity method in fiscal 2009; 19 non-consolidated subsidiaries and two affiliated companies had been accounted for by the equity method in fiscal 2008.

Investments in insignificant non-consolidated subsidiaries and affiliated companies not accounted for by the equity method are carried at cost. The difference between the cost and the underlying net equity of investments in subsidiaries and affiliated companies is allocated to identifiable assets based on their fair value at the date of acquisition. The unallocated residual value of the excess of the cost over the fair value of the underlying net assets is recognized as goodwill and amortized over a period of five years on a straight-line basis.

All assets and liabilities of subsidiaries, which include not only the Company's interest in the subsidiaries but also the minority interest portion, are valued based on their fair value at the time the Company first consolidates the subsidiary in question.

(Fiscal 2009)

Until the fiscal year ended March 31, 2008, since the difference between the fiscal year-end of the parent company and that of 19 consolidated subsidiaries was within three months, the operating results of those subsidiaries were consolidated by using the financial statements as of each subsidiary's respective fiscal year-end, and the necessary adjustments made in consolidation to reflect any significant transactions between January 1 and March 31.

The accounting date for the fiscal year-end of 12 consolidated subsidiaries was changed to March 31 in order to make the disclosures of the consolidated financial statements more meaningful by unifying the fiscal year.

Consolidated subsidiaries whose fiscal closing date has been changed

・Subaru of America, Inc. and nine consolidated subsidiaries

・Subaru of Indiana Automotive, Inc. and one consolidated subsidiary

[2] Short-Term Investment Securities and Investment Securities

Under the Japanese accounting standards for financial instruments, available-for-sale securities for which fair value is available are stated at their fair value as of the balance sheet dates with unrealized holding gains and losses included as a separate component of net assets until realized, while securities for which fair value is not readily available are stated at cost, as determined by the moving-average method, after taking into consideration devaluation, if any, for permanent impairment. Held-to-maturity debt securities are stated using the amortized cost method.

[3] Inventories

Inventories for regular sales are stated at cost, determined mainly by the moving-average cost method. (Book value on the consolidated balance sheet is measured based on the lower of cost or market value.)

(Change in accounting policy)

(Fiscal 2009)

Up to and including fiscal 2008, inventories for regular sales were stated at cost, determined mainly by the moving-average cost method. In fiscal 2009, the Company and its domestic consolidated subsidiaries adopted the "Accounting Standard for Measurement of Inventories" (Accounting Standards Board of Japan [ASBJ] Statement No. 9). Inventories for regular sales are now stated at cost, determined mainly by the moving-average cost method. (Book value on the consolidated balance sheet is measured based on the lower of cost or market value.)

This change resulted in an increase in operating loss, ordinary loss and loss before income taxes and minority interests of ¥3,220 million (US$ 32,770 thousand).

The impact of this change on segment information is explained in the relevant portion of these documents.

[4] Property, Plant and Equipment (Excluding Leased Assets)

Property, plant and equipment are stated at cost. Significant renewals and additions are capitalized; ordinary maintenance, ordinary repairs, minor renewals and minor improvements are charged to the consolidated statements of income as incurred.

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

Estimated useful lives for depreciable assets are as follows:

(Fiscal 2008)

Buildings and structures: 7–50 years

Machinery, equipment and vehicles: 3–12 years

(Fiscal 2009)

Buildings and structures: 8–50 years

Machinery, equipment and vehicles: 2–12 years

(Changes in accounting policy)

(Fiscal 2008)

In fiscal 2008, the Company and its domestic consolidated subsidiaries changed their depreciation 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 ¥2,308 million, and to decrease both ordinary income and income before income taxes and minority interest by ¥2,319 million compared with the respective amounts that would have been reported under the previous method. Please refer to “22. Segment Information” regarding the effect on the business and geographical segments.

(Additional Information)

In addition, during fiscal 2008, the Company and its 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 five-year period commencing in the year following that in which those assets reached their depreciation limit under the previous depreciation method. Please refer to “22. Segment Information” regarding the effect on the business and geographical segments.

This change resulted in a decrease in operating income of ¥2,298 million, and decreases in both ordinary income and income before income taxes and minority interest of ¥2,345 million, as compared with the respective amounts that would have been reported had the change not been implemented.

(Fiscal 2009)

(Additional Information)

In fiscal 2009, the Company and its domestic consolidated subsidiaries revised the estimated useful lives of fixed assets (machinery) in accordance with the enacted revisions to the tax depreciation schedules under the Corporate Tax Law and related tax regulations.

This change resulted in an increase in operating loss of ¥1,595 million (US$16,232 thousand) and an increase in ordinary loss and loss before income taxes and minority interest of ¥1,609 million (US$16,375 thousand).

The impact of this change on segment information is explained in the relevant portion of these documents.

[5] Intangible Assets (Excluding Leased Assets)

Computer software used internally by the Company and consolidated subsidiaries is amortized by the straight-line method over the relevant economic useful lives of three or five years.

[6] Leased Assets

For leased assets under finance lease transactions in which the ownership is transferred to the lessee:The leased assets are depreciated by the same method as used for other property, plant and equipment.

For leased assets under finance lease transactions in which the ownership is not transferred to the lessee: The leased assets are depreciated by the straight-line method over the leased period and the residual value is zero.

In addition, finance lease transactions in which the ownership is not transferred to the lessee on or before March 31, 2008 are recorded as regular rental transactions.

[7] Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided based on the amount calculated from the historical ratio of bad debt for ordinary receivables, and an estimated amount of uncollectible accounts for specific overdue receivables.

[8] Provision for Product Warranties

The Company and its consolidated subsidiaries provide for accrued warranty claims on products sold based on their past experience of warranty services and estimated future warranty costs, which are included in "Accrued expenses" in the accompanying consolidated balance sheets.

[9] Provision for Loss on Construction Contracts

The provision for losses on uncompleted construction of contracts in the Aerospace segment is made when substantial losses on the contracts are anticipated at the fiscal year-end for the next fiscal year and beyond and such losses can be reasonably estimated.

(Change in accounting policy)

(Fiscal 2009)

In fiscal 2009, the Company started accounting for the provision for losses on uncompleted construction of contracts in the Aerospace segment when substantial losses on the contracts were anticipated at the fiscal year-end for the next fiscal year and beyond and such losses could be reasonably estimated. The reason for this accounting change is that its estimated loss has became more significant, so the Company reflected it properly in the financial statements and disclosed it in a timely manner.

This change resulted in a decrease in operating loss and ordinary loss of ¥433 million (US$4,407 thousand), and an increase in loss before income taxes and minority interest of ¥2,468 million (US$25,117 thousand).

The impact of this change on segment information is explained in the relevant portion of these documents.

[10] Accrued Pension and Severance Liability

Upon termination of employment, employees of the Company and consolidated subsidiaries in Japan are entitled, under most circumstances, to lump-sum indemnities or pensions as described below, based on current rates of pay, length of service, and conditions under which the termination occurs. The minimum payment is an amount based on voluntary retirement. In addition to the minimum payment based on voluntary retirement, employees receive additional benefits for retirement due to age limit, death or other defined reasons.

Certain consolidated subsidiaries in Japan have contributory funded defined benefit employees' welfare pension funds, which are pursuant to the Japanese Welfare Pension Insurance Law. The contributory pension funds consist of a portion of the governmental welfare pension program, under which the contributions are made by the companies and their employees, and an additional portion representing the corporate noncontributory pension plans.

Under the Japanese accounting standards for pension and severance benefits, accrued pension and severance liability for employees is provided based on the estimated amounts of projected pension and severance obligation and the fair value of plan assets at the end of the fiscal year. Prior service cost is being amortized by the straight-line method over a period (11-18 years and 12-18 years for fiscal years 2009 and 2008, respectively) that is shorter than the average remaining service period of the eligible employees. Actuarial gains and losses are amortized from the following fiscal year by the straight-line method over a

period (primarily 18 years) that is shorter than the average remaining service period of the eligible employees.
Accrued pension contribution for defined benefit pension plans is included in accrued pension and severance liability.

Directors and statutory auditors of the Company and consolidated domestic subsidiaries are entitled to receive a lump-sum payment at the time of severance or retirement, subject to shareholder approval. The liabilities for such benefits, which are determined based on the Company's and consolidated subsidiaries' internal rules, are included in "Other long-tem liabilities" in the accompanying consolidated balance sheets.

(Additional Information)

(Fiscal 2008)

In order to pay the directors' and statutory auditors' retirement benefits, the Company had provided for the amount of required payments based on the Company's internal rules. However, at the annual general meeting held in June 2007, the shareholders resolved to abolish this retirement benefits system, subject to a "grandfather" provision under which those incumbent directors and statutory auditors who were reappointed at the meeting shall be eligible for such retirement benefits when they retire based on their services through the date of that shareholders' meeting. As of March 31, 2008, ¥271 million of the estimated benefits for the payment is included in "Other long-tem liabilities".

[11] Translation of Foreign Currency-Denominated Accounts

Under the Japanese accounting standards for foreign currency translation, monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at each balance sheet date with the resulting gain or loss included currently in the statement of income.

The assets and liabilities of foreign subsidiaries and affiliated companies are translated into Japanese yen at the exchange rates in effect at the balance sheet dates of the foreign subsidiaries and affiliated companies, except for common stock and capital surplus, which are translated at historical rates. Revenue and expense accounts are translated at the average exchange rates during the respective years. The resulting foreign currency translation adjustments are included in "Foreign currency translation adjustments" and "Minority interest" in the net assets section of the accompanying consolidated balance sheets.

[12] Revenue Recognition

Revenue from sales of finished products is generally recognized when the products are shipped to dealers or customers. Revenue from operating leases is recognized on a straight-line basis over the lease term. In addition, revenue from Aerospace division production contracts with a production term exceeding one year and of an amount exceeding ¥5,000 million is recognized by the percentage-of-completion method.

[13] Accounting for Lease Transactions

The Company recognizes revenue for financial lease transactions on the effective date of the lease contract.

(Change in accounting policy)

(Fiscal 2009)

Up to and including fiscal 2008, the Company and its domestic consolidated subsidiaries applied the accounting treatment for operating lease transactions to finance lease transactions in which the ownership was not transferred to the lessee.

In fiscal 2009, the Company and its domestic consolidated subsidiaries adopted "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13), and "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16).

However, those finance lease transactions in which the ownership had not been transferred to the lessee and that occurred before the application of the revised "Accounting Standard for Lease Transactions" were treated as regular rental transactions.

This change resulted in a decrease in operating loss, ordinary loss and loss before income taxes and minority interests of ¥2,513 million (US$25,575 thousand).

The impact of this change on segment information is explained in the relevant portion of these documents.

For the reasons above, this change resulted in an increase in “lease investment assets” of “Current assets” of ¥27,074 million (US$275,534 thousand) and a decrease in “lease assets, net” of “Property, plant and equipment” of ¥27,074 million (US$275,534 thousand), on the consolidated balance sheets.

The Company applies the disclosure model that the Japan Leasing Association created for leasing companies, and cash flow from finance lease transactions of captive finance companies and sales on credit were reclassified from “Net cash provided by (used in) investing activities” to “Net cash provided by (used in) operating activities.”

Net cash provided by (used in) operating activities

	Millions of yen	Thousands of U.S. dollars
Decrease (increase) in lease investment assets	(¥1,539)	($15,663)
Decrease (increase) in operating loans receivable	9,127	92,886
Decrease (increase) in leased assets	(417)	(4,244)
Total	¥7,171	$72,979

[14] Derivative Financial Instruments and Hedge Accounting

The Japanese accounting standards for financial instruments require that the Company and its consolidated domestic subsidiaries state derivative financial instruments at their fair value and recognize changes in the fair value as a gain or loss, unless such derivative financial instruments are used for hedging purposes.

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

Derivative financial instruments qualifying as a hedge, along with the underlying transactions, assets and liabilities are as follows:

Financial Instrument	Transactions, assets and liabilities
Interest swaps	Borrowings

The risk exposures to movements in interest rates are hedged according to the Company’s and consolidated subsidiaries’ risk management policy. An evaluation of hedge effectiveness is not considered necessary as the terms and notional amounts of these hedging instruments are the same as those of the underlying transactions, assets and liabilities, and therefore they are presumed to be highly effective in offsetting the effect of movements in interest rates at their inception as well as during their terms.

[15] Goodwill and Negative Goodwill

Goodwill and negative goodwill are principally amortized by the straight-line method of five years in accordance with accounting principles generally accepted in the countries where such goodwill is recorded.

[16] Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments—generally with original maturities of three months or less—that are readily convertible to known amounts of cash and have negligible risk of changes in value due to their short maturities.

17] Income Taxes

The provision for income taxes is computed based on the pretax income for financial reporting purposes. Deferred tax assets and liabilities are recognized for expected future tax consequences of temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities. A valuation allowance is recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

[18] Research and Development Expenses

Research and development costs are expensed as incurred and amounted to ¥42,831 million (US$435,895 thousand) and ¥52,020 million for fiscal years 2009 and 2008, respectively.

[19] Net Income per Share

Basic net income per share (EPS) is computed based on the average number of shares of common stock outstanding during each year. Diluted EPS assumes the potential dilution that could occur if all the convertible securities were converted or other contracts to issue common stock were exercised to the extent that they are not anti-dilutive.

[20] Reclassification and Restatement

Financial statements in fiscal 2008 have been reclassified to conform to the current year presentation. These reclassifications had no impact on previously reported results of operations or retained earnings.

[21] Other Changes in Accounting Policy

(Fiscal 2009)

Change in Recognition of Sales or Interest Revenue on Credit

In fiscal 2009, the Company's financial subsidiary changed the recognition of sales or interest revenue on credit from the equal installment method to the seven-eight allocation method. The reason for this change was to make it possible for the Company to closely manage the interest revenue by improving its credit system and reflecting the results more accurately.

The impact of this change on net sales, operating loss and ordinary loss in the year ended March 31, 2009 was immaterial, whereas the impact on loss before income taxes and minority interest was a ¥1,043 million (US$10,615 thousand) decrease.

Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

In fiscal 2009, the Company adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial statements" (the Practical Issues Task Force No.18) and made necessary adjustments to the consolidated accounts.

The impact of this change on profit and loss was immaterial.

The impact of this change on shareholders' equity is described in "Consolidated statement of changes in net assets."

3. Additional Cash Flow Information

Cash and cash equivalents as of March 31, 2009, and 2008, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Cash and deposits	**¥78,151**	¥67,053	**$795,349**
Short-term investment securities	**11,439**	32,775	**116,416**
Short-term loans receivable	**59,434**	78,329	**604,865**
	149,024	178,157	**1,516,630**
Less maturity over three months	**(52,509)**	(63,508)	**(534,389)**
Cash and cash equivalents	**¥96,515**	¥114,649	**$982,241**

4. Short-Term Investment Securities and Investment Securities

Information on the value of short-term investment securities and investment securities as of March 31, 2009 and 2008 was as follows:

(1) Other securities (available-for-sale securities) for which fair market value was available:

(a) As of March 31, 2009:

			Millions of yen
	Acquisition cost	Book value	Difference
Book value exceeding acquisition cost:			
Equity securities	**¥15,077**	**¥20,579**	**¥5,502**
Debt securities			
Government and municipal bonds	**7,510**	**7,717**	**207**
Corporate bonds	**4,055**	**4,162**	**107**
Other	**1,567**	**1,592**	**25**
Sub-total	**28,209**	**34,050**	**5,841**
Book value not exceeding acquisition cost:			
Equity securities	**4,937**	**4,190**	**(747)**
Debt securities			
Government and municipal bonds	**521**	**465**	**(56)**
Corporate bonds	**2,398**	**2,196**	**(202)**
Other	**841**	**781**	**(60)**
Sub-total	**8,697**	**7,632**	**(1,065)**
Total	**¥36,906**	**¥41,682**	**¥4,776**

	Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference
Book value exceeding acquisition cost:			
Equity securities	**$153,440**	**$209,434**	**$55,994**
Debt securities			
Government and municipal bonds	**76,430**	**78,537**	**2,107**
Corporate bonds	**41,268**	**42,357**	**1,089**
Other	**15,947**	**16,202**	**255**
Sub-total	**287,085**	**346,530**	**59,445**
Book value not exceeding acquisition cost:			
Equity securities	**50,244**	**42,642**	**(7,602)**
Debt securities			
Government and municipal bonds	**5,302**	**4,732**	**(570)**
Corporate bonds	**24,405**	**22,349**	**(2,056)**
Other	**8,559**	**7,948**	**(611)**
Sub-total	**88,510**	**77,671**	**(10,839)**
Total	**$375,595**	**$424,201**	**$48,606**

(b) As of March 31, 2008:

	Millions of yen		
	Acquisition cost	Book value	Difference
Book value exceeding acquisition cost:			
Equity securities	¥20,552	¥43,269	¥22,717
Debt securities			
Government and municipal bonds	10,111	10,362	251
Corporate bonds	3,044	3,083	39
Other	36	131	95
Sub-total	33,743	56,845	23,102
Book value not exceeding acquisition cost:			
Equity securities	425	333	(92)
Debt securities			
Corporate bonds	565	565	(0)
Other	1,446	1,445	(1)
Sub-total	2,436	2,343	(93)
Total	¥36,179	¥59,188	¥23,009

(2) Other securities (available-for-sale securities) sold during fiscal years 2009 and 2008:

(a) For the year ended March 31, 2009:

Sales amount	Total gains	Total losses
¥32,312 million	¥673 million	¥468 million
US$328,842 thousand	US$6,849 thousand	US$4,763 thousand

The above sales amount included sales of short-term investments in commercial paper and other amounting to ¥15,138 million (US$154,061 thousand).

For the year ended March 31, 2008:

Sales amount	Total gains	Total losses
¥681,548 million	¥1,889 million	¥260 million

The above sales amount included sales of short-term investments in commercial paper and other amounting to ¥659,617 million.

(3) Book value of major securities without available fair market value as of March 31, 2009 and 2008:

Other securities (available-for-sale securities)		Millions of yen	Thousands of U.S. dollars
	2009	2008	**2009**
Money management fund	**¥10,953**	¥24,629	**$111,470**
Floating rate note	**-**	5,077	**-**
Unlisted stocks (excluding over-the-counter stocks)	**4,596**	1,832	**46,774**

Note: The Company and consolidated subsidiaries recognized ¥1,072 million (US$10,910 thousand) and ¥18 million in loss on devaluation of securities for fiscal years 2009 and 2008, respectively.
For the purpose of recording a loss on devaluation of securities, the Company and its consolidated subsidiaries consider all the securities whose fair market value has fallen below 50% of the acquisition cost to be permanently impaired, and record the relevant loss on devaluation. For securities whose fair market value has declined by between 30% and 50% in relation to their acquisition costs, the Company and its consolidated subsidiaries specifically consider the probability of recovery of the fair value and record a loss on devaluation to the amount deemed permanently impaired.

(4) Scheduled redemption of other securities (available-for-sale securities) with maturity and held-to-maturity debt securities as of March 31, 2009 and 2008:

(a) As of March 31, 2009:

	Millions of yen				Thousands of U.S. dollars			
	Within 1 Year	1 to 5 Years	5 to 10 Years	Over 10 years	Within 1 Year	1 to 5 Years	5 to 10 Years	Over 10 years
Debt securities								
Government and municipal bonds	**¥19**	**¥4,913**	**¥1,455**	**¥1,795**	**$193**	**$50,000**	**$14,808**	**$18,268**
Corporate bonds	**349**	**4,609**	**1,216**	**184**	**3,552**	**46,906**	**12,375**	**1,873**
Other	**118**	**437**	**75**	**1,742**	**1,201**	**4,448**	**763**	**17,728**
Total	**¥486**	**¥9,959**	**¥2,746**	**¥3,721**	**$4,946**	**$101,354**	**$27,946**	**$37,869**

(b) As of March 31, 2008:

	Millions of yen			
	Within 1 Year	1 to 5 Years	5 to 10 Years	Over 10 Years
Debt securities				
Government and municipal bonds	¥2,479	¥4,505	¥1,531	¥1,846
Corporate bonds	565	2,520	433	130
Other	23	715	26	682
Total	¥3,067	¥7,740	¥1,990	¥2,658

5. Property, Plant and Equipment

Property, plant and equipment as of March 31, 2009 and 2008, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Buildings and structures	**¥304,620**	¥302,268	**$3,100,142**
Machinery, equipment and vehicles	**456,832**	460,450	**4,649,216**
Leased assets	**31,954**	85,263	**325,198**
Other	**231,313**	237,572	**2,354,092**
Subtotal	**1,024,719**	1,085,553	**10,428,648**
Accumulated depreciation	**(739,586)**	(752,311)	**(7,526,828)**
Accumulated impairment loss	**(16,153)**	(16,041)	**(164,390)**
Land	**186,792**	184,346	**1,900,998**
Construction in progress	**12,287**	10,161	**125,046**
Total	**¥468,059**	¥511,708	**$4,763,474**

6. Short-Term Borrowings and Long-Term Debts

Short-term borrowings as of March 31, 2009 and 2008, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Bank loans with average interest rate of 0.81% and 1.06% per annum as of March 31, 2009 and 2008, respectively	**¥225,149**	¥144,625	**$2,291,360**
Commercial paper with average interest rate of 1.50% and 0.90% per annum as of March 31, 2009 and 2008, respectively	**24,000**	6,000	**244,250**
Total	**¥249,149**	¥150,625	**$2,535,610**

Long-term debts as of March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Loans principally from banks and insurance companies due through 2025 with average interest rate of 2.35% and 2.16% per annum as of March 31, 2009 and 2008, respectively	**¥72,539**	¥63,922	**$738,234**
Unsecured 1.22% bonds due September 30, 2008	**-**	30,000	**-**
Unsecured 0.68% bonds due June 18, 2010	**20,000**	20,000	**203,542**
Unsecured 1.31% bonds due April 28, 2011	**20,000**	20,000	**203,542**
Unsecured 2.01% bonds due May 31, 2012	**20,000**	20,000	**203,542**
Subtotal	**132,539**	153,922	**1,348,860**
Less—Portion due within one year	**(21,956)**	(51,261)	**(223,448)**
Total	**¥110,583**	¥102,661	**$1,125,412**

Annual maturities of long-term loans payable and bonds payable as of March 31, 2009 were as follows:

	Millions of yen	Thousands of U.S. dollars
2010	¥21,956	$223,448
2011	26,972	274,496
2012	33,489	340,820
2013	34,215	348,209
2014	11,994	122,064
2015 and thereafter	3,913	39,823
Total	¥132,539	$1,348,860

Lease obligations as of March 31, 2009 and 2008, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Lease obligations due within one year as of March 31, 2009	**¥87**	-	**$885**
Lease obligations due after one year as of March 31, 2009	**288**	-	**2,931**
Total	**375**	-	**3,816**

Annual maturities of lease obligations as of March 31, 2009 were as follows:

	Millions of yen	Thousands of U.S. dollars
2010	¥87	885
2011	80	814
2012	79	804
2013	52	529
2014	16	163
2015 and thereafter	61	621
Total	¥375	$3,816

The following assets as of March 31, 2009 and 2008, were pledged as collateral for certain loans:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Notes and accounts receivable-trade	**¥79**	¥78	**$804**
Property, plant and equipment	**51,277**	54,057	**521,850**
Total	**¥51,356**	¥54,135	**$522,654**

The unused balance of commitments for borrowings by the Company and consolidated subsidiaries (Subaru of America, Inc. and Subaru Europe N.V./S.A.) as of March 31, 2009 and 2008, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Total commitments	**¥68,739**	¥84,691	**$699,562**
Less amounts currently borrowed	**-**	-	**-**
Unused balance	**¥68,739**	¥84,691	**$699,562**

7. Unexecuted Balance of Overdraft Facilities and Lending Commitments

The unexecuted balance of overdraft facilities and lending commitments at a consolidated subsidiary (Subaru Finance Co., Ltd.) as of March 31, 2009 and 2008, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Total overdraft facilities and lending commitments	**¥6,020**	¥8,340	**$61,266**
Less amounts currently executed	**1,166**	1,859	**11,866**
Unexecuted balance	**¥4,854**	¥ 6,481	**$49,400**

A portion of the overdraft facilities and lending commitments above is subject to credit considerations as documented in the customer contracts. Therefore, the total balance above is not always available.

8. Pension and Severance Plans

The Company and consolidated domestic subsidiaries have lump-sum retirement payment plans, qualified retirement pension plans, contributory defined benefit employees' welfare pension funds, defined benefit pension plan, and certain domestic subsidiaries have defined contribution pension plans. In addition, in certain occasions, additional retirement payments are made to employees for their retirement. Consolidated foreign subsidiaries primarily have defined contribution plans.

In fiscal 2009, the Company transferred 80% of prescribed retirement benefits from qualified retirement pension plans to defined benefits pension plans and transferred 20% of prescribed retirement benefits from qualified retirement pension plans to defined contribution plans. Some of the Company's consolidated domestic subsidiaries transferred from qualified retirement pension plans to lump-sum retirement payment plans. Due to these changes, the Company adopted Corporate Accounting Implementation Guidelines No. 1, “Accounting for Transfers Between Retirement Benefit Plans” (ASBJ, issued on January 31, 2002), the Company and those consolidated domestic subsidiaries recognizing "Gain on revision of retirement benefit plan" of ¥653 million (US$6,646 thousand) and ¥192 million (US$1,954 thousand) (total ¥845 million [US$8,600 thousand]), respectively.

As of March 31, 2009, the Company and 47 of its consolidated domestic subsidiaries, which add up to a total of 48 companies, have lump-sum retirement payment plans. Within the group, there are also 17 qualified retirement pension plans, five defined contribution plans, and four defined benefits pension plans. In addition, there are 13 single-employer employees' welfare pension funds subject to the provisions of Article 33 of “Practice Guidelines of Accounting for Retirement Benefits.”

Certain insignificant consolidated subsidiaries calculated their pension liability using the simplified method. Under the simplified method, an accrued pension and severance liability is provided at the amount that would have been payable had all the employees voluntarily retired at the end of the fiscal year, less an amount to be covered from the plan assets, while the Company and significant subsidiaries provide an accrued pension and severance liability based on the estimated amount of pension and severance obligation (projected benefit obligations), less the fair value of plan assets at the end of the fiscal year under the actuarial method.
Certain information concerning the multi-employer pension plan, which requires contributions that are expensed as they become due as pension and severance costs, is as follows:

(1) Overall funded status of the multi-employer pension plan (mainly as of March 31, 2008)

	Millions of yen	Thousands of U.S. dollars
	2009	**2009**
Plan assets	**¥201,278**	**$2,048,423**
Projected benefit obligation	**251,572**	**2,560,269**
Funded status	**(¥50,294)**	**($511,846)**

(2) Contributions by the Company and consolidated domestic subsidiaries as a percentage of total contributions to the multi-employer pension plan (mainly from April 1, 2007 to March 31, 2008): 9%

(Additional information)

(Fiscal 2008)

Multi-employer pension plan

Effective in fiscal 2008, the Company and its consolidated domestic subsidiaries adopted the provision of the partial revisions (Part 2) to “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 14, issued May 19, 2007)”.

A reconciliation between the projected pension and severance obligation and accrued pension and severance liability as of March 31, 2009 and 2008, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
a. Projected pension and severance obligation	**¥103,456**	¥114,783	**$1,052,880**
b. Plan assets	**(42,201)**	(61,134)	**(429,483)**
c. Unfunded pension and severance obligations	**61,255**	53,649	**623,397**
d. Unamortized actuarial loss	**(23,821)**	(13,199)	**(242,428)**
e. Unamortized prior service cost	**(492)**	476	**(5,007)**
f. Net amount recorded in balance sheet	**36,942**	40,926	**375,962**
g. Prepaid pension cost	**(55)**	(67)	**(559)**
h. Accrued pension and severance liability	**¥36,997**	¥40,993	**$376,521**

Notes: 1. The above amounts include the substitutional portion of the government pension plan funded by social security taxes paid by employees and employers.

2. Certain insignificant consolidated subsidiaries calculated the liability using the simplified method.

Periodic pension and severance costs for the fiscal years 2009, and 2008, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
a. Service cost	**¥7,677**	¥8,715	**$78,130**
b. Interest cost	**1,929**	2,117	**19,632**
c. Expected return on plan assets	**(2,228)**	(2,863)	**(22,675)**
d. Amortization of actuarial gain/loss	**948**	526	**9,648**
e. Amortization of prior service cost	**35**	(11)	**356**
f. Pension and severance cost	**8,361**	8,484	**85,091**
g. Gain on transfer of the substitutional portion of the employee’s pension fund	**(845)**	-	**(8,600)**
h. Total	**¥7,516**	¥8,484	**$76,491**

Notes:1. The above amounts do not include the social security taxes paid by employees.

2. The service cost of consolidated subsidiaries using the simplified method is included in the service cost above.

3. The service cost above includes required funding for the multi-employer pension plan amounting to ¥742 million (US$7,551 thousand) and ¥797 million for fiscal years 2009 and 2008, respectively, for which plan assets could not be allocated to each participating employer.

4. The service cost above includes contributions for the defined contribution plans of the Company and certain consolidated subsidiaries amounting to ¥2,415 million (US$24,578 thousand) and ¥1,751

million for fiscal years 2009 and 2008, respectively.

5. In addition to the pension and severance cost above, additional retirement payments amounting to ¥216 million (US$2,198 thousand) and ¥258 million were made for fiscal years 2009 and 2008, respectively. For fiscal years 2009 and 2008, the entire ¥216 million (US$2,198 thousand) of additional retirement payments and ¥258 million of additional retirement payments is included in cost of sales and selling, general and administrative expenses, respectively.

Actuarial assumptions used in computation of pension and severance liability were as follows:

a. Attribution of expected benefit obligation	The straight-line method
b. Discount rate	2.0%–2.5%
c. Expected rate of return on plan assets	0.8%–4.5%
d. Amortization of actuarial gain/loss	Primarily 18 years (amortized by the straight-line method starting from the following fiscal year, over a period shorter than the average remaining service periods of the eligible employees)
e. Amortization of prior service cost	11 to 18 years (fiscal 2009) 12 to 18 years (fiscal 2008)

9. Income Taxes

The Company and its consolidated subsidiaries were subject to a number of taxes based on income, which in the aggregate resulted in a normal statutory income tax rate of approximately 40.5% for fiscal years 2009 and 2008.

For fiscal 2009, such reconciliation is not presented herein because the consolidated financial results recorded a net loss.

For fiscal 2008, such reconciliation is not presented herein because the difference between the statutory income tax rate and the effective income tax rate was less than 5%.

Significant components of the deferred tax assets and liabilities as of March 31, 2009 and 2008, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Deferred tax assets:			
Accrued pension and severance liabilities	**¥14,710**	¥16,373	**$149,705**
Accrued expenses	**8,667**	7,299	**88,205**
Loss on devaluation of inventories	**8,552**	6,374	**87,034**
Depreciation and amortization expenses	**7,545**	7,347	**76,786**
Accrued warranty claims	**6,566**	7,305	**66,823**
Accrued bonus	**5,782**	6,325	**58,844**
Long-term accounts payable, other	**3,865**	4,228	**39,334**
Allowance for doubtful accounts	**2,774**	3,224	**28,231**
Net operating loss carryforwards	**49,036**	16,276	**499,043**
Other	**13,385**	18,795	**136,221**
Total deferred tax assets	**120,882**	93,546	**1,230,226**
Valuation allowance	**(87,638)**	(18,412)	**(891,899)**
Total deferred tax assets, net of valuation allowance	**33,244**	75,134	**338,327**
Deferred tax liabilities:			
Depreciation and amortization expenses	**(4,310)**	(6,648)	**(43,863)**
Net unrealized holding gains on investment securities	**(2,105)**	(9,045)	**(21,423)**
Advanced depreciation reserve	**(510)**	(510)	**(5,190)**
Other	**(7,147)**	(5,621)	**(72,736)**
Total deferred tax liabilities	**(14,072)**	(21,824)	**(143,212)**
Net deferred tax assets	**¥19,172**	¥53,310	**$195,115**

The net deferred tax assets are included in the following line items in the accompanying consolidated balance sheets.

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Current assets—Deferred tax assets	**¥15,918**	¥26,486	**$161,999**
Investments and other assets—Deferred tax assets	**10,702**	27,256	**108,915**
Long-term liabilities—Deferred tax liabilities	**(7,448)**	(432)	**(75,799)**
Total net deferred tax assets	**¥19,172**	¥53,310	**$195,115**

(Fiscal 2009)

Income taxes-deferred

A reversal of deferred tax assets of ¥39,408 million (US$401,058 thousand) was made, as a result of careful evaluation of realizability.

10. Net Assets

The Japanese Corporate Law (the “Law”) became effective on May 1, 2006, replacing the Japanese Commercial Code (the “Code”). The Law is generally applicable to events and transactions occurring after April 30, 2006, and for fiscal years ending after that date.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of its Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Code, companies were required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock.

Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders’ meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders’ meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock, they were available for distribution by resolution of the shareholders’ meeting. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The Company transferred treasury stock to Toyota Motor Corporation on July 14, 2008.
(Number of shares: 61 million shares; sales value: ¥31,110 million)

As a result, there was a ¥38,424 million decrease in the treasury stock, and the loss on the sale of treasury stocks were divided into a ¥25 million decrease in capital surplus and ¥7,289 million decrease in retained earnings.

11. Selling, General and Administrative Expenses

Selling, general and administrative expenses for fiscal years 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Freightage and packing expenses	**¥17,489**	¥18,645	**$177,987**
Advertising expenses	**45,765**	51,907	**465,754**
Sales incentives	**42,658**	47,577	**434,134**
Salaries and bonuses	**46,798**	47,409	**476,267**
Research and development expenses	**42,416**	51,055	**431,671**
Other	**91,903**	92,411	**935,304**
Total	**287,029**	¥309,004	**$2,921,117**

12. Impairment Loss on Property, Plant and Equipment

In the fiscal year ended March 31, 2009, the Company recorded an impairment loss with regard to the following asset groups:

Use	Location	Category
Assets for dealership business	Nagano Prefecture and Shimane Prefecture	Buildings, land and other
Idle assets	Hokkaido Prefecture and three other locations	Buildings and structures, and land

The assets on which impairment loss was recognized are grouped as follows: The assets for dealership business are grouped by each dealership, and the idle assets are grouped on a property-by-property basis.

At the Company and its subsidiaries, certain assets were written down to their recoverable amounts due to a recent decline in the real estate market and their decreased profitability.

As a result, the Company and its consolidated subsidiaries recognized a total of ¥1,045 million ($10,635 thousand) in impairment loss.

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

	Millions of yen	Thousands of U.S. dollars
	2009	**2009**
Buildings and structures	**¥288**	**$2,931**
Land	**706**	**7,185**
Other	**51**	**519**
Total	**¥1,045**	**$10,635**

A recoverable amount is the higher of net realizable value or value in use. A net realizable value is determined based on the government-published land valuation index prices or values used for real estate tax purposes, less cost of disposal. A value in use is calculated based on projected future cash flows discounted principally at 6.3%.

In the fiscal year ended March 31, 2008, the Company recorded an impairment loss with regard to the following asset groups:

Use	Location	Category
Production facility	Gunma Prefecture	Buildings, machinery and other
Assets for dealership business	Yamagata Prefecture and two other locations	Buildings and structures, machinery, land and other
Idle assets	Hokkaido Prefecture and three other locations	Machinery, land and other

The assets on which impairment was recognized are grouped as follows: Production facilities are grouped by product line, the assets for dealership business are grouped by each company and the idle assets are grouped on a property-by-property basis.

In light of an agreement entered into by the Company and Daihatsu Motor Co., Ltd. (Daihatsu) under which Daihatsu will provide sub-compact vehicles to the Company on an original equipment manufacturer (OEM) basis, the Company has revised certain assets groupings within its Automobiles segment. Accordingly, the Company wrote down the carrying amounts of its sub-compact vehicle manufacturing equipment to a recoverable amount. In addition, a certain idle manufacturing facility was classified as held for sale and its carrying amount reduced to a recoverable amount.

At the subsidiaries, certain assets were written down to their recoverable amounts due to a recent decline in the real estate market and their decreased profitability.

As a result, the Company and consolidated subsidiaries recognized a total of ¥13,174 million in impairment loss.

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

	Millions of yen
	2008
Buildings and structures	¥3,092
Machinery and equipment	8,619
Land	789
Other	674
Total	¥13,174

13. Gain on Prior-Period Adjustment

(Fiscal 2008)

Prior-period adjustment recorded in the fiscal year 2008 represented a gain on reversal of certain expenses due to a 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.

14. Loss on Valuation of Investment Securities

On November 25, 2008, Eclipse Aviation Corporation (“Eclipse”), a trading partner of FHI, filed an application under Chapter 11 of the United States Bankruptcy Code. However, Eclipse’s creditors submitted a motion for an order converting the Chapter 11 Bankruptcy cases to cases under Chapter 7 on February 24, 2009, and this was granted with the selection of a trustee on March 5, 2009. Therefore, the Company recorded an extraordinary loss (as detailed below) because the Company would incur uncollectible receivables or the delayed collection of receivables and damage to assets that the Company holds for or in Eclipse.

	Millions of yen	Thousands of U.S. dollars
	2009	**2009**
Loss on valuation of investment securities	**¥521**	**$5,302**
Provision of allowance for doubtful accounts	**¥2,640**	**$26,867**
Other (Loss on valuation of inventories)	**¥5,737**	**$58,386**

15.Other Extraordinary Income (Loss)

¥1,001 million (US$10,187 thousand) among “Other, net," representing the impact of the “Change in recognition of sales or interest revenue on credit” from the equal installment method to the seven-eight allocation method.

¥3,030 million (US$30,837 thousand) among “Other, net," representing the impact of loss on the withdrawal from the FIA World Rally Championship (WRC).

16. Business Combinations

(Fiscal 2009)

The Company has integrated certain Subaru dealer subsidiaries to enhance their sales forces and improve their profitability.

These integrated companies are consolidated subsidiaries included in the Automobiles segment, and the integration has been accounted for as a reorganization of entities under common control.

October 1, 2008, merger by surviving companies

Area	Integrated companies	New company
Nagano Prefecture	Shin Nagano Subaru, Inc. ※ Matsumoto Subaru Motors Co.	Subaru Shinsyu, Inc.

※ Surviving company

17. Stock Option Plans

(Fiscal 2008)

1. Descriptions, volume, and movement of stock options

(1) Descriptions of stock option plans

	Fiscal 2002 Stock option plan	Fiscal 2004 Stock option plan
Position and number of grantees	Directors, Executive Officers, Corporate Auditors and employees: 303	Directors, Executive Officers, Corporate Auditors and employees: 320
Class and number of stock (shares)	Common Stock 1,029,000	Common Stock 1,917,000
Date of grant	September 9, 2002	September 6, 2004
Vesting conditions	Directors, Executive Officers, Corporate Auditors and employees who are enrolled at the date the subscription rights are granted. Should an employee under 50 years of age retire by voluntary termination, the employee’s right to exercise his/her claim will expire.	Directors, Executive Officers, Corporate Auditors and employees who are enrolled at the date the subscription rights are granted. Should an employee under 50 years of age retire by voluntary termination, the employee’s right to exercise his/her claim will expire.
Required service period	From September 9, 2002, to July 31, 2004	From September 6, 2004, to July 31, 2006
Exercise period	From August 1, 2004, to July 31, 2009	From August 1, 2006, to July 31, 2011

Note: The number of stock options is converted to the equivalent number of common stock.

(2) Volume and movement of stock options

The stock options outstanding in the fiscal year 2008 are summarized as follows:

[1] The number of stock options (shown as the equivalent number of common stock)

	Fiscal 2002 Stock option plan	Fiscal 2004 Stock option plan
Nonexercisable stock options (shares):		
At the end of the fiscal year 2007	-	-
Stock options granted	-	-
Forfeitures	-	-
Conversion to exercisable stock options	-	-
Stock options outstanding	-	-
Exercisable stock options (shares):		
At the end of the fiscal year 2007	842,000	1,870,000
Conversion from nonexercisable stock options	-	-
Stock options exercised	29,000	7,000
Forfeitures	-	-
Stock options outstanding	813,000	1,863,000

[2] Price information of stock options

	Fiscal 2002 Stock option	Fiscal 2004 Stock option
Exercise price (Yen)	¥498,000	¥594,000
Average market price of the stock at the time of exercise (Yen)	585	579
Fair value (date of grant) (Yen)	-	-

(Fiscal 2009)

1. Descriptions, volume, and movement of stock options

(1) Descriptions of stock option plans

	Fiscal 2002 Stock option plan	Fiscal 2004 Stock option plan
Position and number of grantee	Directors, Executive Officers, Corporate Auditors and employees: 303	Directors, Executive Officers, Corporate Auditors and employees: 320
Class and number of stock (shares)	Common Stock 1,029,000	Common Stock 1,917,000
Date of grant	September 9, 2002	September 6, 2004
Vesting conditions	Directors, Executive Officers, Corporate Auditors and employees who are enrolled at the date the subscription rights are granted. Should an employee under 50 years of age retire by voluntary termination, the employee's right to exercise his/her claim will expire.	Directors, Executive Officers, Corporate Auditors and employees who are enrolled at the date the subscription rights are granted. Should an employee under 50 years of age retire by voluntary termination, the employee's right to exercise his/her claim will expire.
Required service period	From September 9, 2002, to July 31, 2004	From September 6, 2004, to July 31, 2006
Exercise period	From August 1, 2004, to July 31, 2009	From August 1, 2006, to July 31, 2011

Note: The number of stock options is converted to the equivalent number of common stock.

(2) Volume and movement of stock options

The stock options outstanding in fiscal 2009 are summarized as follows:

[1] The number of stock options (shown as the equivalent number of common stock)

	Fiscal 2002 Stock option plan	Fiscal 2004 Stock option plan
Nonexercisable stock options (shares):		
At the end of the fiscal year 2008	-	-
Stock options granted	-	-
Forfeitures	-	-
Conversion to exercisable stock options	-	-
Stock options outstanding	-	-
Exercisable stock options (shares):		
At the end of the fiscal year 2008	813,000	1,863,000
Conversion from nonexercisable stock options	-	-
Stock options exercised	79,000	-
Forfeitures	-	-
Stock options outstanding	734,000	1,863,000

[2] Price information of stock options

	Fiscal 2002 Stock option	Fiscal 2004 Stock option
Exercise price (Yen)	¥498,000	¥594,000
Average market price of the stock at the time of exercise (Yen)	569	-
Fair value (date of grant) (Yen)	-	-

18. Finance Leases

As allowed under the Japanese accounting standards, the Company and its consolidated subsidiaries in Japan account for finance leases.

Information as Lessee

(1) Transfer of title through finance lease transaction

[1] Leased assets

Mainly implements of production in the automotive business

[2] Depreciation method for leased assets

Leased assets are depreciated by the same method as used for other property, plant and equipment.

(2) Finance leases which do not transfer ownership title

[1] Leased assets

Mainly network equipment and terminal units (Other tangible assets) in the automotive business

[2] Depreciation method for leased assets

Leased assets are depreciated by the straight-line method over the leased period and the residual value is zero.

(3) Those finance lease transactions that had not had their ownership transferred on or before March 31, 2008, are recorded based on the same method as used for regular rental transactions.

[1] Pro forma information of such leases as of March 31, 2009 and 2008, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Machinery, equipment and vehicles	**¥729**	¥703	**$7,419**
Other tangible assets	**2,078**	2,662	**21,148**
Intangible assets	**146**	164	**1,486**
	2,953	3,529	**30,053**
Accumulated depreciation/amortization	**(1,740)**	(1,870)	**(17,708)**
Net	**¥1,213**	¥1,659	**$12,345**

[2] The future minimum lease/rent payments, excluding the portion of interest thereon, as of March 31, 2009 and 2008, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Finance leases:			
Due within one year	**¥513**	¥623	**$5,221**
Due after one year	**797**	1,120	**8,111**
Total	**¥1,310**	¥1,743	**$13,332**

[3] Pro forma information related to finance leases for fiscal years 2009 and 2008 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Lease payment	**¥711**	¥679	**$7,236**
Depreciation and amortization expenses	**645**	633	**6,564**
Interest expense portion	**37**	44	**377**

Information as Lessor

(1) The details of lease investment assets as of March 31, 2009 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2009	**2009**
Obligation of lease fee receivable	**¥32,957**	**$335,406**
Estimated residual value	**327**	**3,328**
Interest expense portion	**(6,210)**	**(63,200)**
Lease investment assets	**¥27,074**	**$275,534**

(2) Lease revenue related to lease investment assets

Amounts of collections on lease receivable after the fiscal year ended March 31,2009, were as follows;

	Millions of yen	Thousands of U.S. dollars
	2009	**2009**
Within 1 year	**¥12,491**	**$127,122**
1 to 2 years	**8,045**	**81,875**
2 to 3 years	**6,215**	**63,251**
3 to 4 years	**4,712**	**47,954**
4 to 5 years	**1,269**	**12,915**
Over 5 years	**225**	**$2,289**

(Fiscal 2008)

Leased assets obtained by finance leases which do not transfer ownership title

[1] The carrying amounts of leased assets under finance leases as of March 31, 2008, were as follows:

	Millions of yen
	2008
Machinery, equipment and vehicles	¥22,574
Other tangible assets	4,612
Intangible assets	1,682
	28,868
Accumulated depreciation and amortization	(15,972)
Net	¥12,896

[2] The future minimum lease/rent payments receivable, excluding the portion of interest thereon, as of March 31, 2008, were as follows:

	Millions of yen
	2008
Finance leases:	
Due within one year	¥5,709
Due after one year	8,714
Total	¥14,423

[3] Information related to finance leases for fiscal 2008 was as follows:

	Millions of yen
	2008
Lease receivable	¥7,727
Depreciation and amortization expenses	5,773
Interest income portion	779

19. Operating Lease

Information as Lessee

The future minimum lease/rent payments, excluding the portion of interest thereon, as of March 31, 2009 and 2008, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Operating leases:			
Due within one year	**¥1,001**	¥925	**$10,187**
Due after one year	**3,385**	3,263	**34,450**
Total	**¥4,386**	¥4,188	**$44,637**

Information as Lessor

The future minimum lease/rent payments receivable, excluding the portion of interest thereon, as of March 31, 2009 and 2008, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Operating leases:			
Due within one year	**¥2,229**	¥5,117	**$22,685**
Due after one year	**510**	4,523	**5,190**
Total	**¥2,739**	¥9,640	**$27,875**

20. Contingent Liabilities

Contingent liabilities as of March 31, 2009 and 2008, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
As guarantor of third-party indebtedness from financial institutions	**¥33,668**	¥41,705	**$342,642**

21. Derivative Financial Instruments

In the normal course of business, the Company and its consolidated subsidiaries employ derivative financial instruments, including foreign exchange forward contracts, foreign currency options and interest rate swaps, to manage their exposures to fluctuations in foreign currency exchange rates and interest rates. The Company and consolidated subsidiaries do not use derivatives for speculative or trading purposes.

The fair value information of derivative financial instruments as of March 31, 2009 and 2008, was as follows:

(1) Foreign currency contracts:

(a) As of March 31, 2009:

	Millions of yen			Thousands of U.S. dollars		
	Notional Amount	Fair value	Valuation gain (loss)	Notional Amount	Fair value	Valuation gain (loss)
Foreign exchange forward contracts:						
Sell—						
U.S. dollar	**¥33,928**	**¥35,379**	**(¥1,451)**	**$345,288**	**$360,055**	**($14,767)**
Euro	**4,923**	**5,138**	**(215)**	**50,102**	**52,290**	**(2,188)**
Canadian dollar	**2,300**	**2,338**	**(38)**	**23,407**	**23,794**	**(387)**
Buy—						
U.S. dollar	**59**	**59**	**0**	**600**	**600**	**0**

(b) As of March 31, 2008:

	Millions of yen		
	Notional Amount	Fair value	Valuation gain (loss)
Foreign exchange forward contracts:			
Sell—			
U.S. dollar	¥51,510	¥48,200	¥3,310
Euro	11,658	11,774	(116)
Canadian dollar	8,374	7,955	419
Buy—			
U.S. dollar	2,454	2,400	(54)
British pound	407	399	(8)
Foreign currency options contracts:			
Sell—			
Call U.S. dollar	11,088 [282]	303	(21)
Buy—			
Put U.S. dollar	11,088 [282]	326	44

Note: The amounts in brackets [ ] are the carrying amounts of the premium on the option contracts recorded as other current assets or liabilities.

(2) Interest rate contracts:

(a) As of March 31, 2009:

	Millions of yen			Thousands of U.S. dollars		
	Notional Amount	Fair value	Valuation gain (loss)	Notional Amount	Fair value	Valuation gain (loss)
Interest rate swap contracts:						
Receive floating rate pay fixed rate	**¥498**	**(¥12)**	**(¥12)**	**$5,068**	**($122)**	**($122)**

(b) As of March 31, 2008:

	Millions of yen		
	Notional Amount	Fair value	Valuation gain (loss)
Interest rate swap contracts:			
Receive floating rate pay fixed rate	¥5,424	(¥8)	(¥8)

The method to determine the fair value is based on quotations obtained from financial institutions.

Derivative financial instruments that qualify as a hedge and are accounted for using the deferred hedge accounting method are excluded from the above table according to the disclosure requirements.

22. Segment Information

Information by business segment

The Company and consolidated subsidiaries operate principally in four business segments: automobiles, industrial products, aerospace and other business fields (including eco-related equipment).

A summary of net sales, operating income, assets, depreciation and amortization expenses and capital expenditures by business segment for fiscal years 2009 and 2008, is shown below:

Net Sales:	2009	Millions of yen 2008	Thousands of U.S. dollars 2009
Automobiles—			
Outside customers	**¥1,316,305**	¥1,421,179	**$13,396,143**
Inter-segment	**2,641**	2,849	**26,878**
Sub-total	**1,318,946**	1,424,028	**13,423,021**
Industrial products—			
Outside customers	**34,912**	40,678	**355,302**
Inter-segment	**18**	13	**183**
Sub-total	**34,930**	40,691	**355,485**
Aerospace—			
Outside customers	**80,872**	99,673	**823,041**
Inter-segment	**1**	1	**10**
Sub-total	**80,873**	99,674	**823,051**
Other—			
Outside customers	**13,701**	10,816	**139,436**
Inter-segment	**12,420**	6,778	**126,400**
Sub-total	**26,121**	17,594	**265,836**
Total	**1,460,870**	1,581,987	**14,867,393**
Corporate and elimination	**(15,080)**	(9,641)	**(153,471)**
Consolidated total	**¥1,445,790**	¥1,572,346	**$14,713,922**

Operating Income or Loss:	2009	Millions of yen 2008	Thousands of U.S. dollars 2009
Operating income:			
Automobiles	**(¥9,201)**	¥37,141	**($93,639)**
Industrial products	**(1,643)**	659	**(16,721)**
Aerospace	**1,575**	4,442	**16,029**
Other	**3,118**	2,525	**31,732**
Total	**(6,151)**	44,767	**(62,599)**
Corporate and elimination	**348**	913	**3,542**
Consolidated total	**(¥5,803)**	¥45,680	**($59,057)**

Assets:	2009	Millions of yen 2008	Thousands of U.S. dollars 2009
Total assets:			
Automobiles	**¥910,250**	¥1,041,057	**$9,263,688**
Industrial products	**39,856**	45,528	**405,618**
Aerospace	**174,062**	172,410	**1,771,443**
Other	**70,089**	64,869	**713,301**
Total	**1,194,257**	1,323,864	**12,154,050**
Corporate and elimination	**(28,826)**	(27,476)	**(293,364)**
Consolidated total	**¥1,165,431**	¥1,296,388	**$11,860,686**

Other Significant Items:	Millions of yen 2009	 2008	Thousands of U.S. dollars 2009
Depreciation and amortization expenses:			
Automobiles	**¥66,395**	¥79,575	**$675,707**
Industrial products	**1,421**	1,527	**14,462**
Aerospace	**4,479**	4,250	**45,583**
Other	**1,741**	1,812	**17,718**
Total	**74,036**	87,164	**753,470**
Corporate and elimination	**-**	-	**-**
Consolidated total	**¥74,036**	¥87,164	**$753,470**
Impairment loss on property, plant and equipment:			
Automobiles	**¥1,045**	¥13,174	**$10,635**
Industrial products	**-**	-	**-**
Aerospace	**-**	-	**-**
Other	**-**	-	**-**
Total	**1,045**	13,174	**10,635**
Corporate and elimination	**-**	-	**-**
Consolidated total	**¥1,045**	¥13,174	**$10,635**
Capital expenditures for segment assets:			
Automobiles	**¥90,723**	¥114,245	**$923,295**
Industrial products	**1,187**	858	**12,080**
Aerospace	**1,787**	3,142	**18,186**
Other	**1,480**	624	**15,063**
Total	**95,177**	118,869	**968,624**
Corporate and elimination	**(24)**	-	**(244)**
Consolidated total	**¥95,153**	¥118,869	**$968,380**

Notes:1. Definition of business segments

Business segments are defined based on their product line and market.

2. Main products by each business segment

Business segments' main products:

Automobiles: Legacy, Impreza, Forester, Exiga,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. All figures in corporate and elimination represent elimination.
5. Changes in accounting policies:

(Fiscal 2008)

Depreciation method of fixed assets

The Company and its domestic consolidated subsidiaries changed their depreciation method in fiscal 2008, as mentioned in "2. Summary of Significant Accounting Policies." The effect of this change was to decrease operating income of "Automobiles" by ¥2,158 million. In addition, the change in the depreciation method for the residual book value during the fiscal year 2008 resulted in a decrease in operating income of "Automobiles" of ¥1,897 million. The effects of these changes on other business segments were insignificant.

(Fiscal 2009)

[1] Accounting Standard for Measurement of Inventories

As described in "2-[3] Inventories," in fiscal 2009 the Company and its domestic consolidated subsidiaries applied the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9).

This change resulted in an increase in operating loss of ¥3,061 million (US$31,152 thousand) in "Automobiles" and an increase in operating loss of ¥146 million (US$1,486 thousand) in "Industrial products."

The effects of those changes on other business segments were immaterial.

[2] Provision for loss on construction contracts

As described in "2-[9] Provision for Loss on Construction Contracts," in fiscal 2009 the Company started accounting for the provision for losses on uncompleted construction of contracts in the Aerospace segment when substantial losses on the contracts were anticipated at the fiscal year-end for the next fiscal year and beyond and such losses can be reasonably estimated.

The Company recorded ¥2,901 million (US$29,524 thousand) of "Provision for loss on construction contracts" in the first quarter of fiscal 2009 as "Extraordinary loss," and a part of the provision corresponding to recognized sales related to construction were reclassified in cost of sales along with additional cost for construction since the second quarter of fiscal year 2009.

This change resulted in an increase in operating income of ¥433 million (US$4,407 thousand) in "Aerospace."

[3] Change in recognition of sales or interest revenue on credit

As described in "2-[21] Other Changes in Accounting Policy," in fiscal 2009 the Company's financial subsidiary changed the recognition of sales or interest revenue on credit from the equal installment method to the seven-eight allocation method.

The impact of this change on net sales and operating loss was immaterial.

[4] Accounting for lease transactions

As described in "2-[13] Accounting for Lease Transactions," in fiscal 2009 the Company and its domestic consolidated subsidiaries adopted "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13), and "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16).

This change resulted in a decrease in operating loss of ¥2,513 million (US$25,575 thousand) in "Automobiles."

[5] Practical solution on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements

As described in "2-[21] Other Changes in Accounting Policy," in fiscal 2009 the Company adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial statements" (Practical Issues Task Force No.18) .

The impact of this change on profit and loss was immaterial.

[6] Alteration of estimated useful lives of fixed assets

As described in "2-[4] Property, Plant and Equipment (Excluding Leased Assets)," in fiscal 2009 the Company and domestic consolidated subsidiaries revised the estimated useful lives of fixed assets (machinery) in accordance with the enacted revisions to the tax depreciation schedules under the Corporate Tax and Law and related tax regulations.

This change resulted in an increase in operating loss of ¥1,469 million (US$14,950 thousand) in

"Automobiles" and a decrease in operating income of ¥128 million (US$1,302 thousand) in "Aerospace."

The impact of this change on other business segments is immaterial.

Information by Geographic Area

A summary of net sales, operating income and assets by geographic area for fiscal years 2009 and 2008 is shown below:

		Millions of yen	Thousands of U.S. dollars
Net Sales:	**2009**	2008	**2009**
Japan—			
Outside customers	**¥856,188**	¥901,091	**$8,713,495**
Inter-segment	**280,623**	270,514	**2,855,923**
Sub-total	**1,136,811**	1,171,605	**11,569,418**
North America—			
Outside customers	**546,859**	617,718	**5,565,428**
Inter-segment	**15,380**	20,860	**156,524**
Sub-total	**562,239**	638,578	**5,721,952**
Other—			
Outside customers	**42,743**	53,537	**434,999**
Inter-segment	**622**	501	**6,330**
Sub-total	**43,365**	54,038	**441,329**
Total	**1,742,415**	1,864,221	**17,732,699**
Corporate and elimination	**(296,625)**	(291,875)	**(3,018,777)**
Consolidated total	**¥1,445,790**	¥1,572,346	**$14,713,922**

		Millions of yen	Thousands of U.S. dollars
Operating Income or Loss:	**2009**	2008	**2009**
Operating income:			
Japan	**(¥15,840)**	¥34,188	**($161,205)**
North America	**(1,964)**	6,575	**(19,988)**
Other	**1,933**	1,402	**19,673**
Total	**(15,871)**	42,165	**(161,520)**
Corporate and elimination	**10,068**	3,515	**102,463**
Consolidated total	**(¥5,803)**	¥45,680	**($59,057)**

Assets:		Millions of yen 2009	2008	Thousands of U.S. dollars 2009
Assets:				
Japan		**¥872,342**	¥962,886	**$8,877,895**
North America		**297,801**	347,205	**3,030,745**
Other		**13,116**	12,221	**133,483**
Total		**1,183,259**	1,322,312	**12,042,123**
Corporate and elimination		**(17,828)**	(25,924)	**(181,437)**
Consolidated total		**¥1,165,431**	¥1,296,388	**$11,860,686**

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. All figures in corporate and elimination represent elimination.
5. Changes in accounting policies:

(Fiscal 2008)

Depreciation method of fixed assets

The Company and its domestic consolidated subsidiaries changed their depreciation method in fiscal 2008, as mentioned in ”2. Summary of Significant Accounting Policies.” The effect of this change was to decrease operating income of “Japan” by ¥2,308 million. In addition, the change in the depreciation method for the residual book value during the fiscal year 2008 resulted in a decrease in operating income of “Japan” of ¥2,298 million.

(Fiscal 2009)

[1] Accounting standard for measurement of inventories

As described in “2-[3] Inventories,” in fiscal 2009, the Company and its domestic consolidated subsidiaries applied the “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9).

This change resulted in an increase in operating loss of ¥3,220 million (US$32,770 thousand) in “Japan.”

[2] Provision for loss on construction contracts

As described in “2-[9] Provision for Loss on Construction Contracts,” in fiscal 2009 the Company started accounting for the provision for losses on uncompleted construction of contracts in the Aerospace segment when substantial losses on the contracts were anticipated at the fiscal year-end for the next fiscal year and beyond and such losses could be reasonably estimated.

The Company recorded ¥2,901 million (US$29,524 thousand) in “Provision for loss on construction contracts” in the first quarter of fiscal 2009 as “Extraordinary loss” and a part of the provision corresponding to recognized sales related to the construction has been reclassified in cost of sales along with additional cost for construction since the second quarter of fiscal 2009.

This change resulted in a decrease in operating loss of ¥433 million (US$4,407 thousand) in ‘‘Japan.’’

[3] Change in recognition of sales or interest revenue on credit

As described in “2-[21] Other Changes in Accounting Policy,” in fiscal 2009, the Company’s financial subsidiary changed the recognition of sales or interest revenue on credit from the equal installment

method to the seven-eight allocation method.
The impact of this change on net sales and operating loss was immaterial.

[4] Accounting for lease transactions
As described in "2-[13] Accounting for Lease Transactions,'' in fiscal 2009 the Company and its domestic consolidated subsidiaries adopted "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13) and "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16).
This change resulted in a decrease in operating loss of ¥2,513 million (US$25,575 thousand) in "Japan."

[5] Practical solution on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements
As described in "2-[21] Other Changes in Accounting Policy," in fiscal 2009 the Company adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Practical Issues Task Force No.18).
The impact of this change on profit and loss was immaterial.

[6] Alteration of service life of fixed assets
As described in "2-[4] Property, Plant and Equipment (Excluding Leased Assets)", in fiscal 2009 the Company and its domestic consolidated subsidiaries revised the estimated useful lives of fixed assets (machinery) to the enacted revisions to the tax depreciation schedules.
This change resulted in an increase in operating loss of ¥1,595 million (US$16,232 thousand) in ''Japan.''

Overseas Sales
Overseas sales for the fiscal years ended March 31, 2009 and 2008, are summarized as follows:

				Millions of yen	Thousands of U.S. dollars
		2009		2008	**2009**
Overseas sales:					
North America	**¥582,979**	**40.3%**	¥667,310	42.5%	**$5,933,025**
Europe	**168,520**	**11.7%**	181,333	11.5%	**1,715,042**
Other	**186,777**	**12.9%**	179,716	11.4%	**1,900,844**
Total	**¥938,276**	**64.9%**	¥1,028,359	65.4%	**$9,548,911**
Consolidated net sales	**¥1,445,790**	**100%**	¥1,572,346	100.0%	**$14,713,922**

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, the United Kingdom and Russia
Other: Australia
3. Overseas sales are sales outside of Japan by the Company and its consolidated subsidiaries.

23. Subsequent Events

(Fiscal 2008)

Development of a Business Alliance

At its Board of Directors' meeting on April 10, 2008, the Company passed resolutions on the entry into an alliance in the development and production of cars, on the disposition of its own shares in treasury stock, and on the construction of a new assembly plant to give effect to such a business alliance.

1. Alliance partners: Toyota Motor Corporation (TMC) and Daihatsu Motor Co., Ltd. (Daihatsu)
2. Alliance contents:

(1) TMC and FHI jointly develop a compact, rear-wheel-drive sports car, and market the new model through the sales channels of both companies.

(2) TMC supplies a sub-compact car to FHI under an OEM arrangement.

(3) Daihatsu supplies a mini car and the "COO" sub-compact car to FHI under an OEM arrangement.

3. Disposition of treasury stock

The Company sells its treasury stock to TMC in order to further strengthen its relationship with TMC.

(1) Class of stocks	Common stock
(2) Method of sale of treasury stock	Private placement to a designated third party
(3) Total number of shares	61,000,000 shares
(4) Sale price	¥510 per share (Total: ¥31,110 million)
(5) The basis for calculation of the sale price	The sale price of ¥510 was determined in reference to the average closing price of FHI shares of ¥462 at the Tokyo Stock Exchange from December 11, 2007 to March 10, 2008. (Plus 10% premium, rounded up to the nearest whole yen)
(6) Placement period	From May 2, 2008 to May 1, 2009

4. Construction of a new assembly plant

The Company plans to build a new vehicle assembly plant in Oizumimachi, Ora-gun, Gunma Prefecture, in connection with the development of the business alliance with TMC and Daihatsu. Details of the plan, such as the amount of investment, are yet to be determined through discussions with TMC.

Change of the Retirement Benefit Scheme

Effective April 1, 2008, the Company restructured part of its retirement benefit scheme and has introduced a defined benefit plan and a defined contribution pension, in order to contribute to the wellbeing of its retired employees as well as to improve the Company's financial position by reducing the retirement benefit liabilities.

Contents of change:

(1) Introduction of a point system

(2) Transfer of its qualified pension plan to a defined benefit plan and a defined contribution pension

The Company is to account for this change in accordance with Corporate Accounting Implementation Guidelines No. 1, "Accounting for Transfers Between Retirement Benefit Plans" (ASBJ, January 31, 2002) and recognizes a gain of ¥653 million as a result of a reduction in retirement benefit liabilities.

(Fiscal 2009)

None

Independent Auditors' Report

To the Shareholders and Board of Directors of
FUJI HEAVY INDUSTORIES LTD.:

We have audited the accompanying consolidated balance sheets of FUJI HEAVY INDUSTORIES LTD. and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of FUJI HEAVY INDUSTORIES LTD. and subsidiaries as of March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following.
(1) As discussed in Note 2[1] to the consolidated financial statements, the accounting date for the fiscal year-end of 12 consolidated subsidiaries was changed to March 31.
(2) As discussed in Note 2[3] to the consolidated financial statements, effective April 1, 2008, the Company and consolidated domestic subsidiaries adopted "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, issued on July 5, 2006).
(3) As discussed in Note 2[9] to the consolidated financial statements, effective April 1, 2008, the Company started accounting for the provision for losses on uncompleted construction of contracts in the Aerospace segment when substantial losses on the contracts were anticipated at the fiscal year-end for the next fiscal year and beyond and such losses can be reasonably estimated.
(4) As discussed in Note 2[21] to the consolidated financial statements, effective April 1, 2008, the Company's financial subsidiary changed the recognition of sales or interest revenue on credit from the equal installment method to the seven-eight allocation method.
(5) As discussed in Note 2[13] to the consolidated financial statements, effective April 1, 2008, the Company and consolidated domestic subsidiaries adopted "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, issued on June 17, 1993, revised on March 30, 2007), and "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16, issued on January 18, 1994, revised on March 30, 2007)
(6) As discussed in Note 2[21] to the consolidated financial statements, effective April 1, 2008, the Company adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial statements" (the Practical Issues Task Force No.18, issued on May 17, 2006)

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 19, 2009