Activities of Affiliated Companies
—Domestic Companies—

FHI periodically convenes Environmental Problems Meetings with six of our affiliated companies*1 (excluding Subaru dealers) that produce a significant environmental burden in their manufacturing or transport businesses; these meetings are part of the actions of the Domestic Affiliated Company Subcommittee, part of the Production Environment Committee, which itself is one of the subcommittees in the FHI Corporate Environment Committee. We guide and support the establishment of each company's environmental management system to reduce environmental burden, which has brought results such as waste reduction and energy saving.

Domestic Affiliated Company Subcommittee

These meetings have been held in the respective affiliated companies. The employees of other companies can learn from each other through presentations about each company's environmental preservation activities and see their plants. Meetings were held at Fuji Robin Industries Ltd. in May 2004 and at Fuji Machinery Co. Ltd. in September. 2004.

Subcommittee meeting held at Fuji Robin Industries Ltd. (May 2004)

Subcommittee meeting held at Fuji Machinery Co. Ltd. (Sept. 2004)

Also, in April of 2004 FHI had a liaison meeting with four relatively large affiliated companies not related to manufacturing and started working on environmental preservation activities as a group.

Examples of Activities by Affiliated Companies

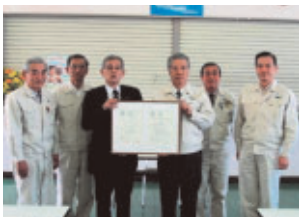
In 2004, FHI's Environmental Risk Assessment and Green Procurement activities were expanded to cover affiliated companies. In addition to the Domestic Affiliated Company Subcommittee, environmental assessment study sessions were held at Gunma and Tokai districts in November 2004 in order to ensure environmental risk reduction and proactive pollution prevention. Also, since it is important for employees to understand the maintenance and control issues at their facilities, study sessions were held at each company regarding the concept of environmental risks and evaluation points. In 2005 each company will promote improvement activities based on the results of the current activities.

Gunma district study session at Ichitan Co.,Ltd. (Nov. 2004)

Tokai district study session at Fuji Robin Industries Ltd. (Nov. 2004)

All Subcommittee members certified to ISO 14001

In 2004, Yusoki Kogyo K.K., Kiryu Industrial Co. Ltd., and Subaru Logistics Co., Ltd., obtained ISO 14001 certification. This means all six companies in the Domestic Affiliated Company Subcommittee have already obtained ISO 14001 . Each company is currently working on improving PDCA (Plan-Do-Check-Action) based on EMS.



Subaru Logistics Co., Ltd.

On July 1, 2004, Subaru Physical Distribution Company and Subaru K.D. Logistics Co., Ltd. merged and were renamed Subaru Logistics Co., Ltd. The company considers the environment and resources essential and continues to develop a clean, eco- and consumer-friendly logistics system as well as enhancing work quality throughout the process of logistics service.

This company started collecting scrap bumpers of Subaru cars in collaboration with FHI in 1996 as one of our special activities. Since then this activity has been expanded nationwide, and Subaru Logistics Co.,Ltd undertakes the whole process from the collecting stage to the recycling stage, leading to effective waste reduction and reuse of resources. These bumpers are processed into pellets and supplied to the parts makers to reuse in a variety of interior and exterior parts for Subaru cars, including trunk trims.

Kiryu Industrial Co., Ltd., provides customers with high-quality services to satisfy their diversified needs in living and business by using its unique technology and know-how in the following businesses: Special fitting work of compact cars based on the specifications of Subaru cars; recycling of functional parts such as engines and transmissions; and distribution of car spare parts and equipment. This company also recognizes the importance of the environment and seeks to do its part in making consumer and environmentally friendly goods and services.

Kiryu Industrial Co., Ltd.

*1.The six affiliated companies related to manufacturing and transportation
Fuji Robin Industries Ltd., Yusoki Kogyo K.K., Fuji Machinery Co. Ltd., Ichitan Co. Ltd., Kiryu Industrial Co., Ltd., and Subaru Logistics Co., Ltd.
For the locations of their headquarters, please refer to page 5.

Actual Achievements of the Six Domestic Affiliated Companies in Fiscal 2004

Achievements in Environmental Accounting and Environmental Performance

Regarding the environmental burden reduction activities in the manufacturing stage, although environmental costs increased by 13%, economic benefits increased by 35% compared with the previous year. Though waste generation and energy consumption increased accompanying the increase in production output, the quantity of landfill waste has been reduced by almost half, and energy consumption per production was reduced by 18%. FHI is advancing toward its goal of zero emissions.

As for PRTR chemical substances, both the amount handled and the amount released and transferred have been reduced. Henceforth FHI will aim at further reduction of hazardous chemical substances.

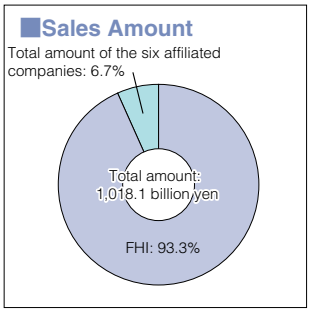
As for ISO 14001 certification, Yusoki Kogyo K.K., Kiryu Industrial Co. Ltd., and Subaru Logistics Co., Ltd., the company resulting from the July 2004 merger of Subaru Physical Distribution Company and Subaru K.D. Logistics Co., Ltd., were all accredited, and now all six companies in the Domestic Affiliated Company Subcommittee have achieved ISO 14001 certification. Based on the results of the Environmental Risk Assessment started in 2004, FHI will continue efforts for environmental risk reduction and proactive pollution prevention in 2005.*1

Environmental costs					Economic Benefits				Environmental performance (quantitative benefits)				
Cost category [ ] indicates a cost category in the Ministry of Environment Guidelines		Amount (million yen)			Details	Amount (million yen)			Item	Unit	FY 2004	FY 2003	FY 2002
		FY 2004	FY 2003	FY 2002		FY 2004	FY 2003	FY 2002					
Costs of Reducing Environmental Burden (production stage)	Waste treatment and recycling, waste reduction [①-3]	150	129	140	Reduced costs through waste control and changes in treatment methods, profit from the sales of materials obtained from recycling	158	132	96	Total amount generated	ton	13,126	12,787	14,692
									Quantity of waste generated	ton	992	914	1,307
									Quantity of landfill waste	ton	194	374	401
	Energy conservation, CO_2 emissions reduction [①-2]	29	33	37	Reduced energy cost	33	9	29	Amount of energy used (crude oil equivalent)	Kℓ	18,402	17,857	18,562
									Energy consumption per production	Kl/100 million yen	30.37	36.91	43.48
									CO_2 emissions	ton-CO_2	30,926	30,271	31,548
	Pollution control such as wastewater and exhaust gas treatment [①-1]	99	85	79	Reduced costs from replacing cleaning agents (chemical agents)	0	0	0	PRTR chemicals				
									Amount handled	ton	116	150	131
									Amount released and transferred	ton	72	89	70
	Total costs to reduce environmental burden	278	247	256	Total savings from environmental burden reduction	190	141	125					
Investments costs	Education, ISO 14001 related matters, investigation, and others [③]	67	61	64	—	—	—	—					
	Product research and development [④]	89	110	112									
	Total investment costs	156	171	176	(Total investment benefits) currently N/A	0	0	0					
Other costs	Cost increment for material changes, measures for end-of-life products, social contribution, environmental measures, and others [②⑤⑥⑦]	17	18	41	Reduced costs by changing raw materials Virgin material procurement costs reduced by using recycled materials	0	0	0					
	Total other costs	17	18	41	Total other benefits	0	0	0					
Total cost		450	436	472		190	141	125					

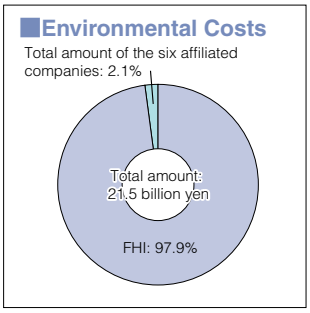
Note 1. Cost categories in the Ministry of the Environment Guidelines
- ① Business area costs
- ①-1 Pollution control costs
- ①-2 Global environmental conservation costs
- ①-3 Resource circulation costs
- ② Upstream and downstream costs
- ③ Management activity costs
- ④ Research and development costs
- ⑤ Social activity costs
- ⑥ Environmental damage costs
- ⑦ Other costs

Note 2. PRTR chemicals: Only amounts exceeding one ton a year at each PRTR applicable manufacturing division were calculated (or those exceeding 0.5 tons a year for specific Class 1 Designated Chemical Substances).

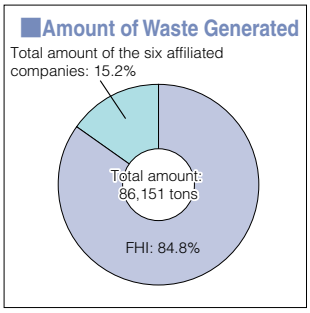
Sales Amount



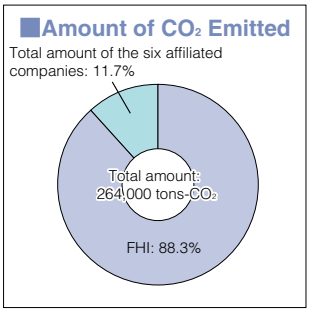
Environmental Costs



Amount of Waste Generated



Amount of CO_2 Emitted

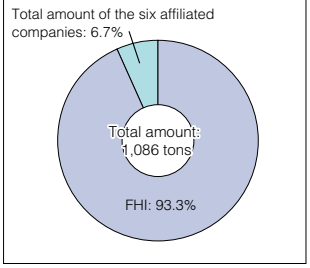


PRTR

Substances marked with the * are specific Class 1 Designated Chemical Substances(Unit: Tons per year)

Code	CAS No	Chemical Substance Name	FY 2004		
			Amount handled	Amount released	Amount transferred
40	100-41-4	Ethylbenzene	4.80	3.25	0.08
63	1330-20-7	Xylene	47.05	30.02	0.68
68	none	Trivalent chromium compounds	5.12	0.26	0
69 *	none	Hexavalent chromium compounds	7.10	0	0
227	108-88-3	Toluene	50.33	37.08	0.86
283	none	Hydrogen fluoride and its water soluble salts	1.50	0.18	0
Total			115.90	70.79	1.62

Amount of PRTR Chemical Substances Released and Transferred



*1.Calculation of the results for the 2004 fiscal year (April 2004–March 2005) is based on FHI Environmental Accounting Guidelines. For FHI Environmental Accounting, refer to pages 15–16.

Activities by Affiliated Companies
–Overseas Companies–

FHI and five affiliated companies in North America (SIA, SOA, RMI, SCI, SRD)*1 have established the North American Environment Committee (chairman: Mr. Oikawa, president of SIA) under the Corporate Environment Committee, and the fourth and the fifth meetings were held at SIA in Sept. 2004 and in Feb. 2005, respectively, with the attendance of Mr. Suzuki, senior executive vice president and chairman of the Corporate Environment Committee. Through such a framework of group activities, global environmental efforts such as reporting environmental conservation activities at each company and discussing future plans have been carried out.

SCI, a sales base in Canada, and SOA, a sales base in the U.S.A., established the environmental management system and obtained ISO 14001 certification in January and February 2005, respectively.

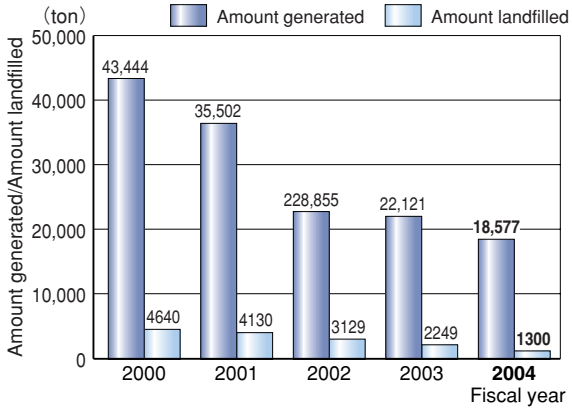
Overview of Activities in the Five North American Companies

SIA, a production base of Subaru automobiles, and RMI, a general-purpose engine assembly factory, obtained ISO 14001 in 1998 and 2003, respectively. Both companies have already addressed environmental protection activities. The five North American companies have minimized waste generation and reduced the amount of waste directly landfilled by recycling waste in the factories and offices. Their energy saving measures include the following: retrenchment of unnecessary energy consumption by reviewing the machinery running hours; prevention of air leaks in the factory; cut-down of excessive lighting; and monitoring the temperature of air conditioners. Furthermore, they have worked on reducing the use of water in the offices by saving and recycling.

North American Environment Committee

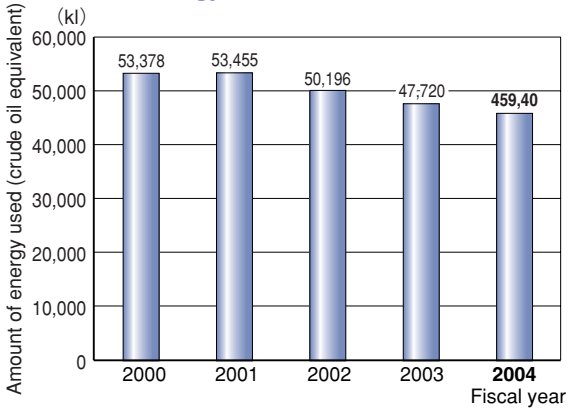
Senior Executive Vice President Suzuki is inspecting the paint sludge recycling plant

Waste



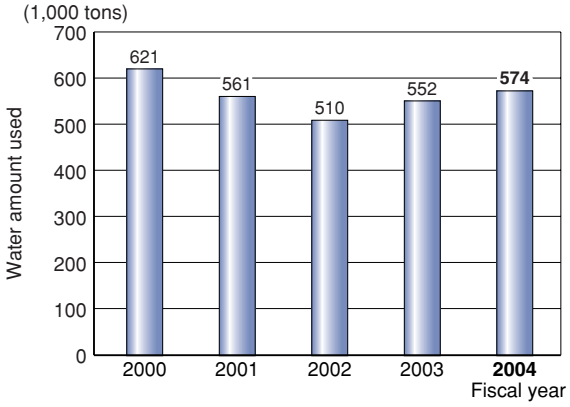
Note: 2000 & 2001: actual performance by SIA alone
2002: total of SIA, RMI and SRD
2003 & 2004: total of five companies

Amount of energy consumed



Note: 2000 & 2001: actual performance by SIA alone
2002: total of SIA, RMI and SRD
2003 & 2004: total of five companies

Water amount used



Note: 2000 & 2001: actual performance by SIA alone
2002: total of SIA and SRD
2003 & 2004: total of five companies

*1. SIA: Subaru of Indiana Automotive, Inc.; SOA: Subaru of America, Inc.; RMI: Robin Manufacturing U.S.A., Inc.; SCI: Subaru Canada, Inc.; SRD: Subaru Research & Development, Inc. For the locations of each company, please refer to page 5.

Environmental Accounting of North American Companies

The North American group companies tentatively introduced environmental accounting in 2004 to deal with environmental issues more effectively. The following table shows the total amount of environmental costs for manufacturing, sales and research of SIA, SCI, and SRD aggregated in accordance with the guidelines of FHI's environmental accounting. The grand total of environmental protection costs stands at 1.082 billion yen (breakdown: environmental burden reduction costs: 736 million yen; investment costs: 303 million yen; and other costs: 16 million yen.)

Unit: 100 million yen

Item	Description	Environmental cost
1. Costs to reduce environmental burden	Costs for reducing environmental burden caused in the production stage, waste disposal costs, energy saving costs, and pollution prevention costs	7.36
2. Investment costs	Costs for reduction of environmental impacts anticipated in the future and costs for R&D, education, ISO 14001 maintenance and management	3.3
3. Other costs	Costs except for abovementioned and cost for environmental-purpose social contribution	0.16
Total cost of environmental protection	Total of 1, 2, and 3	10.82

Note: The details of environmental effects are omitted due to the problem of accuracy.

Environmental Activities in Individual Companies

Reducing Waste

SIA has established a policy to bring to zero the amount of waste directly landfilled (for details refer to page 51.) SOA and SCI have replaced conventional wooden crates with repeatedly used plastic containers for packing reassembled engines and transmissions. SOA included its parts center in the coverage of ISO 14001 certification. This parts center has adopted returnable pallets for parts transportation to the vicinal retailers, recycled unnecessary used cardboard and reduced waste. RMI completely switched to returnable cardboard boxes for parts transportation. SRD, which had so far purchased oil and other liquids in small-sized containers (disposed of at landfills after use), changed them to reusable large-sized containers.

Container for rebuilt engine

Reusable large-sized container

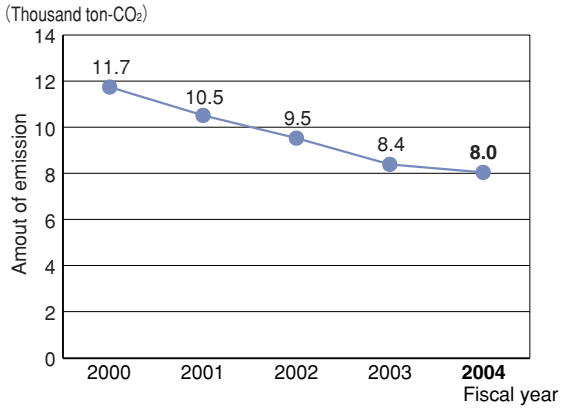
Returnable pallet (SOA)

Returnable cardboard box (RMI)

Preventing Global Warming

SIA curbed unnecessary energy consumption by reviewing the running hours of the furnace in the paint factory, reducing CO_2 emissions by 3,145 tons. Also, air leak prevention and excessive lighting reductions have been addressed in the factory.

■CO_2 emissions at SIA



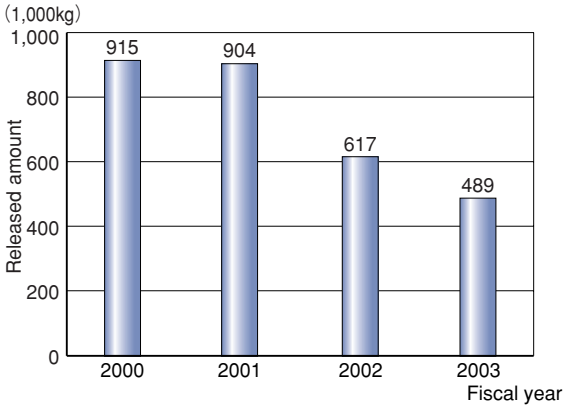
Reducing Amount of Water Used

RMI has installed a water recycling system used for general purpose engine pressure cleaning inspections. SOA has mounted infrared water conserving faucets in every bathroom in the head office to save water. Thus each company has made efforts to reduce water use.

Chemical Substance Control

SIA is now replacing conventional paint with a low HAP (hazardous air pollutant) content paint as one of the measures for mitigating impacts to the ozone layer. The use of TRI (toxics release inventory) chemical substances was decreased from 1.96 kg per vehicle in 2002 to 1.82 kg in 2003. Therefore, total emissions were decreased as shown in the following graph.

■Total amount of TRI chemical substance released



Reducing Environmental Risks

SIA has taken measures against spills of gasoline or antifreeze liquid pumped into storage tanks or into paint solvent recovery facilities from tankers and reduced environmental risks. More specifically, the perimeter of the tanker stop position was covered with concrete so that liquid spills would not spread, while valves (these can be closed when liquid is being filled) were installed to prevent the spilled liquid from flowing into the storm drain.

The concrete cover installed in front of the paint solvent recovery facility

The pond within SIA premises where geese hatch every year

Social Contribution Activities

Subaru Cherry Blossom Festival (SOA)

The cherry trees, which were sent to Philadelphia from the Japanese government in 1926 as a symbol of the U.S.-Japan friendship, bloom beautifully every year. To perpetuate the friendly spirit, a Philadelphia Cherry Blossom Festival was held by the Philadelphia Japan-U.S. Association in 1998. Since then the association continues to present 100 cherry trees every year, aiming at planting 1,000 cherry trees by 2007. SOA has held a one-week Subaru Philadelphia Cherry Blossom Festival in front of these newly planted cherry trees every spring since 2003, contributing to the introduction of Japanese culture.

Poster of Subaru Philadelphia Cherry Blossom Festival

Support through Fund-Raising Campaign

SIA helped the March of Dimes (a medical-related volunteer group), the American Cancer Society, the American Heart Association, and other groups with their regional fund-raising campaigns. RMI extended a helping hand to Hudson Hospital starting last year. SCI gave monetary support to Tread Lightly (actual eco-experience activities). SOA donated a Subaru car to environmental outreach educational programs for children in New Jersey, Pennsylvania, and Delaware, sponsored by the New Jersey Academy for Aquatic Sciences (headquartered in Camden, New Jersey).

Subaru car in full-swing in the Environmental Conservation Program

Commendations

SIA Received the Prize from the National Registry of Environmental Professionals[*1]

SIA was recognized for its outstanding activities in waste reduction and recycling with an Environmental Excellence Prize in the category of “Solid hazardous waste” in the 2004 Environment-related Commendation (applied to activities from May 2003 to April, 2004) hosted by the National Registry of Environmental Professionals, a NGO group. SIA recycled 93% of its total waste generated in 2003. In the same year, its waste generation decreased by 4% compared with 2003.

Staff is pleased with prize winning

SRD Received the 2004 Overall Environmental Excellence Prize from Washtenaw County

SRD (in Ann Arbor, Michigan) won the most famous environmental prize in Washtenaw County, the Overall Environmental Excellence Prize (applied to NGOs and companies in Washtenaw) from the Washtenaw County Drain Commissioner’s Office for SRD’s activities in recycling chemical substances, discharging clean water, eliminating underground fuel tanks, preventing spill from fuel storage tanks, etc. The awarding ceremony was held during Pollution Prevention Week in September 2004.

*1. The National Registry of Environmental Professionals: A nationwide body, consisting of more than 20,000 members, which certifies environmental professionals. They are accredited by the ICAB (International Certificate Accreditation Board) and recognized by the Department of Energy, the Environmental Protection Agency, and other organizations in the U.S.A.

Subaru Sales Base Obtained ISO 14001 Certification

SCI

SCI (Subaru Canada, Inc., a Subaru sales base in Canada) obtained ISO 14001 certification in January, 2005 together with the corporate dealer, SOMI (Subaru of Mississauga). SCI considers that reducing environmental burden and assuming responsibility for environmental improvement will bring the next generation a better life. In light of the currently growing environmental awareness of the people of Canada, it is most important to carry out eco-friendly business. SCI's better implementation of EMS will also be useful for its business operations.

SCI head office receiving the certificate. SCI chairman, Mr.Osakabe holds the certification (the left)

SOMI, the dealer, also obtained ISO 14001 certification

Environmental Management Policy of SCI

Subaru Canada, Inc., is a committed corporate citizen dedicated to protecting the earth's natural resources, the local and national environment, and human health. This commitment extends further than just meeting the stated environmental laws and regulations; it encompasses the integration of sound environmental practices in all of our business decisions. Specifically, Subaru Canada, Inc., is committed to:

- Complying with all environmental laws, regulations, and other requirements related to our business activities.
- Implementing effective pollution prevention systems that protect our air, water, and land.
- Implementing effective improvement activities related to energy, waste, and water reduction.
- Establishing a corporate-wide program to reduce, re-use, and recycle in all areas of our corporation.
- Implementing a culture of continual improvement as it relates to all business activities that have an impact on the environment.

Activities in 2004

In 2004, SCI accomplished 3.5% growth in the number of sales despite a 34% decrease in energy consumption and a 64% decrease in the amount of waste landfilled compared with 2003. Major activities included the use of returnable containers for rebuilt engines and transmissions, recycling of massive cardboard, and installation of the recycling boxes for paper, plastic, bottles, etc. in the office.

SOA

SOA (Subaru of America, Inc., the sales base of Subaru automobiles) obtained ISO 14001 certification, which covers both the head office (in Cherryville, New Jersey) and the parts distribution center in New Jersey, in February, 2005.

SOA Head Office

Kunio Ishigami,
Chairman, President and CEO

"Environmental activities are very important for global business operations. It is especially essential that each individual employee participate in these activities and play his/her role." (Excerpt from the greeting in the Management Conference)

Environmental Management Policy of SOA

SOA understands its responsibility to the global environment, society at large, our customers, our distribution network, and our employees. As we conduct our business operations into the future, we commit to establishing and maintaining an effective environmental management system that extends further than just meeting the stated environmental laws and regulations and that encompasses the integration of sound environmental practices in all of our business decisions. We commit to the following:

- Compliance with all environmental laws and regulations and other requirements related to our business activities.
- Implementation of effective pollution prevention systems that protect our air, land, and water.
- Conservation of natural resources by reducing, reusing, and recycling materials.
- Continuous improvement of our Environmental Management System (EMS).
- Creation of employee awareness and commitment to SOA's Environmental Philosophy and Policy
- Working with SOA's business partners to improve their operational impact on the environment.

Activities in 2004

The parts distribution center proactively worked on the cardboard recycling started in January, 2004 and recycled about 82 tons in a year. Also the use of returnable containers for rebuilt engines and transmissions increased. The SOA head office carried out various programs, installing containers for trash separation for recycling, saving electricity during air conditioner use, and saving water by mounting infrared water conserving faucets into bathrooms. SOA reduced energy consumption by 10.1% compared with 2004.

Used cardboard boxes no longer required are compressed by a compactor in the parts distribution center and delivered to recycling companies.

Environmental News posted in the cafeteria.

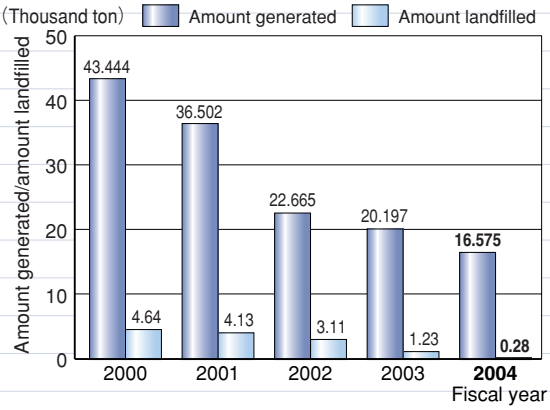
SIA Activities Targeting Resource Circulation
—Succeeded in reducing to zero the amount of waste directly landfilled—

Topics

SIA's efforts for Resource Circulation

SIA obtained ISO 14001 as early as in 1998 and has since carried out active environmental protection activities. In particular, it has worked on minimizing consumption of resources to reduce as much of the environmental burden as possible by curbing waste generation, proper disposal, and cyclical use of resources. SIA started the project with professional recyclers in 2001 to increase the amount of recycled material while decreasing the amount of direct waste landfill. The transition of the amounts of waste generation and direct landfill is shown in the following graph:

■Total amount of waste generation in SIA
Total amount of direct landfill



Summary of Resource Circulation in SIA

SIA deals with waste generated in the course of business as shown in the table below.

Waste is separated as minutely as possible. The waste, including moisture, is dried for the next disposal process to minimize the environmental burden in the following processes. For example, wastewater sludge, dirty paper, and cloth are disposed of in an incinerator, and then used as an energy source for urban areas and local industries in Indianapolis. In 2004, SIA directly landfilled 284 tons of waste, but after the recycling system was established, the amount of direct landfill dropped to zero since May 2004.

Generated waste	Reduce	Reuse	Recycle
Trim caps	Separated	Returned to venders and reused	
Paint solvent	Collected	Reused in-house after adjusting composition	
Paint sludge	Dried		Outsourced for recycle to plastic material
Wastewater sludge	Dried		Thermally recycled
Dirty paper, cloth	Separated		Thermally recycled
Sleel, aluminum	Collected and Separated		Recycled to raw material

Examples of disposal in

Generated waste	Trim caps	Paint solvent	Paint sludge
Examples of disposal	Approximately 28.1 tons of caps from transmissions, engines, etc. were returned to suppliers. Also Styrofoam etc. (approximately 51.3 tons) was returned to suppliers for reuse.	The collection system*1 for the solvent used in the painting process was installed in 2002. In 2004 approximately 489,000 liters of thinner was quality-governed and reused after being distilled.	In May 2004, a paint sludge drier was put into operation. Paint sludge includes approximately 80% of moisture, which decreases to 5% after being dried in the drier. Previously, paint sludge with high water content was outsourced to a recycler for disposal, but now the drying process minimizes the amount of water. The recycled sludge is reused as raw material for parking lot bumpers.*2

Various types of caps are gathered by employees on the sidelines.

Paint solvent recycling system

Water content of paint sludge is reduced to approximately 5% after dehydration.

Paint sludge drier

Paint sludge is recycled into parking lot bumpers

*1. Regarding the recycling of paint solvent, please refer to page 49 in "the 2004 Environmental & Social Report".
*2. Regarding the recycling of paint sludge, please refer to page 49 in "the 2004 Environmental & Social Report".