Speech by Mr. Takenaka (Analyst Conference, Tokyo, October 20, 2003)

Thank you very much for your kind introduction. I am very pleased to have been given an opportunity to meet with so many distinguished investors and analysts today. Following the presentation of Mr. Devine, the Chief Financial Officer of General Motors, our major shareholder, makes me feel a little nervous, as if I were speaking after the eloquent father one looks up to. In fact, Mr. Devine and I regularly meet at GM-Subaru Alliance meetings, and always end up in heated exchanges about motor sports. I believe he is one of the most passionate car enthusiasts among all the CFOs in the industry.

This afternoon I would like to talk about the Subaru brand and technology, and the philosophy and strategies behind them, rather than focusing on management and financial details. I will also touch on motor sports, since it represents the cutting edge of Subaru technology.

I joined Fuji Heavy Industries Ltd.(FHI) some thirty years ago as a mechanical engineer, then belonging to Total Vehicle Performance Integration Department. Since that time, my career has been devoted exclusively to the planning and development of Subaru vehicles. That work has reinforced my lifelong love for automobiles and turned me into a true car enthusiast.

Since being appointed president of FHI in June 2001, I have been working to rebuild a brand identity for Subaru. I believe it's my mission to enhance the value of the Subaru brand, and increase our overall corporate value from a long-term perspective.

Let me start by giving you the gist of our business position in the industry today. FHI, as its name suggests, engages in other business areas besides automobile manufacturing. We build aircraft and general-purpose industrial engines, as well as wind-power generator systems and other eco-technologies products. Our consolidated sales during the fiscal year

ended March 31, 2003, totaled 1 trillion 372.3 billion yen, with operating income reaching 67.5 billion yen. However, 90 percent of total sales came from the Subaru automotive division, while the remaining 10 percent consisted of sales from the non-automotive groups. Therefore, our company is best described as a car manufacturer. Yet our annual vehicle production is just about 600,000 units, a mere 1 percent of the total worldwide automobile production of 60 million. This means we have no chance of survival and no *reason d'etre* if we try to do the same things as a larger maker with a worldwide share of 10 or 20 percent.

Several years ago it was said that the annual production of 4 million units marked the survival bottom line for an automaker. In this business, economies of scale are important in the battle to compete, since automobile production requires huge development costs and major capital investment.

Nonetheless, automobiles, particularly passenger cars, are not just systems and machines made only of cost-competitive elements. Cars are loved, hated, and evaluated emotionally by the people who drive them, and that personal attachment separates cars from other machines. No other machine appeals to the human emotions and senses as directly as cars do. I believe this very unique human relationship to the car is the key to our survival. With merely a 1-percent market share of worldwide automobile sales, our basic competitive strategy depends upon our ability to impress our customers' hearts and minds with Subaru's originality and individuality. Our goal is not to satisfy everyone, but to appeal to certain targeted groups of people who will truly appreciate the superiority of Subaru car design and performance. Our brand strategies are directed toward this goal, and have been honed by "selection and concentration" – a process of determining what is important and what is not, and of concentrating only on what is most important for us. Subaru brand strategies have also been devised in harmony with the principles of "competition and cooperation," through global collaborative relationships with other manufacturers and parts suppliers.

MONOZUKURI (making things) – Subaru's Faith in Manufacturing and Confidence in its Expertise

We want to make Subaru a premium brand. I think that building a premium-brand car requires three fundamental principles: 1) to showcase innovative advanced technology and performance; 2) to express high quality and elegance in design; 3) to build on our company's legacy. Needless to say, sales and services must be of the highest quality. We are confident that Subaru meets all these requirements.

Let me begin with the third point, regarding our historical achievements. Subaru's roots go back to 1917, when Japan's first Aircraft Research Laboratory (later Nakajima Aircraft Co., Ltd.) was established, fourteen years after the Wright Brothers' first successful flight of the Kitty Hawk Flyer in 1903. FHI was established in 1953 and this year marks the 50th anniversary of our company. While some of the world's automakers have their roots in the aircraft industry, FHI is the only automaker who continues to build aircraft today.

The reason I emphasize our heritage in aircraft development is that it influenced how we build cars in a very fundamental way. I believe there are three basic philosophies in designing aircraft. First, pursue the best performance. Second, design a compact and efficient aircraft, packaging advanced technologies and functions in a streamlined layout, making the best use of the limited space available in an aircraft. Third, ensure safety throughout multiple environmental changes, as a plane must take off, fly and touch down in many different climate conditions. These three philosophies are still alive in our car design and manufacturing.

The former Nakajima engineers who stayed to assist the start-up of our company in the early 1950s were prohibited from engaging in aircraft development. So they developed technologies for other transportation equipment and systems, including the 1.5-liter car called the P1 model, in 1954. Despite the ingenuity of its engineering design, the P1 project

resulted in production of only twenty trial models, and the model was not introduced into Japan's nascent automobile market. In those days, cars had not yet been developed in Japan, with several car makers just assembling knockdown kits of European cars under licensing arrangements.

It wasn't until 1958 that the Subaru 360 model was introduced, triggering the start of Japan's motorization. The Subaru 360 was a small four-seat car with a 360cc engine, its body little longer than a motorcycle. It had a compact, lightweight design, employing monocoque construction and new materials such as aluminum, fiberglass-reinforced plastics and resins. In other words, the Subaru 360 was packed with ideas and technologies borrowed from aircraft design. The technologies and basic philosophies of aircraft development have been passed on to new generations of engineers at FHI . As business activities in the aerospace industry resumed after the postwar prohibition was lifted, FHI developed the T-1, the first jet trainer plane made in postwar Japan.

MONOZUKURI (literally meaning "making things"), the philosophy of making things and the faith in manufacturing expertise and experience, has been inherited and lives on in our company.

Subaru cars, from the Subaru 360 to the Subaru 1000, our first car with a Horizontally-Opposed Engine, to the new Legacy we introduced this May, are built upon this engineering heritage. This engineering philosophy is a source of the individuality of our products, and the backbone of the Subaru premium brand.

Now I would like to go back to the first requirement for a premium brand – to showcase original, advanced technology and performance. One such technology, obviously, is our Symmetrical AWD (all-wheel-drive) System, incorporating the Horizontally-Opposed Boxer Engine and the symmetrically arranged power train unit. Since we introduced a four-wheel

drive passenger car in 1972, driving safety on snowy and rugged roads has been a focus of our development. Having advanced four-wheel drive technology in passenger cars to enhance performance and maneuverability, our longtime acclaimed Subaru four-wheel drive technology was recently named the Symmetrical AWD System. A global trend is increasingly shifting from truck-based, four-wheel Sports Utility Vehicles (SUVs) toward passenger-based, all-wheel-drive SUVs. The Subaru AWD system, combined with the Horizontally-Opposed Engine, has an absolute advantage over other AWD systems for cars, thanks to its well-balanced, longitudinal layout of engine and transmission.

Subaru cars are designed to respond to the driver's commands and to provide true driving pleasure. Driving pleasure is heightened even further as our safety features enhance peace of mind. "Active driving, active safety" (the tag line once used in our advertising) captures the meaning of the optimum driving experience offered by Subaru cars. Active driving means that a Subaru handles, turns and stops in accordance with the driver's wishes. Active safety means that a Subaru handles, turns and stops to ensure the safety of the car's driver and passengers. We believe the Symmetrical AWD System is the best method to realize this supreme driving experience.

This belief has been proven by our rally cars in the World Rally Championship (WRC). Our rally cars are not worlds apart from the Subaru you and I get to drive on the street. The core technology of our WRC vehicles is the Symmetrical AWD System. Subaru rally cars use the same Symmetrical AWD System configuration, the same power train layout as the Impreza WRX model, a sporty passenger car. This distinguishes Subaru from its WRC rivals. Our competitors use a completely different power train layout from their production models, placing the engine in their WRC vehicles in front of the transmission and connecting them longitudinally. Some of them do not even offer any AWD product in the market.

Since our production models use the same AWD system and power train layout as our WRC cars, our continued participation in the WRC is meaningful. Other WRC participants only

compete with special vehicles radically modified for rallying, and their victories may just yield pretty pictures for advertising and sales promotion posters. But for Subaru the WRC is the ultimate testing ground for our vehicles under a variety of terrains and climates, and our success on these tracks directly establishes the excellence of the technology used in our production models.

Now I would like to briefly explain the mechanism of the Symmetrical AWD System. As this slide shows, the Horizontally-Opposed Engine is longitudinally mounted, directly connected to the drive train. Unlike the layout of other manufacturer's cars, Subaru's AWD layout is perfectly balanced, with the right- and left-hand portions of the car in perfect symmetry. This clean and simple layout enables efficient power distribution and lightweight construction.

A Horizontally-Opposed Engine features a low center of gravity, which helps reduce the rolling effects of the engine during sharp cornering. As a result, the car is exceptionally stable, with minimum rolling effects, and firmly grips the road.

The power train, including a heavy transmission, is longitudinally mounted between the wheelbases. This layout helps reduce the yaw moment of inertia. When the yaw moment of inertia is minimized, a car is able to turn smoothly and swiftly. For the driver, that means the car has better maneuverability.

Let me show you a short video, demonstrating the agile movement that is inherent in Subaru cars.

Subaru vehicles are made like well-trained athletes, designed for crisp movement and the control to make sharp turns and avoid obstacles. In addition to the Symmetrical AWD, this has been made possible by our advanced control unit technologies.

Subaru is the first car maker to incorporate the anti-lock braking system (ABS) in the AWD system, and we continue to pioneer the implementation of new electronic control technologies. The new Legacy is one such new example. It uses an algorithm we developed that estimates the road friction coefficients of different vehicle movements. Based on the estimated friction data, active control of center differentials kicks in to optimize engine torque distribution. In addition, the Vehicle Dynamics Control (VDC) system optimizes the traction of the left and right wheels. Imagine a Cheetah, running very fast after a prey in an African plain, optimally distributing power among its four legs. The new Legacy makes possible a smoothness of motion equivalent to that Cheetah's.

The fourth-generation Legacy and Outback were introduced in Japan this past May and in Europe and Australia this fall. They will be introduced in the United States next spring. In Japan sales have been very brisk, with more than 10,000 units sold in July alone and 8,000 in September, surpassing our projected monthly sales of 6,000 units. In the midst of Japan's deflationary economy, strong sales made the Legacy the sixth best-selling domestic model this summer.

Pursuing our new brand strategies, the Legacy showcases Subaru's unique advanced technologies, which are used to further improve our core values of driving performance and safety, elevating them to the highest levels in the world. In addition to improvements to the Symmetrical AWD System, our top-of-the-line, six-cylinder, Horizontally-Opposed Boxer Engine has been improved, perfecting the balance of its internal rotations. The new Legacy achieves significant weight reduction despite its AWD configuration, weighing even less than a comparable 2WD model. A lighter vehicle not only achieves improved driving performance, but contributes to improvements in fuel economy, reducing CO_2 emissions and negative environmental impacts.

Next-Generation Technology

Speaking of environmental issues, you may wonder what we are doing about next-generation technologies such as hybrid cars and fuel cell vehicles. When fuel cells come into wider use, will our unique technological strengths in AWD systems and boxer engines no longer be valid? I would like to address this issue now.

In line with our “selection and concentration” approach, we have been working on hybrid systems that complement our automaking philosophy and satisfy our customers’ expectations. At the Tokyo Motor Show 2003, we will unveil a hybrid electric concept car, the Subaru B9 Scrambler, that presents a feasible hybrid technology which retains characteristics of the Subaru driving performance. Utilizing the layout and elements of Subaru’s Symmetrical AWD, this 2-seater convertible achieves the powerful acceleration of a turbo-charged car. The B9 Scrambler is a Sequential Series Hybrid Electric Vehicle (SSHEV), fusing the Symmetrical AWD and HEV technologies – placing the electric motor right between the longitudinally in-line engine and transmission.

The SSHEV delivers smooth acceleration and provides pleasurable driving performance at the most frequently used mid- and low-speed ranges, up to around 80 km/h. In these speed ranges, the electric motor is the main power source for the car, with the conventional engine only charging the electric batteries when needed. The engine takes over in the high-speed ranges, demonstrating the superb cruising of a Subaru sporty car. The SSHEV has been developed in consideration of the environment without compromising Subaru’s driving pleasure. The simple yet effective Symmetrical AWD layout has been proven to work well in hybrid cars.

Yet we still face a major technological challenge: batteries. Technological innovations in battery design are needed not only for the SSHEV but for fuel-cell vehicles as well.

Having recognized this issue for some time, we have been focusing on the development of lightweight, high-performance, extended-life rechargeable battery packs. Last year we set up NEC Lamillion Energy, Ltd. jointly with NEC Corporation. Blending our expertise in battery pack technology with NEC's manganese lithium-ion battery technology, this company has been developing test samples of revolutionary manganese lithium-ion battery packs and conducting detailed evaluation tests. The manganese lithium-ion battery has double the rechargeable capacity of the nickel metal hydride battery, and its life cycle is more than twice as long.

We recognize the importance of developing fuel-cell vehicles, but this requires enormous resources and R&D investment. In keeping with our "selection and concentration" strategy, we concluded that it would be a wise choice for us to entrust GM with developing fuel cell vehicles. We will focus on the development of peripheral technologies, including secondary rechargeable batteries, motors and electronic control units.

When we chose to develop the SSHEV as a suitable hybrid technology for Subaru, we were contemplating a possible future scenario. When high-performance, powerful fuel-cell stacks become available in the future, we will be able to easily replace the engine in the SSHEV with a fuel-cell stack.

This may sound a little far-reaching, but we came to the conclusion that the ultimate eco-friendly vehicle would be an electric vehicle (EV), not a hybrid, because it would be free from all gas emissions. An eco-friendly concept car, the Subaru Rle, was developed for the Tokyo Motor Show, based on our continuous advances in improving the performance of our manganese lithium-ion battery.

The Rle is a minicar with the 2 + 2 layout, which holds great potential as a practical EV for city driving. We developed this EV as a pure clean vehicle, assuming the use of clean

electric power sources in the future. When highly efficient, low-priced stationary fuel cell battery systems become available for home use, along with additional clean power generated from wind power stations, the RIe would be a perfect clean energy car.

Going back to our brand strategies, I must also stress that design is an important factor in defining our brand. We have been studying how best to define the design identity for our brand, but I must admit that this has not proved an easy task. In order to make Subaru a premium brand, it is crucial that we establish a Subaru design identity that is globally recognized and scientifically proven. Building on our Subaru heritage and our unique set of technological advantages, we will establish a true Subaru design identity. Not content with imitating or following European premium brands, we will incorporate Subaru premium brand values into our design – expressing original, functional beauty, and appealing emotionally to our customers. I am committed to achieving the creation of this “Emotional Design.”

Design innovations, like technology development, are not achieved overnight, but we are already moving forward to establish the Subaru design concept. By utilizing innovative design studios and designers around the world, we are in the process of creating a new Subaru “design language” to facilitate innovation. The new Legacy model partially implements our first attempt at high-quality designs in our production models.

In terms of a concept car, our new design direction is represented by the B11S, a prototype that was unveiled at the Geneva Motor Show earlier this year. We plan to further improve on the design innovations we achieved in the B11S and implement them in concept cars.

The Subaru B9 Scrambler, the SSHEV to be shown at the Tokyo Motor Show, demonstrates a sophisticated front-end design, a highly individual and original conception. While maintaining our basic design concept, we have successfully created variations for different types of concept cars.

The Subaru RIe is another example. This minicar has adopted new front-end designs, and its form expresses further sophistication from its side to rear finishes.

As the only automobile manufacturer that still engages in aircraft and aerospace business, we are leveraging our aircraft-making heritage into automobile designs as well. You can look forward to exciting Subaru new cars with bold, innovative exterior and interior designs.

So far I have covered some of the most important features of the Subaru brand, including our heritage in aircraft development, which is part of the DNA of our organization, the technological advantages of our Symmetrical AWD and new technologies, and our efforts in design innovation.

Again, what do we want to achieve, and to offer to customers? I would like to reiterate that we want to elevate Subaru to the status of a premium brand, developing a premium automobile for driving pleasure, designed to appeal to car enthusiasts around the world. When I say “premium brand,” people often ask me if we want to be like BMW and Audi. No, we would not follow their models, although some European cars do offer performance benchmarks. Our goal is to develop our unique premium brand originated in Japan, and to compete against those car makers in the global market. Our mission is to elevate the levels of driving performance, and the safety of automobiles. We will prevail by offering driving pleasure that only Subaru can provide.

Going one step further in the positioning of our company, we aim to become an indispensable manufacturing company by offering a unique set of technologies and first-rate products that only we can provide, even if our global shares of the automobile and aircraft markets are modest.

Having both automobile and aircraft businesses is a strength for us. While a car or an aircraft is a complete mechanical product unto itself, the system integration technologies common to both present unique opportunities for cross-fertilization. We plan to further our basic R&D into these shared technologies. By taking advantage of the synergy between these two business areas, Subaru will be able to offer additional original products that no one else can.

By aggressively developing new technologies, cultivating knowledge and insight into our products, and pursuing the essential elements of what we offer, we strive to grow Subaru's individuality and strengthen the company.

In May of last year, we announced a mid-term management plan, entitled the Fuji Dynamic Revolution-1 (FDR-1). Based on a concrete conception of where we want to be in ten years, the FDR-1 maps out policies and goals for the first five years, covering the fiscal years ending March 31, 2003, through 2007. The FDR-1 will guide the shift in our management focus from price competition to brand value competition. In other words, we will enhance our profitability and strengthen our corporate structure and finances to allow continuous, aggressive investment in basic R&D for future growth.

In the past year we focused on internalizing this management plan among employees, implementing certain actions based on the "select and concentration" policy, and developing and executing brand strategies for premium brands. Beginning this year, we will begin introducing products and services that were developed under the FDR-1.

Portfolio of Strategic Products

The most significant part of our brand strategies consists of what we offer – a portfolio of strategic products. Now I will discuss our product introduction plans through 2006, the final year of the FDR-1.

The first product introduction is the new Legacy. It was already unveiled in Japan in May, in Europe following the Frankfurt Motor Show in September, and in Australia this fall as well. The new Legacy will be launched in the United States next spring, with production at our plant there, SIA (Subaru of Indiana Automotive, Inc.).

As this portfolio chart shows, the next product will be the Subaru R2, a new minicar, slated to debut in Japan near the beginning of 2004.

We are showing this prototype model at the Tokyo Motor Show.

Automakers have created keen price competition in the Japanese minicar market (engine displacement smaller than 660cc), focusing on offering maximum interior space within the constraints of the minicar category. A variety of models are available in this highly competitive market, but something is missing, a sensibility that resonates in emotional appeal. Pursuing our policy of brand value competition, we are bringing that sensibility to the market in the R2.

Moving into 2005, we plan to introduce a completely new Crossover Utility Vehicle (XUV) in North America. It is one class above the Legacy model. Although I cannot yet reveal details about this car, our engineers are developing this new XUV with high-performance features that will effectively compete against European premium brands. This vehicle is strategically important for us, as it will raise the value of the Subaru brand in the United States.

We are also engaged in an ongoing development project for a multi-passenger car, targeting the Japanese market in 2006. While still deploying a Horizontally-Opposed Engine, it will feature a new platform layout that allows us to reduce the vehicle's weight, responding to a new era of environmental concerns while providing more effective packaging. This should be regarded as a new platform, and one on which we will base other product variations. Our

development work has been focusing on the range of possibilities for future product concepts deriving from this platform.

In order to secure resources for investment in R&D, we are also engaging in groupwide cost-reduction activities. This initiative, called the Cost Structure Revolution-1 (CSR-1), will reduce costs from the beginning of the product planning and design stages through production, distribution, and sales and services The cost-cutting plan also targets staff areas and includes cost structure reviews with a number of suppliers. We are striving to achieve a 10 percent reduction in costs for current parts and components, and a 30 percent reduction for newly developed systems and parts.

Now I would like to move on to talk about the GM Subaru Alliance. Since the conclusion of our agreement, our two companies have been pursuing synergy effects in collaboration, while respecting each other's brands. Our alliance is driven by two basic philosophies. One is to create mutually advantageous win-win relationships by benefiting from each other's strengths and merits; the other is to steadily move the company forward for growth and expansion, a process I describe as "Step by Step "

I would like to elaborate on these synergy effects in four areas: products, technology, manufacturing and purchasing, and sales.
We are currently working on the development of a new Saab 9-2 model for next spring release, in cooperation with Saab. The Saab 9-2 development project is the result of studies and discussions within the Alliance committee about how to use the synergy effects to the greatest advantage of both companies. Since GM group has so many brands, the challenge was choosing the right project for joint development, one that would retain Subaru's uniqueness and elevate the Subaru brand. We concluded that Saab would be a good match with us, and that a joint project with Saab would yield beneficial synergy effects for both Subaru and Saab.

The two companies share some common historical background, a similar business scale, and, most importantly, we share similar product development philosophies.

The Saab 9-2 project would allow Saab to drastically reduce its development costs by utilizing a Subaru platform to launch this new model. For Subaru, the additional production demands for the Saab 9-2 will raise our factory operation rate. In addition, sales of the Saab 9-2 will bring increased recognition for Subaru technology, spreading the gospel of Subaru technology beyond the market for Subaru cars. This will enhance our brand value.

While the Saab 9-2 is basically built upon a Subaru model, Saab has added its own designs and fine-tuned the car for Saab users. This joint development has nurtured close relations between our design and engineering departments, and resulted in stimulating exchanges between the two companies.

Another project that uses synergy effects is our joint product development with Suzuki. At the Frankfurt Motor Show we introduced the G3X Justy model for the European market, a car that was developed by Subaru and is produced by Suzuki at its Hungarian plant, Magyar Suzuki Corporation, under an original equipment manufacturing (OEM) agreement. Positioned as a small car segment in Subaru's pioneering crossover vehicle category for the European market, the Justy has been recording brisk initial sales since entering the market this fall through Subaru's European sales networks.

In the area of technology development, we are deriving many benefits from the Alliance, but I believe the most significant example is the GM catalyst technology, which has allowed us to reduce development costs and further efficient engine design. Thanks to the catalyst technology, we were able to introduce a turbo-charged model that passed U.S. emission gas regulations.

Our joint R&D with GM into computer simulation technology for crashworthiness and safety analysis enabled us to reduce the weight of the new Legacy by 100 kilograms. In addition to making such weight reduction possible, this technology helped achieve a body structure that reduces injuries to pedestrians in an accident.

Amid the heated competition in the auto industry for development of the next-generation alternative fuel technology, we hope that our hybrid system and battery technology will prove useful to the GM group. As I stated earlier, we will not venture into fuel cell research, which requires huge investments of cash and R&D resources, since GM is already a major player in developing fuel cell technology. Instead, we will utilize Subaru's strengths in battery and integration technologies by continuing to concentrate on our role in developing peripheral technologies such as secondary battery and application technologies for vehicles.

Cost reductions in the purchasing and production area will be realized through our extensive use of the GM Worldwide Purchasing (WWP) network, which gives us the benefits of a large quantity purchasing network. Our immediate challenge is to build a dollar-based purchasing system to hedge exchange risks. Dollar-based purchasing will also be an important factor in mapping the future growth of SIA.

In addition to conducting detailed cost analyses through our access to WWP benchmarks, we also plan to raise our purchasing rate from WWP, from the current 10 percent of total annual purchasing costs to a level of 30 percent.

Finally, strengthening our sales networks and capabilities is as important to our brand strategies as product portfolio enhancement. Our U.S. sales have characteristically been favorable in the snow belt of the Northeast and Northwest, claiming a market share of over 3 percent. However, our sales have been weak in the sun belt of the Southwest, Midwest and

Southeast, reaching less than 1 percent of market share in many areas. This gap has been a major issue for our distributor, Subaru of America. In our Alliance with GM, we are now benefiting from GM's tremendous volume of sales information and resources. More specifically, these resources are helping us to enhance dealer networks and optimize showroom locations.

Our sales in Japan are another issue. With improvements in our sales promotional tools, software and personnel organization and recruitment, we are working to raise our annual sales volume to 300,000 units from the current level of 260,000.

Under the Alliance, we started this summer to sell Saab cars in Tokyo, Kanagawa and Osaka. Although there is still a limited number of dealerships that handle the Saab brand, we believe selling Saab cars through Subaru dealer networks is not just another cooperative project with GM but also provides an opportunity for us to acquire the sales skills required to handle European premium models, and to help improve the quality of our sales and service operations.

At Subaru, we continue to strengthen our management foundation as a member of the GM group, and strive to contribute to the overall growth of the group.

In conclusion, I would like to share with you my dream, or perhaps I should say an ideal futuristic scenario. FHI is a manufacturer of transport modalities – cars, vehicles, equipment, and aircraft. In responding to people's desire for mobility, our ultimate mission is to create a world of highly individual means of mobility. And we want to these transportation options to enrich people's lives, making them more stimulating and exciting.

I firmly believe that such a new world of mobility will be possible when automobile and aircraft technologies are integrated, and that is where our future holds unprecedented

promise. If we can organically connect the mobilities of automobile and aircraft, our business opportunities will open up and raise Subaru to another level.

As a first step toward this end, we recently concluded a strategic partnership agreement with Eclipse Aviation Corporation, based in Albuquerque, New Mexico, a company that is developing a new conception of small business jet aircraft. We will be supplying complete wing assemblies for the revolutionary Eclipse 500, a six-place, twin-turbofan aircraft that has completed test flights. Although it is still under development, Eclipse Aviation has already received over 2,000 orders. Once the company obtains its type certificate from the Federal Aviation Agency (FAA), it plans to produce 1,500 aircraft annually. Such high-volume aircraft production is revolutionary, and we look forward to applying our mass production expertise in automobile production to the wing assemblies.

The Eclipse 500 is expected to play an important role in realizing the Small Air Transportation System (SATS), a new air travel system concept devised by NASA in cooperation with other government agencies such as FAA.

The SATS represents an affordable travel alternative enabling easier, speedier access to far-flung communities. Using more than 10,000 airfields in the United States along with approximately 600 hub-and-spoke airports, the plan aims to provide efficient point-to-point air travel, easing highway congestion and frequent plane delays at airports. This revolutionary plan requires not only innovative small aircraft but also new navigation systems to support this type of air travel.

FHI is also an industry leader in navigation technology, particularly automatic flight technology for self-guided, unmanned aircraft. In August we announced the successful demonstration of an automatic take-off/landing system for small planes. This achievement marks the beginning of the incorporation of intelligence into mobility systems. I believe our

advanced technology development will help create a new demand in the world of mobility, and generate synergy effects with Subaru car development.

My dream is to elevate Subaru from the two-dimensional world on the ground to the three-dimensional world in the sky. Like Pegasus, a mythological horse with wings, I want to see Subaru soar in the new world of mobility.