

June 2, 2006

## Notice of the 75th Ordinary General Meeting of Shareholders

To our Shareholders:

You are cordially invited to attend the 75th Ordinary General Meeting of Shareholders of Fuji Heavy Industries Ltd. (the “Company”), to be held as set forth below.

If you do not expect to attend the meeting, you may vote on the proposals by proxy. Please refer to the attached materials, complete the enclosed voting form, indicating your approval or disapproval of each of the proposals in the space provided, affix your seal or signature and return the voting form to the Company by mail.

Sincerely,

Kyoji Takenaka, President and Chief Executive Officer

**1. Date and time of meeting**

Tuesday, June 27, 2006; 10 a.m.

**2. Place of meeting**

3F Park Tower Hall  
Shinjuku Park Tower  
7-1, Nishi-Shinjuku 3-chome,  
Shinjuku-ku, Tokyo

**3. Agenda**

1. Presentation of the Business Report, the Non-Consolidated Balance Sheets and the Non-Consolidated Statements of Income for the 75th Fiscal Period (April 1, 2005, through March 31, 2006)
2. Presentation of the Consolidated Balance Sheets and the Consolidated Statements of Income for the 75th Fiscal Period (April 1, 2005, through March 31, 2006), as well as Audit Reports of the Accounting Auditor and the Board of Corporate Auditors on the Consolidated Financial Statements
3. Reporting of the Purchase of Treasury Stock Pursuant to a Resolution of the Board of Directors Authorized under the Articles of Incorporation

***Proposals to Be Voted on***

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|-------------|---|
| Proposal 1: | Approval of the Proposed Appropriation of Retained Earnings for the 75th Fiscal Period  |
| Proposal 2: | Proposed Amendments to the Articles of Incorporation<br>The details of the amendments are on pp. 2-13 of the Reference Documents. |
| Proposal 3: | Election of Eight (8) Directors of the Board  |
| Proposal 4: | Election of One (1) Corporate Auditor   |
| Proposal 5: | Election of One (1) Substitute Corporate Auditor  |
| Proposal 6: | Approval of Retirement Allowances to Retiring Directors of the Board and Corporate Auditors                                       |
| Proposal 7: | Revision to the Amount of Remuneration to Directors of the Board and Corporate Auditors   |

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If you attend the meeting in person, please submit your voting form, completed and affixed with your seal or signature, at the reception desk.

## INFORMATION CONCERNING THE EXERCISE OF VOTING RIGHTS

### 1. Total number of voting rights owned by all the shareholders:

714,005 rights

### 2. Proposals and information:

#### **Proposal 1: Approval of the Proposed Appropriation of Retained Earnings for the 75th Fiscal Period**

To strengthen the Company's financial position and taking into consideration future business development, it is hereby proposed that retained earnings for the period under review be appropriated as described below. With regard to the year-end dividend for the period under review, it is proposed that a dividend of ¥4.5 per share be paid, resulting in a full-year dividend of ¥9 per share, including the interim dividend paid.

With regard to bonuses to Directors of the Board ("Directors") and Corporate Auditors ("Auditors"), it is proposed that ¥65,500,000 (of which ¥10,000,000 is for Auditors) be paid to six (6) Directors and four (4) Auditors with a view to the business results of the Company for the fiscal year under review.

#### **Proposed appropriation of retained earnings**

(Yen)

Contents	Amount
Unappropriated retained earnings at end of the year	88,441,189,042
<b>Total:</b>	<b>88,441,189,042</b>
To be appropriated as follows:	
Dividends to shareholders (¥4.5 per share)	3,226,359,002
Directors' bonuses (Corporate Auditors)	65,500,000 (10,000,000)
Retained earnings to be carried forward	85,149,330,040

(Notes) Cash dividend for Fiscal 2005 is ¥9 per share, which includes interim dividend of ¥4.5 per share.

#### **Proposal 2: Proposed Amendments to the Articles of Incorporation**

##### 1. Reasons for the amendments

(1) The following amendments of the Articles of Incorporation of the Company ("Article") are proposed in accordance with the enforcement of the Corporate Law (2005 Law, No. 86) and the Laws for Arrangement of the Related Laws due to the Enforcement of the Corporate Law (2005 Law, No. 87), effective on May 1, 2006.

- 1) It is proposed that Articles 20 and 33 be newly established in the Proposed Amendments because the Corporate Law requires a provision in the Company's Articles of Incorporation that necessitates the inclusion of the Board of Directors, Auditors and the Board of Auditors.

- 2) The new establishment of Chapter 6 (Articles 43, 44 and 45) is proposed because the Corporate Law requires a provision in the Company's Articles of Incorporation that necessitates the inclusion of Accounting Auditors.
- 3) The new establishment of Article 6 is proposed because the Corporate Law requires a provision in the Company's Articles of Incorporation that necessitates the issuance of share certificates related to the shares.
- 4) The new establishment of Article 10 is proposed to limit the rights of shareholders holding Fractional-Unit Shares.
- 5) The new establishment of Article 16 is proposed for more efficient management of the Ordinary General Meeting of Shareholders in accordance with the Corporate Law that stipulates that the Company is deemed to have provided the shareholders with the reference documents, etc., of the Ordinary General Meeting of Shareholders by disclosing such documents via the Internet.
- 6) The amendment in Article 18 of the Proposed Amendments is proposed to clarify the number of proxies with regard to the exercise of voting rights by proxy at the Ordinary General Meeting of Shareholders.
- 7) For more flexible management of the Board of Directors, Article 31 is proposed to enable the adoption of resolutions in writing or via an electromagnetic method.
- 8) To enable the Company to enter into an agreement with outside auditors to limit their liabilities, it is proposed that Article 38 be newly established.
- 9) In addition to the above, we propose necessary amendments throughout the Articles of Incorporation to comply with the Corporate Law such as changes in the wording, expressions and terms of the current Articles as well as adding and eliminating Articles and provisions.
- (2) The Executive Officers System was introduced in June 1999 and the number of Directors was also reduced at the same time. Since the system has been working well, it is proposed that the number of Directors be reduced from within thirty-five (35) to fifteen (15).
- (3) To enable Directors and Auditors to actively participate in the management of the Company and execute their duties to the fullest, and make it easier to solicit efficient personnel from outside the Company, the Company should be able to enter an agreement with outside directors to limit their liabilities. For that purpose, it is proposed to newly establish Articles 26 and 38 in addition to (1)-8) above.

The Board of Corporate Auditors has approved the new establishment of Article 26 of the Proposed Amendments unanimously.

- (4) In accordance with the maturity redemption of convertible bonds, we propose to delete the Article that stipulates the conversion of convertible bonds and dividends.
- (5) In addition to the above, we propose the necessary addition and elimination of provisions, changes in expressions, the renumbering of Articles and so on throughout the Articles of Incorporation.

## 2. Detailed Amendments to the Articles of Incorporation

The proposed amendments to the Articles of Incorporation are as follows;

(Underlined sections are amended sections.)

Current Articles of Incorporation	Proposed Amendments
<p>Chapter 1, General Provisions (Method <u>for</u> Public Notices) Article 4. The public notices of the Company shall be <u>published in the Tokyo edition of the Nihon Keizai Shimbun</u></p> <p>Chapter 2, Shares (Total Number of Shares) Article 5. <u>The total number of shares authorized to be issued</u> by the Company shall be 1,500,000,000.</p> <p>(Newly Added)</p>	<p>Chapter 1, General Provisions (Method for Public Notices) Article 4. The public notices of the Company shall be <u>given by way of publication in the Nihon Keizai Shimbun.</u></p> <p>Chapter 2, Shares (Total Number of Shares Issuable) Article 5. <u>The total number of shares issuable</u> by the Company shall be 1,500,000,000.</p> <p>(Issuance of Share Certificates) <u>Article 6.</u> <u>The Company shall issue share certificates related to the shares.</u></p>
<p>(Acquisition of Its Own Shares) Article <u>6</u>. The Company may <u>repurchase</u> its own shares <u>through</u> a Board of Directors resolution, in accordance with <u>Article 211-3, Section 1-2 of the Commercial Code.</u></p> <p>(Share Transfer Agent) Article <u>7</u>. The Company will establish <u>a transfer agent for its shares.</u> <u>The transfer agent</u> and its place of operation will be <u>decided</u> by a resolution of the Board of Directors and will be publicly announced. <u>The register of shareholders and the register of beneficial shareholders (hereinafter referred to as the “Registers of Shareholders”) and the register of loss of share certificates will be placed at the transfer agent’s place of operation.</u> Matters related to shares, <u>including the registration of the transfer of shares, registration of pledge, indication of assets in trust or erasure thereof, purchase and additional purchase of Odd Unit Shares, delivery of share certificates and acceptance of reports will be handled by the transfer agent,</u> and will not be handled by the Company.</p>	<p>(Acquisition of Its Own Shares) Article <u>7</u>. The Company may <u>acquire</u> its own shares <u>by means of a market transaction, etc. upon</u> a Board of Directors resolution, in accordance with <u>Article 165, Section 2 of the Corporate Law.</u></p> <p>(Shareholder Register Administrator) Article <u>8</u>. The Company will establish <u>a shareholder register administrator.</u> <u>The shareholder register administrator</u> and its place of operation will be <u>determined</u> by a resolution of the Board of Directors and will be publicly announced. <u>Preparing and maintaining the register of shareholders (including the register of beneficial shareholders; the same applies hereinafter), the register of share purchase warrants and the register of loss of share certificates, and other matters related to the register of shareholders, the register of share purchase warrants and the register of loss of share certificates, will be delegated to the shareholder register administrator,</u> and will not be handled by the Company.</p>

<p>(Number of Shares per Unit)</p> <p>Article 8.  <u>The number of shares in one (1) unit</u> is a thousand (1,000) for the Company.  The Company will not issue share certificates <u>relating to shares less than a unit ("Odd Unit Shares")</u>.</p> <p>(Newly Added)</p>	<p>(Number of Shares in Unit Share and Non-Issuance of Share Certificates for Fractional Unit Shares)</p> <p>Article 2.  The number of shares in a unit share of the Company is one thousand (1,000) shares.  <u>Notwithstanding the provision of Article 6, the Company will not issue share certificates relating to fractional unit shares; provided however, that this will not apply if the Regulations for Handling Shares provide otherwise.</u></p> <p>(Rights Regarding Fractional Unit Shares)  <u>Article 10.</u>  <u>The Company's shareholders (including beneficial shareholders; the same applies hereinafter) may not exercise any right other than the following rights regarding the fractional unit shares they own:</u></p> <ol style="list-style-type: none"> <li><u>1. any right stipulated in each item of Article 189, Section 2 of the Corporate Law;</u></li> <li><u>2. any right to make a claim pursuant to the provisions of Article 166, Section 1 of the Corporate Law;</u></li> <li><u>3. any right to subscribe for offered shares and any right to subscribe for offered share purchase warrants, in accordance with the number of shares owned by the shareholder;</u></li> <li><u>4. any right to make a claim as provided in Article 11.</u></li> </ol>
<p>(Additional Purchase of Odd Unit Shares)  Article 9.  A Shareholder of the Company <u>holding Odd Unit Shares (including a beneficial shareholder; this applies hereinafter)</u> may demand a sale of the number of shares which, together with Odd Unit Shares, shall constitute <u>one full unit</u>, in accordance with the provisions set forth in the Regulations for Handling of Shares.</p> <p>(Regulations for Handling of Shares)  Article 10.  <u>Types of shares, registration of the transfer of shares, registration of pledge, indication of assets in trust, purchase and additional purchase of Odd Unit Shares, redelivery of share certificates, and other procedures and charges related to shares</u> will be as provided in the Regulations for Handling of Shares, which shall be decided by the Board of Directors.</p>	<p>(Additional Purchase of Fractional Unit Shares)  Article 11.  A Shareholder of the Company may demand a sale of the number of shares which, together with the number of fractional unit shares <u>owned</u>, shall constitute <u>one unit share</u>, in accordance with the provisions set forth in the Regulations for Handling Shares.</p> <p>(Regulations for Handling Shares)  Article 12.  <u>Handling and fees related to the Company's shares</u> will be as provided in the Regulations for Handling Shares, which shall be decided by the Board of Directors, <u>as well as in laws and regulations or these Articles of Incorporation.</u></p>

<p><u>(Record Date)</u>  <u>Article 11.</u>  <u>The Company shall consider shareholders who have voting rights and are listed or recorded in the Registers of Shareholders as of the end of every accounting term as the shareholders who should exercise their rights in the Annual General Meeting of Shareholders for such accounting term.</u>  <u>In addition to the preceding paragraph, in order to determine recipients of interim dividends in accordance with Article 35, and at other times as required, an extraordinary record date can be set based on the resolution of the Board of Directors with a prior public announcement of such extraordinary record date.</u></p> <p>Chapter 3, General Meeting of Shareholders (Ordinary Meetings, Extraordinary Meetings and Convocation)  Article 12.  The Company will have two types of General Meeting of Shareholders, an Annual General Meeting of Shareholders and an Extraordinary General Meeting of Shareholders. An Annual General Meeting will be held in June every year, and an Extraordinary General Meeting will be held when necessary.</p> <p>(Newly Added)</p>	<p>(Deleted)</p> <p>Chapter 3, General Meeting of Shareholders (Ordinary Meetings, Extraordinary Meetings and Convocation)  Article 13.  (Same as Current)</p> <p><u>(Record Date for Annual General Meeting of Shareholders)</u>  <u>Article 14.</u>  <u>The record date for voting rights at the Annual General Meeting of Shareholders of the Company shall be March 31 of every year.</u></p>
<p>(Chairman)  Article 13.  The President of the Company shall convene a General Meeting of Shareholders and shall act as the chairman therein. In the event the President is unable to do so, a Director shall serve in the President's place, in accordance with the order decided upon in advance by a resolution of the Board of Directors.</p>	<p><u>(Convener and Chairman)</u>  Article 15.  The President of the Company shall convene a General Meeting of Shareholders and shall act as the chairman therein. In the event the President is unable to do so, a Director shall serve in the President's place, in accordance with the order decided upon in advance by a resolution of the Board of Directors.</p>

<p>(Newly Added)</p> <p>(<u>Necessary Conditions</u> for Resolutions) Article 14. Unless otherwise prescribed by laws and regulations or in these Articles of Incorporation, resolutions of a General Meeting of Shareholders <u>shall be adopted by</u> a majority of the votes of the shareholders present therein. <u>Special</u> resolutions as provided for in <u>Article 343 of the Commercial Code of Japan</u> shall be adopted at a General Meeting of Shareholders at which shareholders holding one-third (1/3) or more of voting rights of <u>all the shareholders</u> shall be present, by a majority of two-thirds (2/3) or more of the voting rights of the shareholders so present.</p> <p>(Proxy Votes) Article 15. A shareholder of the Company may exercise its voting rights by authorizing another shareholder who has voting rights in the Company as its proxy in a General Meeting of Shareholders. The proxy must submit to the Company a document evidencing its authority for each General Meeting of Shareholders.</p>	<p>(<u>Disclosure on the Internet and Deemed Provision of Reference Documents, etc. for the General Meeting of Shareholders.</u>) <u>Article 16.</u> <u>Upon convocation of the General Meeting of Shareholders, it may be deemed that the Company has provided the information concerning matters to be stated or represented in the reference documents for the general meeting of shareholders, business reports, financial statements and consolidated financial statements to the shareholders, by disclosing the same by a method using the Internet as provided by the order of Ministry of Justice.</u></p> <p>(Resolution <u>Method</u>)  Article 17. Unless otherwise prescribed by laws and regulations or in these Articles of Incorporation, resolutions of a General Meeting of Shareholders <u>shall be passed by</u> a majority of the votes of the shareholders present therein <u>who may exercise their voting rights.</u> Resolutions as provided for in <u>Article 309, Section 2 of the Corporate Law</u> shall be passed at a General Meeting of Shareholders at which shareholders holding one-third (1/3) or more of voting rights of <u>the shareholders who can exercise their voting rights</u> shall be present, by a majority of two-thirds (2/3) or more of the voting rights of the shareholders so present.</p> <p>(Proxy Votes) Article 18. A shareholder of the Company may exercise its voting rights by authorizing <u>one (1)</u> other shareholder who has voting rights in the Company as its proxy in a General Meeting of Shareholders. <u>The shareholder or</u> the proxy must submit to the Company a document evidencing its authority for each General Meeting of Shareholders.</p>
<p>(Minutes) Article 16. <u>Concerning the proceedings of the General Meeting of Shareholders,</u> a summary of the process of the proceedings and the result thereof shall be described or recorded in the minutes of the meeting, <u>and the chairman and the Directors who attended the meeting shall affix their names and seals, or sign electronically thereto.</u> The minutes of the meeting shall be placed at the head office for 10 years and their certified copies shall be maintained at branch offices for 5 years.</p> <p>Chapter 4, Directors and Board of Directors</p>	<p>(Minutes) Article 19. A summary of the process of the proceedings of the General Meeting of Shareholders and the result thereof, <u>and other matters provided by laws and regulations,</u> shall be stated or recorded in the minutes of the meeting. The minutes of the meeting shall be placed at the head office for 10 years and their certified copies shall be maintained at branch offices for 5 years.</p> <p>Chapter 4, Directors and Board of Directors</p>

(Newly Added)

(Number and Appointment)

Article 17.

The Company will have no more than 35 Directors, who will be appointed at the General Meeting of Shareholders.

The above resolution for appointment shall be made by the presence of shareholders with one-third (1/3) or more of voting rights of all shareholders. Cumulative voting shall not apply for the appointment of a Director.

(Term of Office)

Article 18.

The term of office for a Director shall be until the conclusion of the Annual General Meeting of Shareholders for the last accounting term within 1 year after assumption of office.

(President, etc.)

Article 19.

One Chairman, one President, Vice Chairmen, Vice Presidents, Senior Managing Directors and Managing Directors may be appointed by a resolution of the Board of Directors.

(Representative Directors)

Article 20.

Directors who are to represent the Company shall be elected from the Directors set forth in Article 17 by a resolution of the Board of Directors.

(Remuneration)

Article 21.

Remuneration of Directors shall be decided at the General Meeting of Shareholders.

(Board of Directors)

Article 20.

The Company shall establish a Board of Directors.

(Number and Appointment)

Article 21.

The Company will have no more than 15 Directors, who will be appointed at the General Meeting of Shareholders.

The above resolution for appointment will be passed by a majority of the votes in the presence of shareholders with one-third (1/3) or more of voting rights of the shareholders who can exercise their voting rights. Cumulative voting shall not apply for the appointment of a Director.

(Term of Office)

Article 22.

The term of office for a Director shall be until the conclusion of the Annual General Meeting of Shareholders for the last business year that will terminate within 1 year after appointment.

(President, etc.)

Article 23.

One Chairman, one President, Vice Chairmen, Vice Presidents, Senior Managing Directors and Managing Directors may be determined by a resolution of the Board of Directors.

(Representative Directors)

Article 24.

Directors who are to represent the Company shall be selected from the Directors set forth in Article 23 by a resolution of the Board of Directors.

(Remuneration, etc.)

Article 25.

Remuneration, bonus and other financial benefits to be received by Directors as consideration for the performance of their duties from the Company ("Remuneration, etc.") shall be decided by a resolution at the General Meeting of Shareholders.







<p>(Standing Corporate Auditor) Article 29. <u>The Auditors will decide among themselves on a Standing Corporate Auditor.</u></p> <p>(Remuneration) Article 30. Remuneration of Corporate Auditors shall be decided <u>at</u> the General Meeting of Shareholders.</p> <p>(Newly Added)</p> <p>(Regulations of the Board of Corporate Auditors) Article 31. In addition to any laws and regulations and these Articles of Incorporation, matters relating to the Board of Corporate Auditors shall be in accordance with the Regulations of the Board of Corporate Auditors, which shall be decided upon by the Board of Corporate Auditors.</p> <p>(Notices of Convocation) Article 32. Notices to convene a meeting of the Board of Corporate Auditors must be given at least 4 days prior to the date of such meeting; provided, however, in case of emergency, such period may be shortened. In the event that the consent of all of the Corporate Auditors has been obtained, a meeting of the Board of Corporate Auditors can be held without convocation procedures.</p> <p>(Resolutions) Article 33. Unless otherwise prescribed by any laws or regulations, a resolution of the Board of Corporate Auditors shall be <u>adopted</u> by a majority of the Corporate Auditors.</p>	<p>(Standing Corporate Auditor) Article 36. <u>The Board of Corporate Auditors will elect a Standing Corporate Auditor by its resolution.</u></p> <p>(Remuneration, etc.) Article 37. Remuneration, <u>etc.</u> of Corporate Auditors shall be decided <u>by a resolution of</u> the General Meeting of Shareholders.</p> <p>(Exemption for Corporate Auditors) Article 38. <u>The Company may exempt Corporate Auditors (including former Corporate Auditors) from their liabilities for compensation of damages under Article 423, Section 1 of the Corporate Law, to the extent permitted by laws and regulations, by a resolution of the Board of Directors pursuant to Article 426, Section 1 of the Corporate Law. The Company may execute an agreement limiting liability for compensation of damages under Article 423, Section 1 of the Corporate Law between outside corporate auditors pursuant to Article 427, Section 1 of the Corporate Law; provided that the ceiling amount for liabilities under such an agreement shall be the larger of a previously designated amount of 5,000,000 Yen or more and an amount stipulated by laws and regulations.</u></p> <p>(Regulations of the Board of Corporate Auditors) Article 39. (Same as Current)</p> <p>(Notices of Convocation) Article 40. Notices to convene a meeting of the Board of Corporate Auditors must be given <u>to each Corporate Auditor</u> at least 4 days prior to the date of such meeting; provided, however, in case of emergency, such period may be shortened. In the event that the consent of all of the Corporate Auditors has been obtained, a meeting of the Board of Corporate Auditors can be held without convocation procedures.</p> <p>(Resolution <u>Method</u>) Article 41. Unless otherwise prescribed by any laws or regulations, a resolution of the Board of Corporate Auditors shall be <u>passed</u> by a majority of the Corporate Auditors.</p>
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<p>(Minutes) Article <u>34</u>. <u>Concerning the proceedings of the meeting of the Board of Corporate Auditors</u>, a summary of the process of the proceedings and the result thereof shall be stated or recorded in the minutes, and the Corporate Auditors who attended the meeting shall affix their names and seals, or sign electronically thereto. The minutes of the meeting shall be maintained at the head office for 10 years.</p> <p>(Newly Added)</p> <p>(Newly Added)</p> <p>(Newly Added)</p> <p>(Newly Added)</p> <p>Chapter <u>6</u>, Accounts (<u>Business Year and Accounting Term</u>) Article <u>35</u>. The <u>business</u> year of the Company shall be from the first day of April through the last day of March next year, <u>and the last day of each business year shall be the accounting term</u>.</p> <p>(Dividends) Article <u>36</u>. <u>Dividends shall be paid to the shareholders or the registered pledgees listed or recorded in the Registers of Shareholders as of the end of every accounting term</u>.</p>	<p>(Minutes) Article <u>42</u>. A summary of the process of proceedings of the meeting of the Board of Corporate Directors, the result thereof <u>and other matters stipulated by laws and regulations</u>, shall be stated or recorded in the minutes, and the Corporate Auditors who attended the meeting shall affix their names and seals, or sign electronically thereto. The minutes of the meeting shall be maintained at the head office for 10 years.</p> <p><u>Chapter 6, Accounting Auditors</u></p> <p>(<u>Establishment of Accounting Auditors</u>) <u>Article 43</u>. <u>The Company shall establish Accounting Auditors.</u></p> <p>(<u>Appointment</u>) <u>Article 44</u>. <u>The Accounting Auditors shall be elected at the General Meeting of Shareholders.</u></p> <p>(<u>Term</u>) <u>Article 45</u>. <u>The term of office for Accounting Auditors shall be until the closing of the Annual General Meeting of Shareholders for the last business year that will terminate within 1 year after appointment.</u> <u>If it is not resolved otherwise in the Annual General Meeting of Shareholders under the preceding paragraph, the Accounting Auditors shall be deemed reappointed at that Annual General Meeting of Shareholders.</u></p> <p>Chapter <u>7</u>, Accounts (<u>Business Year</u>) Article <u>46</u>. The business year of the Company shall be from the first day of April through the last day of March next year.</p> <p>(<u>Term End Distribution</u>) Article <u>47</u>. <u>The Company shall distribute the surplus to the shareholders or the registered share pledgees listed or recorded in the final registers of shareholders as of March 31 every year, based on a resolution of the General Meeting of Shareholders (“Term End Distribution”).</u></p>
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<p>(Interim Distribution) Article <u>37</u>. The Company, <u>upon</u> resolution of the Board of Directors, can <u>make a monetary allocation in accordance with Article 293-5 of the Commercial Code (referred to as interim dividends)</u> to the shareholders or the registered pledgees listed or recorded in the final Registers of Shareholders as of September 30 every year.</p> <p><u>(Conversion and Time of Conversion for Convertible Bonds, Calculation of Dividends, etc.)</u> Article <u>38</u>. <u>The initial dividends or the interim dividends on shares issued by the conversion of convertible bonds shall be paid as if such conversion took place on April 1 in the event that a request for conversion is made between April 1 and September 30, and shall be paid as if such conversion took place on October 1 in the event that a request for conversion is made between October 1 and March 31.</u></p> <p>(Limitation Period) Article <u>39</u>. In the event that the <u>dividends or the interim dividends</u> are not received after 3 years have passed from the date when payment thereof becomes payable, the Company is exempted from its payment obligation.</p>	<p>(Interim Distribution) Article <u>48</u>. The Company, <u>by</u> a resolution of the Board of Directors, can <u>distribute the surplus in accordance with Article 454, Section 5 of the Corporate Law</u> to the shareholders or the registered share pledgees listed or recorded in the final registers of shareholders as of September 30 every year (<u>“Interim Distribution”</u>).</p> <p>(Deleted)</p> <p>(Limitation Period) Article <u>49</u>. In the event that <u>amounts concerning the Term End Distribution or the Interim Distribution</u> are not received after 3 years have passed from the date when payment thereof becomes payable, the Company is exempted from its payment obligation.</p>
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### Proposal 3: Election of Eight (8) Directors

The terms of office of six (6) Directors will expire at the conclusion of this Ordinary General Meeting of Shareholders. It is hereby proposed that eight (8) Directors will be elected.

Candidates for the position of Director are as follows:

No.	Name (Date of birth)	Brief history The mark “#” shows the company name and title when the candidate represents any company other than the Company.		Number of shares of the Company held by candidate
1.	Ikuo Mori (August 19, 1947)	April 1970	Joined the Company	15,000
		June 1995	Staff General Manager, North America Affiliate Department, Subaru Overseas Division	
		June 1997	General Manager of Production Planning & Management, Subaru Overseas Division	
		June 1999	General Manager of Overseas Planning Department, Subaru Overseas Division	
		June 2001	General Manager of Sales Planning Department and Staff General Manager of Sales Promotion Department, Subaru Sales & Marketing Division	
		June 2002	Corporate Vice President, Chief General Manager of Europe Region and Chief General Manager of Asia Pacific Region, Subaru Sales & Marketing Division	
		June 2004	Corporate Vice President, Chief General Manager of Subaru Parts & Accessories Division	
		April 2005	Corporate Senior Vice President, Chief General Manager of Subaru Overseas Sales & Marketing Division	
		June 2006	Corporate Executive Vice President, Chief General Manager of Subaru Overseas Sales & Marketing Division (present post)	
2.	Takao Tsuchiya (August 27, 1943)	April 1967	Joined the Company	24,200
		Jan. 1990	Project General Manager, Product Planning & Management Division	
		July 1995	Staff General Manager of Product Planning, Subaru Development Division	
		June 1997	Director and General Manager of Engineering Administration Department	
		June 1999	Vice President, Senior General Manager of Subaru Development and Engineering Division, and General Manager of Engineering Administration Department and Chassis Design Department	
		April 2000	Senior Vice President and Senior General Manager of Subaru Engineering Division	
		June 2003	Director of the Board and Corporate Executive Vice President	
		April 2005	Director of the Board, Corporate Executive Vice President and Chief General Manager of Subaru Product & Portfolio Planning Division	
		June 2005	Representative Director of the Board, Corporate Executive Vice President and Chief General Manager of Subaru Product & Portfolio Planning Division	

No.	Name (Date of birth)	Brief history The mark “#” shows the company name and title when the candidate represents any company other than the Company.	Number of shares of the Company held by candidate
		June 2006 Representative Director of the Board, Corporate Executive Vice President (present position)	
3.	Hiroshi Komatsu (May 7, 1945)	April 1968 Joined the Company June 1991 General Manager of 2 <sup>nd</sup> Power Unit Development Department, Subaru Engineering Division Nov. 1997 General Manager of Design Quality Control Department, Subaru Development Division June 1999 Vice President, Senior General Manager of Quality Assurance Division and General Manager of Quality Planning Department June 2001 Senior Vice President and Senior General Manager of Subaru Engineering Division June 2003 Corporate Executive Vice President and President, Industrial Products Company April 2005 Corporate Executive Vice President and Chief General Manager of Subaru Manufacturing Division June 2005 Director of the Board, Corporate Executive Vice President and Chief General Manager of Subaru Manufacturing Division June 2006 Director of the Board, Corporate Executive Vice President (present post)	19,000
4.	Shunsuke Takagi (October 28, 1946)	April 1969 Joined the Company April 1991 Deputy General Manager of Budget & Accounting Department April 1994 Staff General Manager of Corporate Planning Department June 1999 Vice President and General Manager of General Administration Department and Real Estate Department April 2000 Vice President and General Manager of Human Resources Department, General Administration Department and Real Estate Department June 2001 Senior Vice President and General Manager of Finance & Accounting Department June 2003 Director of the Board and Corporate Executive Vice President April 2005 Director of the Board, Corporate Executive Vice President and Chief General Manager of Strategy Development Division June 2005 Representative Director of the Board, Corporate Executive Vice President and Chief General Manager of Strategy Development Division June 2006 Representative Director of the Board, Corporate Executive Vice President (present post)	27,060
5.	Hiroyuki Oikawa (July 29, 1946)	April 1969 Joined the Company April 1992 General Manager of 1st Production Department, Gunma Plant Dec. 1997 General Manager of 2nd Production Department, Gunma Plant	13,000

No.	Name (Date of birth)	Brief history The mark “#” shows the company name and title when the candidate represents any company other than the Company.	Number of shares of the Company held by candidate
		<p>April 1999 General Manager of Production Control Department, Gunma Plant</p> <p>June 1999 Senior General Manager of Gunma Plant</p> <p>June 2001 Vice President, Senior General Manager of Manufacturing Division and Chief General Manager of Gunma Plant</p> <p>June 2002 Corporate Senior Vice President, Chief General Manager of Subaru Manufacturing Division and General Manager of Gunma Plant</p> <p>June 2003 Corporate Senior Vice President, President of SUBARU of INDIANA AUTOMOTIVE, INC.</p> <p>June 2006 Corporate Executive Vice President, President of SUBARU of INDIANA AUTOMOTIVE, INC. (present post)</p> <p>President SUBARU of INDIANA AUTOMOTIVE, INC.</p>	
6.	Norihiisa Matsuo (February 21, 1948)	<p>April 1970 Joined the Company</p> <p>June 1991 General Manager of Advanced Project Development Office, Utsunomiya Plant, Aerospace Division</p> <p>April 1995 Staff General Manager of Unmanned Air Vehicles Engineering Department, Utsunomiya Plant, Aerospace Division</p> <p>July 1998 Staff General Manager of Aerospace Division</p> <p>Oct. 1998 General Manager of Marketing &amp; Sales Defense Programs Department, Aerospace Division</p> <p>June 2001 Vice President and Senior General Manager of Aerospace Division (Defense Program)</p> <p>June 2002 Corporate Vice President, Vice President, Aerospace Company and President, Fuji Aerospace Technology Co., Ltd.</p> <p>June 2003 Corporate Senior Vice President, President, Aerospace Company</p> <p>June 2006 Corporate Executive Vice President, President, Aerospace Company (present post)</p>	21,102
7.	Kazunari Okuhara (January 27, 1948)	<p>April 1970 Joined the Company</p> <p>June 1993 Regional Manager of Regional Managers Department, Domestic Sales Division (Chugoku, Shikoku and Kyusyu)</p> <p>April 1994 General Manager of 4th Sales Department, Domestic Sales Division</p> <p>June 1997 General Manager of 2nd Sales Department, Domestic Sales Division</p> <p>June 1998 General Manager of Sales Planning Department, Domestic Sales Division</p> <p>June 2001 Vice President, Senior General Manager of Japan Region, Subaru Sales &amp; Marketing Division, Chief General Manager of Subaru Parts &amp; Accessories Division and General Manager of Customer Service Center</p>	9,000



No.	Name (Date of birth)	Brief history The mark “#” shows the company name and title when the candidate represents any company other than the Company.		Number of shares of the Company held by candidate
		July 2002	Corporate Vice President, Senior General Manager of Japan Region, Subaru Sales & Marketing Division and General Manager of Sales Support Department	
		June 2003	Corporate Senior Vice President, Chief General Manager of Subaru Japan Sales & Marketing Division and Subaru Marketing Division	
		April 2005	Corporate Senior Vice President, General Manager, Human Resources Department	
		June 2005	Corporate Senior Vice President, General Manager, Human Resources Department	
		June 2006	Corporate Executive Vice President and General Manager, Human Resources Department	
			President, Subaru System Service Co., Ltd. (present post)	
		President	Subaru System Service Co., Ltd.	
8.	Kyoji Takenaka (November 28, 1946)	April 1969	Joined the Company	122,000
		June 1988	Staff General Manager of Product Planning Office	
		Feb. 1991	Staff General Manager of Product Planning Division	
		July 1995	Project General Manager of Subaru Development & Engineering Division	
		June 1999	Vice President, Project General Manager of Product Planning Office and General Manager of Special Version Development Department	
		April 2000	Vice President, Senior General Manager of Corporate Planning Division and General Manager of Alliance Promotion Office	
		June 2001	Senior Vice President, Senior General Manager of Corporate Planning Division and General Manager of Alliance Promotion Office	
		June 2001	President, Representative Director of the Board (present post)	

Note: The candidates have no special interest relationships with the Company.

**Proposal 4: Election of One (1) Auditor**

The term of office of Auditor Masayoshi Nagano will expire at the close of this Ordinary General Meeting of Shareholders. It is hereby proposed that one (1) Auditor be elected.

The proposal has been approved by the Board of Auditors.

The candidate for Auditor is as follows:

Name (Date of birth)	Brief history The mark “#” shows the company name and title when the candidate represents any company other than the Company.		Number of shares of the Company held by candidate
Yoji Ishimaru (November 29, 1947)	April 1970	Joined the Ministry of International Trade and Industry	9,000
	April 1995	Deputy Director-General	
	Aug. 1996	Director-General, International Economic Affairs Department	
	July 1997	Director-General, General Administration, Patent Office	
	July 1998	Executive Director, People’s Finance Corporation (present National Life Finance Corporation)	
	July 2000	Advisor of the Company	
	Oct. 2000	Vice President, Senior General Manager, Subaru Overseas Division	
	June 2001	Vice President, Chief General Manager, Asia Pacific Region, Subaru Sales & Marketing Division	
	May 2002	Corporate Vice President, General Manager, Legal Department	
	June 2003	Corporate Senior Vice President, General Manager, Legal Department	
	June 2006	Advisor of the Company (present post)	

Note: The candidate does not have a special interest relationship with the Company.

**Proposal 5: Election of One (1) Substitute Auditor**

As the Corporate Law defines that the Company may elect Substitute Auditors, we propose the election of Iwao Sekiya as a Substitute Auditor for the Outside Auditors Masaki Tanishiro and Morihiko Tashiro so that audit duties can continue by filling a vacancy in case the number of Auditors is insufficient.

The validity of the election of Iwao Sekiya can be nullified by resolution of the Board of Directors only before his assumption of office with the approval of the Board of Auditors.

The proposal was endorsed by the Board of Auditors.

The candidate for Substitute Auditor is as follows:

Name (Date of birth)	Brief history	Number of shares of the Company held by candidate
Iwao Sekiya (December 11, 1945)	April 1973 Registered as a lawyer at Tokyo Bar Association Oct. 1983 Established Sekiya Law Office (currently operating)	40,800

The above candidate for Substitute Auditor does not have a special interest relationship with the Company.

**Proposal 6: Approval of Retirement Allowances to Retiring Directors and Auditor**

It is hereby proposed that retirement allowances be granted to Directors Hiroshi Suzuki and Kiyoshi Inou, who will retire, and Auditor Masayoshi Nagano, who will resign at the close of this Ordinary General Meeting of Shareholders, in appreciation of services rendered by them while in office, within the extent of a reasonable amount in accordance with the established standards of the Company and that determination of the actual amount, the time and method of payment, etc., be left to resolution of the Board of Directors in respect of the retiring Directors, and the Board of Auditors in respect of the resigning Auditor.

Brief histories of the retiring Directors and Auditor are as follows:

Name (Date of birth)	Brief history
Hiroshi Suzuki	June 2001 Director of the Board, Corporate Executive Vice President of the Company June 2004 Representative Director of the Board and Senior Executive Vice President (present post)
Kiyoshi Inou	June 2005 Director of the Board, Corporate Executive Vice President, Chief General Manager of Subaru Japan Sales & Marketing Division Jan. 2006 Director of the Board, Corporate Executive Vice President, Chairman of the Compliance Committee June 2006 Director of the Board, Corporate Executive Vice President of the Company (present post)
Masayoshi Nagano	June 2003 Auditor of the Company (present post)

**Proposal 7: Revision to the Amount of Remuneration to Directors and Auditors**

It was approved by the 52nd Ordinary General Meeting of Shareholders held on June 29, 1983, that the amounts of remuneration to Directors of the Company be within ¥36 million monthly. However, according to the enforcement of the Corporate Law (2005 Law, No. 86) in addition to the changes in the economic environment, we propose that annual remuneration, etc., to Directors be within ¥600 million based on the new assumption that monthly remuneration and bonuses are to be combined and treated as annual remuneration, etc.

Regarding the amount of remuneration to Auditors, the 63rd Ordinary General Meeting of Shareholders held on June 29, 1994, approved that it be monthly within ¥7 million. However, in addition to the changes in the economic environment, the conventional payment of bonuses was ended, subsequently, we propose that annual remuneration, etc., to Auditors be within ¥100 million.

The present number of Directors is six (6). If Proposal 3 is approved, the number of Directors will become eight (8). As the present number of Auditors is four (4), if Proposal 4 is approved, the number of Auditors will remain four (4).

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