# FY2008 Consolidated Financial Results
## For the Year Ended March 31, 2008

MEMBERSHIP

April 28, 2008

| | | |
|---|---|---|
| Company Name | : | **Fuji Heavy Industries Ltd.** (Tokyo Stock Exchange First Section, Code No.7270) |
| URL | : | http://www.fhi.co.jp/english/ir/ |
| Representative | : | Ikuo Mori, President and CEO |
| Contact for Inquiries | : | Kazuto Sakamoto, General Manager of Administration Department Phone : +81-3-3347-2005 |
| General Meeting of Shareholders | : | Scheduled on June 25, 2008 |
| Payment of Dividends | : | Scheduled for starting from June 26, 2008 |

## 1. Performance in FY 2008 (from April 1, 2007 to March 31, 2008)

### (1) Consolidated Results of Operations

(In Japanese yen rounded to million, except for per share figures)

| | Net sales | | Operating income | | Ordinary income | | Net income | |
|---|---|---|---|---|---|---|---|---|
| FY 2008 | 1,572,346 | 5.2 % | 45,680 | (4.6%) | 45,437 | 7.6 % | 18,481 | (42.1%) |
| FY 2007 | 1,494,817 | 1.2 % | 47,906 | (17.9%) | 42,215 | (9.7 %) | 31,899 | 104.3% |

Note: Percentage figures in the net sales, operating income, ordinary income and net income columns represent changes from previous fiscal year.

| | Net income per share, basic (Yen) | Net income per share, diluted (Yen) | Return on equity | Ratio of ordinary income to total assets | Ratio of operating income to net sales |
|---|---|---|---|---|---|
| FY 2008 | 25.73 | 25.73 | 3.7% | 3.5% | 2.9% |
| FY 2007 | 44.46 | 44.44 | 6.6% | 3.2% | 3.2% |

Note: Equity in net income of unconsolidated subsidiaries and affiliated companies FY2008 : 501 millions yen FY2007 : 1,549 millions yen

### (2) Consolidated Financial Position

| | Total assets | Net assets | Shareholders' equity to total assets | Net assets per share (Yen) |
|---|---|---|---|---|
| FY 2008 | 1,296,388 | 494,423 | 38.1% | 687.02 |
| FY 2007 | 1,316,041 | 495,703 | 37.5% | 687.81 |

Note: Shareholders' equity FY 2008 : 493,397 millions yen FY 2007 : 494,004 millions yen

### (3) Consolidated Cash Flows

| | Cash Flows from operating activities | Cash Flows from investing activities | Cash Flows from financing activities | Cash and Cash equivalents at end of period |
|---|---|---|---|---|
| FY 2008 | 107,387 | (44,920) | (45,110) | 114,649 |
| FY 2007 | 65,616 | (43,428) | (36,209) | 99,060 |

## 2. Dividends

| | Cash dividends per share (yen) | | | Cash dividends per year (million yen) | Dividend payout ratio (consolidated) | Ratio of cash dividends per year to net assets (consolidated) |
|---|---|---|---|---|---|---|
| | Semi-annual | Year-end | Annual | | | |
| FY 2007 | 4.50 | 4.50 | 9.00 | 6,461 | 20.2% | 1.3% |
| FY 2008 | 4.50 | 4.50 | 9.00 | 6,467 | 35.0% | 1.3% |
| FY 2009 (Forecast) | 4.50 | 4.50 | 9.00 | | 64.7% | |

## 3. Forecast of Consolidated Results for FY 2009 (from April 1, 2008 to March 31, 2009)

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

| | Net sales | | Operating income | | Ordinary income | | Net income | | Net income per share, basic (Yen) |
|---|---|---|---|---|---|---|---|---|---|
| 1st. half | 740,000 | 4.4% | 1,000 | (94.7%) | 500 | (96.5%) | 0 | (100.0%) | 0.00 |
| Full year | 1,600,000 | 1.8% | 23,000 | (49.6%) | 20,000 | (56.0%) | 10,000 | (45.9%) | 13.92 |

## 4. Other

(1) Changes in significant subsidiaries during the FY 2008 : No
(Changes in subsidiaries resulting in changes in scope of consolidation)

(2) Changes in accounting principles, procedures and presentation etc.
(Related to preparation of Consolidated Financial Statements)
[1] Changes due to adoption of new accounting standards : Yes
[2] Changes except for [1] : Yes
Note: Please refer to page 18, "6. Change of the Basis for Preparation of Consolidated Financial Statements and Significant Accounting Policies" for more details.

(3) Number of shares outstanding (Common Stock)

| | | |
|---|---|---|
| [1] Number of shares outstanding (including treasury stock) | FY 2008 : 782,865,873 shares | FY 2007 : 782,865,873 shares |
| [2] Number of treasury stock | FY 2008 : 64,698,395 shares | FY 2007 : 64,639,092 shares |

Note: Please refer to page 22, "Information per share" for the number of shares used as the basis for calculation of net income per share (consolidated).

## (Reference) Non-consolidated Financial Results Highlights

### Performance in the FY 2008 (from April 1, 2007 to March 31, 2008)

**(1) Non-consolidated Results of Operations**

(In Japanese yen rounded to million, except for per share figures)

| | Net sales | | Operating income | | Ordinary income | | Net loss | |
|---|---|---|---|---|---|---|---|---|
| FY 2008 | 1,018,820 | 5..6% | 25,830 | (22.9 %) | 24,847 | (8.4 %) | 58 | －% |
| FY 2007 | 964,424 | (1.2%) | 33,507 | (35.7 %) | 27,135 | (34.4%) | 6,391 | －% |

Note: Percentage figures in the net sales, operating income, ordinary income and net income columns represent changes from prior fiscal year / period.

| | Net loss per share, basic (yen) | Net income per share, diluted (yen) |
|---|---|---|
| FY 2008 | 0.08 | － |
| FY 2007 | 8.90 | － |

**(2) Non-consolidated Financial Position**

| | Total assets | Net assets | Shareholders' equity to total assets (%) | Net assets per share (yen) |
|---|---|---|---|---|
| FY 2008 | 889,956 | 449,229 | 50.5 % | 625.17 |
| FY 2007 | 891,282 | 464,023 | 52.1 % | 645.71 |

Note: Shareholders' equity FY 2008 : 449,229 millions yen FY 2007 : 464,023 millions yen

The above projections are made based on available information and assumptions as of March 31, 2008, and are subject to the uncertainties of future operations. Therefore, actual results could differ materially from those anticipated.
About the assumptions used for the above projections, please refer to page 6.

# 1. Operating Results

1. Analysis of operating results

(1) Operating results for the current period

As for the Automobile Division, the number of Subaru “Impreza” and “Forester” (which both had a full model change) increased in the Japanese market, but was unable to cover the sales loss on the “Legacy” and Minicars below the same period of the previous fiscal year. On the other hand, in addition to the healthy trends focused primarily on sales of the “Impreza” in the overseas market, sales volume in all markets exceeded the same period of the previous fiscal year. As for the Non-Automobile Division, net sales of the Aerospace Division exceeded the same period of the previous fiscal year. As a result, consolidated net sales were up ¥77.5 billion, or 5.2% over the previous fiscal year to ¥1.5723 trillion due to increased sales overseas.

Increases in experimental & research expenses and other expenses could not be covered by efforts to reduce the costs of materials, resulting in a drop in operating income by ¥2.2 billion, or 4.6% below the previous fiscal year to ¥45.7 billion. Due to the effects of currency exchange and other factors, ordinary income was up ¥3.2 billion, or 7.6% over the previous fiscal year to ¥45.4 billion. However, net income was down ¥13.4 billion, or 42.1% from the previous fiscal year to ¥18.5 billion because of allocations for the loss of manufacturing facilities for Minicars at the Gunma Plant (Ota City, Gunma Prefecture) as a result of expected restructuring of the production structure in the future.

Results by Business Segment

(Automobile Division)

Although the “Impreza” and “Forester” (which both had a full model change) enjoyed favorable trends, they were unable to cover the sales loss on the “Legacy”, and the number of domestic passenger cars sold was 78 thousand (a 3 thousand unit or 3.9% decrease from the same period of the previous fiscal year).

On the other hand, the number of domestic Minicars sold was 131 thousand (a 15 thousand unit or 10.3% decrease from the same period of the previous fiscal year), due to the end of the new-car effect of the “Stella” launched in June 2006, and due to a decrease in demand for other models. As a result, the sales in Japan were 209 thousand (an 18 thousand or 8.0% decrease from the same period of the previous fiscal year).

In the North American market, the sales volume reached 210 thousand (a 4 thousand unit or 1.9% increase over the same period of the previous fiscal year) in spite of a reduction in sales for the “Forester”, due to extended sales for the “Tribeca”, and strong trends in sales for the “Impreza” and “Legacy”.

In Europe, in addition to the strong trends in sales for the “Impreza”, extended sales in Russia and other emerging markets resulted in a sales volume of 86 thousand (a 15 thousand unit or 20.4% increase over the same period of the previous fiscal year).

Also, in Australia, sales volume increased to 40 thousand (a 2 thousand unit or 5.4% increase over the same period of the previous fiscal year), a new high record over the one set last year.

In China, sales trends were favorable primarily for the “Forester”, for total sales of 13 thousand (a 5 thousand or 69.3% increase over the same period of the previous fiscal year).

Furthermore, sales trends were favorable primarily for the “Impreza” in other regions, for total sales of 39 thousand (an 11 thousand unit or 40.5% increase over the same period of the previous fiscal year).

The total number of overseas sales was 388 thousand (a 37 thousand unit or 10.5% increase over the same period of the previous fiscal year).

The combined sales volume for Japan and overseas markets amounted to 597 thousand, an increase of 19 thousand (3.2%) over the same period of the previous fiscal year, and the overall net income was up ¥81.9 billion, or 6.1% over the same period of the previous fiscal year to ¥1.4212 trillion. However, increases in experimental & research expenses and other expenses could not be covered by efforts to reduce the costs of materials, resulting in a drop in operating income by ¥0.7 billion, or 1.8% below the previous fiscal year to ¥37.1 billion.

(Industrial Products Division)

Domestic sales fell below the same period of the previous fiscal year, as sales of engines for construction machinery decreased.

As for overseas, while sales reduced in North America due to a stagnant economy, sales remained strong in Europe due to a strong Euro and in the Middle East due to a robust economy as a result of high oil prices, resulting in sales above the same period of the previous year.

Moreover, due to factors such as Fuji Robin Industries, Ltd. no longer being a consolidated subsidiary (FHI sold all of its shares in the company), overall net sales were down ¥9.0 billion, or 18.2% from the same period of the previous fiscal year to ¥40.7 billion. In addition, operating income was down ¥0.8 billion, or 56.3% from the same period of the previous fiscal year to ¥0.7 billion.

(Aerospace Division)

As for the sales to the Japan Ministry of Defense, although sales of the "AH-64D" combat helicopter and unmanned target planes increased, net sales decreased from the same period of the previous fiscal year. This was caused by a decrease in sales of the prototype of the next-generation Maritime Patrol and Cargo Transport Aircraft "XP-1/CX", which has entered the termination phase of delivery.

In the commercial sector, in addition to an increase in the number of deliveries of center wings for the "Boeing 777", the number of deliveries of main wings for the small business jet "Eclipse 500" and the medium business jet "H4000" increased, resulting in a dramatic increase in sales over the same period of the previous fiscal year.

As a result, overall net sales were up ¥5.6 billion, or 6.0% from the same period of the previous fiscal year to ¥99.7 billion, setting a new high record for the third straight year. However, operating income was down ¥1.2 billion, or 21.7% over the same period of the previous fiscal year to ¥4.4 billion due to increases in “Boeing 787” related manufacturing expenses.

(Other Businesses)

The sales volume of “Fuji Mighty” sanitation trucks rose from the same period of the previous fiscal year due to the launch in May 2007 of 2-ton and 3-ton sanitation trucks in the new “Fuji Mighty 81 series”. In addition, delivery of the first mass-produced large-scale wind-generated electricity systems contributed to an increase in sales. However, the decrease in sales caused by withdrawal from an environmental facility business in fiscal year 2007 impacted overall net sales, which were down ¥1.0 billion, or 8.5% from the same period of the previous fiscal year to ¥10.8 billion. However, operating income was up ¥0.3 billion, or 11.9% from the same period of the previous fiscal year to ¥2.5 billion, due to factors such as the complete consolidation of the IT affiliate subsidiary Subaru System Service Co., Ltd.

<u>Results by Geographic Region</u>

(Japan)

As the decrease of sales in the domestic market in the Automotive Division was covered by the increase in units exported to emerging markets such as Russia and China, net sales were up ¥20.0 billion, or 2.3% from the same period of the previous fiscal year to ¥901.1 billion. However, operating income was down ¥6.4 billion, or 15.8% from the same period of the previous fiscal year to ¥34.2 billion since increases in experimental & research expenses and other expenses due to changes in depreciation and amortization could not be covered by efforts to reduce the costs of materials.

(North America)

In addition to an increase in sales for the “Legacy” and the “Tribeca”, an increase in sales due to commissioned production for the Toyota Camry at SIA (Subaru of Indiana Automotive, Inc.), which is a local manufacturer in the United States resulted in an increase in net sales of ¥41.7 billion, or 7.2% over the same period of the previous fiscal year to ¥617.7 billion. In addition, operating income increased by ¥1.4 billion, or 27.2% over the same period of the previous fiscal year to ¥6.6 billion, due to increased sales and reduction in costs of materials at SIA.

(Other Regions)

In Europe, net sales were up ¥15.9 billion, or 42.2% over the same period of the previous fiscal year to ¥53.5 billion thanks to the increase in sales volume by our local subsidiary in Europe. Operating income was also up ¥0.6 billion, or 68.7% over the same period of the previous fiscal year to ¥1.4 billion.

(2) Forecast for 2008

The bleak conditions of the domestic automobile market are expected to continue, along with the downward trend in the US economy caused by subprime loan problems. Therefore, the management environment surrounding us will remain in the balance together with causes of concern such as soaring oil and raw material prices, and further strengthening of the yen.

Against this backdrop, the outlook for this fiscal year is as follows:

(Consolidated forecast for the whole fiscal year)

| | | | |
|---|---|---|---|
| Net sales | ¥1,600 | billion | (up 1.8% year-on-year) |
| Operating income | ¥23 | billion | (down 49.6% year-on-year) |
| Ordinary income | ¥20 | billion | (down 56.0% year-on-year) |
| Net income | ¥10 | billion | (down 45.9% year-on-year) |

2. Analysis of financial results

(1) Assets, liabilities, net assets

Total assets were ¥1,296.4 billion, which was a decrease of ¥19.7 billion from the previous fiscal year. This was mainly due to a decrease in property, plant and equipment.

Liabilities were down to ¥802.0 billion, which was a decrease of ¥18.4 billion from the previous fiscal year. This was mainly due to decreases in fixed liabilities caused by a decrease in interest-bearing liabilities.

Net assets, including minority shareholders' interest, were ¥494.4 billion, which was a decrease of ¥1.3 billion from the previous fiscal year. This was mainly due to a decrease in marketable securities valuation differences.

(2) Cash flow

Cash and cash equivalents (hereinafter cash) at the end of the period under review amounted to ¥114.6 billion, a year-on-year increase of ¥15.6 billion.

Cash flow status during the period under review compared with the previous year and its factors were as follows.

(Cash flow from operating activities)

Cash flow from operating activities increased, up ¥41.8 billion over the same period of the previous fiscal year to ¥107.4 billion, despite an increase of ¥45.6 billion in inventory assets. This is due to the increase in notes and accounts payable, trade of ¥44.2 billion, net income before taxes and minority interest of ¥31.9 billion, and depreciation and amortization expenses of ¥87.2 billion.

(Cash flow from investment activities)

Cash flow from investment activities resulted in ¥44.9 billion due to ¥57.0 billion used for the purchase of property, plant and equipment (net of revenue from sales) and ¥19.9 billion in revenue from the collection of loans receivable (net figures with disbursement of loans receivable), which is an increase of ¥1.5 billion over the same period of the previous fiscal year.

(Cash flow from financing activities)

Cash flow from financing activities decreased by ¥8.9 billion from the same period of the previous fiscal year to ¥45.1 billion as a result of efforts to reduce interest-bearing debt.

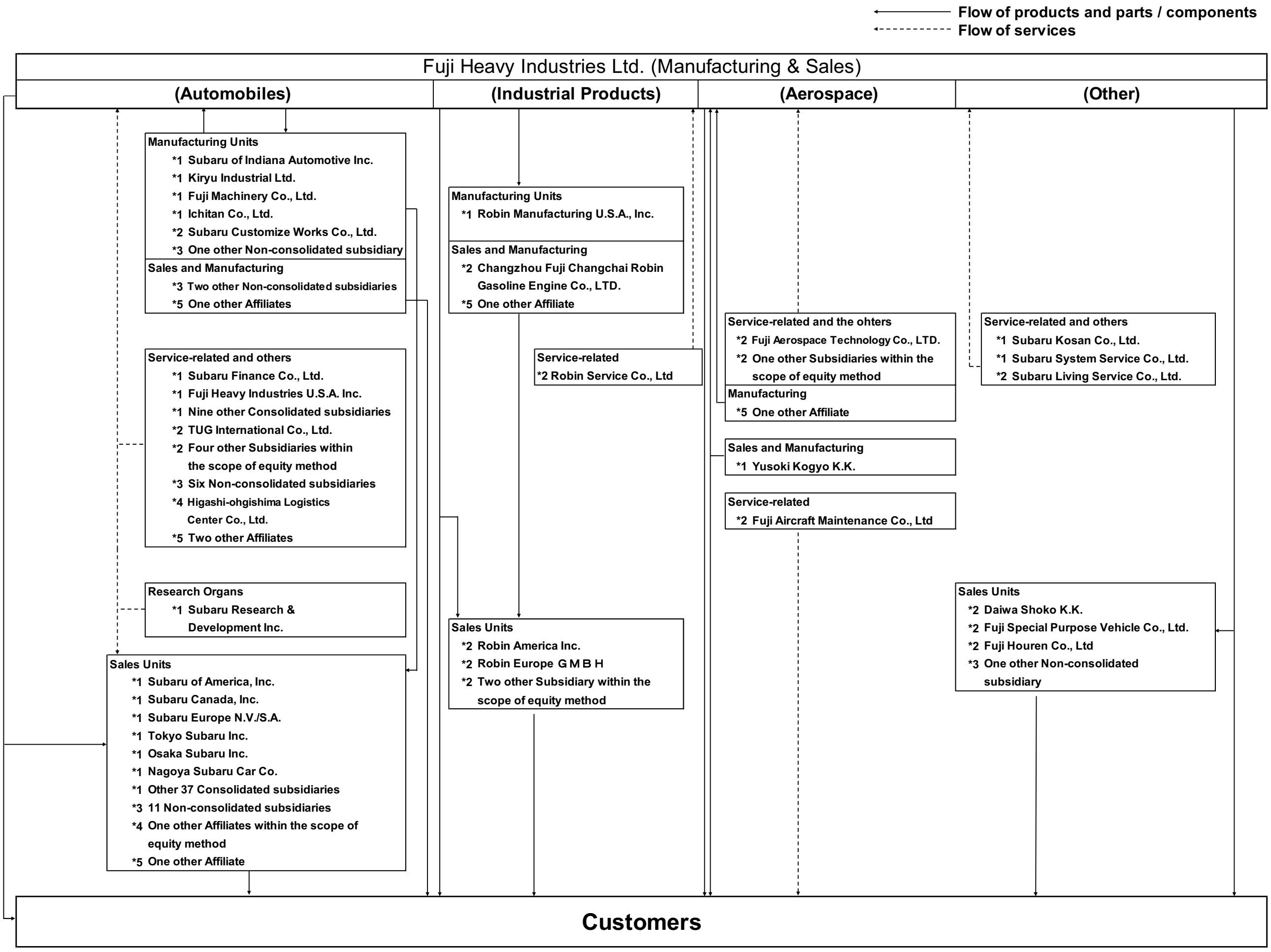
3. Basic policy regarding the distribution of profits

FHI views shareholders' return as a crucial managerial task and follows a basic policy of maintaining stable long-term dividends while taking comprehensive consideration of such factors as its earnings performance and its dividend payout ratio. FHI intends to use retained earnings to improve its balance sheet as well as allocate these funds to the investment of its R&D for new product, production, and strengthening its sales network for the attainment of further future growth and development.

## 2. Condition of the FHI Group

As of March 31, 2008 the FHI Group consisted of Fuji Heavy Industries Ltd., 102 subsidiaries, and 9 affiliated companies primarily engaged in four operations related to the Automobile Division, Industrial Products Division, Aerospace Division and Other Businesses, producing a wide range of products.

The flow chart below illustrates the relationship that each subsidiary and affiliate maintains with the parent company.




*1 : Consolidated subsidiaries
*2 : Subsidiaries within the scope of equity method
*3 : Non-consolidated subsidiaries
*4 : Affiliates within the scope of equity method
*5 : Other affiliates

# 3. Management Policies

## 1. Basic management policies

As there has been no significant change from the details announced in the Consolidated Interim Financial Results for Fiscal 2006 (released on October 31, 2006), this part is omitted.
The relevant financial results can be seen at the following URL
(FHI website)
http://www.fhi.co.jp/ir/finance/fr.html
(Tokyo Stock Exchange website (Information search page of listed companies))
http://www.tse.or.jp/listing/compsearch/index.html

## 2. Medium-to-long term management strategies

As there has been no significant change from the detail announced in the Consolidated Financial Results for Fiscal 2006 (released on April 27, 2007), this part is omitted.
The aforesaid Consolidated Financial Results for Fiscal 2006 is available on our website at the following URL.
(Fuji Heavy Industries company website)
http://www.fhi.co.jp/ir/finance/fr.html
(Tokyo Stock Exchange website (for the search of information on listed companies)
http://www.tse.or.jp/listing/compsearch/index.html

## 3. Challenges Ahead

FHI is surrounded by unpredictable business environments, including the prolonged severity of the Japanese automotive market, signs of an economic slowdown in the United States against the backdrop of the subprime loan problems, soaring oil and material prices, and further appreciation of the yen.

Under these environment, FHI announced its FY2008-2011 medium-to-long term management plan with a slogan "*customers come first*" and whole group companies are striving to achieve the goal.

To more secure achieving the goal, FHI reached an agreement on April 10, 2008, with Toyota Motor Corporation ("TMC") and Daihatsu Motor Co., Ltd. ("Daihatsu"), to expand their cooperative ties, to produce new product lineup and to construct new R&D and production systems taking advantage of three parties' technical capabilities.

According to these tie-ups, FHI will focus its R&D and production resources on core technologies and related product lineup to accelerate its new medium-to-long-term management plan's priorities: to provide a distinctive Subaru experience for drivers and passengers, to increase sales globally and to strengthen competitiveness in quality and cost.

Specifically, the three companies agreed as follows.

*(TMC and FHI are to jointly develop a compact rear-wheel-drive sports car)*

Based on an all-new vehicle platform powered by FHI's core-technology horizontally-opposed engine, TMC and FHI will jointly develop a compact rear-wheel-drive sports car, with its market introduction being targeted for the end of 2011.

This compact car will be marketed by both companies, but it was agreed that FHI would produce all units of the car to be sold by TMC as well as FHI itself.

*(TMC is to provide FHI with a compact car on an original-equipment-manufacturing (OEM) basis)*

To enhance its product lineup, FHI will receive the OEM supply of a compact car from TMC. The supply is expected to start around the end of 2010. Details, including the type of vehicle to be supplied, will be negotiated between the two companies.

*(Daihatsu is to provide FHI with minicar and compact car on an OEM basis)*

To focus its R&D and production resources on its main products, FHI will receive the OEM supply of minicar from Daihatsu beginning in the second half of 2009. The minicar that are currently developed and produced by FHI will be gradually replaced by the OEM-supplied ones.

To enhance its product lineup for Japanese market, FHI will also receive the OEM supply of 6,000 units annually of Daihatsu's "Coo" compact car, starting in October 2008.

*(FHI is to transfer 61 million shares of its treasury stock to TMC)*

To further promote smooth business relations with TMC, while maintaining the management style and corporate identity, TMC and FHI have reached a basic agreement on the transfer to TMC of 61 million FHI shares owned by FHI, pending approval by Japan's Fair Trade Commission. Following this transfer, TMC would own 16.5% of FHI issued shares.

Taking into account the above agreement, FHI will carry out the following.

*(Constructing a new plant)*

For production of the compact rear-wheel-drive sports car to be jointly developed with TMC, FHI will build a new auto-assembly plant in the vicinity of its Gunma Oizumi Plant (Oizumi-machi, Gunma Prefecture), which is planned for operation in late 2011. The jointly developed a compact rear-wheel-drive sports car will be the first car to be manufactured at the new plant, but production of other car models and other details, including consignment production of TMC cars, will be determined.

*(Transferring the resources of the Gunma Main Plant to the new plant)*

FHI will gradually transfer the manufacturing function and human resources of the Gunma Main Plant (Ota-City, Gunma Prefecture), which produces minicar for FHI, to the new plant in accordance with the timing of the aforementioned OEM supply of minicar from Daihatsu. By consolidating these resources into the new plant so that they are better allocated to enhance the value of the Subaru brand, FHI seeks to restructure its business operations.

FHI will further strengthen the "customers come first" which is the criterion of its medium-to-long term management plan. It will also reexamine the FHI sales structure for Japanese market in order to establish immediately a new sales framework to meet a new product portfolio of Subaru leveraging the alliance with Toyota and Daihatsu. Specifically, FHI will reorganize its sales subsidiaries, starting with Kinki and Kyushu districts from October 2008, and eventually restructure the current 46 FHI dealerships effectively into half this number, setting up a controlling entity to transfer its management system aiming to control broader areas, during the fiscal year ending March 2010.

FHI will focus management resources, such as engineering manpower and production capacity, more effectively on the research & development of future environmental technologies as well as profitable and FHI's unique core technologies through the strengthened alliance with TMC, including the capital relationship and the restructuring plans leveraging the alliance. Furthermore, FHI will enhance Subaru brand by improving customer satisfaction, and expedite the realization of " a compelling company with a strong market presence" according to its management vision.

Through the measures thus described, FHI will make all-out efforts for continued growth and expansion of the FHI Group to fulfill the expectations of all stakeholders, including shareholders.

Your continued support and encouragement would be greatly appreciated.

## 4. Consolidated Financial Statements

### 1. Consolidated Balance Sheets

(Unit: million yen)

| | FY 2007 (as of March 31, 2007) | | FY 2008 (as of March 31, 2008) | | Changes Increase / (Decrease) |
|---|---|---|---|---|---|
| | Amount | % | Amount | % | Amount |
| **[ASSETS]** | | | | | |
| Ⅰ **Current assets** | | | | | |
| Cash and time deposits | 52,406 | | 67,053 | | 14,647 |
| Notes and accounts receivable, trade | 99,290 | | 96,017 | | (3,273) |
| Marketable securities | 32,017 | | 32,775 | | 758 |
| Inventories | 224,919 | | 261,009 | | 36,090 |
| Deferred tax assets | 27,072 | | 26,486 | | (586) |
| Short-term loans | 101,184 | | 78,329 | | (22,855) |
| Other | 59,501 | | 62,504 | | 3,003 |
| Allowance for doubtful accounts | (1,713) | | (1,346) | | 367 |
| **Total current assets** | **594,676** | **45.2** | **622,827** | **48.0** | **28,151** |
| Ⅱ **Fixed assets** | | | | | |
| **1. Property, plant and equipment, net** | | | | | |
| Buildings and structures | 129,280 | | 124,342 | | (4,938) |
| Machinery and vehicles | 122,828 | | 113,876 | | (8,952) |
| Land | 174,835 | | 181,974 | | 7,139 |
| Construction in progress | 18,335 | | 10,161 | | (8,174) |
| Leased assets | 59,896 | | 47,906 | | (11,990) |
| Other | 45,410 | | 33,449 | | (11,961) |
| **Total property, plant and equipment, net** | **550,584** | **41.8** | **511,708** | **39.5** | **(38,876)** |
| **2. Intangible assets** | | | | | |
| Goodwill | 19,092 | | 18,500 | | (592) |
| Other | 16,100 | | 12,972 | | (3,128) |
| **Total intangible assets** | **35,192** | **2.7** | **31,472** | **2.4** | **(3,720)** |
| **3. Investments and other assets** | | | | | |
| Investment securities | 85,819 | | 70,107 | | (15,712) |
| Long-term loans | 3,696 | | 3,736 | | 40 |
| Deferred tax assets | 20,825 | | 27,256 | | 6,431 |
| Other | 28,472 | | 32,369 | | 3,897 |
| Allowance for doubtful accounts | (3,223) | | (3,087) | | 136 |
| **Total investments and other assets** | **135,589** | **10.3** | **130,381** | **10.1** | **(5,208)** |
| **Total fixed assets** | **721,365** | **54.8** | **673,561** | **52.0** | **(47,804)** |
| **Total assets** | **1,316,041** | **100.0** | **1,296,388** | **100.0** | **(19,653)** |

(Unit: million yen)

| | FY 2007 (as of March 31, 2007) | | FY 2008 (as of March 31, 2007) | | Changes ncrease / (Decrease) |
|---|---|---|---|---|---|
| | Amount | % | Amount | % | Amount |
| **[LIABILITIES AND NET ASSETS]** | | | | | |
| Ⅰ **Current liabilities** | | | | | |
| Notes and accounts payable, trade | 190,394 | | 229,780 | | 39,386 |
| Short-term borrowings | 172,454 | | 165,886 | | (6,568) |
| Commercial paper | 11,000 | | 6,000 | | (5,000) |
| Current portion of bonds | 10,000 | | 30,000 | | 20,000 |
| Accrued income taxes | 4,572 | | 8,091 | | 3,519 |
| Accrued expenses | 55,789 | | 61,954 | | 6,165 |
| Accrued bonus | 15,247 | | 15,507 | | 260 |
| Accrued warranty claims | 23,934 | | 22,563 | | (1,371) |
| Other | 80,277 | | 58,261 | | (22,016) |
| **Total current liabilities** | **563,667** | **42.8** | **598,042** | **46.2** | **34,375** |
| Ⅱ **Long-term liabilities** | | | | | |
| Bonds | 90,000 | | 60,000 | | (30,000) |
| Long-term debt | 60,400 | | 42,661 | | (17,739) |
| Deferred tax liabilities on revaluation of land | 703 | | — | | (703) |
| Accrued pension and severance benefits | 45,516 | | 40,993 | | (4,523) |
| Accrued directors' severance and retirement benefits | 987 | | 774 | | (213) |
| Provision for losses on guarantees | 745 | | 745 | | — |
| Negative goodwill | 821 | | — | | (821) |
| Other | 57,499 | | 58,750 | | 1,251 |
| **Total long-term liabilities** | **256,671** | **19.5** | **203,923** | **15.7** | **(52,748)** |
| **Total liabilities** | **820,338** | **62.3** | **801,965** | **61.9** | **(18,373)** |
| **[NET ASSETS]** | | | | | |
| Ⅰ **Shareholders' capital** | | | | | |
| Common stock | 153,795 | 11.7 | 153,795 | 11.9 | — |
| Capital surplus | 160,104 | 12.2 | 160,098 | 12.3 | (6) |
| Retained earnings | 214,831 | 16.3 | 227,789 | 17.6 | 12,958 |
| Less-treasury stock, at cost | (40,511) | (3.1) | (40,538) | (3.1) | (27) |
| **Total shareholders' capital** | **488,219** | **37.1** | **501,144** | **38.7** | **12,925** |
| Ⅱ **Valuation, translation, and other adjustments** | | | | | |
| Net unrealized holding gains on securities | 22,182 | 1.7 | 13,716 | 1.1 | (8,466) |
| Revaluation reserve for land | 290 | 0.0 | — | — | (290) |
| Foreign currency translation adjustments | (16,687) | (1.2) | (21,463) | (1.7) | (4,776) |
| **Total valuation, translation, and other adjustments** | **5,785** | **0.5** | **(7,747)** | **(0.6)** | **(13,532)** |
| Ⅲ **Minority interest in consolidated subsidiaries** | **1,699** | **0.1** | **1,026** | **0.0** | **(673)** |
| **Total net assets** | **495,703** | **37.7** | **494,423** | **38.1** | **(1,280)** |
| **Total liabilities and net assets** | **1,316,041** | **100.0** | **1,296,388** | **100.0** | **(19,653)** |

## 2. Consolidated Statements of Income

(Unit: million yen)

| | FY 2007 (ended March 31, 2007) | | | FY 2008 (ended March 31, 2008) | | | Changes Increase / (Decrease) |
|---|---|---|---|---|---|---|---|
| | Amount | | % | Amount | | % | Amount |
| Ⅰ Net sales | | 1,494,817 | 100.0 | | 1,572,346 | 100.0 | 77,529 |
| Ⅱ Cost of sales | | 1,142,674 | 76.4 | | 1,217,662 | 77.4 | 74,988 |
| Gross profit | | 352,143 | 23.6 | | 354,684 | 22.6 | 2,541 |
| Ⅲ Selling, general and administrative expenses | | 304,237 | 20.4 | | 309,004 | 19.7 | 4,767 |
| **Operating income** | | **47,906** | **3.2** | | **45,680** | **2.9** | **(2,226)** |
| Ⅳ Non-operating income | | | | | | | |
| Interest and dividend income | 3,864 | | | 5,503 | | | |
| Gain on revaluation of derivatives | 4,268 | | | 4,921 | | | |
| Equity income from affiliated companies | 1,549 | | | 501 | | | |
| Amortization of negative goodwill | 2,175 | | | ― | | | |
| Other | 5,949 | 17,805 | 1.2 | 4,104 | 15,029 | 1.0 | (2,776) |
| Ⅴ Non-operating expenses | | | | | | | |
| Interest expenses | 4,017 | | | 4,063 | | | |
| Foreign exchange losses | 11,906 | | | 4,740 | | | |
| Loss on revaluation of derivatives | 72 | | | 110 | | | |
| Other | 7,501 | 23,496 | 1.6 | 6,359 | 15,272 | 1.0 | (8,224) |
| **Ordinary income** | | **42,215** | **2.8** | | **45,437** | **2.9** | **3,222** |
| Ⅵ Extraordinary gains | | | | | | | |
| Gain on sale of property, plant and equipment | 6,673 | | | 1,480 | | | |
| Gain on sale of securities | 58 | | | 1,502 | | | |
| Prior period adjustment | 1,451 | | | 1,539 | | | |
| Gain on sale of loans receivable | ― | | | 548 | | | |
| Gain on transfer of the substitutional portion of the employees' pension fund | 2,423 | | | ― | | | |
| Other | 104 | 10,709 | 0.7 | 83 | 5,152 | 0.3 | (5,557) |
| Ⅶ Extraordinary losses | | | | | | | |
| Loss on sale and disposal of property, plant and equipment | 4,774 | | | 5,489 | | | |
| Impairment loss on property, plant and equipment | 550 | | | 13,174 | | | |
| Loss on sale of securities | 18 | | | ― | | | |
| Loss on devaluation of securities | 335 | | | ― | | | |
| Allowance for losses on guarantees | 745 | | | ― | | | |
| Loss on liquidation of affiliated companies | 913 | | | ― | | | |
| Other | ― | 7,335 | 0.5 | 20 | 18,683 | 1.2 | 11,348 |
| Income before income taxes and minority interest | | 45,589 | 3.0 | | 31,906 | 2.0 | (13,683) |
| Income taxes-current | 7,231 | | | 14,536 | | | |
| Income taxes-deferred | 6,411 | 13,642 | 0.9 | (1,148) | 13,388 | 0.8 | (254) |
| Minority interest in income of consolidated subsidiaries | | 48 | 0.0 | | 37 | 0.0 | (11) |
| **Net income** | | **31,899** | **2.1** | | **18,481** | **1.2** | **(13,418)** |

## 3. Consolidated Statement of Changes in Net Assets

FY 2008 (from April 1, 2007 to March 31, 2008) (Unit: million yen)

| | Shareholders' capital | | | | |
|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total |
| Balance, March 31, 2007 | 153,795 | 160,104 | 214,831 | (40,511) | 488,219 |
| Increase (decrease) during the period | | | | | |
| Cash dividends | – | – | (6,468) | – | (6,468) |
| Net income | – | – | 18,481 | – | 18,481 |
| Purchase of treasury stock | – | – | – | (60) | (60) |
| Disposal of treasury stock | – | (6) | – | 33 | 27 |
| Increase due to changes in the scope of consolidation | – | – | 402 | – | 402 |
| Other comprehensive income of foreign subsidiaries | – | – | 543 | – | 543 |
| Changes (other than shareholders' capital), net | – | – | – | – | – |
| Total | – | (6) | 12,958 | (27) | 12,925 |
| Balance, March 31, 2008 | 153,795 | 160,098 | 227,789 | (40,538) | 501,144 |

| | Valuation, translation and other adjustments | | | | Minority interest in consolidated subsidiaries | Total net assets |
|---|---|---|---|---|---|---|
| | Net unrealized holding gains on securities | Revaluation reserve for land | Foreign currency translation adjustments | Total | | |
| Balance, March 31, 2007 | 22,182 | 290 | (16,687) | 5,785 | 1,699 | 495,703 |
| Increase (decrease) during the period | | | | | | |
| Cash dividends | – | – | – | – | – | (6,468) |
| Net income | – | – | – | – | – | 18,481 |
| Purchase of treasury stock | – | – | – | – | – | (60) |
| Disposal of treasury stock | – | – | – | – | – | 27 |
| Increase due to changes in the scope of consolidation | – | – | – | – | – | 402 |
| Other comprehensive income of foreign subsidiaries | – | – | – | – | – | 543 |
| Changes (other than shareholders' capital), net | (8,466) | (290) | (4,776) | (13,532) | (673) | (14,205) |
| Total | (8,466) | (290) | (4,776) | (13,532) | (673) | (1,280) |
| Balance, March 31, 2008 | 13,716 | – | (21,463) | (7,747) | 1,026 | 494,423 |

FY 2007 (from April 1, 2006 to March 31, 2007) (Unit: million yen)

| | Shareholders' capital | | | | |
|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total |
| Balance, March 31, 2006 | 153,795 | 160,071 | 189,996 | (41,545) | 462,317 |
| Increase (decrease) during the year | | | | | |
| Cash dividends | – | – | (6,452) | – | (6,452) |
| Payment of bonuses to directors and statutory auditors | – | – | (107) | – | (107) |
| Net income | – | – | 31,899 | – | 31,899 |
| Purchase of treasury stock | – | – | – | (71) | (71) |
| Disposal of treasury stock | – | 33 | – | 1,105 | 1,138 |
| Increase due to changes in the scope of consolidation | – | – | 1,038 | – | 1,038 |
| Other comprehensive income of foreign subsidiaries | – | – | (1,513) | – | (1,513) |
| Other changes in shareholders' capital | – | – | (30) | – | (30) |
| Changes (other than shareholders' capital), net | – | – | – | – | – |
| Total | – | 33 | 24,835 | 1,034 | 25,902 |
| Balance, March 31, 2007 | 153,795 | 160,104 | 214,831 | (40,511) | 488,219 |

| | Valuation, translation and other adjustments | | | | Minority interest in consolidated subsidiaries | Total net assets |
|---|---|---|---|---|---|---|
| | Net unrealized holding gains on securities | Revaluation reserve for land | Foreign currency translation adjustments | Total | | |
| Balance, March 31, 2006 | 21,145 | 290 | (18,230) | 3,205 | 2,264 | 467,786 |
| Increase (decrease) during the year | | | | | | |
| Cash dividends | – | – | – | – | – | (6,452) |
| Payment of bonuses to directors and statutory auditors | – | – | – | – | – | (107) |
| Net income | – | – | – | – | – | 31,899 |
| Purchase of treasury stock | – | – | – | – | – | (71) |
| Disposal of treasury stock | – | – | – | – | – | 1,138 |
| Increase due to changes in the scope of consolidation | – | – | (18) | (18) | – | 1,020 |
| Other comprehensive income of foreign subsidiaries | – | – | – | – | – | (1,513) |
| Other changes in shareholders' capital | – | – | – | – | – | (30) |
| Changes (other than shareholders' capital), net | 1,037 | – | 1,561 | 2,598 | (565) | 2,033 |
| Total | 1,037 | – | 1,543 | 2,580 | (565) | 27,917 |
| Balance, March 31, 2007 | 22,182 | 290 | (16,687) | 5,785 | 1,699 | 495,703 |

## 4. Consolidated Statements of Cash Flows

(Unit: million yen)

| | FY 2007 (ended March 31, 2007) | FY 2008 (ended March 31, 2008) | Changes Increase / (Decrease) |
|---|---|---|---|
| Ⅰ Cash flows from operating activities: | | | |
| Income before income taxes and minority interest | 45,589 | 31,906 | (13,683) |
| Depreciation and amortization expenses | 81,454 | 87,164 | 5,710 |
| Increase (decrease) in allowance for doubtful accounts | 425 | (500) | (925) |
| Increase (decrease) in accrued warranty claims | 284 | (1,236) | (1,520) |
| Decrease in accrued pension and severance liability | (6,790) | (4,136) | 2,654 |
| Increase in allowance for losses on guarantees | 745 | － | (745) |
| Interest and dividends income | (3,864) | (5,503) | (1,639) |
| Amortization of negative goodwill | (2,175) | － | 2,175 |
| Gain on revaluation of derivatives | (4,268) | (4,921) | (653) |
| Equity income from affiliated companies | (1,549) | (501) | 1,048 |
| Interest expenses | 4,017 | 4,063 | 46 |
| Loss on revaluation of derivatives | 72 | 110 | 38 |
| Gain on sale of property, plant and equipment | (6,673) | (1,480) | 5,193 |
| Gain on sale of securities | (58) | (1,502) | (1,444) |
| Gain on sale of loans receivable | － | (548) | (548) |
| Loss on sale and disposal of property, plant and equipment | 4,774 | 5,489 | 715 |
| Loss on sale of securities | 18 | － | (18) |
| Loss on devaluation of securities | 335 | － | (335) |
| Impairment loss on property, plant and equipment | 550 | 13,174 | 12,624 |
| Decrease in notes and accounts receivable, trade | 6,392 | 460 | (5,932) |
| Increase in inventories | (12,787) | (45,633) | (32,846) |
| Increase (decrease) in notes and accounts payable, trade | (20,520) | 44,205 | 64,725 |
| Ddecrease in deposits received | (825) | (11,111) | (10,286) |
| Other, net | (4,257) | 7,633 | 11,890 |
| Sub total | 80,889 | 117,133 | 36,244 |
| Interest and dividends received | 4,334 | 5,864 | 1,530 |
| Interest paid | (3,945) | (4,135) | (190) |
| Income taxes paid | (15,555) | (11,475) | 4,080 |
| Bonus paid to directors and statutory auditors | (107) | － | 107 |
| Net cash provided by operating activities | 65,616 | 107,387 | 41,771 |
| Ⅱ Cash flows from investing activities: | | | |
| Purchase of marketable securities | (3,517) | (4,700) | (1,183) |
| Proceeds from sale of marketable securities | 8,472 | 6,020 | (2,452) |
| Purchase of property, plant and equipment | (57,388) | (59,430) | (2,042) |
| Proceeds from sale of property, plant and equipment | 7,571 | 2,384 | (5,187) |
| Purchase of leased assets | (64,100) | (60,048) | 4,052 |
| Proceeds from sale of leased assets | 52,112 | 57,734 | 5,622 |
| Purchase of intangible assets | (3,100) | (2,782) | 318 |
| Purchase of investment securities | (16,599) | (18,032) | (1,433) |
| Proceeds from sale of investment securities | 11,430 | 15,911 | 4,481 |
| Disbursement of loans receivable | (114,761) | (108,620) | 6,141 |
| Collection of loans receivable | 138,280 | 128,476 | (9,804) |
| Other, net | (1,828) | (1,833) | (5) |
| Net cash used in investing activities | (43,428) | (44,920) | (1,492) |
| Ⅲ Cash flows from financing activities: | | | |
| Net decrease in short-term borrowings | (30,169) | (15,972) | 14,197 |
| Net increase (decrease) in commercial paper | 3,000 | (5,000) | (8,000) |
| Proceeds from long-term debts | 1,700 | 3,100 | 1,400 |
| Repayment on long-term debts | (3,848) | (10,735) | (6,887) |
| Issuance of bonds | 20,000 | － | (20,000) |
| Redemption of bonds | (20,500) | (10,000) | 10,500 |
| Purchase of treasury stock | (62) | (60) | 2 |
| Proceeds from disposal of treasury stock | 224 | 27 | (197) |
| Dividends paid | (6,452) | (6,470) | (18) |
| Other, net | (102) | － | 102 |
| Net cash used in financing activities | (36,209) | (45,110) | (8,901) |
| Ⅳ Effect of exchange rate changes on cash and cash equivalents | 756 | (1,968) | (2,724) |
| Ⅴ Net increase (decrease) in cash and cash equivalents | (13,265) | 15,389 | 28,654 |
| Ⅵ Cash and cash equivalents at beginning of the period | 112,366 | 99,060 | (13,306) |
| Ⅶ Net increase (decrease) due to changes in the scope of consolidation | (41) | 200 | 241 |
| Ⅷ Cash and cash equivalents at end of the period | 99,060 | 114,649 | 15,589 |

## 5. Basis for Preparation of Consolidated Financial Statements and Significant Accounting Policies

### Depreciation / amortization method of fixed assets

Company and Domestic Consolidated subsidiaries:

| | | |
|---|---|---|
| Buildings: | (1)Acquired on or before March 31, 1998 | : Computed by the declining-balance method under the previous tax regulations |
| | (2)Acquired from April 1, 1998 to March 31,2007 | : Computed by the straight-line method under the previous tax regulations |
| | (3)Acquired on or after April 1, 2007 | : Computed by the straight-line method under the new tax regulations |
| Other Assets: | (1)Acquired on or before March 31, 2007 | : Computed by the declining-balance method under the previous tax regulations |
| | (2)Acquired on or after April 1, 2007 | : Computed by the declining-balance method under the new tax regulations |

Depreciation of the property, plant and equipment of consolidated foreign subsidiaries is computed by the straight-line method at rates based on the estimated useful lives of the assets according to their general class, type of construction, and use.

Since there has been no change in the significant accounting policies disclosed in our most recent Annual Consolidated Financial Report (Yukashoken-Hokokusho), released on June 27, 2007, except for “Depreciation / amortization method of fixed assets” as described above, disclosures of other significant accounting policies are omitted.

## 6. Change in the Basis for Preparation of Consolidated Financial Statements and Significant Accounting Policies

**(Depreciation / amortization method of fixed assets)**

In FY 2008, the Company and domestic consolidated subsidiaries changed their depreciation / amortization method for fixed assets acquired on or after April 1, 2007 to conform to the enacted revisions to the tax depreciation schedules under the Corporate Tax Law and related tax regulations. The effects of this change were to decrease operating income by 2,458 millions yen, and to decrease ordinary income and income before income taxes and minority interest by 2,469 millions yen each as compared to the respective amounts that would have been reported under the previous method. Please refer to "Segment Information", about the effect on the business and geographical segments.

(Additional Information)

In addition, during FY 2008, the Company and domestic consolidated subsidiaries started to depreciate the residual book value of fixed assets acquired on or before March 31, 2007 on a straight-line basis over a 5-year period commencing in the year following a year in which those assets have reached their depreciation limit under the previous depreciation / amortization method. Please refer to "Segment Information", about the effect on the business and geographical segments.
This change resulted in a decrease in operating income of 3,362 millions yen, and a decrease in both ordinary income and income before income taxes and minority interest of 3,425 millions yen, as compared to the respective amounts that would have been reported had the change not been implemented.

**(Changes in the Scope of Consolidation and Application of the Equity Method)**

As of the end of FY 2008, the numbers of Consolidated Subsidiaries and affiliated investees accounted for under the equity method were 62 and 21, respectively. As a result of our reevaluation of their significance to the consolidated financial statements, the following changes in the scope of consolidation and application of the equity method have been made during FY2008:

Scope of Consolidation

| | Company Name | Reason for change |
|---|---|---|
| Increase | Subaru Auto Accessory Co., Ltd. | Change from an Equity Method investee |
| | Subaru System Service Co., Ltd. | Change from an Equity Method investee |
| | Shin Nagano Subaru, inc. | New Consolidated subsidiary |
| Decrease | Fics Co. | Excluded due to liquidation |
| | Fuji Robin Industries Ltd. | Excluded due to sale of stock |

Application of the Equity Method

| | Company Name | Reason for change |
|---|---|---|
| Increase | Fuji Industrial Products Sales Co., Ltd. and 4 other companies | New Equity Method investee |
| Decrease | Subaru Auto Accessory Co., Ltd. | Included in Consolidation |
| | Subaru System Service Co., Ltd. | Included in Consolidation |

**(Changes in Presentation of Financial Statements)**

[Consolidated balance sheets]

"Negative goodwill" which was presented separately in FY 2007 is included in "Other" long-term liabilities in FY 2008 because of its decreased materiality.

[Consolidated statements of income]

"Amortization of Negative goodwill" which was presented separately in FY 2007 is included in "Other" non-operating income in FY 2008 because of its decreased materiality. "Loss on sale of securities" and "Loss on devaluation of securities" which were presented separately in FY 2007 are included in "Other" extraordinary losses in FY 2008 because of their decreased materiality.

[Consolidated statements of cash flows]

"Amortization of negative goodwill", "Loss on sale of securities" and "Loss on devaluation of securities" in the cash flows from operating activities which was presented separately in FY 2007 is included in "Other" cash flows in operating activities in FY 2008, because of its decreased materiality.

## 7. Notes to Consolidated Financial Statements

### Consolidated Balance Sheets

| | | FY 2007 | FY 2008 |
|---|---|---|---|
| Accumulated depreciation for property, plant and equipment | : | 730,424 millions yen | 752,311 millions yen |

### Consolidated Statements of income

| | | FY 2007 | FY 2008 |
|---|---|---|---|
| 1. Research and development cost included in general and administrative expenses and cost of sales | : | 50,709 millions yen | 52,020 millions yen |

2. Extraordinary gains and losses

| FY 2007 | FY 2008 |
|---|---|
| (1) Prior period adjustment<br>Prior period adjustment represents a gain due to final settlement on reversal of a portion of "Loss on termination of a joint development project (a joint development project for new model vehicles)" which was recorded as an extraordinary loss in prior period. | (1) Prior period adjustment<br>Prior period adjustment represents a gain on reversal of certain expenses due to revision to the estimated expense related to a change in the medical insurance system of a foreign subsidiary and the settlement of a tariff rate issue on imported parts. |
| (2) Loss on liquidation of affiliated companies<br>The Company has recorded 913 millions yen of loss on liquidation of Fuji AT Ltd, which was a joint venture with JATCO Ltd. | (2)<br>Not Applicable. |
| (3)<br>Not Applicable. | (3) Impairment loss<br>The Company recorded an impairment loss with regard to the following asset groups. |

| Use | Location | Category |
|---|---|---|
| Production facility | Gunma prefecture | Buildings, machinery and other |
| Assets for dealership business | Yamagata prefecture and 2 other location | Buildings and structures, land and other |
| Idle assets | Hokkaido prefecture and 3 other location | Machinery, land and other |

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

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

| Account | Amount |
|---|---|
| Buildings and structures | 3,092 millions yen |
| Machinery | 8,619 millions yen |
| Land | 789 millions yen |
| Other | 674 millions yen |
| Total | 13,174 millions yen |

### Business Combination

Not Applicable.

### Omission of Disclosures in This Release

The disclosure of the following footnote information is omitted because the need of such disclosures is not considered to be significant for the purpose of this release:

- Notes to Consolidated Statement of changes in Net Assets
- Notes to Consolidated Statements of Cash Flows
- Lease transactions
- Transactions with related parties
- Income taxes
- Securities and investments
- Derivative transactions
- Accrued pension and severance benefits
- Stock options, etc.

## (Segment Information)

### (1) Information by business segment

FY2008 (from April 1, 2007 to March 31, 2008) (Unit: million yen)

| | Automobiles | Industrial products | Aerospace | Other | Total | Elimination and corporate | Consolidated total |
|---|---|---|---|---|---|---|---|
| Ⅰ Sales and operating income | | | | | | | |
| Net sales | | | | | | | |
| (1) Outside customers | 1,421,179 | 40,678 | 99,673 | 10,816 | 1,572,346 | ― | 1,572,346 |
| (2) Inter-segment | 2,849 | 13 | 1 | 6,778 | 9,641 | (9,641) | ― |
| Total sales | 1,424,028 | 40,691 | 99,674 | 17,594 | 1,581,987 | (9,641) | 1,572,346 |
| Operating cost and expense | 1,386,887 | 40,032 | 95,232 | 15,069 | 1,537,220 | (10,554) | 1,526,666 |
| Operating income | 37,141 | 659 | 4,442 | 2,525 | 44,767 | 913 | 45,680 |
| Ⅱ Assets, depreciation expense, impairment loss, and capital expenditure | | | | | | | |
| Assets | 1,041,057 | 45,528 | 172,410 | 64,869 | 1,323,864 | (27,476) | 1,296,388 |
| Depreciation expense | 79,575 | 1,527 | 4,250 | 1,812 | 87,164 | ― | 87,164 |
| Impairment loss | 13,174 | ― | ― | ― | 13,174 | ― | 13,174 |
| Capital expenditure | 114,245 | 858 | 3,142 | 624 | 118,869 | ― | 118,869 |

FY2007 (from April 1, 2006 to March 31, 2007) (Unit: million yen)

| | Automobiles | Industrial products | Aerospace | Other | Total | Elimination and corporate | Consolidated total |
|---|---|---|---|---|---|---|---|
| Ⅰ Sales and operating income | | | | | | | |
| Net sales | | | | | | | |
| (1) Outside customers | 1,339,291 | 49,699 | 94,012 | 11,815 | 1,494,817 | ― | 1,494,817 |
| (2) Inter-segment | 3,050 | 20 | 16 | 2,575 | 5,661 | (5,661) | ― |
| Total sales | 1,342,341 | 49,719 | 94,028 | 14,390 | 1,500,478 | (5,661) | 1,494,817 |
| Operating cost and expense | 1,304,510 | 48,211 | 88,354 | 12,133 | 1,453,208 | (6,297) | 1,446,911 |
| Operating income | 37,831 | 1,508 | 5,674 | 2,257 | 47,270 | 636 | 47,906 |
| Ⅱ Assets, depreciation expense, impairment loss, and capital expenditure | | | | | | | |
| Assets | 1,058,957 | 55,450 | 165,177 | 64,915 | 1,344,499 | (28,458) | 1,316,041 |
| Depreciation expense | 73,899 | 1,618 | 4,236 | 1,701 | 81,454 | ― | 81,454 |
| Impairment loss | 530 | ― | ― | 20 | 550 | ― | 550 |
| Capital expenditure | 120,079 | 1,620 | 4,120 | 669 | 126,488 | (159) | 126,329 |

Notes: 1. Definition of business segments:
Business segments are defined based on product line and market.

2. Main products by each business segment:

| Business segment | Main products |
|---|---|
| Automobiles | LEGACY, IMPREZA, FORESTER, TRIBECA, STELLA, R1, R2, PLEO, SAMBER |
| Industrial products | Robin engines, power generators, pumps |
| Aerospace | Aircraft, parts of space-related devices |
| Other | Garbage collection vehicles, specialized vehicles, real estate lease |

3. All operating costs and expenses are allocated to each business segment.

4. There is no corporate asset included in Corporate and elimination.

5. The Company and domestic consolidated subsidiaries changed their depreciation / amortization method in FY 2008 as mentioned in "Changes in the Basis for Preparation of Consolidated Financial Statements and Significant Accounting Policies". The effects of this change were to decrease operating income of "Automobiles" by 2,294 millions yen. In addition, the change in the depreciation / amortization method for the residual book value during FY 2008 described in "Additional Information" resulted in a decrease in operating income of "Automobiles" of 2,826 millions yen. The effects of these changes on other business segments were insignificant.

### (2) Information by Geographic segment

FY2008 (from April 1, 2007 to March 31, 2008) (Unit: million yen)

| | Japan | North America | Other | Total | Elimination and corporate | Consolidated total |
|---|---|---|---|---|---|---|
| Ⅰ Sales and operating income | | | | | | |
| Net sales | | | | | | |
| (1) Outside customers | 901,091 | 617,718 | 53,537 | 1,572,346 | — | 1,572,346 |
| (2) Inter-segment | 270,514 | 20,860 | 501 | 291,875 | (291,875) | — |
| Total sales | 1,171,605 | 638,578 | 54,038 | 1,864,221 | (291,875) | 1,572,346 |
| Operating cost and expense | 1,137,417 | 632,003 | 52,636 | 1,822,056 | (295,390) | 1,526,666 |
| Operating income | 34,188 | 6,575 | 1,402 | 42,165 | 3,515 | 45,680 |
| Ⅱ Assets | 962,886 | 347,205 | 12,221 | 1,322,312 | (25,924) | 1,296,388 |

FY2007 (from April 1, 2006 to March 31, 2007) (Unit: million yen)

| | Japan | North America | Other | Total | Elimination and corporate | Consolidated total |
|---|---|---|---|---|---|---|
| I Sales and operating income | | | | | | |
| Net sales | | | | | | |
| (1) Outside customers | 881,102 | 576,053 | 37,662 | 1,494,817 | — | 1,494,817 |
| (2) Inter-segment | 244,896 | 14,222 | 283 | 259,401 | (259,401) | — |
| Total sales | 1,125,998 | 590,275 | 37,945 | 1,754,218 | (259,401) | 1,494,817 |
| Operating cost and expense | 1,085,376 | 585,104 | 37,114 | 1,707,594 | (260,683) | 1,446,911 |
| Operating income | 40,622 | 5,171 | 831 | 46,624 | 1,282 | 47,906 |
| II Assets | 985,335 | 347,770 | 8,063 | 1,341,168 | (25,127) | 1,316,041 |

Notes: 1. Geographic areas are based on geographical proximity.

2. Principal countries or districts in each geographic area:
   North America: United States and Canada
   Other: Europe

3. All operating costs and expenses are allocated to each segment.

4. There is no corporate asset included in Corporate and elimination.

5. The Company and domestic consolidated subsidiaries changed depreciation / amortization method in FY 2008 as mentioned in "Changes in the Basis for Preparation of Consolidated Financial Statements and Significant Accounting Policies". The effects of this change were to decrease operating income of "Japan" by 2,458 millions yen. In addition, the change in the depreciation / amortization method for the residual book value during FY 2008 described in "Additional Information" resulted in a decrease in operating income of "Japan" of 3,362 millions yen.

**(3) Overseas net sales**

FY2008 (from April 1, 2007 to March 31, 2008)

(Unit: million yen)

| | North America | Europe | Other | Total |
|---|---|---|---|---|
| Overseas net sales | 667,310 | 181,333 | 179,716 | 1,028,359 |
| Consolidated net sales | | | | 1,572,346 |
| Percentage of overseas net sales over consolidated sales | 42.5% | 11.5% | 11.4% | 65.4% |

FY2007 (from April 1, 2006 to March 31, 2007)

(Unit: Million yen)

| | North America | Europe | Other | Total |
|---|---|---|---|---|
| Overseas net sales | 622,149 | 152,458 | 143,994 | 918,601 |
| Consolidated net sales | | | | 1,494,817 |
| Percentage of overseas net sales over consolidated sales | 41.6% | 10.2% | 9.7 % | 61.5 % |

Notes: 1. Geographic areas are based on geographical proximity.

2. Principal countries or districts in each geographic area:
North America : United States and Canada
Europe : Germany, Switzerland, United Kingdom and Russia
Other : Australia

3. Overseas sales are sales to outside of Japan by the Company and consolidated subsidiaries.

**(Information per share)**

| | FY 2007 | FY 2008 |
|---|---|---|
| Net assets per share (yen) | 687.81 | 687.02 |
| Net income per share, basic (yen) | 44.46 | 25.73 |
| Net income per share, diluted (yen) | 44.44 | 25.73 |
| Weighted average number of common shares outstanding during the year (thousands) | 717,410 | 718,208 |
| Weighted average number of additional dilutive common shares due to stock options (thousands) | 396 | 42 |

## (Subsequent Event)

### (Development of a business alliance)

The Company at its board of directors meeting on April 10, 2008 resolved to enter into an alliance relationship in the development and production of cars, and the disposition of its own shares in treasury to give effect to such a business alliance.

1. Alliance partners : Toyota Motor Corporation (TMC) and Daihatsu Motor Co., Ltd.(Daihatsu)
2. Alliance contents :
   (1) TMC and FHI jointly develop a compact rear-wheel-drive sportscar, and market the new model through the sales channels of both companies.
   (2) TMC supplies a sub-compact car to FHI under an OEM arrangement.
   (3) Daihatsu supplies a mini car and a sub-compact car “COO” to FHI under an OEM arrangement.
3. Disposition of treasury stock
   The Company sells its treasury stock to TMC in order to further strengthen its relationship with TMC.

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

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

### (Change of the retirement benefit scheme)

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

Contents of change :
(1) Introduction of a point system
(2) Transfer of its qualified pension plan to a defined benefit plan and a defined contribution pension

The Company is to account for this change in accordance with Corporate Accounting Implementation Guidelines No. 1, “Accounting for Transfers Between Retirement Benefit Plans” (Accounting Standards Board of Japan, January 31, 2002), and expects to recognize a gain of 650 million yen as a result of a reduction in the retirement benefit liabilities.

SUBARU

# <Reference for FY2008 Consolidated Financial Results>

(APR. 28, 2008)

Fuji Heavy Industries Ltd.

| (in 100 millions of yen)<br>(in thousands of units) | RESULTS<br>FY2007<br>Apr.2006 to Mar.2007 | RESULTS<br>FY2008<br>Apr.2007 to Mar.2008 | | FORECAST<br>FY2009<br>Apr.2008 to Mar.2009 | |
|---|---|---|---|---|---|
| **Net Sales** | 14,948 | 15,723 | 5.2 % | 16,000 | 1.8 % |
| Domestic | 5,762 | 5,440 | -5.6 % | 5,600 | 2.9 % |
| Overseas | 9,186 | 10,284 | 11.9 % | 10,400 | 1.1 % |
| Margin Percentage | 3.2% | 2.9% | | 1.4% | |
| **Operating income** | 479 | 457 | -4.6 % | 230 | -49.6 % |
| Margin Percentage | 2.8% | 2.9% | | 1.3% | |
| **Ordinary income** | 422 | 454 | 7.6 % | 200 | -56.0 % |
| Margin Percentage | 2.1% | 1.2% | | 0.6% | |
| **Net income** | 319 | 185 | -42.1 % | 100 | -45.9 % |
| **Change of operating income by factors** | | **Gain factors** | | **Gain factors** | |
| | | Reduction in cost & Net of raw material price raise | 70 | Improvement of sales volume & mixture and others | 474 |
| | | Foreign exchange | 10 | | |
| | | **Loss factors** | | **Loss factors** | |
| | | Increase of SG&A expenses and others | 81 | Foreign exchange | 460 |
| | | Increases of R&D expenses | 13 | Increase of SG&A expenses and others | 138 |
| | | Deterioration of sales volume & mixture and others | 8 | Reduction in cost & Net of raw material price raise | 73 |
| | | | | Increases of R&D expenses | 30 |
| **Exchange rate YEN/US$** | 117 | 116 | | 100 | |
| **Capital investment** | 596 | 563 | | 700 | |
| **Depreciation and amortization** | 589 | 655 | | 660 | |
| **R&D expenses** | 507 | 520 | | 550 | |
| **Interest bearing debt** | 3,439 | 3,045 | | 3,045 | |
| **Performance of operation** | | Net sales to increase<br>Net Income to decrease<br>Best net sales | | Net sales to increase<br>Net Income to decrease<br>Best net sales | |
| **Domestic sales** | 227 | 209 | -8.0 % | 213 | 1.9 % |
| Passenger Cars | 81 | 78 | -3.9 % | 98 | 25.6 % |
| Minicars | 146 | 131 | -10.3 % | 115 | -12.3 % |
| **Overseas sales** | 351 | 388 | 10.5 % | 423 | 9.1 % |
| North America | 207 | 210 | 1.9 % | 223 | 5.8 % |
| Europe | 71 | 86 | 20.4 % | 102 | 18.3 % |
| Other | 73 | 92 | 25.2 % | 99 | 8.1 % |
| **Total sales** | 578 | 597 | 3.2 % | 636 | 6.6 % |

* Figures of Total Sales are the sum of retail sales units of the Japanese subsidiary dealers, wholesale units of the overseas subsidiary distributors, and wholesale units of FHI to other distributors/dealers.

* Exchange rate is the non-consolidated sales rate of FHI.

To Whom It May Concern

MEMBERSHIP

**May 13, 2008**


Company Name : Fuji Heavy Industries Ltd.
(Tokyo Stock Exchange First Section, Code No.7270)
Representative : Ikuo Mori, President and CEO
Contact for Inquiries : Kazuto Sakamoto,
General Manager of Administration Department
(Phone : +81-3-3347-2005)


# Revision of Consolidated Financial Results for FY2008
## (the Year Ended March 31, 2008)

The Company hereby revises its consolidated financial results for FY2008 that were released on April 28, 2008.

Note: Revised parts are indicated with underline.

**【Page 17】**

6. Change of the Basis for Preparation of Consolidated Financial Statements of Significant Accounting Policies

<Originalliy disclosed>

(Depreciation / amortization method of fixed assets)

In FY 2008, the Company and domestic consolidated subsidiaries changed their depreciation / amortization method for fixed assets acquired on or after April 1, 2007 to conform to the enacted revisions to the tax depreciation schedules under the Corporate Tax Law and related tax regulations. The effects of this change were to decrease operating income by **2,458** millions yen, and to decrease ordinary income and income before income taxes and minority interest by **2,469** millions yen each as compared to the respective amounts that would have been reported under the previous method. Please refer to “Segment Information”, about the effect on the business and geographical segments.

(Additional Information)

In addition, during FY 2008, the Company and domestic consolidated subsidiaries started to depreciate the residual book value of fixed assets acquired on or before March 31, 2007 on a straight-line basis over a 5-year period commencing in the year following a year in which those assets have reached their depreciation limit under the previous depreciation / amortization method. Please refer to “Segment Information”, about the effect on the business and geographical segments.

This change resulted in a decrease in operating income of **3,362** millions yen, and a decrease in both ordinary income and income before income taxes and minority interest of **3,425** millions yen, as compared to the respective amounts that would have been reported had the change not been implemented.

<Revised>

(Depreciation / amortization method of fixed assets)

In FY 2008, the Company and domestic consolidated subsidiaries changed their depreciation / amortization method for fixed assets acquired on or after April 1, 2007 to conform to the enacted revisions to the tax depreciation schedules under the Corporate Tax Law and related tax regulations. The effects of this change were to decrease operating income by **2,308** millions yen, and to decrease ordinary income and income before income taxes and minority interest by **2,319** millions yen each as compared to the respective amounts that would have been reported under the previous method. Please refer to “Segment Information”, about the effect on the business and geographical segments.

(Additional Information)

In addition, during FY 2008, the Company and domestic consolidated subsidiaries started to depreciate the residual book value of fixed assets acquired on or before March 31, 2007 on a straight-line basis over a 5-year period commencing in the year following a year in which those assets have reached their depreciation limit under the previous depreciation / amortization method. Please refer to “Segment Information”, about the effect on the business and geographical segments.

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

## 【Page 19】

(Segment Information)

(1) Information by business segment

<Originalliy disclosed>

Notes: 5. The Company and domestic consolidated subsidiaries changed their depreciation / amortization method in FY 2008 as mentioned in “Changes in the Basis for Preparation of Consolidated Financial Statements and Significant Accounting Policies”. The effects of this change were to decrease operating income of “Automobiles” by **2,294** millions yen. In addition, the change in the depreciation / amortization method for the residual book value during FY 2008 described in “Additional Information” resulted in a decrease in operating income of “Automobiles” of **2,826** millions yen. The effects of these changes on other business segments were insignificant.

<Revised>

Notes: 5. The Company and domestic consolidated subsidiaries changed their depreciation / amortization method in FY 2008 as mentioned in “Changes in the Basis for Preparation of Consolidated Financial Statements and Significant Accounting Policies”. The effects of this change were to decrease operating income of “Automobiles” by **2,158** millions yen. In addition, the change in the depreciation / amortization method for the residual book value during FY 2008 described in “Additional Information” resulted in a decrease in operating income of “Automobiles” of **1,897** millions yen. The effects of these changes on other business segments were insignificant.

## 【Page 20】

(2) Information by Geographic segment

<Originalliy disclosed>

Notes: 5. The Company and domestic consolidated subsidiaries changed depreciation / amortization method in FY 2008 as mentioned in “Changes in the Basis for Preparation of Consolidated Financial Statements and Significant Accounting Policies”. The effects of this change were to decrease operating income of “Japan” by **2,458** millions yen. In addition, the change in the depreciation / amortization method for the residual book value during FY 2008 described in “Additional Information” resulted in a decrease in operating income of “Japan” of **3,362** millions yen.

<Revised>

Notes: 5. The Company and domestic consolidated subsidiaries changed depreciation / amortization method in FY 2008 as mentioned in “Changes in the Basis for Preparation of Consolidated Financial Statements and Significant Accounting Policies”. The effects of this change were to decrease operating income of “Japan” by **2,308** millions yen. In addition, the change in the depreciation / amortization method for the residual book value during FY 2008 described in “Additional Information” resulted in a decrease in operating income of “Japan” of **2,298** millions yen.