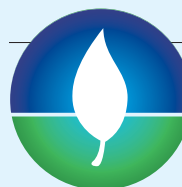


# Messages from the CEOs



Ikuo Mori President and CEO, Fuji Heavy industries Ltd. (right), Shunsuke Takagi Representative Director of the Board Corporate Executive Vice President

## FHI participates "Team minus 6%" -national campaign to help prevent warming



## FHI Environment Logo

In June 2005, we created the FHI Group's environment logo.

The environment logo has a leaf at the center, with "green earth" and "blue sky" to represent the globe. Into this logo, we incorporated our determination to actively work on providing *product that are friendly to the earth, society, and people*, which is stated in the FHI Environmental Policy.

## Our Mission Is to Tackle a Variety of Social Problems as a Good Corporate Citizen

**Ikuo Mori** President and CEO,  
Fuji Heavy Industries, Ltd.

My name is Ikuo Mori, and I am the President and CEO of FHI.

I would like to express my appreciation for your interest in this report.

On February 28 2007, we released a new medium-term management plan covering the four years from fiscal 2007 to 2010, with an aim to further heighten the corporate value of FHI. To fulfill the objective of this management plan, we will make efforts toward “a compelling company with strong market presence” as we usually have, under business visions such as “a company fulfilling its social responsibilities” and “provision of attractive, unique products which can respond to the changes in the social environment”, with a keyword of “Everything we do is for our customers”.

We acknowledge that CSR (corporate social responsibility) is fundamental to our business activities, and believe that our mission as a “good corporate citizen” is to tackle a variety of social problems through the business activities of FHI. To proceed with this mission, it is essential for us

to become a company worthy of the enduring trust of our stakeholders and society. In keeping this end, we will actively conduct the following activities.

First, we will alter our corporate culture to develop a “customers come first” culture in order to meet customer demands and expectations. In support of this idea, we at the FHI Group will work together with a customer-oriented mindset to become a company able to satisfy customers in all respects including products, quality and service.

Next, as a transportation manufacturer, we will conduct activities even more actively in all processes of our business to tackle numerous environmental problems such as global warming. We will make special efforts for the products we produce, aiming at “combination of comfortable, reliable new driving performance and the friendliness to global environment”. We hope you understand our social and environmental activities through this “2007 Social and Environmental Report”, and hope to receive your frank opinions on our activities.

## We Will Promote CSR Philosophy and Activities Even More Actively within the Company

**Shunsuke Takagi** Representative Director of the Board, Corporate Executive Vice President,  
Fuji Heavy Industries, Ltd.

My name is Shunsuke Takagi, and I am the Representative Director of the Board, Corporate Executive Vice President of FHI.

I would like to offer some brief remarks as the Chairman of the CSR Committee and the Corporate Environment Committee.

In our new medium-term management plan, we have designated the idea of becoming “a company fulfilling its social responsibilities” as one of the pillars of our business visions.

We conducted an in-house survey on the employees’ awareness of CSR in fiscal 2006, and grasped what challenges we faced to improve employees’ awareness and education. To proceed with such challenges, we will further promote our CSR activities and philosophy under the concept of “combination of aggressive CSR (social contributions through business activities) and defensive CSR (compliance with laws and regulations)” within the company in fiscal 2007, in addition to the activities to promote

employees’ understanding on our CSR Policies.

Taking about global environment issues, fiscal 2006 was the last fiscal year to implement the Third Voluntary Plan for the Environment. Regretfully, we failed in meeting our targets with respect to some greener products (in terms of improvement in fuel economy, cleaner exhaust emissions and development of products using clean energy for vehicles) due to some changes in recent market trends and in our product development policies.

In order to meet the targets of these categories at an early stage of the Fourth Voluntary Plan for the Environment newly launched from fiscal 2007, we will make efforts even more actively aiming at contributing to society through our products, and by offering our customers greener products through a system of environmentally clean plants, logistics networks and dealers.

Your continuous support shall be highly appreciated.

# Introduction of SUBARU

## Business Overview

## Developing and Manufacturing Products that Meet the Needs of the Age Using Innovative, Cutting-Edge Technologies



The new Impreza seeks to offer superb environmental performance, and delivers a pleasurable driving experience by offering both superior maneuverability and ample space in the interior. (The photo above is of the Impreza 15S.)

The R1e is a high-performance, compact electric vehicle. With a high-speed charger, the batteries can be fully charged within quite a short period of time. Its technologies to reduce greenhouse gas emissions were very well received, and in recognition of these advances, the vehicle received the Minister of the Environment's fiscal 2006 Commendation for an Activity Preventing Global Warming<sup>\*3</sup>.



The Eclipse 500, nicknamed the air taxi, is an attention-getting, reasonably-priced small business jet aircraft which meets the new and growing demand for corporate air travel. Using our cutting-edge manufacturing technologies, we are responsible for such tasks as assembling the main wings during the building of this aircraft. We are continuing our efforts to establish manufacturing techniques that allow mass production of aircraft at a low cost.

**Offering Our Products under the Motto of "Everything we do is for our customers"**

### Subaru Automotive Business

[Location] Gunma Manufacturing Division (Ota City, Gunma Prefecture)  
Tokyo office (Mitaka City, Tokyo)

Subaru has released a wide range of products ever since it first released the Subaru 360, a strong-selling, precedent-setting mini car, in 1958. In 1966, the Subaru 1000, a vehicle employing Japan's first full scale FWD (Front-Wheel Drive) and horizontally-opposed engines, was released. In 1972, Subaru released the Leone 4WD Station Wagon, Japan's first passenger AWD vehicle<sup>\*1</sup>, and the Justy, employing a highly efficient, continuously variable transmission ECVT something that was made practically applicable for the first time in world history, winning Subaru many ardent fans thanks to our inventiveness. Since the 1990s, Subaru has been a pioneer in the fields of high-performance station wagons in Japan, which employ high-powered turbo engines combined with AWD, as well as in the field of crossover vehicles<sup>\*2</sup> in the U.S., uniting the comfort of passenger vehicles with the functionality of SUVs.

Our current product lineup features the Legacy, the Impreza, the Forester and the Tribeca, all of which are produced in accordance with our automobile manufacturing philosophy, that "optimizing performance will lead to safety", and under our "everything we do is for our customers" motto. For other types of vehicles, we offer mini cars such as the Stella, the R1, the R2 and the Pleo, and mini-sized trucks such as the Sambar. By offering a diverse, complete product lineup, we have won the support of a great many customers.

**Currently Working to Utilize Both the Spirit of Aircraft Manufacturing and Manufacturing Techniques**

### Aerospace Company

[Location] Utsunomiya Manufacturing Division  
(Utsunomiya City, Tochigi Prefecture)  
Handa Plant (Handa City, Aichi Prefecture)

FHI can trace its beginnings back to Nakajima Aircraft Co., Ltd., founded in 1917. In the intervening years, we have been able to take the lead in the Japanese aerospace industry by using aircraft production technologies and a spirit of innovation taken from the past. We develop and produce helicopters, fixed-wing aircrafts, unmanned aircrafts, major structural elements of large commercial airplanes, and more by cultivating our original technology such as development technology for aircraft structures such as the application of composite material to the main wings, as well as advanced system integration technology, in which the IT technology used for unmanned aircraft and flight control technology are integrated. We actively challenges itself in new fields of technology to grow further and become an internationally-outstanding company with the creative and cutting-edge technologies we have been cultivating.

\*1: AWD stands for "All Wheel Drive", or in other words, four-wheel drive.

\*2 Crossover: The Subaru Outback, a station wagon that has the functionality of an SUV integrated into it, was released in August 1995.

\*3: An award was presented for the R1e as well as for its batteries and high-speed charger, which were all jointly developed by FHI, Tokyo Electric Power Co., Inc., and NEC Lamillon Energy, Ltd.

**FHI is a comprehensive transportation manufacturer that consists of four business units: the Subaru Automotive Business, which develops and manufactures automobiles and parts under the Subaru (SUBARU) brand name, the Aerospace Company, the Industrial Products Company and the Eco Technologies Company.**  
**Our innovative, cutting-edge technologies and uniqueness continue to win us the steadfast support of our customers all over the world.**



The e-Cutter PRO, a rechargeable lawn mower which can be used professionally, was made using the technology of the Subaru Inverter Generator, an original development of FHI. By adapting the technologies of the Subaru R1e electric vehicle in using high-capacity lithium-ion batteries, the e-Cutter PRO was made both environmentally friendly and practical. In addition to its unique zero gas emissions feature, it operates in a user-friendly manner with reduced noise and vibration, and features significantly improved operating efficiency.



The Subaru Inverter Generator, which has been fitted with a new environmentally friendly engine. In addition to being lightweight, compact and easy to operate, we have also achieved a high-grade power output that can be used with personal computers as well as reduced noise and improved fuel economy.



Our new dual-compartment refuse separation and collection vehicle comes with two waste ports laid out right and left, and allows two types of refuse to be taken into and ejected from two separate compartments independently of each other. This vehicle allows waste collection to be made economical and highly efficient, because only one vehicle is needed to collect two types of refuse, and thus the number of vehicles and operators required can be reduced.



The Wind Turbine System FHI has developed is a large-scale system that can generate a power level of 2000 kW, enough for 1,500 households, and is the world's first large-scale commercial machine to adopt a downwind rotor, which fully utilizes the energy of wind blowing up from the ground. It is structured in such a way that the large and heavy parts, such as the nacelle, can be disassembled into smaller components for easier transportation to the installation site. In recognition of its innovative design and future potential, it received the 11th NEF Prize of Fiscal 2006 (the Agency of Natural Resources and Energy Director-General Prize). The demonstration testing of a prototype erected on a seacoast in Kamisu City, Ibaraki Prefecture in December 2005 was completed successfully, and a model for mass production has been built; it was completed in the summer of 2007.

**Mass Production of General-Purpose Engines that Can Be Used under Any Conditions on Earth**

**Industrial Products Company**

[Location] Saitama Manufacturing Division  
 (Kitamoto City, Saitama Prefecture)

The Industrial Products Company produces about 1 million of Robins, general-purpose engines per year and the various products loaded with them. These engines are loaded in machines that support our life such as construction and agricultural machinery to establish infrastructures, leisure-related equipment to fulfill our life, snow removal equipment, and engine-equipped generators for harsh environments, which have enjoyed good reputations from our customers all over the world. Product development is implemented by repeating demanding tests to produce these engines and machines which will always work stably under the worst conditions imaginable on the earth, such as severe heat, extreme arctic cold, blistering desert heat, and rough marine applications.

**Contributing to Creating Comfortable Living Environments and a Resource Recycling Society**

**Eco Technologies Company**

[Location] Utsunomiya Manufacturing Division  
 (Utsunomiya City, Tochigi Prefecture)

FHI is promoting technology development toward the environmental century. Eco Technologies Company particularly deals with a variety of products that contribute to creating comfortable living environments and a resource recycling society with an Environmentally-Sound Material Cycle, including various vehicles and equipment for waste collection, transport, and recycling. Also, the company has developed the wind turbine generator systems making a huge contribution to the prevention of global warming by utilizing natural energy. Eco Technologies Company contributes to conservation of the global environment with its ecological products with utmost effort.



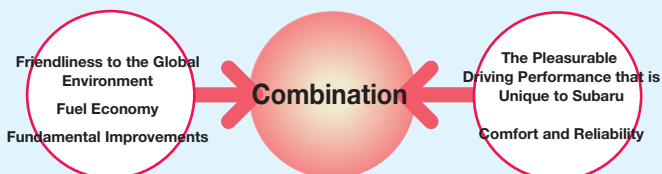
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# SUBARU Originality

Aiming to Combine Comfortable, Reliable New Driving Performance with Friendliness to the Global Environment

## Subaru's Fundamental Philosophy for Manufacturing Automobiles

Subaru's development philosophy is to develop products that combine high levels of performance, safety and environmental friendliness, and to enable customers to experience the true joy of driving in order that each individual customer can share the happiness that comes from owning automobiles. To make this philosophy a reality, Subaru has continued to refine its core technologies, such as the Symmetrical AWD System, using Subaru's unique horizontally-opposed engines, and a car chassis that combines lightness with high stiffness. Subaru is committed to achieving "a prosperous society where automobiles, people, society and the environment are in harmony", and will continue to develop products under the mantra of "customers come first".



### In Order to Create Appealing Values that Only Subaru Can Offer, we are pursuing:

- A style of driving that each and every one of our customers will find comfortable;
- Reliability that will bring each and every one of our customers a sense of security;
- Functions that each and every one of our customers will find easy to use;
- An overall environmental performance that will allow us to pass on a beautiful, clean Earth to the next generation; and
- A sophisticated, sporty design that expresses superb functionality.



Feedback on the intense competition to the cars sold on the open market

## The WRC Challenge

Subaru has good reason to take up the challenge of the WRC (World Rally Championship): The reason is that we participate in each rally using vehicles built with a Symmetrical AWD structure, the same as that used in the cars we sell on the open market. We incorporate the invaluable technologies and experiences gleaned through subjecting the cars to the fierce competition of the rallies, under extremely severe road and weather conditions into the vehicles we sell on the open market. Thus, we incorporate the core technologies we have refined in our efforts on the world stage into Subaru automobiles, the vehicles to which our customers entrust their very lives.

## Subaru's Core Technology



Characterized by lightweight, compact, and low center of gravity

### “Horizontally-Opposed Engine”

Subaru believes that SUBARU BOXER, the horizontally-opposed engine, is an ideal power unit. The engine has symmetrically arranged pistons whereby the momentum of each piston is counterbalanced by the movement of the corresponding piston on the opposite side. For this reason, the engine offers superior rotational balance for quick response and a smooth feel right to the top of its rpm range. The engine is also lightweight and compact. Its low profile when mounted lowers a vehicle's center of gravity, enabling freer cornering. This superior quality as a sport unit is truly a Subaru original that shares ideas of aircraft engineering. Subaru elicits great performance for low fuel economy and the environment by combining AVCS, variable valve timing, and variable induction system into this horizontally-opposed engine.



Realizing superb driving performance under various conditions  
– Contributing to active safety

### “SYMMETRICAL AWD”

Subaru continues to stick to all-wheel drives (AWDs) as its core driving system. The unique AWD layout is consisted of the horizontally-opposed engine and a symmetrical power train. The superior weight balance, possible thanks to the low profile of the horizontally-opposed engine, and the layout, which arranges heavy items such as the engine and transmission around the center of the vehicle, together maximize AWD performance providing superb driving performance under various conditions. Furthermore, the simple layout makes for an ideal arrangement of suspension and body frame and contributes to an overall increase in vehicle performance. Symmetrical AWD is the realization of Subaru's aspirations for AWDs.



Synthesizing the competing elements at high level  
– Contributing to fuel economy

### “A Body Combining Lightness and High Stiffness”

High body stiffness is necessary for improving collision safety performance and comfort. However, if the vehicle weight increases as a result of the increased stiffness, acceleration performance and fuel economy will decline and braking performance and running stability will also be negatively affected. In order to synthesize the competing elements of lightness and high stiffness at a high level and realize a superior balance of driving, safety, environmental performance and comfort, we at Subaru have been working to develop the chassis by bringing together our advanced technologies. We use numerous materials contributing to weight reduction and high stiffness, such as aluminum for bodies, high tension steel sheets and tailored blanks<sup>\*1</sup>. Weight reduction and engine efficiency provide both a pleasurable driving experience and fuel economy. To realize ideal performance by resolving the apparent contradiction of “lightness and high stiffness,” we at Subaru will continue to work to overcome any challenges.

<sup>\*1</sup>: A material made by specially arranging, welding and press-forming different kinds of steel sheets.