

Top Message

**We will Move Forward to Realize
Our Management Vision to be:
a “Compelling Company with Strong Market Presence” and
a “Company Fulfilling its Social Responsibilities”**



[Photo: EXIGA 2.0GT]

First of all, I would like to express my appreciation for your interest in this report.

This year falls on the first year of the binding period of the Kyoto Protocol and the G8 Summit was staged at Lake Toya in Hokkaido with global warming as a main topic. Amid moves to grapple with such issue for a globally sustainable society getting momentum, the Subaru group is also pressing forward by stepping up measures to deal with all sorts of environmental issues as typified by the increasingly critical global warming.

We at Subaru have been working to tackle with these social issues as our mission to fulfill as a good corporate citizen, recognizing the vital importance of giving the top priority to environmental programs in group-wide CSR-related activities.

Specifically, under the FHI Environmental Conservation Program starting anew in FY2007, the following have taken place:

We as a group took actions to save energy for prevention of global warming and reduce wastes and substances of environmental concern. In product marketing, we put two fully remodeled eco-friendly vehicles in the market: the New Impreza and the New Forester, both with fuel consumption and exhaust emission performance impressively improved. Another example is the introduction of the Legacy and Outback powered by a horizontally opposed diesel engine, the world-first as a passenger car, in Europe.

We will work harder in years to come as a comprehensive transportation equipment manufacturer with automobiles as core products in every phase of business activities from product development, production, logistics and sales to recycling of vehicles to squarely face with plethora of social problems. Among them, realizing a low-carbon society is a key to prevention of the global warming.

At the same time, we are in the process of pushing forward the new medium-term management plan to establish a solid corporate base for various future undertakings. As a measure to facilitate achieving the objectives of the plan, we announced to the public new cooperative relationship with the Toyota group and structural reforms including

building a new vehicle assembly plant in Japan to leverage the tie-up and reorganizing the Subaru's domestic dealer network.

The aims of the structural reforms are to boost the Subaru brand image through enhanced customer satisfaction while efficiently and preferentially allocating business resources such as development and production capacities to core areas with higher returns and for the development of future environmental technologies. In this way, we would orient ourselves toward a "Compelling Company with Strong Market Presence" and a "Company Fulfilling its Social Responsibilities".

In the structural reforms, we will redouble our efforts to meet the goals in the FHI Environmental Conservation Program (FY2007 through FY2011).

We hope that this "2008 Social and Environmental Report" would serve to you a better understanding of the Subaru group's involvements in addressing social and ecological issues. Your straightforward comments and opinions are most welcome.

Ikuo Mori

President and CEO,
Fuji Heavy Industries Ltd.



Introduction of

SUBARU

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

FHI is a comprehensive transportation manufacturer that consists of four business units under the Subaru (SUBARU) brand name: the Subaru Automotive Business, the Aerospace Company, the Industrial Products Company and the Eco Technologies Company. Our innovative, cutting-edge technologies and uniqueness contribute to creation of a comfortable and enjoyable future.

■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)
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Automotive Business

Since it began automobile manufacturing with the 1958 launch of the Subaru 360, Subaru has created numerous distinctive models that have contributed to the development of Japan's automobile industry.

For example, the Subaru 360 featured sophisticated packaging including aircraft design concepts along with other innovative and thorough weight-saving technologies. Launched in 1966, the Subaru 1000 incorporated a horizontally opposed engine, one of the most distinctive Subaru technologies, and was also the first massproduced car to employ a front-wheel-drive layout.

In 1972, Subaru became the first in the world to market an AWD passenger car. Subsequently, Subaru has established the layout as a symmetrical AWD system*1. In the early 1990s, Subaru pioneered the market in Japan for high-performance station wagons by combining a turbo-charged engine with an AWD system. This was later followed by the pioneering in the United States of the market for "crossover" vehicles*2, which integrate the driving comfort of sedans with the functionality of SUVs.

Subaru vehicles have always been designed expressly to be "drivers' cars," with characteristics that ensure they are enjoyable to drive.

The Exiga's concept is a "7-seater Panoramic Touring." It is a multi-passenger car with pleasant moving space which allows passengers to share the joy of touring, indulging in lively conversations and sceneries in an assured and relaxed atmosphere.

It offers an liberating interior space and roominess which accommodates 7 people, which was made possible by making the best use of know-how that Subaru has nurtured in crafting station wagons over the years. High drivability, superb quietness and supple quality ride comfort, all due to the layout of a Subaru's unique horizontally opposed engine and the SI-Chassis (SUBARU Intelligent-Chassis), are now coupled with thoughtful environmental performance and economy. With this new model, we are proposing a new sense of values for multi-passenger vehicles.

[Photo: EXIGA 2.0i-L]



Domestic Affiliated Companies

Fuji Machinery Co., Ltd. (Maebashi City, Gunma Prefecture)
Business: Manufacture and sales of automotive parts, industrial machinery, and agricultural transmissions

Ichitan Co., Ltd. (Ota City, Gunma Prefecture)
Business: Manufacture and sales of forged parts for automobiles and industrial machinery

Kiryu Industrial Co., Ltd. (Kiryu City, Gunma Prefecture)
Business: Manufacture of specially equipped Subaru automobiles and logistics control of Subaru automobile parts, remanufacturing of Subaru engines, transmissions and others

Subaru Logistics Co., Ltd. (Ota City, Gunma Prefecture)
Business: Packing, shipping, transportation, warehousing, maintenance and insurance brokerage of automobiles and parts

Overseas Affiliated Companies

SIA : Subaru of Indiana Automotive, Inc. (Lafayette, Indiana)
Business: Manufacture of Subaru automobiles and contract manufacture of Toyota automobiles in the U.S.A.

SOA: Subaru of America, Inc. (Cherry Hill, New Jersey)
Business: Sales and maintenance of Subaru automobiles and parts in the U.S.A.

SCI : Subaru Canada, Inc. (Mississauga, Ontario)
Business: Sales and maintenance of Subaru automobiles and parts in Canada

SRD: Subaru Research & Development, Inc. (Ann Arbor, Michigan)
Business: Research and development of Subaru automobiles on North American market

Nakajima Aircraft Co., Ltd., an aircraft manufacturer, was founded in 1917. The Aerospace Company has inherited the technologies and spirit of innovation from aircraft operations. Its innovative technologies have made it No.1 in various business segments, such as in the development technologies for main wings and other structural aircraft components made from advanced composites and other materials as well as sophisticated systems integration technologies for combining the information technologies and flight control technologies of unmanned aircraft. The Company develops and manufactures helicopter, fixed-wing aircrafts and unmanned aircrafts applying those technologies.

Furthermore, the Company is participating in the projects aimed at developing and manufacturing large commercial airplanes and small jet aircrafts. The Aerospace Company is taking proactive measures to address opportunities in additional segments of aerospace market aiming to develop at a global level.

■ 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)
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Aerospace Company

Industrial Products Company

■ 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)
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The Industrial Products Company develops, manufactures, and markets Robin general-purpose engines as well as products incorporating these engines. The extensive Robin lineup of general-purpose engines includes more than 2,000 models used with favor throughout the world in products that play crucial roles in society, such as construction equipment and agricultural equipment, as well as in mobile generators, leisure products that enrich lifestyles, and a diverse range of other applications.

The Company makes efforts to further improve the engines' performance in order to ensure stable performance in the worst environments imaginable—from extreme arctic cold to blistering desert heat as well as rough marine applications—and under severe operating conditions.



The EX35/E40 engine is a general-purpose engine with good engine and environmental performances balanced at a high level with a chain-driven OHC valve mechanism. It is now for sale as a next-generation engine with excellent startability and top-ranking output as well as eco-friendly low-level emissions, fuel consumption and noise, which were attained by designing a highly efficient combustion chamber thanks to the OHC arrangement.

[Photo: EX40 Engine]

Eco Technologies Company

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

Eco Technologies Company and others

Location	Utsunomiya Manufacturing Division (Utsunomiya City, Tochigi Prefecture)
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The Eco Technologies Company is helping create pleasant living environments and promote a recycling-oriented society by supplying a broad array of vehicles and equipment used to collect, transport, and recycle waste products. It is also engaged in supplying wind-power systems, which provide clean energy, and various other products that contribute to global environmental preservation.

< Clean Robot Division >

Clean Robot Division has become the first company in the world to commercialize a high-rise building cleaning system. This technology is applied to the pilot use of outdoor cleaning robots and trash-bin-transporter robots.



A next-generation new rotary blade type refuse collection vehicle "G-RX" has been developed jointly with ShinMaywa Industries, Ltd in an effort to establish a global standard. With excess meat scraped off for lightness, the environmental performance has been much improved over preceding vehicles by reducing hydraulic pressure loss, noise level and substances of concern.

[Photo: Fuji Mighty G-RX series]

Overseas Affiliated Companies

RMI: Robin Manufacturing U.S.A., Inc. (Hudson, Wisconsin)

Business: Manufacture and sales of engines for general purpose use, four-wheel buggies and golf karts in the U.S.A.



The Eclipse 500 is an attention-getting, reasonably-priced small business jet aircraft which meets the new and growing demand for corporate air travel, nicknamed the "air taxi". 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.

[Photo: Eclipse 500]

Domestic Affiliated Company

Yusoki Kogyo K.K. (Handa City, Aichi Prefecture)

Business: Manufacture and sales of aerospace-related machinery components

*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.