Consolidated Ten-Years Financial Summary

FUJI HEAVY INDUSTRIES LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31

	2000	2001	2002	2003
For the Year:				
Net sales	¥1,330,125	¥1,311,887	¥1,362,493	¥1,372,337
Cost of sales	995,131	978,841	992,950	1,011,582
Gross profit	334,994	333,046	369,543	360,755
Selling, general and administrative expenses	243,593	251,373	281,063	293,234
Operating income (loss)	91,401	81,673	88,480	67,521
Income(loss) before income taxes and minority interests	64,839	21,291	56,136	46,970
Net income(loss)	31,348	22,628	30,283	33,484
At Year-End:				
Net assets *	¥213,806	¥363,199	¥399,598	¥414,614
Shareholders' equity	206,404	357,455	396,112	411,252
Total assets	1,038,558	1,168,501	1,269,558	1,344,072
Ratio of net assets to total assets (%)	19.9%	30.6%	31.2%	30.6%
Per Share: (in yen and U.S. Dollars)				
Net income(loss):				
Basic	¥51.90	¥30.44	¥40.74	¥44.84
Diluted	48.53	29.06	38.83	42.91
Net assets	338.75	480.86	532.88	553.90
Other Information:				
Depreciation/amortization	¥60,190	¥64,070	¥63,964	¥67,896
Capital expenditures (addition to fixed assets)	103,922	102,301	118,376	119,423
Research and development expenses	40,123	46,622	54,903	60,110
Number of shares issued (thousands of shares) **	614,553	746,502	746,506	746,521
Number of shareholders **	49,381	32,996	33,094	35,584
Number of employees*:				
Parent only	13,668	13,603	13,374	13,064
Consolidated	26,914	26,502	26,483	27,478

Note: U.S. dollar figures have been translated from yen, for convenience only, at the rate of ￥98.26 to US$1.00, the approximate rate of exchange at March 31, 2009.

* Prior year amounts have been reclassified to conform to the current year presentation.

** As of March 31

					Millions of yen	Thousands of U.S. dollars
2004	2005	2006	2007	2008	**2009**	**2009**
¥1,439,451	¥1,446,491	¥1,476,368	¥1,494,817	¥1,572,346	**¥1,445,790**	**$14,713,922**
1,085,716	1,107,718	1,125,293	1,142,674	1,217,662	**1,164,564**	**11,851,862**
353,735	338,773	351,075	352,143	354,684	**281,226**	**2,862,060**
303,411	296,756	292,736	304,237	309,004	**287,029**	**2,921,117**
50,324	42,017	58,339	47,906	45,680	**(5,803)**	**(59,057)**
56,266	21,066	28,674	45,589	31,906	**(21,517)**	**(218,980)**
38,649	18,238	15,611	31,899	18,481	**(69,933)**	**(711,714)**
¥457,027	¥474,616	¥467,786	¥495,703	¥494,423	**¥394,719**	**$4,017,087**
453,708	471,149	465,522	494,004	493,397	**393,946**	**4,009,220**
1,349,727	1,357,459	1,348,400	1,316,041	1,296,388	**1,165,431**	**11,860,686**
33.6%	34.7%	34.5%	37.5%	38.1%	**33.8%**	
¥50.62	¥23.27	¥20.66	¥44.46	¥25.73	**(¥91.97)**	**($0.94)**
49.66	23.27	20.66	44.44	25.73	**-**	**-**
582.60	604.51	649.41	687.81	687.02	**505.59**	**5.15**
¥71,112	¥71,010	¥80,073	¥81,454	¥87,164	**¥74,036**	**$753,470**
128,026	147,759	119,289	126,329	118,869	**95,153**	**968,380**
57,541	52,962	46,893	50,709	52,020	**42,831**	**435,895**
782,865	782,865	782,865	782,865	782,865	**782,865**	
34,704	34,558	46,367	42,920	44,484	**40,839**	
12,928	12,703	11,998	11,752	11,909	**12,137**	
27,296	26,989	26,115	25,598	26,404	**27,659**	

Note: U.S. dollar figures have been translated from yen, for convenience only, at the rate of ￥98.26 to US$1.00, the approximate rate of exchange at March 31, 2009.

* Prior year amounts have been reclassified to conform to the current year presentation.

** As of March 31

Consolidated Balance Sheets

FUJI HEAVY INDUSTRIES LTD. AND CONSOLIDATED SUBSIDIARIES
As of March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2009**	2008	**2009**
Current assets:			
Cash and deposits (Note 3)	**¥78,151**	¥67,053	**$795,349**
Notes and accounts receivable-trade (Note 6)	**82,352**	96,017	**$838,103**
Lease investment assets (Note 18)	**27,074**	-	**$275,534**
Short-term investment securities (Notes 3 and 4)	**11,439**	32,775	**$116,416**
Merchandise and finished goods	**128,645**	133,175	**$1,309,231**
Work in process	**96,425**	100,133	**$981,325**
Raw materials and supplies	**34,249**	27,701	**$348,555**
Deferred tax assets (Note 9)	**15,918**	26,486	**$161,999**
Short-term loans receivable (Note 3)	**59,434**	78,329	**$604,865**
Other current assets	**53,845**	62,504	**$547,984**
Allowance for doubtful accounts	**(1,509)**	(1,346)	**($15,357)**
Total assets	**586,023**	622,827	**5,964,004**
Property, plant and equipment (Notes 5, Note 6 and Note 12)	**1,223,798**	1,280,060	**12,454,692**
Accumulated depreciation	**(739,586)**	(752,311)	**(7,526,828)**
Accumulated impairment loss	**(16,153)**	(16,041)	**(164,390)**
Total property, plant and equipment	**468,059**	511,708	**4,763,474**
Investments and other assets:			
Intangible assets	**13,972**	12,972	**142,194**
Investment securities (Note 4)	**45,792**	57,958	**466,029**
Investments in non-consolidated subsidiaries and affiliated companies	**10,589**	14,974	**107,765**
Long-term loans receivable	**3,334**	3,736	**33,930**
Deferred tax assets (Note 9)	**10,702**	27,256	**108,915**
Other assets	**32,885**	48,044	**334,674**
Allowance for doubtful accounts	**(5,925)**	(3,087)	**(60,299)**
Total investments and other assets	**111,349**	161,853	**1,133,208**
Total assets	**¥1,165,431**	¥1,296,388	**$11,860,686**

	Millions of yen		Thousands of U.S. dollars (Note 1)
LIABILITIES AND NET ASSETS	**2009**	2008	**2009**
Current liabilities:			
Notes and accounts payable, trade	**¥148,015**	¥229,780	**$1,506,361**
Short-term borrowings (Note 6)	**249,149**	150,625	**2,535,610**
Current portion of long-term debts (Note 6)	**21,956**	51,261	**223,448**
Accrued expenses	**83,359**	100,024	**848,351**
Accrued income taxes (Note 9)	**2,062**	8,091	**20,985**
Other current liabilities	**56,707**	58,261	**577,111**
Total current liabilities	**561,248**	598,042	**5,711,866**
Long-term liabilities:			
Long-term debts (Note 6)	**110,583**	102,661	**1,125,412**
Accrued pension and severance liability (Note 8)	**36,997**	40,993	**376,521**
Deferred tax liabilities (Note 9)	**7,448**	432	**75,799**
Other long-term liabilities	**54,436**	59,837	**554,000**
Total long-term liabilities	**209,464**	203,923	**2,131,732**
Contingent liabilities (Note 20)			
Net assets: (Note 1 and 10)			
Shareholders' equity:			
Capital stock			
Authorized– 1,500,000,000 shares			
Issued — 782,865,873 shares	**153,795**	153,795	**1,565,184**
Capital surplus	**160,071**	160,098	**1,629,056**
Retained earnings	**126,593**	227,789	**1,288,347**
Less－treasury stock, at cost,	**(2,086)**	(40,538)	**(21,229)**
2009— 3,682,316 shares			
2008— 64,698,395 shares			
Total shareholders’ equity	**438,373**	501,144	**4,461,358**
Total valuation and translation adjustments:			
Valuation difference on available-for-sale securities	**3,002**	13,716	**30,552**
Foreign currency translation adjustment	**(47,429)**	(21,463)	**(482,689)**
Total valuation and translation adjustments	**(44,427)**	(7,747)	**(452,137)**
Minority interests	**773**	1,026	**7,866**
Total net assets	**394,719**	494,423	**4,017,087**
Total liabilities and net assets	**¥1,165,431**	¥1,296,388	**$11,860,686**

The accompanying notes are an integral part of these balance sheets.

Consolidated Statements of Operations

FUJI HEAVY INDUSTRIES LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	**2009**
Net sales	**¥1,445,790**	¥1,572,346	**$14,713,922**
Cost of sales	**1,164,564**	1,217,662	**11,851,862**
Gross profit	**281,226**	354,684	**2,862,060**
Selling, general and administrative expenses (Note 11)	**287,029**	309,004	**2,921,117**
Operating income (loss)	**(5,803)**	45,680	**(59,057)**
Other income (expenses):			
Interest and dividend income	**3,743**	5,503	**38,093**
Interest expenses	**(3,315)**	(4,063)	**(33,737)**
Equity in earnings of affiliates	**926**	501	**9,424**
Real estate rent	**586**	919	**5,964**
Foreign exchange gains (losses)	**7,769**	(4,740)	**79,066**
Gain (loss) on valuation of derivatives	**(5,296)**	4,811	**(53,898)**
Gain (loss) on sales and retirement of noncurrent assets	**(3,452)**	(4,009)	**(35,131)**
Gain (loss) on sales of investment securities	**205**	1,502	**2,086**
Loss on valuation of investment securities (Note 14)	**(1,072)**	(18)	**(10,910)**
Impairment loss (Note 12)	**(1,045)**	(13,174)	**(10,635)**
Gain on revision of retirement benefit plan (Note 8)	**845**	-	**8,600**
Provision of allowance for doubtful accounts (Note 14)	**(2,640)**	-	**(26,867)**
Provision for loss on construction contracts (Note 2)	**(2,901)**	-	**(29,524)**
Gain on sales of loans receivable	**837**	548	**8,518**
Gain on prior period adjustment (Note 13)	**-**	1,539	**-**
Other, net (Note 14 and 15)	**(10,904)**	(3,093)	**(110,972)**
	(15,714)	(13,774)	**(159,923)**
Income (loss) before income taxes and minority interests	**(21,517)**	31,906	**(218,980)**
Income taxes (Note 9):			
Current	**6,637**	14,536	**67,545**
Deferred	**41,961**	(1,148)	**427,041**
	48,598	13,388	**494,586**
Income (loss) before minority interests	**(70,115)**	18,518	**(713,566)**
Minority interests in income (loss)	**(182)**	37	**(1,852)**
Net income (loss)	**(¥69,933)**	¥18,481	**($711,714)**

		Yen	U.S. dollars
Per share data (Note 2) :			
Net income (loss) —Basic	**(¥91.97)**	¥25.73	**($0.94)**
—Diluted *	**-**	25.73	**-**
Net assets	**505.59**	687.02	**5.15**
Cash dividends (Note 10)	**4.50**	9.00	**0.05**

The accompanying notes are an integral part of these statements.

***** For the year ended March 31, 2009, diluted information is not presented although potentially dilutive securities exist and net loss is recorded.

Consolidated Statements of Changes in Net Assets

FUJI HEAVY INDUSTRIES LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	**2009**
Shareholders' equity			
Capital stock			
Balance at the end of previous period	**153,795**	153,795	**1,565,184**
Balance at the end of current period	**153,795**	153,795	**1,565,184**
Capital surplus			
Balance at the end of previous period	**160,098**	160,104	**1,629,331**
Changes of items during the period			
Disposal of treasury stock	**(27)**	(6)	**(275)**
Total changes of items during the period	**(27)**	(6)	**(275)**
Balance at the end of current period	**160,071**	160,098	**1,629,056**
Retained earnings			
Balance at the end of previous period	**227,789**	214,831	**2,318,227**
Effect of changes in accounting policies applied to foreign subsidiaries	**(12,115)**	-	**(123,295)**
Changes of items during the period			
Dividends from surplus	**(6,742)**	(6,468)	**(68,614)**
Net income (loss)	**(69,933)**	18,481	**(711,714)**
Disposal of treasury stock	**(7,309)**	-	**(74,384)**
Change of scope of consolidation	**(43)**	402	**(438)**
Change of scope of equity method	**72**	-	**733**
Other	**(5,126)**	543	**(52,168)**
Total changes of items during the period	**(89,081)**	12,958	**(906,585)**
Balance at the end of current period	**126,593**	227,789	**1,288,347**
Treasury stock			
Balance at the end of previous period	**(40,538)**	(40,511)	**(412,558)**
Changes of items during the period			
Purchase of treasury stock	**(50)**	(60)	**(509)**
Disposal of treasury stock	**38,502**	33	**391,838**
Total changes of items during the period	**38,452**	(27)	**391,329**
Balance at the end of current period	**(2,086)**	(40,538)	**(21,229)**
Total shareholders' equity			
Balance at the end of previous period	**501,144**	488,219	**5,100,183**
Effect of changes in accounting policies applied to foreign subsidiaries	**(12,115)**	-	**(123,295)**
Changes of items during the period			
Dividends from surplus	**(6,742)**	(6,468)	**(68,614)**
Net income (loss)	**(69,933)**	18,481	**(711,714)**
Purchase of treasury stock	**(50)**	(60)	**(509)**
Disposal of treasury stock	**31,166**	27	**317,179**
Change of scope of consolidation	**(43)**	402	**(438)**
Change of scope of equity method	**72**	-	**733**
Other	**(5,126)**	543	**(52,167)**
Total changes of items during the period	**(50,656)**	12,925	**(515,530)**
Balance at the end of current period	**438,373**	501,144	**4,461,358**

Consolidated Statements of Changes in Net Assets

FUJI HEAVY INDUSTRIES LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	**2009**
Valuation and translation adjustments			
Valuation difference on available-for-sale securities			
Balance at the end of previous period	**13,716**	22,182	**139,589**
Changes of items during the period			
Net changes of items other than shareholders' equity	**(10,714)**	(8,466)	**(109,037)**
Total changes of items during the period	**(10,714)**	(8,466)	**(109,037)**
Balance at the end of current period	**3,002**	13,716	**30,552**
Revaluation reserve for land			
Balance at the end of previous period	**-**	290	**-**
Changes of items during the period			
Net changes of items other than shareholders' equity	**-**	(290)	**-**
Total changes of items during the period	**0**	(290)	**0**
Balance at the end of current period	**0**	0	**0**
Foreign currency translation adjustment			
Balance at the end of previous period	**(21,463)**	(16,687)	**(218,431)**
Changes of items during the period			
Change of scope of equity method	**-**	-	**-**
Net changes of items other than shareholders' equity	**(25,966)**	(4,776)	**(264,258)**
Total changes of items during the period	**(25,966)**	(4,776)	**(264,258)**
Balance at the end of current period	**(47,429)**	(21,463)	**(482,689)**
Total valuation and translation adjustments			
Balance at the end of previous period	**(7,747)**	5,785	**(78,842)**
Changes of items during the period			
Change of scope of equity method	**-**	-	**-**
Net changes of items other than shareholders' equity	**(36,680)**	(13,532)	**(373,295)**
Total changes of items during the period	**(36,680)**	(13,532)	**(373,295)**
Balance at the end of current period	**(44,427)**	(7,747)	**(452,137)**
Minority interests			
Balance at the end of previous period	**1,026**	1,699	**10,442**
Changes of items during the period			
Net changes of items other than shareholders' equity	**(253)**	(673)	**(2,575)**
Total changes of items during the period	**(253)**	(673)	**(2,575)**
Balance at the end of current period	**773**	1,026	**7,867**
Total net assets			
Balance at the end of previous period	**494,423**	495,703	**5,031,782**
Effect of changes in accounting policies applied to foreign subsidiaries*	**(12,115)**	-	**(123,295)**
Changes of items during the period			
Dividends from surplus	**(6,742)**	(6,468)	**(68,614)**
Net income (loss)	**(69,933)**	18,481	**(711,714)**
Purchase of treasury stock	**(50)**	(60)	**(509)**
Disposal of treasury stock	**31,166**	27	**317,179**
Change of scope of consolidation	**(43)**	402	**(438)**
Change of scope of equity method	**72**	-	**733**
Other	**(5,126)**	543	**(52,167)**
Net changes of items other than shareholders' equity	**(36,933)**	(14,205)	**(375,870)**
Total changes of items during the period	**(87,589)**	(1,280)	**(891,400)**
Balance at the end of current period	**394,719**	494,423	**4,017,087**

The accompanying notes are an integral part of these statements.

***** “Effect of changes in accounting policies applied to foreign subsidiaries” was related to amortization of goodwill that had not amortized up to the prior financial year.
The breakdown of “Other” in “ Retained earnings” was as follows.

(Unit: Million of yen)

	FY2008	FY2009
Comprehensive income of foreign subsidiaries	543	52
Impact of fiscal closing date changes of foreign subsidiaries	-	(5,178)

Consolidated Statements of Cash Flows

FUJI HEAVY INDUSTRIES LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	**2009**
Net cash provided by (used in) operating activities			
Income (loss) before income taxes and minority interests	**(¥21,517)**	¥31,906	**($218,980)**
Depreciation and amortization	**74,036**	87,164	**753,470**
Impairment loss	**1,045**	13,174	**10,635**
Increase (decrease) in allowance for doubtful accounts	**2,956**	(500)	**30,083**
Increase (decrease) in provision for bonuses	**(2,037)**	137	**(20,731)**
Increase (decrease) in provision for product warranties	**(533)**	(1,236)	**(5,424)**
Increase (decrease) in provision for loss on construction contracts	**760**	-	**7,735**
Increase (decrease) in provision for retirement benefits	**(5,053)**	(4,136)	**(51,425)**
Interest and dividends income	**(3,743)**	(5,503)	**(38,093)**
Interest expenses	**3,315**	4,063	**33,737**
Loss (gain) on valuation of derivatives	**5,296**	(4,811)	**53,898**
Equity in (earnings) losses of affiliates	**(926)**	(501)	**(9,424)**
Loss (gain) on sales and retirement of noncurrent assets	**3,452**	4,009	**35,131**
Loss (gain) on sales and valuation of investment securities	**867**	(1,502)	**8,824**
Gain on sales of loans receivable	**-**	(548)	**-**
Decrease (increase) in notes and accounts receivable-trade	**5,938**	460	**60,432**
Decrease (increase) in inventories	**(18,717)**	(45,633)	**(190,484)**
Increase (decrease) in notes and accounts payable-trade	**(73,159)**	44,205	**(744,545)**
Decrease (increase) in lease investment assets	**(1,539)**	-	**(15,663)**
Decrease (increase) in operating loans receivable	**9,127**	-	**92,886**
Decrease (increase) in leased assets	**(417)**	-	**(4,244)**
Increase (decrease) in deposits received	**(4,757)**	(11,111)	**(48,412)**
Other	**12,819**	7,496	**130,460**
Sub total	**(12,787)**	117,133	**(130,134)**
Interest and dividends income received	**3,738**	5,864	**38,042**
Interest expenses paid	**(3,062)**	(4,135)	**(31,162)**
Income taxes paid	**(14,781)**	(11,475)	**(150,427)**
Net cash provided by (used in) operating activities	**(26,892)**	107,387	**(273,681)**
Net cash provided by (used in) investing activities			
Purchase of short-term investment securities	**(2,265)**	(4,700)	**(23,051)**
Proceeds from sales of short-term investment securities	**5,326**	6,020	**54,203**
Purchase of property, plant and equipment	**(58,415)**	(59,430)	**(594,494)**
Proceeds from sales of property, plant and equipment	**830**	2,384	**8,447**
Purchase of property for lease	**-**	(60,048)	**-**
Proceeds from sale of leased assets	**-**	57,734	**-**
Purchase of intangible assets	**(2,713)**	(2,782)	**(27,610)**
Purchase of investment securities	**(20,433)**	(18,032)	**(207,948)**
Proceeds from sales of investment securities	**11,848**	15,911	**120,578**
Payments for investments in capital	**(1,548)**	-	**(15,754)**
Payments of loans receivable	**(64,188)**	(108,620)	**(653,246)**
Collection of loans receivable	**60,155**	128,476	**612,202**
Other, net	**(982)**	(1,833)	**(9,995)**
Net cash provided by (used in) investing activities	**(72,385)**	(44,920)	**(736,668)**
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	**51,517**	(15,972)	**524,293**
Increase (decrease) in commercial papers	**18,000**	(5,000)	**183,187**
Proceeds from long-term loans payable	**37,063**	3,100	**377,193**
Repayment of long-term loans payable	**(20,500)**	(10,735)	**(208,630)**
Redemption of bonds	**(30,000)**	(10,000)	**(305,312)**
Purchase of treasury stock	**(50)**	(60)	**(509)**
Proceeds from sales of treasury stock	**31,166**	27	**317,179**
Cash dividends paid	**(6,744)**	(6,470)	**(68,634)**
Other,net	**(3)**	-	**(31)**
Net cash provided by (used in) financing activities	**80,449**	(45,110)	**818,736**
Effect of exchange rate change on cash and cash equivalents	**(15,614)**	(1,968)	**(158,905)**
Net increase (decrease) in cash and cash equivalents	**(34,442)**	15,389	**(350,519)**
Cash and cash equivalents at beginning of period	**114,649**	99,060	**1,166,792**
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	**2,045**	200	**20,812**
Increase by change in accounting period of consolidated subsidiaries	**14,263**	-	**145,156**
Cash and cash equivalents at end of period	**¥96,515**	¥114,649	**$982,241**

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

FUJI HEAVY INDUSTRIES LTD. AND CONSOLIDATED SUBSIDIARIES

1. Basis of Presentation of the Financial Statements

The accompanying consolidated financial statements of Fuji Heavy Industries Ltd. (the "Company") have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of the Company's overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of their domicile. The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance, as required by the Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese-language consolidated financial statements, but not considered necessary for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2009, which was ¥98.26 to U.S.$1. The convenience translation should not be construed as a representation that the Japanese yen amounts have been, could have been, or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies

[1] The Scope of Consolidation and Application of the Equity Method

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. The fiscal year-end of consolidated domestic subsidiaries and main foreign subsidiaries is the same as that of the parent company, while the fiscal year-end of the seven consolidated foreign subsidiaries is December 31.The operating results of those subsidiaries that have fiscal year-ends different from that of the parent company are consolidated by using the financial statements as of each subsidiary's respective fiscal year-end, the necessary adjustments being made in consolidation if there are any significant transactions between January 1 and March 31.

The consolidated financial statements include the accounts of the Company and 68 subsidiaries in fiscal 2009 (62 subsidiaries in fiscal 2008).

In addition, 13 non-consolidated subsidiaries and two affiliated companies were accounted for by the equity method in fiscal 2009; 19 non-consolidated subsidiaries and two affiliated companies had been accounted for by the equity method in fiscal 2008.

Investments in insignificant non-consolidated subsidiaries and affiliated companies not accounted for by the equity method are carried at cost. The difference between the cost and the underlying net equity of investments in subsidiaries and affiliated companies is allocated to identifiable assets based on their fair value at the date of acquisition. The unallocated residual value of the excess of the cost over the fair value of the underlying net assets is recognized as goodwill and amortized over a period of five years on a straight-line basis.

All assets and liabilities of subsidiaries, which include not only the Company's interest in the subsidiaries but also the minority interest portion, are valued based on their fair value at the time the Company first consolidates the subsidiary in question.

(Fiscal 2009)

Until the fiscal year ended March 31, 2008, since the difference between the fiscal year-end of the parent company and that of 19 consolidated subsidiaries was within three months, the operating results of those subsidiaries were consolidated by using the financial statements as of each subsidiary's respective fiscal year-end, and the necessary adjustments made in consolidation to reflect any significant transactions between January 1 and March 31.

The accounting date for the fiscal year-end of 12 consolidated subsidiaries was changed to March 31 in order to make the disclosures of the consolidated financial statements more meaningful by unifying the fiscal year.

Consolidated subsidiaries whose fiscal closing date has been changed

・Subaru of America, Inc. and nine consolidated subsidiaries

・Subaru of Indiana Automotive, Inc. and one consolidated subsidiary

[2] Short-Term Investment Securities and Investment Securities

Under the Japanese accounting standards for financial instruments, available-for-sale securities for which fair value is available are stated at their fair value as of the balance sheet dates with unrealized holding gains and losses included as a separate component of net assets until realized, while securities for which fair value is not readily available are stated at cost, as determined by the moving-average method, after taking into consideration devaluation, if any, for permanent impairment. Held-to-maturity debt securities are stated using the amortized cost method.

[3] Inventories

Inventories for regular sales are stated at cost, determined mainly by the moving-average cost method. (Book value on the consolidated balance sheet is measured based on the lower of cost or market value.)

(Change in accounting policy)

(Fiscal 2009)

Up to and including fiscal 2008, inventories for regular sales were stated at cost, determined mainly by the moving-average cost method. In fiscal 2009, the Company and its domestic consolidated subsidiaries adopted the "Accounting Standard for Measurement of Inventories" (Accounting Standards Board of Japan [ASBJ] Statement No. 9). Inventories for regular sales are now stated at cost, determined mainly by the moving-average cost method. (Book value on the consolidated balance sheet is measured based on the lower of cost or market value.)

This change resulted in an increase in operating loss, ordinary loss and loss before income taxes and minority interests of ¥3,220 million (US$ 32,770 thousand).

The impact of this change on segment information is explained in the relevant portion of these documents.

[4] Property, Plant and Equipment (Excluding Leased Assets)

Property, plant and equipment are stated at cost. Significant renewals and additions are capitalized; ordinary maintenance, ordinary repairs, minor renewals and minor improvements are charged to the consolidated statements of income as incurred.

Depreciation of the property, plant and equipment of the Company and its consolidated domestic subsidiaries is principally computed by the declining-balance method, except for those buildings (excluding building improvements) acquired on or after April 1, 1998, for which the straight-line method is applied. 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.

Estimated useful lives for depreciable assets are as follows:

(Fiscal 2008)

Buildings and structures: 7–50 years

Machinery, equipment and vehicles: 3–12 years

(Fiscal 2009)

Buildings and structures: 8–50 years

Machinery, equipment and vehicles: 2–12 years

(Changes in accounting policy)

(Fiscal 2008)

In fiscal 2008, the Company and its domestic consolidated subsidiaries changed their depreciation 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 million, and to decrease both ordinary income and income before income taxes and minority interest by ¥2,319 million compared with the respective amounts that would have been reported under the previous method. Please refer to “22. Segment Information” regarding the effect on the business and geographical segments.

(Additional Information)

In addition, during fiscal 2008, the Company and its 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 five-year period commencing in the year following that in which those assets reached their depreciation limit under the previous depreciation method. Please refer to “22. Segment Information” regarding the effect on the business and geographical segments.

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

(Fiscal 2009)

(Additional Information)

In fiscal 2009, the Company and its domestic consolidated subsidiaries revised the estimated useful lives of fixed assets (machinery) in accordance with the enacted revisions to the tax depreciation schedules under the Corporate Tax Law and related tax regulations.

This change resulted in an increase in operating loss of ¥1,595 million (US$16,232 thousand) and an increase in ordinary loss and loss before income taxes and minority interest of ¥1,609 million (US$16,375 thousand).

The impact of this change on segment information is explained in the relevant portion of these documents.

[5] Intangible Assets (Excluding Leased Assets)

Computer software used internally by the Company and consolidated subsidiaries is amortized by the straight-line method over the relevant economic useful lives of three or five years.

[6] Leased Assets

For leased assets under finance lease transactions in which the ownership is transferred to the lessee:The leased assets are depreciated by the same method as used for other property, plant and equipment.

For leased assets under finance lease transactions in which the ownership is not transferred to the lessee: The leased assets are depreciated by the straight-line method over the leased period and the residual value is zero.

In addition, finance lease transactions in which the ownership is not transferred to the lessee on or before March 31, 2008 are recorded as regular rental transactions.

[7] Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided based on the amount calculated from the historical ratio of bad debt for ordinary receivables, and an estimated amount of uncollectible accounts for specific overdue receivables.

[8] Provision for Product Warranties

The Company and its consolidated subsidiaries provide for accrued warranty claims on products sold based on their past experience of warranty services and estimated future warranty costs, which are included in "Accrued expenses" in the accompanying consolidated balance sheets.

[9] Provision for Loss on Construction Contracts

The provision for losses on uncompleted construction of contracts in the Aerospace segment is made when substantial losses on the contracts are anticipated at the fiscal year-end for the next fiscal year and beyond and such losses can be reasonably estimated.

(Change in accounting policy)

(Fiscal 2009)

In fiscal 2009, the Company started accounting for the provision for losses on uncompleted construction of contracts in the Aerospace segment when substantial losses on the contracts were anticipated at the fiscal year-end for the next fiscal year and beyond and such losses could be reasonably estimated. The reason for this accounting change is that its estimated loss has became more significant, so the Company reflected it properly in the financial statements and disclosed it in a timely manner.

This change resulted in a decrease in operating loss and ordinary loss of ¥433 million (US$4,407 thousand), and an increase in loss before income taxes and minority interest of ¥2,468 million (US$25,117 thousand).

The impact of this change on segment information is explained in the relevant portion of these documents.

[10] Accrued Pension and Severance Liability

Upon termination of employment, employees of the Company and consolidated subsidiaries in Japan are entitled, under most circumstances, to lump-sum indemnities or pensions as described below, based on current rates of pay, length of service, and conditions under which the termination occurs. The minimum payment is an amount based on voluntary retirement. In addition to the minimum payment based on voluntary retirement, employees receive additional benefits for retirement due to age limit, death or other defined reasons.

Certain consolidated subsidiaries in Japan have contributory funded defined benefit employees' welfare pension funds, which are pursuant to the Japanese Welfare Pension Insurance Law. The contributory pension funds consist of a portion of the governmental welfare pension program, under which the contributions are made by the companies and their employees, and an additional portion representing the corporate noncontributory pension plans.

Under the Japanese accounting standards for pension and severance benefits, accrued pension and severance liability for employees is provided based on the estimated amounts of projected pension and severance obligation and the fair value of plan assets at the end of the fiscal year. Prior service cost is being amortized by the straight-line method over a period (11-18 years and 12-18 years for fiscal years 2009 and 2008, respectively) that is shorter than the average remaining service period of the eligible employees. Actuarial gains and losses are amortized from the following fiscal year by the straight-line method over a

period (primarily 18 years) that is shorter than the average remaining service period of the eligible employees.
Accrued pension contribution for defined benefit pension plans is included in accrued pension and severance liability.

Directors and statutory auditors of the Company and consolidated domestic subsidiaries are entitled to receive a lump-sum payment at the time of severance or retirement, subject to shareholder approval. The liabilities for such benefits, which are determined based on the Company's and consolidated subsidiaries' internal rules, are included in "Other long-tem liabilities" in the accompanying consolidated balance sheets.

(Additional Information)

(Fiscal 2008)

In order to pay the directors' and statutory auditors' retirement benefits, the Company had provided for the amount of required payments based on the Company's internal rules. However, at the annual general meeting held in June 2007, the shareholders resolved to abolish this retirement benefits system, subject to a "grandfather" provision under which those incumbent directors and statutory auditors who were reappointed at the meeting shall be eligible for such retirement benefits when they retire based on their services through the date of that shareholders' meeting. As of March 31, 2008, ¥271 million of the estimated benefits for the payment is included in "Other long-tem liabilities".

[11] Translation of Foreign Currency-Denominated Accounts

Under the Japanese accounting standards for foreign currency translation, monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at each balance sheet date with the resulting gain or loss included currently in the statement of income.

The assets and liabilities of foreign subsidiaries and affiliated companies are translated into Japanese yen at the exchange rates in effect at the balance sheet dates of the foreign subsidiaries and affiliated companies, except for common stock and capital surplus, which are translated at historical rates. Revenue and expense accounts are translated at the average exchange rates during the respective years. The resulting foreign currency translation adjustments are included in "Foreign currency translation adjustments" and "Minority interest" in the net assets section of the accompanying consolidated balance sheets.

[12] Revenue Recognition

Revenue from sales of finished products is generally recognized when the products are shipped to dealers or customers. Revenue from operating leases is recognized on a straight-line basis over the lease term. In addition, revenue from Aerospace division production contracts with a production term exceeding one year and of an amount exceeding ¥5,000 million is recognized by the percentage-of-completion method.

[13] Accounting for Lease Transactions

The Company recognizes revenue for financial lease transactions on the effective date of the lease contract.

(Change in accounting policy)

(Fiscal 2009)

Up to and including fiscal 2008, the Company and its domestic consolidated subsidiaries applied the accounting treatment for operating lease transactions to finance lease transactions in which the ownership was not transferred to the lessee.

In fiscal 2009, the Company and its domestic consolidated subsidiaries adopted "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13), and "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16).

However, those finance lease transactions in which the ownership had not been transferred to the lessee and that occurred before the application of the revised "Accounting Standard for Lease Transactions" were treated as regular rental transactions.

This change resulted in a decrease in operating loss, ordinary loss and loss before income taxes and minority interests of ¥2,513 million (US$25,575 thousand).

The impact of this change on segment information is explained in the relevant portion of these documents.

For the reasons above, this change resulted in an increase in “lease investment assets” of “Current assets” of ¥27,074 million (US$275,534 thousand) and a decrease in “lease assets, net” of “Property, plant and equipment” of ¥27,074 million (US$275,534 thousand), on the consolidated balance sheets.

The Company applies the disclosure model that the Japan Leasing Association created for leasing companies, and cash flow from finance lease transactions of captive finance companies and sales on credit were reclassified from “Net cash provided by (used in) investing activities” to “Net cash provided by (used in) operating activities.”

Net cash provided by (used in) operating activities

	Millions of yen	Thousands of U.S. dollars
Decrease (increase) in lease investment assets	(¥1,539)	($15,663)
Decrease (increase) in operating loans receivable	9,127	92,886
Decrease (increase) in leased assets	(417)	(4,244)
Total	¥7,171	$72,979

[14] Derivative Financial Instruments and Hedge Accounting

The Japanese accounting standards for financial instruments require that the Company and its consolidated domestic subsidiaries state derivative financial instruments at their fair value and recognize changes in the fair value as a gain or loss, unless such derivative financial instruments are used for hedging purposes.

For interest rate swap contracts used as a hedge that meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract is executed.

Derivative financial instruments qualifying as a hedge, along with the underlying transactions, assets and liabilities are as follows:

Financial Instrument	Transactions, assets and liabilities
Interest swaps	Borrowings

The risk exposures to movements in interest rates are hedged according to the Company’s and consolidated subsidiaries’ risk management policy. An evaluation of hedge effectiveness is not considered necessary as the terms and notional amounts of these hedging instruments are the same as those of the underlying transactions, assets and liabilities, and therefore they are presumed to be highly effective in offsetting the effect of movements in interest rates at their inception as well as during their terms.

[15] Goodwill and Negative Goodwill

Goodwill and negative goodwill are principally amortized by the straight-line method of five years in accordance with accounting principles generally accepted in the countries where such goodwill is recorded.

[16] Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments—generally with original maturities of three months or less—that are readily convertible to known amounts of cash and have negligible risk of changes in value due to their short maturities.

17] Income Taxes

The provision for income taxes is computed based on the pretax income for financial reporting purposes. Deferred tax assets and liabilities are recognized for expected future tax consequences of temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities. A valuation allowance is recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

[18] Research and Development Expenses

Research and development costs are expensed as incurred and amounted to ¥42,831 million (US$435,895 thousand) and ¥52,020 million for fiscal years 2009 and 2008, respectively.

[19] Net Income per Share

Basic net income per share (EPS) is computed based on the average number of shares of common stock outstanding during each year. Diluted EPS assumes the potential dilution that could occur if all the convertible securities were converted or other contracts to issue common stock were exercised to the extent that they are not anti-dilutive.

[20] Reclassification and Restatement

Financial statements in fiscal 2008 have been reclassified to conform to the current year presentation. These reclassifications had no impact on previously reported results of operations or retained earnings.

[21] Other Changes in Accounting Policy

(Fiscal 2009)

Change in Recognition of Sales or Interest Revenue on Credit

In fiscal 2009, the Company's financial subsidiary changed the recognition of sales or interest revenue on credit from the equal installment method to the seven-eight allocation method. The reason for this change was to make it possible for the Company to closely manage the interest revenue by improving its credit system and reflecting the results more accurately.

The impact of this change on net sales, operating loss and ordinary loss in the year ended March 31, 2009 was immaterial, whereas the impact on loss before income taxes and minority interest was a ¥1,043 million (US$10,615 thousand) decrease.

Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

In fiscal 2009, the Company adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial statements" (the Practical Issues Task Force No.18) and made necessary adjustments to the consolidated accounts.

The impact of this change on profit and loss was immaterial.

The impact of this change on shareholders' equity is described in "Consolidated statement of changes in net assets."

3. Additional Cash Flow Information

Cash and cash equivalents as of March 31, 2009, and 2008, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Cash and deposits	**¥78,151**	¥67,053	**$795,349**
Short-term investment securities	**11,439**	32,775	**116,416**
Short-term loans receivable	**59,434**	78,329	**604,865**
	149,024	178,157	**1,516,630**
Less maturity over three months	**(52,509)**	(63,508)	**(534,389)**
Cash and cash equivalents	**¥96,515**	¥114,649	**$982,241**

4. Short-Term Investment Securities and Investment Securities

Information on the value of short-term investment securities and investment securities as of March 31, 2009 and 2008 was as follows:

(1) Other securities (available-for-sale securities) for which fair market value was available:

(a) As of March 31, 2009:

			Millions of yen
	Acquisition cost	Book value	Difference
Book value exceeding acquisition cost:			
Equity securities	**¥15,077**	**¥20,579**	**¥5,502**
Debt securities			
Government and municipal bonds	**7,510**	**7,717**	**207**
Corporate bonds	**4,055**	**4,162**	**107**
Other	**1,567**	**1,592**	**25**
Sub-total	**28,209**	**34,050**	**5,841**
Book value not exceeding acquisition cost:			
Equity securities	**4,937**	**4,190**	**(747)**
Debt securities			
Government and municipal bonds	**521**	**465**	**(56)**
Corporate bonds	**2,398**	**2,196**	**(202)**
Other	**841**	**781**	**(60)**
Sub-total	**8,697**	**7,632**	**(1,065)**
Total	**¥36,906**	**¥41,682**	**¥4,776**

	Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference
Book value exceeding acquisition cost:			
Equity securities	**$153,440**	**$209,434**	**$55,994**
Debt securities			
Government and municipal bonds	**76,430**	**78,537**	**2,107**
Corporate bonds	**41,268**	**42,357**	**1,089**
Other	**15,947**	**16,202**	**255**
Sub-total	**287,085**	**346,530**	**59,445**
Book value not exceeding acquisition cost:			
Equity securities	**50,244**	**42,642**	**(7,602)**
Debt securities			
Government and municipal bonds	**5,302**	**4,732**	**(570)**
Corporate bonds	**24,405**	**22,349**	**(2,056)**
Other	**8,559**	**7,948**	**(611)**
Sub-total	**88,510**	**77,671**	**(10,839)**
Total	**$375,595**	**$424,201**	**$48,606**

(b) As of March 31, 2008:

	Millions of yen		
	Acquisition cost	Book value	Difference
Book value exceeding acquisition cost:			
Equity securities	¥20,552	¥43,269	¥22,717
Debt securities			
Government and municipal bonds	10,111	10,362	251
Corporate bonds	3,044	3,083	39
Other	36	131	95
Sub-total	33,743	56,845	23,102
Book value not exceeding acquisition cost:			
Equity securities	425	333	(92)
Debt securities			
Corporate bonds	565	565	(0)
Other	1,446	1,445	(1)
Sub-total	2,436	2,343	(93)
Total	¥36,179	¥59,188	¥23,009

(2) Other securities (available-for-sale securities) sold during fiscal years 2009 and 2008:

(a) For the year ended March 31, 2009:

Sales amount	Total gains	Total losses
¥32,312 million	¥673 million	¥468 million
US$328,842 thousand	US$6,849 thousand	US$4,763 thousand

The above sales amount included sales of short-term investments in commercial paper and other amounting to ¥15,138 million (US$154,061 thousand).

For the year ended March 31, 2008:

Sales amount	Total gains	Total losses
¥681,548 million	¥1,889 million	¥260 million

The above sales amount included sales of short-term investments in commercial paper and other amounting to ¥659,617 million.

(3) Book value of major securities without available fair market value as of March 31, 2009 and 2008:

Other securities (available-for-sale securities)		Millions of yen	Thousands of U.S. dollars
	2009	2008	**2009**
Money management fund	**¥10,953**	¥24,629	**$111,470**
Floating rate note	**-**	5,077	**-**
Unlisted stocks (excluding over-the-counter stocks)	**4,596**	1,832	**46,774**

Note: The Company and consolidated subsidiaries recognized ¥1,072 million (US$10,910 thousand) and ¥18 million in loss on devaluation of securities for fiscal years 2009 and 2008, respectively.
For the purpose of recording a loss on devaluation of securities, the Company and its consolidated subsidiaries consider all the securities whose fair market value has fallen below 50% of the acquisition cost to be permanently impaired, and record the relevant loss on devaluation. For securities whose fair market value has declined by between 30% and 50% in relation to their acquisition costs, the Company and its consolidated subsidiaries specifically consider the probability of recovery of the fair value and record a loss on devaluation to the amount deemed permanently impaired.

(4) Scheduled redemption of other securities (available-for-sale securities) with maturity and held-to-maturity debt securities as of March 31, 2009 and 2008:

(a) As of March 31, 2009:

	Millions of yen				Thousands of U.S. dollars			
	Within 1 Year	1 to 5 Years	5 to 10 Years	Over 10 years	Within 1 Year	1 to 5 Years	5 to 10 Years	Over 10 years
Debt securities								
Government and municipal bonds	**¥19**	**¥4,913**	**¥1,455**	**¥1,795**	**$193**	**$50,000**	**$14,808**	**$18,268**
Corporate bonds	**349**	**4,609**	**1,216**	**184**	**3,552**	**46,906**	**12,375**	**1,873**
Other	**118**	**437**	**75**	**1,742**	**1,201**	**4,448**	**763**	**17,728**
Total	**¥486**	**¥9,959**	**¥2,746**	**¥3,721**	**$4,946**	**$101,354**	**$27,946**	**$37,869**

(b) As of March 31, 2008:

	Millions of yen			
	Within 1 Year	1 to 5 Years	5 to 10 Years	Over 10 Years
Debt securities				
Government and municipal bonds	¥2,479	¥4,505	¥1,531	¥1,846
Corporate bonds	565	2,520	433	130
Other	23	715	26	682
Total	¥3,067	¥7,740	¥1,990	¥2,658

5. Property, Plant and Equipment

Property, plant and equipment as of March 31, 2009 and 2008, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Buildings and structures	**¥304,620**	¥302,268	**$3,100,142**
Machinery, equipment and vehicles	**456,832**	460,450	**4,649,216**
Leased assets	**31,954**	85,263	**325,198**
Other	**231,313**	237,572	**2,354,092**
Subtotal	**1,024,719**	1,085,553	**10,428,648**
Accumulated depreciation	**(739,586)**	(752,311)	**(7,526,828)**
Accumulated impairment loss	**(16,153)**	(16,041)	**(164,390)**
Land	**186,792**	184,346	**1,900,998**
Construction in progress	**12,287**	10,161	**125,046**
Total	**¥468,059**	¥511,708	**$4,763,474**

6. Short-Term Borrowings and Long-Term Debts

Short-term borrowings as of March 31, 2009 and 2008, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Bank loans with average interest rate of 0.81% and 1.06% per annum as of March 31, 2009 and 2008, respectively	**¥225,149**	¥144,625	**$2,291,360**
Commercial paper with average interest rate of 1.50% and 0.90% per annum as of March 31, 2009 and 2008, respectively	**24,000**	6,000	**244,250**
Total	**¥249,149**	¥150,625	**$2,535,610**

Long-term debts as of March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Loans principally from banks and insurance companies due through 2025 with average interest rate of 2.35% and 2.16% per annum as of March 31, 2009 and 2008, respectively	**¥72,539**	¥63,922	**$738,234**
Unsecured 1.22% bonds due September 30, 2008	**-**	30,000	**-**
Unsecured 0.68% bonds due June 18, 2010	**20,000**	20,000	**203,542**
Unsecured 1.31% bonds due April 28, 2011	**20,000**	20,000	**203,542**
Unsecured 2.01% bonds due May 31, 2012	**20,000**	20,000	**203,542**
Subtotal	**132,539**	153,922	**1,348,860**
Less—Portion due within one year	**(21,956)**	(51,261)	**(223,448)**
Total	**¥110,583**	¥102,661	**$1,125,412**

Annual maturities of long-term loans payable and bonds payable as of March 31, 2009 were as follows:

	Millions of yen	Thousands of U.S. dollars
2010	¥21,956	$223,448
2011	26,972	274,496
2012	33,489	340,820
2013	34,215	348,209
2014	11,994	122,064
2015 and thereafter	3,913	39,823
Total	¥132,539	$1,348,860

Lease obligations as of March 31, 2009 and 2008, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Lease obligations due within one year as of March 31, 2009	**¥87**	-	**$885**
Lease obligations due after one year as of March 31, 2009	**288**	-	**2,931**
Total	**375**	-	**3,816**

Annual maturities of lease obligations as of March 31, 2009 were as follows:

	Millions of yen	Thousands of U.S. dollars
2010	¥87	885
2011	80	814
2012	79	804
2013	52	529
2014	16	163
2015 and thereafter	61	621
Total	¥375	$3,816

The following assets as of March 31, 2009 and 2008, were pledged as collateral for certain loans:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Notes and accounts receivable-trade	**¥79**	¥78	**$804**
Property, plant and equipment	**51,277**	54,057	**521,850**
Total	**¥51,356**	¥54,135	**$522,654**

The unused balance of commitments for borrowings by the Company and consolidated subsidiaries (Subaru of America, Inc. and Subaru Europe N.V./S.A.) as of March 31, 2009 and 2008, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Total commitments	**¥68,739**	¥84,691	**$699,562**
Less amounts currently borrowed	**-**	-	**-**
Unused balance	**¥68,739**	¥84,691	**$699,562**

7. Unexecuted Balance of Overdraft Facilities and Lending Commitments

The unexecuted balance of overdraft facilities and lending commitments at a consolidated subsidiary (Subaru Finance Co., Ltd.) as of March 31, 2009 and 2008, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Total overdraft facilities and lending commitments	**¥6,020**	¥8,340	**$61,266**
Less amounts currently executed	**1,166**	1,859	**11,866**
Unexecuted balance	**¥4,854**	¥ 6,481	**$49,400**

A portion of the overdraft facilities and lending commitments above is subject to credit considerations as documented in the customer contracts. Therefore, the total balance above is not always available.

8. Pension and Severance Plans

The Company and consolidated domestic subsidiaries have lump-sum retirement payment plans, qualified retirement pension plans, contributory defined benefit employees' welfare pension funds, defined benefit pension plan, and certain domestic subsidiaries have defined contribution pension plans. In addition, in certain occasions, additional retirement payments are made to employees for their retirement. Consolidated foreign subsidiaries primarily have defined contribution plans.

In fiscal 2009, the Company transferred 80% of prescribed retirement benefits from qualified retirement pension plans to defined benefits pension plans and transferred 20% of prescribed retirement benefits from qualified retirement pension plans to defined contribution plans. Some of the Company's consolidated domestic subsidiaries transferred from qualified retirement pension plans to lump-sum retirement payment plans. Due to these changes, the Company adopted Corporate Accounting Implementation Guidelines No. 1, "Accounting for Transfers Between Retirement Benefit Plans" (ASBJ, issued on January 31, 2002), the Company and those consolidated domestic subsidiaries recognizing "Gain on revision of retirement benefit plan" of ¥653 million (US$6,646 thousand) and ¥192 million (US$1,954 thousand) (total ¥845 million [US$8,600 thousand]), respectively.

As of March 31, 2009, the Company and 47 of its consolidated domestic subsidiaries, which add up to a total of 48 companies, have lump-sum retirement payment plans. Within the group, there are also 17 qualified retirement pension plans, five defined contribution plans, and four defined benefits pension plans. In addition, there are 13 single-employer employees' welfare pension funds subject to the provisions of Article 33 of "Practice Guidelines of Accounting for Retirement Benefits."

Certain insignificant consolidated subsidiaries calculated their pension liability using the simplified method. Under the simplified method, an accrued pension and severance liability is provided at the amount that would have been payable had all the employees voluntarily retired at the end of the fiscal year, less an amount to be covered from the plan assets, while the Company and significant subsidiaries provide an accrued pension and severance liability based on the estimated amount of pension and severance obligation (projected benefit obligations), less the fair value of plan assets at the end of the fiscal year under the actuarial method.
Certain information concerning the multi-employer pension plan, which requires contributions that are expensed as they become due as pension and severance costs, is as follows:

(1) Overall funded status of the multi-employer pension plan (mainly as of March 31, 2008)

	Millions of yen	Thousands of U.S. dollars
	2009	**2009**
Plan assets	**¥201,278**	**$2,048,423**
Projected benefit obligation	**251,572**	**2,560,269**
Funded status	**(¥50,294)**	**($511,846)**

(2) Contributions by the Company and consolidated domestic subsidiaries as a percentage of total contributions to the multi-employer pension plan (mainly from April 1, 2007 to March 31, 2008): 9%

(Additional information)

(Fiscal 2008)

Multi-employer pension plan

Effective in fiscal 2008, the Company and its consolidated domestic subsidiaries adopted the provision of the partial revisions (Part 2) to "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 14, issued May 19, 2007)".

A reconciliation between the projected pension and severance obligation and accrued pension and severance liability as of March 31, 2009 and 2008, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
a. Projected pension and severance obligation	**¥103,456**	¥114,783	**$1,052,880**
b. Plan assets	**(42,201)**	(61,134)	**(429,483)**
c. Unfunded pension and severance obligations	**61,255**	53,649	**623,397**
d. Unamortized actuarial loss	**(23,821)**	(13,199)	**(242,428)**
e. Unamortized prior service cost	**(492)**	476	**(5,007)**
f. Net amount recorded in balance sheet	**36,942**	40,926	**375,962**
g. Prepaid pension cost	**(55)**	(67)	**(559)**
h. Accrued pension and severance liability	**¥36,997**	¥40,993	**$376,521**

Notes: 1. The above amounts include the substitutional portion of the government pension plan funded by social security taxes paid by employees and employers.
2. Certain insignificant consolidated subsidiaries calculated the liability using the simplified method.

Periodic pension and severance costs for the fiscal years 2009, and 2008, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
a. Service cost	**¥7,677**	¥8,715	**$78,130**
b. Interest cost	**1,929**	2,117	**19,632**
c. Expected return on plan assets	**(2,228)**	(2,863)	**(22,675)**
d. Amortization of actuarial gain/loss	**948**	526	**9,648**
e. Amortization of prior service cost	**35**	(11)	**356**
f. Pension and severance cost	**8,361**	8,484	**85,091**
g. Gain on transfer of the substitutional portion of the employee's pension fund	**(845)**	-	**(8,600)**
h. Total	**¥7,516**	¥8,484	**$76,491**

Notes:1. The above amounts do not include the social security taxes paid by employees.
2. The service cost of consolidated subsidiaries using the simplified method is included in the service cost above.
3. The service cost above includes required funding for the multi-employer pension plan amounting to ¥742 million (US$7,551 thousand) and ¥797 million for fiscal years 2009 and 2008, respectively, for which plan assets could not be allocated to each participating employer.
4. The service cost above includes contributions for the defined contribution plans of the Company and certain consolidated subsidiaries amounting to ¥2,415 million (US$24,578 thousand) and ¥1,751

million for fiscal years 2009 and 2008, respectively.

5. In addition to the pension and severance cost above, additional retirement payments amounting to ¥216 million (US$2,198 thousand) and ¥258 million were made for fiscal years 2009 and 2008, respectively. For fiscal years 2009 and 2008, the entire ¥216 million (US$2,198 thousand) of additional retirement payments and ¥258 million of additional retirement payments is included in cost of sales and selling, general and administrative expenses, respectively.

Actuarial assumptions used in computation of pension and severance liability were as follows:

a. Attribution of expected benefit obligation	The straight-line method
b. Discount rate	2.0%–2.5%
c. Expected rate of return on plan assets	0.8%–4.5%
d. Amortization of actuarial gain/loss	Primarily 18 years (amortized by the straight-line method starting from the following fiscal year, over a period shorter than the average remaining service periods of the eligible employees)
e. Amortization of prior service cost	11 to 18 years (fiscal 2009) 12 to 18 years (fiscal 2008)

9. Income Taxes

The Company and its consolidated subsidiaries were subject to a number of taxes based on income, which in the aggregate resulted in a normal statutory income tax rate of approximately 40.5% for fiscal years 2009 and 2008.

For fiscal 2009, such reconciliation is not presented herein because the consolidated financial results recorded a net loss.

For fiscal 2008, such reconciliation is not presented herein because the difference between the statutory income tax rate and the effective income tax rate was less than 5%.

Significant components of the deferred tax assets and liabilities as of March 31, 2009 and 2008, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Deferred tax assets:			
Accrued pension and severance liabilities	**¥14,710**	¥16,373	**$149,705**
Accrued expenses	**8,667**	7,299	**88,205**
Loss on devaluation of inventories	**8,552**	6,374	**87,034**
Depreciation and amortization expenses	**7,545**	7,347	**76,786**
Accrued warranty claims	**6,566**	7,305	**66,823**
Accrued bonus	**5,782**	6,325	**58,844**
Long-term accounts payable, other	**3,865**	4,228	**39,334**
Allowance for doubtful accounts	**2,774**	3,224	**28,231**
Net operating loss carryforwards	**49,036**	16,276	**499,043**
Other	**13,385**	18,795	**136,221**
Total deferred tax assets	**120,882**	93,546	**1,230,226**
Valuation allowance	**(87,638)**	(18,412)	**(891,899)**
Total deferred tax assets, net of valuation allowance	**33,244**	75,134	**338,327**
Deferred tax liabilities:			
Depreciation and amortization expenses	**(4,310)**	(6,648)	**(43,863)**
Net unrealized holding gains on investment securities	**(2,105)**	(9,045)	**(21,423)**
Advanced depreciation reserve	**(510)**	(510)	**(5,190)**
Other	**(7,147)**	(5,621)	**(72,736)**
Total deferred tax liabilities	**(14,072)**	(21,824)	**(143,212)**
Net deferred tax assets	**¥19,172**	¥53,310	**$195,115**

The net deferred tax assets are included in the following line items in the accompanying consolidated balance sheets.

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Current assets—Deferred tax assets	**¥15,918**	¥26,486	**$161,999**
Investments and other assets—Deferred tax assets	**10,702**	27,256	**108,915**
Long-term liabilities—Deferred tax liabilities	**(7,448)**	(432)	**(75,799)**
Total net deferred tax assets	**¥19,172**	¥53,310	**$195,115**

(Fiscal 2009)

Income taxes-deferred

A reversal of deferred tax assets of ¥39,408 million (US$401,058 thousand) was made, as a result of careful evaluation of realizability.

10. Net Assets

The Japanese Corporate Law (the “Law”) became effective on May 1, 2006, replacing the Japanese Commercial Code (the “Code”). The Law is generally applicable to events and transactions occurring after April 30, 2006, and for fiscal years ending after that date.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of its Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Code, companies were required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock.

Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders’ meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders’ meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock, they were available for distribution by resolution of the shareholders’ meeting. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The Company transferred treasury stock to Toyota Motor Corporation on July 14, 2008.
(Number of shares: 61 million shares; sales value: ¥31,110 million)

As a result, there was a ¥38,424 million decrease in the treasury stock, and the loss on the sale of treasury stocks were divided into a ¥25 million decrease in capital surplus and ¥7,289 million decrease in retained earnings.

11. Selling, General and Administrative Expenses

Selling, general and administrative expenses for fiscal years 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Freightage and packing expenses	**¥17,489**	¥18,645	**$177,987**
Advertising expenses	**45,765**	51,907	**465,754**
Sales incentives	**42,658**	47,577	**434,134**
Salaries and bonuses	**46,798**	47,409	**476,267**
Research and development expenses	**42,416**	51,055	**431,671**
Other	**91,903**	92,411	**935,304**
Total	**287,029**	¥309,004	**$2,921,117**

12. Impairment Loss on Property, Plant and Equipment

In the fiscal year ended March 31, 2009, the Company recorded an impairment loss with regard to the following asset groups:

Use	Location	Category
Assets for dealership business	Nagano Prefecture and Shimane Prefecture	Buildings, land and other
Idle assets	Hokkaido Prefecture and three other locations	Buildings and structures, and land

The assets on which impairment loss was recognized are grouped as follows: The assets for dealership business are grouped by each dealership, and the idle assets are grouped on a property-by-property basis.

At the Company and its subsidiaries, certain assets were written down to their recoverable amounts due to a recent decline in the real estate market and their decreased profitability.

As a result, the Company and its consolidated subsidiaries recognized a total of ¥1,045 million ($10,635 thousand) in impairment loss.

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

	Millions of yen	Thousands of U.S. dollars
	2009	**2009**
Buildings and structures	**¥288**	**$2,931**
Land	**706**	**7,185**
Other	**51**	**519**
Total	**¥1,045**	**$10,635**

A recoverable amount is the higher of net realizable value or value in use. A net realizable value is determined based on the government-published land valuation index prices or values used for real estate tax purposes, less cost of disposal. A value in use is calculated based on projected future cash flows discounted principally at 6.3%.

In the fiscal year ended March 31, 2008, 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 two other locations	Buildings and structures, machinery, land and other
Idle assets	Hokkaido Prefecture and three other locations	Machinery, land and other

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

In light of an agreement entered into by the Company and Daihatsu Motor Co., Ltd. (Daihatsu) under which Daihatsu will provide sub-compact vehicles to the Company on an original equipment manufacturer (OEM) basis, the Company has revised certain assets groupings within its Automobiles segment. Accordingly, the Company wrote down the carrying amounts of its sub-compact vehicle manufacturing equipment to a recoverable amount. In addition, a certain idle manufacturing facility was classified as held for sale and its carrying amount reduced to a recoverable amount.

At the subsidiaries, certain assets were written down to their recoverable amounts due to a recent decline in the real estate market and their decreased profitability.

As a result, the Company and consolidated subsidiaries recognized a total of ¥13,174 million in impairment loss.

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

	Millions of yen
	2008
Buildings and structures	¥3,092
Machinery and equipment	8,619
Land	789
Other	674
Total	¥13,174

13. Gain on Prior-Period Adjustment

(Fiscal 2008)

Prior-period adjustment recorded in the fiscal year 2008 represented a gain on reversal of certain expenses due to a 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.

14. Loss on Valuation of Investment Securities

On November 25, 2008, Eclipse Aviation Corporation (“Eclipse”), a trading partner of FHI, filed an application under Chapter 11 of the United States Bankruptcy Code. However, Eclipse’s creditors submitted a motion for an order converting the Chapter 11 Bankruptcy cases to cases under Chapter 7 on February 24, 2009, and this was granted with the selection of a trustee on March 5, 2009. Therefore, the Company recorded an extraordinary loss (as detailed below) because the Company would incur uncollectible receivables or the delayed collection of receivables and damage to assets that the Company holds for or in Eclipse.

	Millions of yen	Thousands of U.S. dollars
	2009	**2009**
Loss on valuation of investment securities	**¥521**	**$5,302**
Provision of allowance for doubtful accounts	**¥2,640**	**$26,867**
Other (Loss on valuation of inventories)	**¥5,737**	**$58,386**

15.Other Extraordinary Income (Loss)

¥1,001 million (US$10,187 thousand) among “Other, net," representing the impact of the “Change in recognition of sales or interest revenue on credit” from the equal installment method to the seven-eight allocation method.

¥3,030 million (US$30,837 thousand) among “Other, net," representing the impact of loss on the withdrawal from the FIA World Rally Championship (WRC).

16. Business Combinations

(Fiscal 2009)

The Company has integrated certain Subaru dealer subsidiaries to enhance their sales forces and improve their profitability.

These integrated companies are consolidated subsidiaries included in the Automobiles segment, and the integration has been accounted for as a reorganization of entities under common control.

October 1, 2008, merger by surviving companies

Area	Integrated companies	New company
Nagano Prefecture	Shin Nagano Subaru, Inc. ※ Matsumoto Subaru Motors Co.	Subaru Shinsyu, Inc.

※ Surviving company

17. Stock Option Plans

(Fiscal 2008)

1. Descriptions, volume, and movement of stock options

(1) Descriptions of stock option plans

	Fiscal 2002 Stock option plan	Fiscal 2004 Stock option plan
Position and number of grantees	Directors, Executive Officers, Corporate Auditors and employees: 303	Directors, Executive Officers, Corporate Auditors and employees: 320
Class and number of stock (shares)	Common Stock 1,029,000	Common Stock 1,917,000
Date of grant	September 9, 2002	September 6, 2004
Vesting conditions	Directors, Executive Officers, Corporate Auditors and employees who are enrolled at the date the subscription rights are granted. Should an employee under 50 years of age retire by voluntary termination, the employee's right to exercise his/her claim will expire.	Directors, Executive Officers, Corporate Auditors and employees who are enrolled at the date the subscription rights are granted. Should an employee under 50 years of age retire by voluntary termination, the employee's right to exercise his/her claim will expire.
Required service period	From September 9, 2002, to July 31, 2004	From September 6, 2004, to July 31, 2006
Exercise period	From August 1, 2004, to July 31, 2009	From August 1, 2006, to July 31, 2011

Note: The number of stock options is converted to the equivalent number of common stock.

(2) Volume and movement of stock options

The stock options outstanding in the fiscal year 2008 are summarized as follows:

[1] The number of stock options (shown as the equivalent number of common stock)

	Fiscal 2002 Stock option plan	Fiscal 2004 Stock option plan
Nonexercisable stock options (shares):		
At the end of the fiscal year 2007	-	-
Stock options granted	-	-
Forfeitures	-	-
Conversion to exercisable stock options	-	-
Stock options outstanding	-	-
Exercisable stock options (shares):		
At the end of the fiscal year 2007	842,000	1,870,000
Conversion from nonexercisable stock options	-	-
Stock options exercised	29,000	7,000
Forfeitures	-	-
Stock options outstanding	813,000	1,863,000

[2] Price information of stock options

	Fiscal 2002 Stock option	Fiscal 2004 Stock option
Exercise price (Yen)	¥498,000	¥594,000
Average market price of the stock at the time of exercise (Yen)	585	579
Fair value (date of grant) (Yen)	-	-

(Fiscal 2009)

1. Descriptions, volume, and movement of stock options

(1) Descriptions of stock option plans

	Fiscal 2002 Stock option plan	Fiscal 2004 Stock option plan
Position and number of grantee	Directors, Executive Officers, Corporate Auditors and employees: 303	Directors, Executive Officers, Corporate Auditors and employees: 320
Class and number of stock (shares)	Common Stock 1,029,000	Common Stock 1,917,000
Date of grant	September 9, 2002	September 6, 2004
Vesting conditions	Directors, Executive Officers, Corporate Auditors and employees who are enrolled at the date the subscription rights are granted. Should an employee under 50 years of age retire by voluntary termination, the employee's right to exercise his/her claim will expire.	Directors, Executive Officers, Corporate Auditors and employees who are enrolled at the date the subscription rights are granted. Should an employee under 50 years of age retire by voluntary termination, the employee's right to exercise his/her claim will expire.
Required service period	From September 9, 2002, to July 31, 2004	From September 6, 2004, to July 31, 2006
Exercise period	From August 1, 2004, to July 31, 2009	From August 1, 2006, to July 31, 2011

Note: The number of stock options is converted to the equivalent number of common stock.

(2) Volume and movement of stock options

The stock options outstanding in fiscal 2009 are summarized as follows:

[1] The number of stock options (shown as the equivalent number of common stock)

	Fiscal 2002 Stock option plan	Fiscal 2004 Stock option plan
Nonexercisable stock options (shares):		
At the end of the fiscal year 2008	-	-
Stock options granted	-	-
Forfeitures	-	-
Conversion to exercisable stock options	-	-
Stock options outstanding	-	-
Exercisable stock options (shares):		
At the end of the fiscal year 2008	813,000	1,863,000
Conversion from nonexercisable stock options	-	-
Stock options exercised	79,000	-
Forfeitures	-	-
Stock options outstanding	734,000	1,863,000

[2] Price information of stock options

	Fiscal 2002 Stock option	Fiscal 2004 Stock option
Exercise price (Yen)	¥498,000	¥594,000
Average market price of the stock at the time of exercise (Yen)	569	-
Fair value (date of grant) (Yen)	-	-

18. Finance Leases

As allowed under the Japanese accounting standards, the Company and its consolidated subsidiaries in Japan account for finance leases.

Information as Lessee

(1) Transfer of title through finance lease transaction

[1] Leased assets

Mainly implements of production in the automotive business

[2] Depreciation method for leased assets

Leased assets are depreciated by the same method as used for other property, plant and equipment.

(2) Finance leases which do not transfer ownership title

[1] Leased assets

Mainly network equipment and terminal units (Other tangible assets) in the automotive business

[2] Depreciation method for leased assets

Leased assets are depreciated by the straight-line method over the leased period and the residual value is zero.

(3) Those finance lease transactions that had not had their ownership transferred on or before March 31, 2008, are recorded based on the same method as used for regular rental transactions.

[1] Pro forma information of such leases as of March 31, 2009 and 2008, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Machinery, equipment and vehicles	**¥729**	¥703	**$7,419**
Other tangible assets	**2,078**	2,662	**21,148**
Intangible assets	**146**	164	**1,486**
	2,953	3,529	**30,053**
Accumulated depreciation/amortization	**(1,740)**	(1,870)	**(17,708)**
Net	**¥1,213**	¥1,659	**$12,345**

[2] The future minimum lease/rent payments, excluding the portion of interest thereon, as of March 31, 2009 and 2008, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Finance leases:			
Due within one year	**¥513**	¥623	**$5,221**
Due after one year	**797**	1,120	**8,111**
Total	**¥1,310**	¥1,743	**$13,332**

[3] Pro forma information related to finance leases for fiscal years 2009 and 2008 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Lease payment	**¥711**	¥679	**$7,236**
Depreciation and amortization expenses	**645**	633	**6,564**
Interest expense portion	**37**	44	**377**

Information as Lessor

(1) The details of lease investment assets as of March 31, 2009 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2009	**2009**
Obligation of lease fee receivable	**¥32,957**	**$335,406**
Estimated residual value	**327**	**3,328**
Interest expense portion	**(6,210)**	**(63,200)**
Lease investment assets	**¥27,074**	**$275,534**

(2) Lease revenue related to lease investment assets

Amounts of collections on lease receivable after the fiscal year ended March 31,2009, were as follows;

	Millions of yen	Thousands of U.S. dollars
	2009	**2009**
Within 1 year	**¥12,491**	**$127,122**
1 to 2 years	**8,045**	**81,875**
2 to 3 years	**6,215**	**63,251**
3 to 4 years	**4,712**	**47,954**
4 to 5 years	**1,269**	**12,915**
Over 5 years	**225**	**$2,289**

(Fiscal 2008)

Leased assets obtained by finance leases which do not transfer ownership title

[1] The carrying amounts of leased assets under finance leases as of March 31, 2008, were as follows:

	Millions of yen
	2008
Machinery, equipment and vehicles	¥22,574
Other tangible assets	4,612
Intangible assets	1,682
	28,868
Accumulated depreciation and amortization	(15,972)
Net	¥12,896

[2] The future minimum lease/rent payments receivable, excluding the portion of interest thereon, as of March 31, 2008, were as follows:

	Millions of yen
	2008
Finance leases:	
Due within one year	¥5,709
Due after one year	8,714
Total	¥14,423

[3] Information related to finance leases for fiscal 2008 was as follows:

	Millions of yen
	2008
Lease receivable	¥7,727
Depreciation and amortization expenses	5,773
Interest income portion	779

19. Operating Lease

Information as Lessee

The future minimum lease/rent payments, excluding the portion of interest thereon, as of March 31, 2009 and 2008, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Operating leases:			
Due within one year	**¥1,001**	¥925	**$10,187**
Due after one year	**3,385**	3,263	**34,450**
Total	**¥4,386**	¥4,188	**$44,637**

Information as Lessor

The future minimum lease/rent payments receivable, excluding the portion of interest thereon, as of March 31, 2009 and 2008, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Operating leases:			
Due within one year	**¥2,229**	¥5,117	**$22,685**
Due after one year	**510**	4,523	**5,190**
Total	**¥2,739**	¥9,640	**$27,875**

20. Contingent Liabilities

Contingent liabilities as of March 31, 2009 and 2008, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
As guarantor of third-party indebtedness from financial institutions	**¥33,668**	¥41,705	**$342,642**

21. Derivative Financial Instruments

In the normal course of business, the Company and its consolidated subsidiaries employ derivative financial instruments, including foreign exchange forward contracts, foreign currency options and interest rate swaps, to manage their exposures to fluctuations in foreign currency exchange rates and interest rates. The Company and consolidated subsidiaries do not use derivatives for speculative or trading purposes.

The fair value information of derivative financial instruments as of March 31, 2009 and 2008, was as follows:

(1) Foreign currency contracts:

(a) As of March 31, 2009:

	Millions of yen			Thousands of U.S. dollars		
	Notional Amount	Fair value	Valuation gain (loss)	Notional Amount	Fair value	Valuation gain (loss)
Foreign exchange forward contracts:						
Sell—						
U.S. dollar	**¥33,928**	**¥35,379**	**(¥1,451)**	**$345,288**	**$360,055**	**($14,767)**
Euro	**4,923**	**5,138**	**(215)**	**50,102**	**52,290**	**(2,188)**
Canadian dollar	**2,300**	**2,338**	**(38)**	**23,407**	**23,794**	**(387)**
Buy—						
U.S. dollar	**59**	**59**	**0**	**600**	**600**	**0**

(b) As of March 31, 2008:

	Millions of yen		
	Notional Amount	Fair value	Valuation gain (loss)
Foreign exchange forward contracts:			
Sell—			
U.S. dollar	¥51,510	¥48,200	¥3,310
Euro	11,658	11,774	(116)
Canadian dollar	8,374	7,955	419
Buy—			
U.S. dollar	2,454	2,400	(54)
British pound	407	399	(8)
Foreign currency options contracts:			
Sell—			
Call U.S. dollar	11,088 [282]	303	(21)
Buy—			
Put U.S. dollar	11,088 [282]	326	44

Note: The amounts in brackets [ ] are the carrying amounts of the premium on the option contracts recorded as other current assets or liabilities.

(2) Interest rate contracts:

(a) As of March 31, 2009:

	Millions of yen			Thousands of U.S. dollars		
	Notional Amount	Fair value	Valuation gain (loss)	Notional Amount	Fair value	Valuation gain (loss)
Interest rate swap contracts:						
Receive floating rate pay fixed rate	**¥498**	**(¥12)**	**(¥12)**	**$5,068**	**($122)**	**($122)**

(b) As of March 31, 2008:

	Millions of yen		
	Notional Amount	Fair value	Valuation gain (loss)
Interest rate swap contracts:			
Receive floating rate pay fixed rate	¥5,424	(¥8)	(¥8)

The method to determine the fair value is based on quotations obtained from financial institutions.

Derivative financial instruments that qualify as a hedge and are accounted for using the deferred hedge accounting method are excluded from the above table according to the disclosure requirements.

22. Segment Information

Information by business segment

The Company and consolidated subsidiaries operate principally in four business segments: automobiles, industrial products, aerospace and other business fields (including eco-related equipment).

A summary of net sales, operating income, assets, depreciation and amortization expenses and capital expenditures by business segment for fiscal years 2009 and 2008, is shown below:

Net Sales:	2009	2008	2009
		Millions of yen	Thousands of U.S. dollars
Automobiles—			
Outside customers	**¥1,316,305**	¥1,421,179	**$13,396,143**
Inter-segment	**2,641**	2,849	**26,878**
Sub-total	**1,318,946**	1,424,028	**13,423,021**
Industrial products—			
Outside customers	**34,912**	40,678	**355,302**
Inter-segment	**18**	13	**183**
Sub-total	**34,930**	40,691	**355,485**
Aerospace—			
Outside customers	**80,872**	99,673	**823,041**
Inter-segment	**1**	1	**10**
Sub-total	**80,873**	99,674	**823,051**
Other—			
Outside customers	**13,701**	10,816	**139,436**
Inter-segment	**12,420**	6,778	**126,400**
Sub-total	**26,121**	17,594	**265,836**
Total	**1,460,870**	1,581,987	**14,867,393**
Corporate and elimination	**(15,080)**	(9,641)	**(153,471)**
Consolidated total	**¥1,445,790**	¥1,572,346	**$14,713,922**

Operating Income or Loss:	2009	2008	2009
		Millions of yen	Thousands of U.S. dollars
Operating income:			
Automobiles	**(¥9,201)**	¥37,141	**($93,639)**
Industrial products	**(1,643)**	659	**(16,721)**
Aerospace	**1,575**	4,442	**16,029**
Other	**3,118**	2,525	**31,732**
Total	**(6,151)**	44,767	**(62,599)**
Corporate and elimination	**348**	913	**3,542**
Consolidated total	**(¥5,803)**	¥45,680	**($59,057)**

Assets:	2009	2008	2009
		Millions of yen	Thousands of U.S. dollars
Total assets:			
Automobiles	**¥910,250**	¥1,041,057	**$9,263,688**
Industrial products	**39,856**	45,528	**405,618**
Aerospace	**174,062**	172,410	**1,771,443**
Other	**70,089**	64,869	**713,301**
Total	**1,194,257**	1,323,864	**12,154,050**
Corporate and elimination	**(28,826)**	(27,476)	**(293,364)**
Consolidated total	**¥1,165,431**	¥1,296,388	**$11,860,686**

Other Significant Items:	Millions of yen 2009	 2008	Thousands of U.S. dollars 2009
Depreciation and amortization expenses:			
Automobiles	**¥66,395**	¥79,575	**$675,707**
Industrial products	**1,421**	1,527	**14,462**
Aerospace	**4,479**	4,250	**45,583**
Other	**1,741**	1,812	**17,718**
Total	**74,036**	87,164	**753,470**
Corporate and elimination	**-**	-	**-**
Consolidated total	**¥74,036**	¥87,164	**$753,470**
Impairment loss on property, plant and equipment:			
Automobiles	**¥1,045**	¥13,174	**$10,635**
Industrial products	**-**	-	**-**
Aerospace	**-**	-	**-**
Other	**-**	-	**-**
Total	**1,045**	13,174	**10,635**
Corporate and elimination	**-**	-	**-**
Consolidated total	**¥1,045**	¥13,174	**$10,635**
Capital expenditures for segment assets:			
Automobiles	**¥90,723**	¥114,245	**$923,295**
Industrial products	**1,187**	858	**12,080**
Aerospace	**1,787**	3,142	**18,186**
Other	**1,480**	624	**15,063**
Total	**95,177**	118,869	**968,624**
Corporate and elimination	**(24)**	-	**(244)**
Consolidated total	**¥95,153**	¥118,869	**$968,380**

Notes:1. Definition of business segments

Business segments are defined based on their product line and market.

2. Main products by each business segment

Business segments' main products:

Automobiles: Legacy, Impreza, Forester, Exiga,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. All figures in corporate and elimination represent elimination.
5. Changes in accounting policies:

(Fiscal 2008)

Depreciation method of fixed assets

The Company and its domestic consolidated subsidiaries changed their depreciation method in fiscal 2008, as mentioned in "2. Summary of Significant Accounting Policies." The effect of this change was to decrease operating income of "Automobiles" by ¥2,158 million. In addition, the change in the depreciation method for the residual book value during the fiscal year 2008 resulted in a decrease in operating income of "Automobiles" of ¥1,897 million. The effects of these changes on other business segments were insignificant.

(Fiscal 2009)

[1] Accounting Standard for Measurement of Inventories

As described in “2-[3] Inventories,” in fiscal 2009 the Company and its domestic consolidated subsidiaries applied the “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9).

This change resulted in an increase in operating loss of ¥3,061 million (US$31,152 thousand) in “Automobiles” and an increase in operating loss of ¥146 million (US$1,486 thousand) in “Industrial products.”

The effects of those changes on other business segments were immaterial.

[2] Provision for loss on construction contracts

As described in “2-[9] Provision for Loss on Construction Contracts,” in fiscal 2009 the Company started accounting for the provision for losses on uncompleted construction of contracts in the Aerospace segment when substantial losses on the contracts were anticipated at the fiscal year-end for the next fiscal year and beyond and such losses can be reasonably estimated.

The Company recorded ¥2,901 million (US$29,524 thousand) of “Provision for loss on construction contracts” in the first quarter of fiscal 2009 as “Extraordinary loss,” and a part of the provision corresponding to recognized sales related to construction were reclassified in cost of sales along with additional cost for construction since the second quarter of fiscal year 2009.

This change resulted in an increase in operating income of ¥433 million (US$4,407 thousand) in “Aerospace.”

[3] Change in recognition of sales or interest revenue on credit

As described in “2-[21] Other Changes in Accounting Policy,” in fiscal 2009 the Company’s financial subsidiary changed the recognition of sales or interest revenue on credit from the equal installment method to the seven-eight allocation method.

The impact of this change on net sales and operating loss was immaterial.

[4] Accounting for lease transactions

As described in “2-[13] Accounting for Lease Transactions,” in fiscal 2009 the Company and its domestic consolidated subsidiaries adopted “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13), and “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No. 16).

This change resulted in a decrease in operating loss of ¥2,513 million (US$25,575 thousand) in “Automobiles.”

[5] Practical solution on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements

As described in “2-[21] Other Changes in Accounting Policy,” in fiscal 2009 the Company adopted “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial statements” (Practical Issues Task Force No.18) .

The impact of this change on profit and loss was immaterial.

[6] Alteration of estimated useful lives of fixed assets

As described in “2-[4] Property, Plant and Equipment (Excluding Leased Assets),” in fiscal 2009 the Company and domestic consolidated subsidiaries revised the estimated useful lives of fixed assets (machinery) in accordance with the enacted revisions to the tax depreciation schedules under the Corporate Tax and Law and related tax regulations.

This change resulted in an increase in operating loss of ¥1,469 million (US$14,950 thousand) in

"Automobiles" and a decrease in operating income of ¥128 million (US$1,302 thousand) in "Aerospace."

The impact of this change on other business segments is immaterial.

Information by Geographic Area

A summary of net sales, operating income and assets by geographic area for fiscal years 2009 and 2008 is shown below:

		Millions of yen	Thousands of U.S. dollars
Net Sales:	**2009**	2008	**2009**
Japan—			
Outside customers	**¥856,188**	¥901,091	**$8,713,495**
Inter-segment	**280,623**	270,514	**2,855,923**
Sub-total	**1,136,811**	1,171,605	**11,569,418**
North America—			
Outside customers	**546,859**	617,718	**5,565,428**
Inter-segment	**15,380**	20,860	**156,524**
Sub-total	**562,239**	638,578	**5,721,952**
Other—			
Outside customers	**42,743**	53,537	**434,999**
Inter-segment	**622**	501	**6,330**
Sub-total	**43,365**	54,038	**441,329**
Total	**1,742,415**	1,864,221	**17,732,699**
Corporate and elimination	**(296,625)**	(291,875)	**(3,018,777)**
Consolidated total	**¥1,445,790**	¥1,572,346	**$14,713,922**

		Millions of yen	Thousands of U.S. dollars
Operating Income or Loss:	**2009**	2008	**2009**
Operating income:			
Japan	**(¥15,840)**	¥34,188	**($161,205)**
North America	**(1,964)**	6,575	**(19,988)**
Other	**1,933**	1,402	**19,673**
Total	**(15,871)**	42,165	**(161,520)**
Corporate and elimination	**10,068**	3,515	**102,463**
Consolidated total	**(¥5,803)**	¥45,680	**($59,057)**

Assets:		Millions of yen 2009	2008	Thousands of U.S. dollars 2009
Assets:				
Japan		**¥872,342**	¥962,886	**$8,877,895**
North America		**297,801**	347,205	**3,030,745**
Other		**13,116**	12,221	**133,483**
Total		**1,183,259**	1,322,312	**12,042,123**
Corporate and elimination		**(17,828)**	(25,924)	**(181,437)**
Consolidated total		**¥1,165,431**	¥1,296,388	**$11,860,686**

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. All figures in corporate and elimination represent elimination.
5. Changes in accounting policies:

(Fiscal 2008)

Depreciation method of fixed assets

The Company and its domestic consolidated subsidiaries changed their depreciation method in fiscal 2008, as mentioned in "2. Summary of Significant Accounting Policies." The effect of this change was to decrease operating income of "Japan" by ¥2,308 million. In addition, the change in the depreciation method for the residual book value during the fiscal year 2008 resulted in a decrease in operating income of "Japan" of ¥2,298 million.

(Fiscal 2009)

[1] Accounting standard for measurement of inventories

As described in "2-[3] Inventories," in fiscal 2009, the Company and its domestic consolidated subsidiaries applied the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9).

This change resulted in an increase in operating loss of ¥3,220 million (US$32,770 thousand) in "Japan."

[2] Provision for loss on construction contracts

As described in "2-[9] Provision for Loss on Construction Contracts," in fiscal 2009 the Company started accounting for the provision for losses on uncompleted construction of contracts in the Aerospace segment when substantial losses on the contracts were anticipated at the fiscal year-end for the next fiscal year and beyond and such losses could be reasonably estimated.

The Company recorded ¥2,901 million (US$29,524 thousand) in "Provision for loss on construction contracts" in the first quarter of fiscal 2009 as "Extraordinary loss" and a part of the provision corresponding to recognized sales related to the construction has been reclassified in cost of sales along with additional cost for construction since the second quarter of fiscal 2009.

This change resulted in a decrease in operating loss of ¥433 million (US$4,407 thousand) in ''Japan."

[3] Change in recognition of sales or interest revenue on credit

As described in "2-[21] Other Changes in Accounting Policy," in fiscal 2009, the Company's financial subsidiary changed the recognition of sales or interest revenue on credit from the equal installment method to the seven-eight allocation method.

The impact of this change on net sales and operating loss was immaterial.

[4] Accounting for lease transactions

As described in “2-[13] Accounting for Lease Transactions,‘’ in fiscal 2009 the Company and its domestic consolidated subsidiaries adopted “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13) and “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No. 16).

This change resulted in a decrease in operating loss of ¥2,513 million (US$25,575 thousand) in “Japan.”

[5] Practical solution on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements

As described in “2-[21] Other Changes in Accounting Policy,” in fiscal 2009 the Company adopted “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (Practical Issues Task Force No.18).

The impact of this change on profit and loss was immaterial.

[6] Alteration of service life of fixed assets

As described in “2-[4] Property, Plant and Equipment (Excluding Leased Assets)”, in fiscal 2009 the Company and its domestic consolidated subsidiaries revised the estimated useful lives of fixed assets (machinery) to the enacted revisions to the tax depreciation schedules.

This change resulted in an increase in operating loss of ¥1,595 million (US$16,232 thousand) in ‘’Japan.”

Overseas Sales

Overseas sales for the fiscal years ended March 31, 2009 and 2008, are summarized as follows:

				Millions of yen	Thousands of U.S. dollars
		2009		2008	**2009**
Overseas sales:					
North America	**¥582,979**	**40.3%**	¥667,310	42.5%	**$5,933,025**
Europe	**168,520**	**11.7%**	181,333	11.5%	**1,715,042**
Other	**186,777**	**12.9%**	179,716	11.4%	**1,900,844**
Total	**¥938,276**	**64.9%**	¥1,028,359	65.4%	**$9,548,911**
Consolidated net sales	**¥1,445,790**	**100%**	¥1,572,346	100.0%	**$14,713,922**

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, the United Kingdom and Russia

Other: Australia

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

23. Subsequent Events

(Fiscal 2008)

Development of a Business Alliance

At its Board of Directors' meeting on April 10, 2008, the Company passed resolutions on the entry into an alliance in the development and production of cars, on the disposition of its own shares in treasury stock, and on the construction of a new assembly plant 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 sports car, 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 the "COO" sub-compact car 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 per share (Total: ¥31,110 million)
(5) The basis for calculation of the sale price	The sale price of ¥510 was determined in reference to the average closing price of FHI shares of ¥462 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 Prefecture, 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 discussions 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 contribute to the wellbeing 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" (ASBJ, January 31, 2002) and recognizes a gain of ¥653 million as a result of a reduction in retirement benefit liabilities.

(Fiscal 2009)

None

Independent Auditors' Report

To the Shareholders and Board of Directors of
FUJI HEAVY INDUSTORIES LTD.:

We have audited the accompanying consolidated balance sheets of FUJI HEAVY INDUSTORIES LTD. and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of FUJI HEAVY INDUSTORIES LTD. and subsidiaries as of March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following.
(1) As discussed in Note 2[1] to the consolidated financial statements, the accounting date for the fiscal year-end of 12 consolidated subsidiaries was changed to March 31.
(2) As discussed in Note 2[3] to the consolidated financial statements, effective April 1, 2008, the Company and consolidated domestic subsidiaries adopted "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, issued on July 5, 2006).
(3) As discussed in Note 2[9] to the consolidated financial statements, effective April 1, 2008, the Company started accounting for the provision for losses on uncompleted construction of contracts in the Aerospace segment when substantial losses on the contracts were anticipated at the fiscal year-end for the next fiscal year and beyond and such losses can be reasonably estimated.
(4) As discussed in Note 2[21] to the consolidated financial statements, effective April 1, 2008, the Company's financial subsidiary changed the recognition of sales or interest revenue on credit from the equal installment method to the seven-eight allocation method.
(5) As discussed in Note 2[13] to the consolidated financial statements, effective April 1, 2008, the Company and consolidated domestic subsidiaries adopted "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, issued on June 17, 1993, revised on March 30, 2007), and "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16, issued on January 18, 1994, revised on March 30, 2007)
(6) As discussed in Note 2[21] to the consolidated financial statements, effective April 1, 2008, the Company adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial statements" (the Practical Issues Task Force No.18, issued on May 17, 2006)

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 19, 2009