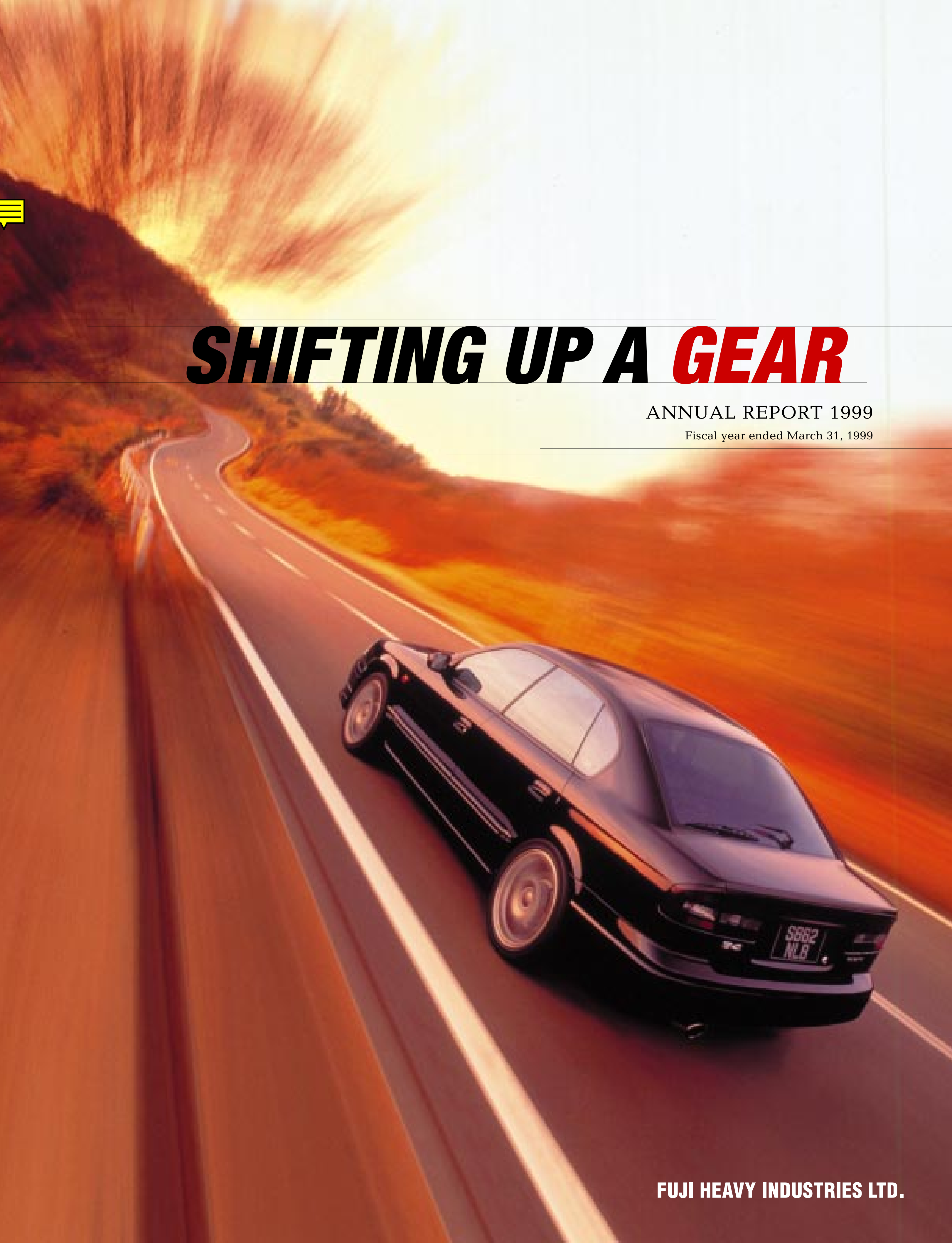


SHIFTING UP A GEAR

ANNUAL REPORT 1999

Fiscal year ended March 31, 1999

FUJI HEAVY INDUSTRIES LTD.

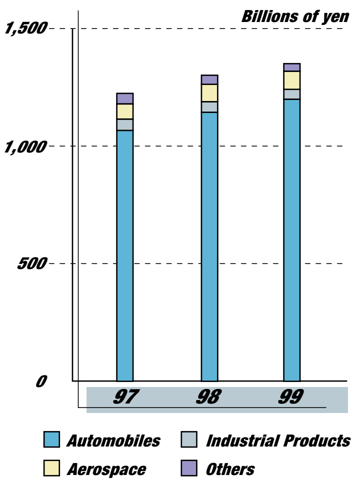
Consolidated Financial Highlights

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

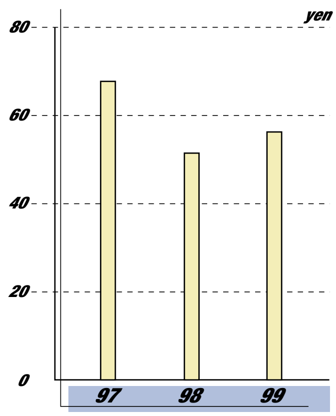
	Millions of yen			Thousands of U.S. dollars
	1999	1998	1997	1999
For the Year:				
Net sales	¥1,352,520	¥1,303,989	¥1,223,015	$11,219,577
Operating income	89,932	80,437	57,573	746,014
Net income	33,706	30,708	39,596	279,602
Year-End:				
Shareholders' equity	¥ 200,220	¥ 168,833	¥ 149,748	$ 1,660,888
Total assets	981,256	904,571	759,030	8,139,826
Per Share of Common Stock (Yen and U.S. Dollars):				
Net income	¥ 56.18	¥ 51.33	¥ 67.63	$ 0.47
Return on equity (ROE)	18.3%	19.3%	30.8%	

Note: U.S. dollar figures have been translated from yen, for convenience only, at the rate of ¥120.55 to US$1, the approximate rate of exchange at March 31, 1999.

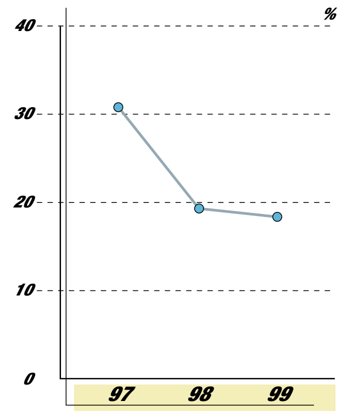
Net Sales



Net Income per Share



Return on Equity



Contents

To Our Shareholders

Fiscal 1999, the year ended March 31, 1999, was a banner year for Fuji Heavy Industries Ltd. (FHI)—we achieved record sales and operating income. Amid a fiercely competitive world automobile market, we leveraged our proprietary technology for maximum advantage, turning out distinctive products that bolstered our brand and earned us the trust of consumers. Our results are gratifying and provide yet more evidence that our pursuit of the true Subaru spirit has us pointed in the right direction. The same can be said for what was unquestionably a highlight of the year—the new LEGACY TOURING WAGON and PLEO minicar-class wagon were voted New Car of the Year in their respective categories by the Japan Automotive Researchers' and Journalists' Conference.

We have gained greater confidence from these achievements. But this is no time to let up. Competition in our industry is certain to intensify, driven by the wave of restructuring. We are thus stepping up our efforts on a number of fronts to capitalize on Subaru's powerful brand and technological expertise. Areas being targeted include technological innovation, production efficiency, sales capabilities, fortification of the group and our environmental activities. The result will be more growth and higher earnings.

Takeshi Tanaka
President and Chief Executive Officer

To Our Shareholders

Fiscal 1999 was truly a memorable year. There were many highlights. The new LEGACY TOURING WAGON debuted after a full model change. In Japan, we introduced the LEGACY B4, a new concept in sports sedans. Overseas, our products won various accolades for quality and the FORESTER posted spectacular gains in unit sales not only in North America but in Europe and Australia as well.

What's more, recognizing opportunities created by changes to the standards governing minicars, we targeted that market by launching the PLEO. During the year, all our models garnered strong support from customers. The year could be summed up as one in which our marketing strategy and product development, which leverages our technological strengths, both bore fruit. We were rewarded for our single-minded devotion to a policy of becoming the top-selling name in specific market segments where we excel.

A BANNER YEAR **>>>** Consolidated net sales rose 3.7% to ¥1,352.5 billion (US$11,220 million) and operating income surged 11.8% to ¥89.9 billion (US$746 million). Both were record highs for the second year running. In Japan, total industry sales of registered vehicles, excluding minicars, decreased 11.2%. In contrast, our sales dropped only 5.8%. In minicars, we also outperformed the market as a whole, posting a 10.0% increase in unit sales against an industry average of 8.3%. Our 10.5% increase in unit sales in the U.S. was also better than the average increase of 2.9% in 1998. Behind these favorable results were the new Legacy Touring Wagon, the all-new Legacy B4 and the Pleo minicar-class wagon in Japan, and strong support for the Forester overseas. Full model changes for mainstay models raised fixed expenses, but this increase was offset by the higher sales and efforts to trim costs. Another factor contributing to earnings gains was a weaker yen, which fell ¥6 on average to ¥127 to the U.S. dollar, raising operating income by approximately ¥12 billion (US$100 million).

BUILDING A SOUND EARNINGS BASE **>>>** To a certain extent the effect of exchange rate movements is unavoidable, given that our operations are global. But our aim is to build a sound earnings base that is shielded from fluctuations in exchange rates. Our first priority is to bolster domestic sales. From a medium-term perspective, we are striving to put in place a system capable of selling 360,000 vehicles annually. For the year ending March 31, 2000, we have set a sales target of 320,000 vehicles. This would significantly boost earnings of group companies in Japan, including

dealers. Overseas, we will build an organization that can sell 20,000 vehicles monthly, or 240,000 units per year. Furthermore, following on from the successes of SCI-20 and SCI-30—company-wide Simultaneous Cost Innovation (SCI) drives to cut total costs by 20% and 30%, respectively—we are promoting SCI-Part II. We plan to cut costs further by redoubling efforts to achieve efficiencies in our production and purchasing divisions. And through collaboration with parts manufacturers we are looking to pare costs at the development stage.

EMPHASIZING CONSOLIDATED RESULTS >>> The year ending March 31, 2000 will mark a major shift in financial disclosure in Japan—companies will be required to report information on a consolidated basis. We see this as an opportune time to reaffirm the importance of maximizing our ability to generate earnings as a group. As part of this stance, we have decided to consolidate the operations of Chuo Subaru Motors Co., Ltd., a leading sales company in the Tokyo region, with Tokyo Subaru Motors Co., Ltd. Moreover, we will consolidate 8 dealers into 4 companies in 4 sales regions. We also aim to raise the combined net income of Subaru-Isuzu Automotive Inc. (SIA), the sole producer of the popular Legacy series for the North American market, and Subaru of America, Inc. (SOA), our U.S. sales and marketing arm, to over US$160 million.

A SOUNDER BALANCE SHEET >>> We expect to continue to be able to generate substantial free cash flows for the foreseeable future, which we will use to repay debt. Our goal is to reduce the level of group interest-bearing liabilities under proposed Japanese GAAPs from ¥570 billion as of March 31, 1999—the sum of consolidated interest-bearing liabilities of approximately ¥360 billion and debt of domestic dealers and a retail finance subsidiary not presently consolidated—to ¥400 billion within 3 years. In fiscal 1999, we reduced group interest-bearing liabilities by ¥47.7 billion (US$396 million). This consumed most of the year's free cash flow. Consolidated shareholders' equity fell ¥57.7 billion due to accumulated losses of consolidated subsidiaries. We remain committed to improving consolidated earnings to increase shareholders' equity and cut interest-bearing liabilities.

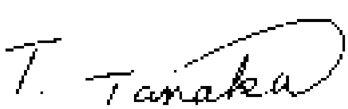
To Our Shareholders

COMMITTED TO THE ENVIRONMENT >>> We are tackling environmental issues with the same fervor as we are the goal of building a sound earnings base. One aim is to reduce the CO_2 emissions of our cars. In this drive, we plan to bring to market in 2001 a hybrid car and another car featuring a direct-fuel injection engine. Another goal: to reduce waste disposal to zero at our main plants by 2001. Meeting ISO standards is yet another goal. Our Automobiles Division has already obtained ISO 14001 certification. We intend to have all divisions acquire this certification as soon as possible. Moreover, we will fulfill our role as a good corporate citizen by carrying out recycling programs and other environmental protection initiatives across the company.

REASSERTING OUR IDENTITY AS A DISTINCTIVE COMPANY >>> The global automobile industry is now undergoing a transition leading to the formation of several mega-groups. Each will be capable of producing at least 4 million cars annually. Where do we fit in this new world? We have carefully studied this question and reached our conclusion: For the time being we have what it takes to go it alone. We have always followed a different path to success. Last year's results again demonstrated the wisdom of our policy of targeting market sectors where our strengths shine brightest. We are convinced that refining core technologies will preserve our position as a company with a stature that belies its size. As we pursue this independent course, we pledge to act in the best interests of our shareholders and will only consider alliances that can serve those interests.

On behalf of FHI's employees and management, I would like to thank shareholders and investors for their support and understanding. I look forward to their continued support as we pursue our goals.

August 1999



Takeshi Tanaka
President and Chief Executive Officer

In little under a year the Pleo has staked out a position for itself in Japan's minicar marketplace. Taking full advantage of Subaru's years of experience and technological expertise in minicars, the Pleo was conceived out of the company's concept of staying true to a strategy of focusing solely on markets where Subaru's unique strengths are most valuable.

1st GEAR

The Pleo is a product of Subaru's technologies and experience accumulated over 40 years in minicar production.

The Minicar Stages a Comeback

October 1998 heralded the start of sales of minicars in Japan designed in accordance with new standards that became effective that month. Principally introduced to enhance safety, the revised regulations expanded the permissible length and width by 100mm and 80mm, respectively. Engine displacement was unchanged at 660cc. Looking to seize the initiative, all Japanese automakers launched new vehicles at the same time, sparking intense competition. While sales of registered vehicles other than minicars languished amid a sluggish economy, minicar sales took off. Buyers were attracted by the relatively low prices, enhanced safety features and larger interiors offered by these new cars. Subaru's debutante, a "tall" wagon named the PLEO, a completely new addition to the company's lineup, was particularly popular.

The PLEO Debuts

Since rolling out Japan's first minicar in 1958, Subaru has learned many valuable lessons from its involvement in the automobile industry. The company leveraged this more than 40 years of experience—and a string of technological successes through those years—to launch the PLEO. Subaru was confident that it had hit on the ideal formula for a compact wagon minicar. From all angles—driving performance, safety, versatility and environmental compatibility—Subaru was convinced that the PLEO was a cut above existing minicars. The market agreed. The PLEO won overwhelming acceptance on its debut. Here are just some of the features underpinning the PLEO's success.

❏ A new 660cc engine that actually feels 1.5 times more powerful than its displacement, and the car has a sophisticated CVT (Continuously Variable Transmission). A balanced suspension smooths out rough roads.

❏ Newly revised safety standards are surpassed on all fronts, contributing to pure driving pleasure. Infants are catered to with a seat that lifts up for convenience.

❏ Quieter operation and a roomy interior that makes passengers and driver alike feel one with the vehicle.

❏ In many respects, including fuel economy, exhaust emission levels and ease of recycling, the Pleo has taken the lead in clearing environmental standards. What's more, the PLEO is made from parts that contain absolutely no lead.

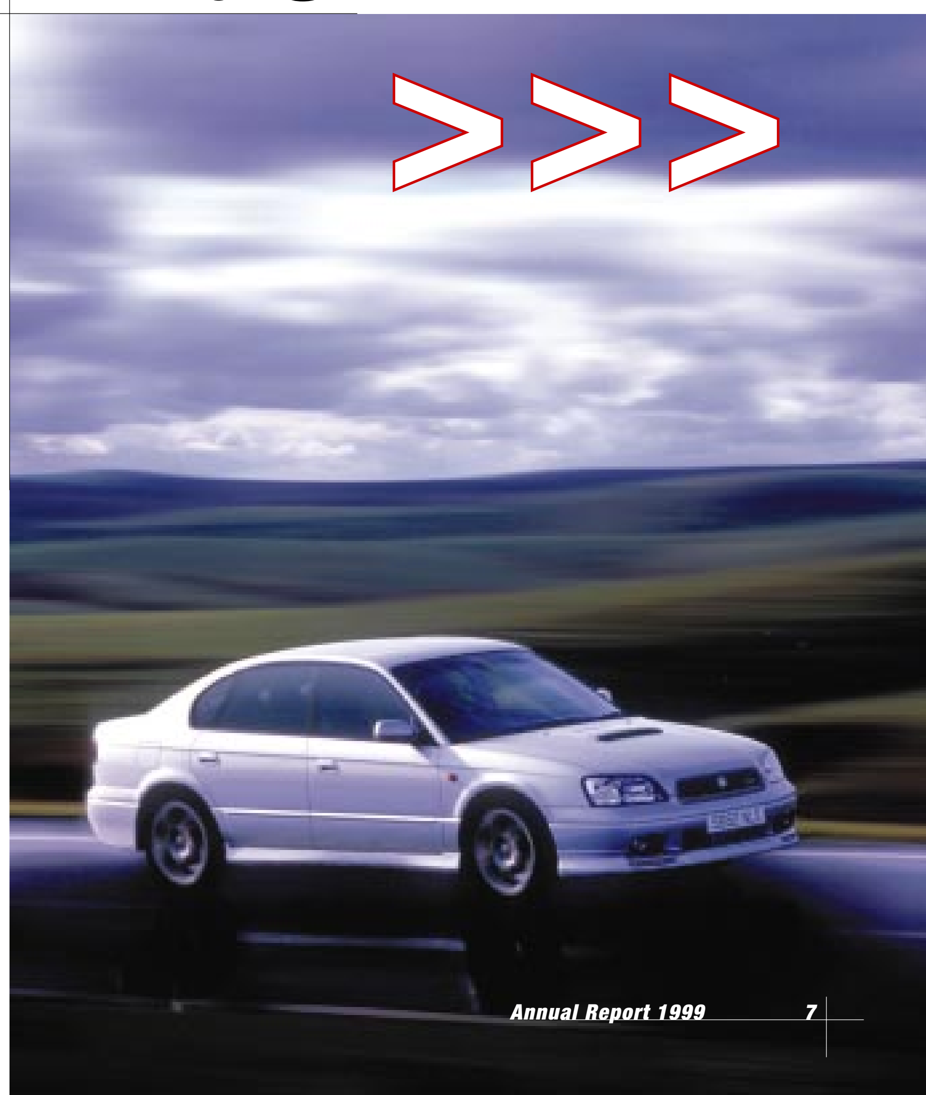
Smooth Sailing for the PLEO

Ten days after going on sale on October 9, 1998, the Pleo had already met its monthly sales target of 8,000 units. This feat can be put down to Subaru's strategy of concentrating resources on models that target specific markets. Following the revisions to the minicar regulations, the PLEO compact wagon has firmly established itself as an alternative to passenger cars. Demand remains brisk.

The Forester, Subaru's primary export from Japan, has seen its sales climb worldwide, particularly in North America, Europe and Australia.

The popularity of Subaru vehicles worldwide rests squarely on the success of a fundamental strategy that places emphasis on embodying authentic Subaru performance in each and every vehicle.

2nd GEAR



The fruit of Subaru's "manufacturing excellence" strategy, the LEGACY B4 features a 4-cylinder horizontally opposed engine and a symmetrical 4WD layout. Unique to Subaru, this powerful combination produces sheer driving excellence that only sports sedans can offer.

The LEGACY TOURING WAGON, a model that epitomizes the strong support that Subaru has garnered over many years, underwent a full model change in June 1998 based on the company's concept of sticking with a "tried-and-true formula." The LEGACY TOURING WAGON was thus reborn as a car for the new century.

Strong Sales in Japan

December 1998 was a big month for Subaru in Japan. It saw the introduction of a full model change for the LEGACY sedan in the form of the LEGACY B4. The LEGACY B4 is a fruit of Subaru's "manufacturing excellence" strategy. Leveraging Subaru's proprietary design centered on a 4-cylinder horizontally opposed engine and a symmetrical 4WD layout, the LEGACY B4 produces the drivability that only sports sedans can offer. As such, the LEGACY B4 stands apart from the market for family sedans, a sector where the major automakers have an overwhelming advantage. The quintessential example of Subaru's strategy of targeting the sports sedan market, the LEGACY B4 is already ranked sixth in 2000cc sedan-class vehicle registrations in Japan. For the three-month period from January 1999 through March 1999, average monthly sales of the LEGACY B4 were 2,250 units. By way of comparison, average monthly sales of Subaru's predecessor sedan in the same period of the previous year were 650 units. The popularity of the LEGACY B4 combined with that of the new LEGACY TOURING WAGON have thus dramatically improved Subaru's product lineup and marketing efforts in Japan.

Developing Markets Overseas

Relatively stable economies in Subaru's main markets of North America, Europe and Australia in concert with a weakening yen have helped Subaru's cause overseas for sure. But add to that mix Subaru's powerful brand and synergies derived from its tightly focused marketing strategy and you have all the reasons for the consistently strong sales in those markets. The Forester has been particularly impressive. Demand in the expanding SUV market, especially in the U.S., has been strong; unit sales in the year ended March 31, 1999, were 81,400, a 40.3% increase over the 58,000 units sold a year earlier. Meanwhile, unit exports of the Forester, Subaru's main export model, have increased due to growth in North America, Europe and Australia.

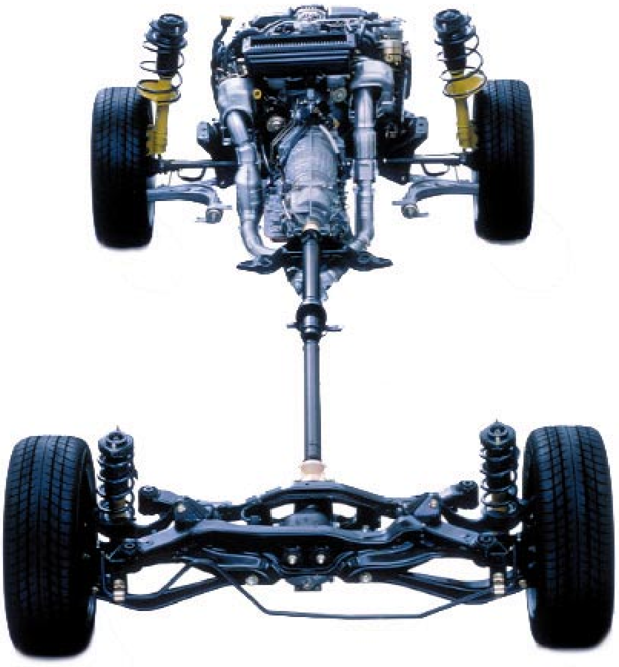
On top of these performances, Subaru's three mainstays overseas, Legacy, Forester and Impreza, have won rave reviews—as well as many accolades, particularly for quality (see page 12). Subaru's brand recognition continues to climb.

The popularity of Subaru's three main models at home and overseas is the result of a strategy that has remained true to a tradition of producing distinctive cars, cars that win universal acclaim the world over.

Subaru is confident in its ability to continue to outpace competitors in strategic market sectors. Why? Because in all respects, be it unrivaled technological expertise, the company's production system or a well-oiled sales system, Subaru is equipped with everything that it takes to succeed.

3rd GEAR

The epitome of the Subaru spirit and popular with drivers for many years, the LEGACY TOURING WAGON underwent a full model change in June 1998. The new model proudly carries on its predecessor's legacy of excellent performance and safety.



A full-time 4WD system, horizontally opposed engine and symmetrical layout with a low center of gravity are core technologies that underpin Subaru's success.

3rd GEAR—CORE TECHNOLOGIES GO TO THE HEART OF A SUBARU

In fiscal 1999, Subaru reaped the benefits of three different concepts for three full model changes. Subaru used a "tried-and-true formula" as it rolled out the LEGACY TOURING WAGON, a "focused" concept for the Pleo minicar, and adopted a concept of "manufacturing excellence" for the Legacy B4. At home and abroad, Subaru won high marks for the quality of its vehicles. This reputation and efforts to lower costs enabled Subaru to improve profit margins despite the increase in fixed expenditures related to the model changes. With exchange rates remaining constant, Subaru posted a ¥9.5 billion increase in consolidated operating income—a record for the second consecutive year.

Favorable external trends were a big factor in this strong showing. Foreign currency rates, robust overseas markets and a rapid rebound in Japan's minicar sector all helped. But Subaru's own efforts were equally significant. Above all was the assertion of proprietary technologies and vehicle strategies in markets where Subaru does not go head-to-head with the major automakers. As mergers and strategic alliances reshape the global automobile industry, this stance will undoubtedly become increasingly valuable. Excellence in technology, production and sales will continue to underpin the company's ability to produce distinctive, universally accepted cars.

Sophisticated Technology—The Product of Years of Effort and Constant Refinement

Superiority in core technologies is unquestionably a key element of Subaru's ability to produce vehicles that embody the Subaru identity. The list is impressive: a full-time 4WD system, a horizontally opposed engine and symmetrical layout with a low center of gravity, Continuously Variable Transmission (CVT), a high-rigidity body and rugged, long-stroke suspension. Subaru's sophisticated technologies, the product of years of effort and constant refinement, yield a level of performance and safety that other companies find hard to emulate.

A Production System Focused on Cost Performance

True to its policy of devoting a large share of resources to individual models, Subaru does not produce the wide range of vehicles that large automakers do. In fact, the company has only two platforms. But Subaru boasts a high level of productivity. Furthermore, thorough supply chain management and the benefits of TQF21 (Total Quality Fuji 21), Subaru's medium-term business action plan, contribute to quality management and cost reductions. This production system has enabled Subaru to achieve low-cost operations by preserving a high capacity utilization rate.

Direct Dealers and a Single-Channel Sales System

Subaru's single-channel sales system is the cornerstone of domestic sales activities. Of Subaru's 62 sales companies, 46 are directly owned dealers. This facilitates marketing programs that closely reflect the Subaru spirit. Furthermore, this sales system has facilitated dramatic inventory reductions and gains in inventory turnover rates. Compared to five years ago, inventories in Japan have been halved while inventories overseas are one-third of what they were. Aiming to enhance the profitability of sales companies, Subaru plans to integrate and otherwise reorganize its dealer network during the year ending March 31, 2000.

As FHI pursues enhanced driving pleasure and improved safety, it has not lost sight of its environmental responsibilities. Guided by a policy that calls for harmony with the environment, FHI is undertaking a number of initiatives. These actions can be broken down into four general categories: Product and Technology Development for the Environment, Plant Management and Logistics, Recycling, and Environmental Operations.

PRODUCT AND TECHNOLOGY DEVELOPMENT >>> In this area, FHI is aiming to reduce the environmental impact of its products. With this objective in mind, the company has set two goals to be accomplished by 2001.

- ❏ Subaru plans to market a vehicle powered by a direct injection engine, a technology that can achieve a dramatic improvement in fuel economy and cleaner exhaust gas emissions by sending gasoline directly into the engine's cylinders.
- ❏ Develop and introduce a hybrid vehicle that combines a gasoline engine with an electric motor to raise fuel economy by 50%.

PLANT MANAGEMENT AND LOGISTICS >>> The second environmental theme involves various drives such as reducing industrial waste and conserving and recycling water to reduce the impact of the company's production activities. Here, a concrete goal is to obtain ISO 14001 certification for all manufacturing divisions by the end of fiscal 2000. The company's Gunma Manufacturing Division has already obtained ISO 14001 certification for its environmental management system.

RECYCLING >>> Recycling is another key environmental theme. FHI is designing its products to facilitate disassembly and recycling and using materials that contribute to this goal. Furthermore, FHI developed a proprietary method for recycling bumpers.

ENVIRONMENTAL OPERATIONS >>> From refuse collection vehicles to waste separation and conveyance systems for high-rise buildings and plants that process ash from trash incinerators, FHI is leading the way in the development of next-generation systems. This is just another example of how FHI is promoting environmental protection in its core business operations.

Contributing to harmony between people and the environment. This is FHI's aim as it tackles its responsibilities head-on through the creation of environmentally compatible products and technologies.

Automobiles

Business Results

Brisk sales both in Japan and overseas fueled a 4.5% increase in division sales to ¥1,198.2 billion (US$9,939 million). Operating income surged 17.2% to ¥85.4 billion (US$709 million). In domestic sales, the new LEGACY TOURING WAGON and LEGACY B4 (4-door sedan) were star performers in registered vehicles, excluding minicars, while the PLEO made a major contribution in the minicar class. Overseas, the Forester, which was particularly popular in the U.S., spurred a sharp increase in sales.

THE WORLD APPLAUDS THE NEW LEGACY TOURING WAGON AND PLEO

Announcement of the new LEGACY TOURING WAGON in June 1998.

New standards for minicars came into force in October 1998.

Announcement of the LEGACY B4 sedan in December 1998.

NEW LEGACY TOURING WAGON AND THE PLEO CLEAN UP AT THE RJC 1998-1999 RJC NEW CAR OF THE YEAR AWARDS

In November 1998, the Japan Automotive Researchers' and Journalists' Conference announced its selections for the 1998-1999 RJC New Car of the Year for new cars launched in the period from November 1997 through October 1998. The announcement contained good news for Subaru. The new LEGACY TOURING WAGON was selected as the New Car of the Year while the PLEO was voted best minicar. With this recognition–Subaru's first ever from RJC—Subaru became the first automaker to take both titles in the same year. Furthermore, the new LEGACY TOURING WAGON grabbed second place in the 1998-1999 Japan Car of the Year award.

Below is a list of other accolades in Japan and overseas that recognize the Subaru quality.

❑ Subaru won the first-place Gold Award in the 1999 J.D. Power and Associates/TOP GEAR U.K. Customer Satisfaction Study, beating out 31 other manufacturers, and Impreza was ranked first out of 114 cars in a model-by-model survey.
❑ The FORESTER was ranked first overall in crash tests of small utility vehicles conducted by the Insurance Institute for Highway Safety in the U.S. in 1998.
❑ The FORESTER won the AAA Top Car Award in the Sport Utility Vehicle Under–$25,000 category from the American Automobile Association (AAA).

Satisfying customers. This is the ultimate goal of any enterprise. And Subaru knows how. The company bested other auto makers from around the world in a 1999 U.K. customer satisfaction study.

Subaru makes ample use of such traditional development tools as computer analyses and crash tests. But the true Subaru development process begins only after a design has met all quantitative requirements. This passion for perfection is why Subaru vehicles constantly deliver a level of performance and driving pleasure that defies measurement using numerical scales.

❏ The U.S.'s *Consumers Digest* selected the FORESTER as the Best Buy in the Sport Utility Vehicle category in the "1999 Annual Buying Guide" issue.
❏ The new LEGACY STATION WAGON (called the Liberty in Australia) was chosen as the 1998 Car of the Year by the Australian car magazine *Wheels.*
❏ The new LEGACY TOURING WAGON won the grand prize in the 13th MBC Awards, sponsored by three Japanese car magazines.

Note: The MBC Award, or Makers Best Choice Award, is voted on by readers of the three Japanese car magazines.

Highlights of the Year

DEBUT OF THE NEW SAMBAR SERIES

February 1999 saw Subaru launch the new Sambar series after carrying out a full model change of the Subaru *Sambar* cab-over-style, commercial minivan. The Subaru *Sambar* has won high marks from drivers in a broad range of fields from business to leisure since its debut in 1951. Much in the same way as the Pleo, the Sambar was completely revamped in terms of driving performance, safety, versatility and its environmental compatibility. For this, Subaru drew on its full array of technologies to commercialize the new *Sambar* series, which is available in truck, van and passenger configurations. Plans call for monthly sales of 8,000 units.

NEW LEGACY TOURING WAGON—THE WORLD'S FASTEST PRODUCTION STATION WAGON

On an FIA-qualified course on a highway in Colorado in April 1998, the LEGACY TOURING WAGON GT-B sped to a new production station wagon world speed record of 270.532 Km/h. The record was certified by the Fédération Internationale de l'Automobile (FIA), and ACCUS, the Automobile Competition Committee for the United States. This record attempt was part of a series of tests conducted prior to the car's launch to ensure that all quality and performance targets had been met or exceeded.

A BROADER LINEUP OF SPECIALLY EQUIPPED "WELFARE" VEHICLES

During the year under review, Subaru broadened its Transcare series of specially equipped "welfare" vehicles. Subaru brought to market vehicles that are more comfortable and easier to use for senior citizens, physically challenged people and care givers. Subaru launched the PLEO *Wing-Seat Lift Version* based on the Pleo minicar as well as four other vehicles modeled after the new Sambar. Looking ahead, Subaru plans to broaden its lineup of "welfare" vehicles even further.

Outlook

The same level of growth as in fiscal 1999, when full model changes were introduced for mainstay vehicles, cannot be expected in the current fiscal year. Given Japan's economic conditions, sales of registered vehicles, excluding minicars, are likely to remain flat while minicar sales should continue to be brisk. Domestic production will be increased by 40,000 units—mostly representing minicars—to 480,000 units. In exports, the outlook calls for slightly lower sales based on a forecast that the yen will rise to ¥117 to U.S.$1.

For three straight years beginning in 1995, Subaru captured the Manufacturers' Championships at the World Rally Championship (WRC). The first Japanese auto maker to achieve this feat, Subaru demonstrated in emphatic fashion the soundness of its "Active Driving, Active Safety" concept at the pinnacle of motor sports.

The needs of the physically challenged and the aged have been factored into the Transcare series of specially equipped "welfare" vehicles. Innovations such as motorized lifts for getting in and out of vehicles with greater ease give these people greater mobility.

Industrial Products

Business Results

Net sales in the Industrial Products Division decreased 4.3% to ¥43.5 billion (US$361 million) and operating income dropped 32.7% to ¥1.4 billion (US$12 million). In Japan, economic sluggishness and unseasonable weather took their toll on sales of engines for civil engineering and construction machinery and pumps. Overseas, the lingering effects of the economic crises in Asia resulted in a marked drop in sales of general-purpose engines and machinery to that region. In the latter half of fiscal 1999, demand increased for power generation equipment and engines for leisure craft to the U.S., but this was insufficient to offset the decline in Japan.

Highlights of the Year

ENGINES FOR CONSTRUCTION EQUIPMENT AND POWER GENERATION EQUIPMENT

With the launch of two specially design engines, the EH09 and EH12, FHI has high hopes for increased demand in the construction machinery industry. Why? Because these engines are highly durable and are superior to existing 2-cycle engines in terms of noise, ease of use and emissions. Power generation equipment performed well, too. Many orders were received for the Robin 12KVA power generator, featuring a 653cc OHV, V twin gasoline engine that went on sale in 1998. Sales of the power generator started in the fall of 1998.

SALES JOINT VENTURE ESTABLISHED IN EUROPE

In June 1998, FHI established ROBIN EUROPE GMBH Industrial Engine And Equipment in Germany in a joint venture with Mitsui & Co., Ltd. The new company is selling Robin-brand general-purpose engines—FHI has had a long association with these engines—and other products and has set a sales target of 100,000 units for its first year of operations. ROBIN EUROPE GMBH Industrial Engine And Equipment is this division's third overseas sales subsidiary, joining companies already operating in the U.S. and Singapore.

AGGREGATE PRODUCTION OF ENGINES FOR POLARIS TOPS 2 MILLION UNITS

Since 1968, FHI has been supplying engines to Polaris Industries Inc., one of the U.S.'s leading manufacturers of leisure craft. In fiscal 1999, aggregate production of those engines for Polaris Industries topped the 2 million mark; the 1 million mark was passed in 1994, 26 years after sales began. Thus in a mere 5 years FHI produced its next 1 million engines. This rapid growth in recent years can be put down to Polaris Industries expanding and fortifying its product lineup—and the trust that it places in FHI's production capability.

Outlook

FHI ranks among the world's top five manufacturers of general-purpose engines. Profitability in this field is excellent. Applications for these engines are expanding and the slide in domestic demand has bottomed out. In this climate, FHI is aggressively engaging in the development of high-quality products and fortifying its sales and services system. At the same time, FHI plans to raise production of ATV engines for Polaris Industries and to start supplying new OEMs in the U.S. Furthermore, plans call for the expansion of business in the European market through a joint venture sales company set up in Germany in June 1998.

Occupying the second and fourth positions in terms of sales in Japan and worldwide, respectively, Robin engines have demonstrated their superiority in a multitude of fields; there are over 800 different types.

In 1968, FHI began developing and supplying engines for Polaris Industries Inc., a leading U.S. manufacturer of leisure equipment. These engines are now a pillar of earnings in the Industrial Products Division.

Aerospace

Business Results

During the year under review, FHI took part in R&D of a new type of unmanned aircraft and production of the F-2 support jet fighter for the Japan Defense Agency (JDF). In commercial contracting, delivery of center wing sections for the Boeing 777 aircraft and elevators for the Boeing 737 proceeded according to plan. On the back of these deliveries, sales in the Aerospace Division rose 6.5% to ¥78.4 billion (US$650 million), operating income decreased 6.7% to ¥6.7 billion (US$55 million).

Highlights of the Year

GROWTH IN PRODUCTION OF BOEING PASSENGER AIRCRAFT

FHI is contributing to the production of all Boeing passenger aircraft. The company has achieved the highest production rate for fairings, main landing gear doors and center wing sections of the Boeing 777 since deliveries started in 1993. Furthermore, production of elevators for the new-generation Boeing 737, deliveries of which started in 1996, has proceeded smoothly; cumulative deliveries were 300 units as of March 31, 1999.

CONTRIBUTING TO NEW PROJECTS IN THE DEFENSE AREA

As a subcontractor, FHI has been developing and manufacturing wing components and other sections of the F-2 support jet fighter. Delivery of mass production started in August 1998. FHI is also the prime contractor for R&D on a new type of unmanned aircraft. In fiscal 1999, FHI delivered several test models. Unmanned Target Drones is yet another area in which FHI is contributing to the defense area. Sales have increased steadily, with 54 deliveries taking place in fiscal 1999.

SPACE DEVELOPMENT PROJECT TAKES OFF

FHI is designing and manufacturing the Lunar Lander FTB (Flying Test Bed) for NASDA (National Space Development Agency of Japan). Trials are slated to start early in 2000. In another space-related development, FHI in March 1999 won a system design contract for the high-speed experimental vehicle for HOPE-X. Japan's space shuttle, this vehicle is an unmanned H-II Orbiting Plane that is being jointly developed by NASDA and NAL (National Aerospace Laboratory).

DELIVERY OF THE MAIN WING FOR THE HAWKER HORIZON

FHI delivered the first Wing System for RAC's (Raytheon Aircraft Company) Hawker Horizon super mid-sized business jet in March 1999. This project has been ongoing since 1996 in collaboration with RAC. FHI was assigned the task of developing and manufacturing the Wing System. RAC plans to deliver the Hawker Horizons to customers starting in 2001.

Outlook

In the defense area, subcontracting for the F-2 support jet fighter is expected to remain a key earner, while in commercial contracting, sales of the main wing for the Hawker Horizon and particularly subcontracting for passenger aircraft for Boeing are forecast to be strong. Furthermore, with an eye on expanding sales in the future, FHI is targeting aggressive participation in national projects in Japan and the expansion of international joint development of business jets and helicopters. Moreover, the company is drawing on technological expertise in unmanned aircraft, composite materials, simulators and other strategic fields to carve out new businesses.

In a first for a Japanese aircraft manufacturer, FHI was selected as "Supplier of the Year" by Boeing from among its over 300 suppliers worldwide.

FHI is developing and manufacturing the Wing System for RAC's Hawker Horizon super mid-sized business jet at its Utsunomiya plant.

Others

Business Results

Sales in the Others Division dropped 15.9% to ¥33.7 billion (US$279 million) and an operating loss of ¥3.6 billion (US$30 million) was recorded. Results slipped in buses, prefabricated unit houses, specialized vehicles and railway cars but refuse collection vehicles returned increased sales, paced by strong demand for FHI's "Fuji Mighty" that incorporates a new type of refuse compacting press.

Highlights of the Year

FHI STARTS SALES OF JAPAN'S FIRST ARTICULATED BUSES

In December 1998, FHI delivered 10 articulated buses—Japan's first to be used on general bus routes—to Keisei Electric Railway Co., Ltd. Basically consisting of two buses joined end to end, these articulated buses are just as maneuverable as ordinary buses. FHI is receiving a stream of inquiries from across the country for these buses as a way to transport large numbers of passengers over short to medium distances.

A NEW REFUSE COLLECTION VEHICLE GOES ON SALE

In October 1998, FHI launched the Fuji Mighty LP38 Series, a new series of refuse collection vehicles with compaction presses. Featuring the world's first system to prevent backflows of trash, the new series raises rubbish collection efficiency 50% compared to existing vehicles. The "Fuji Mighty" is Japan's top-selling refuse collection vehicle and has been widely lauded by the market. Even overseas, the "Fuji Mighty" has chalked up a string of successes, including a number of orders from Singapore's largest industrial waste processing company.

LIMITED EXPRESS TILTING DIESEL RAIL CARS FOR JR HOKKAIDO

FHI delivered in November 1998 Kiha 261 limited express tilting diesel rail cars to JR Hokkaido. These rail cars are equipped with a tilting control mechanism and air springs to offset the centrifugal force that occurs as rail cars take curves. Top speed is 130 Km/h on a narrow guage track of 3 feet and 6 inches.

Outlook

This division will continue to work to improve profitability in buses, prefabricated unit houses, railway operations and in its trailer business amid an environment that sees curbs being placed on capital expenditures due to Japan's anemic economy. In its ecology business, the Others Division plans to improve on its refuse collection vehicles while at the same time positioning environmental engineering operations as a next-generation business. This field includes new areas such as refuse separation plants. The division is building a system capable of delivering comprehensive systems from industrial waste collection to conveyance through to final disposal.

"Fuji Mighty" is synonymous with excellence in refuse collection vehicles in Japan—it has been Japan's top-selling refuse vehicle for more than 35 years.

Belying its length, this articulated bus is just as maneuverable as ordinary buses and is the first of its type to operate on ordinary bus routes in Japan.

Financial Section >>

Consolidated Five-Year Financial Summary

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

	Millions of yen				
	1999	1998	1997	1996	1995
For the Year:					
Net sales	**¥1,352,520**	¥1,303,989	¥1,223,015	¥1,077,315	¥1,103,288
Cost of sales	**1,067,868**	1,027,782	994,032	909,255	950,730
Gross profit	**284,652**	276,207	228,983	168,060	152,558
Selling, general and administrative expenses	**194,720**	195,770	171,410	143,167	130,903
Operating income	**89,932**	80,437	57,573	24,893	21,655
Income before income taxes and minority interests	**68,423**	56,609	47,622	20,886	3,747
Net income	**33,706**	30,708	39,596	19,414	1,233
At Year-End:					
Shareholders' equity	**¥ 200,220**	¥ 168,833	¥ 149,748	¥ 107,448	¥ 88,041
Total assets	**981,256**	904,571	759,030	700,859	725,741
Ratio of shareholders' equity to total assets (%)	**20.4**	18.7	19.7	15.3	12.1
Long-term debt	**129,471**	171,225	130,363	95,808	170,029
Per Share (Yen)**:**					
Net income	**¥ 56.18**	¥ 51.33	¥ 67.63	¥ 33.17	¥ 2.11
Shareholders' equity	**332.41**	282.09	251.05	183.56	150.41

Other Information:

Price range of common stock (Yen):	**(High)**	**(Low)**	(High)	(Low)	(High)	(Low)	(High)	(Low)	(High)	(Low)
First quarter	**¥721**	**¥515**	¥649	¥550	¥582	¥454	¥370	¥293	¥513	¥392
Second quarter	**871**	**691**	595	492	566	483	405	313	494	408
Third quarter	**705**	**469**	545	305	550	455	408	345	469	403
Fourth quarter	**854**	**535**	545	352	618	432	495	405	450	339

	1999	1998	1997	1996	1995
Number of shareholders*	**55,044**	72,107	80,587	83,077	85,268
Number of employees*	**14,945**	14,685	14,763	15,082	15,243

*As of March 31

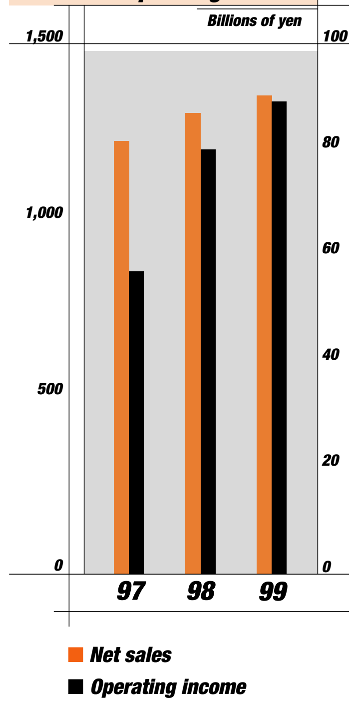
I. Results of Operations

Summary of Financial Results

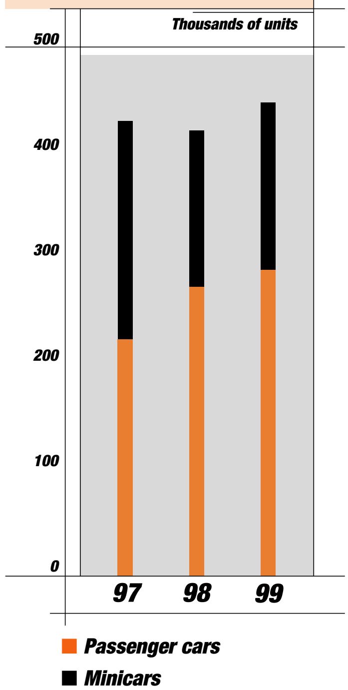
	Millions of yen except per share		
	1999	1998	1997
Net sales	¥1,352,520	¥1,303,989	¥1,223,015
Gross profit	284,652	276,207	228,983
Operating income	89,932	80,437	57,573
Other income (expenses)	(21,509)	(23,828)	(9,951)
Income before income taxes and minority interests	68,423	56,609	47,622
Income taxes	29,565	21,291	5,764
Net income	33,706	30,708	39,596
Per share:			
Net income (basic)	¥ 56.18	¥ 51.33	¥ 67.63
Net income (diluted)	51.79	47.18	66.28

In fiscal 1999, the year ended March 31, 1999, net sales increased 3.7%, while the cost of sales rose 3.9%. The gross profit ratio deteriorated 0.2 percentage point from 21.2% to 21.0% as a result. The main factor for this was full model changes for the company's mainstay vehicles. However, selling, general and administrative expenses declined 0.5%, resulting in an 11.8% year-on-year increase in operating income and an improvement in the operating income margin from 6.2% to 6.6%. The Automobiles Division, which accounts for most of FHI's sales, was a major contributor to the improved operating income. Net sales in this division increased from ¥1,145,353 million to ¥1,197,429 million and accounted for most of the growth in total net sales. Operating income in the Automobiles Division increased from ¥72,884 million to ¥85,410 million, representing 95% of the company's total operating income. Income before income taxes and minority interests rose 20.9% due to an ¥847 million decline in net financial expense in line with lower interest rates and a ¥5,612 million decrease in losses on the devaluation of securities. Net income, meanwhile, increased 9.8% to ¥33,706 million, an all-time high excluding benefits in prior years from accumulated losses at the parent company. Income taxes climbed 38.9% on account of allowances that were not deductible for tax purposes. Net income per share rose from ¥51.33 to ¥56.18.

Net Sales & Operating Income

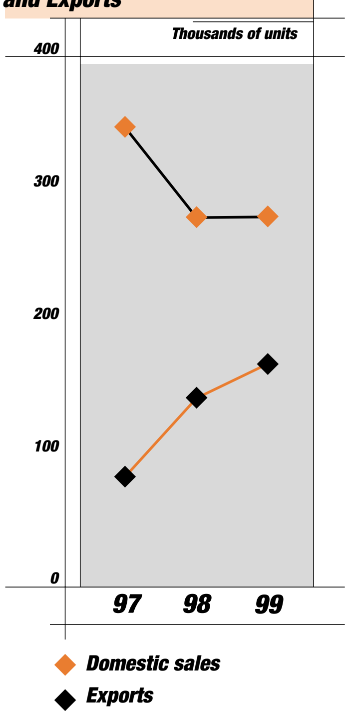


Subaru's Passenger Cars and Minicars Unit Sales



Note: Aggregate of Domestic and Exports unit sales.

Subaru's Domestic Unit Sales and Exports



Note: Excludes all trucks and buses

Operating Statistics

(Number of Vehicles)

	1999	1998	1997
Domestic Units:			
Legacy	63,499	55,001	90,980
Impreza	33,531	37,049	41,918
Forester	24,489	40,032	7,494
Others	1,438	2,184	4,512
Subtotal	122,957	134,266	144,904
Minicars	156,186	144,366	201,640
Total	279,143	278,632	346,544
Exports Units:			
Legacy	29,530	27,857	23,816
Impreza	54,861	52,251	52,660
Forester	81,385	58,005	32
Others	439	819	2,085
Subtotal	166,215	138,932	78,593
Minicars	2,152	3,337	4,719
Total	168,367	142,269	83,312

	1999	1998	1997
U.S. Unit Sales:			
Legacy	88,660	92,913	94,950
Impreza	19,041	24,242	24,687
Forester	40,132	15,988	–
Others	–	640	1,111
Total	147,833	133,783	120,748
U.S. Production Units			
Legacy	104,229	102,180	98,747

* Domestic and Exports units are aggregate figures for fiscal 1999.
* U.S. Unit Sales and U.S. Production Units are the aggregate figures for the calendar year from January 1998 through December 1998.

FHI's total automobile unit sales in fiscal 1999 increased 0.2% in Japan, the company's largest market. The gain in unit sales was attributable to higher sales of the company's passenger minicar, the *Pleo*, and the *Legacy* and stands in contrast to other companies in the domestic automobile industry, which saw sales drop sharply due to sluggish economic conditions. On the export front, finished vehicle exports climbed 18.3%. Synergies derived from the company's distinctive products and marketing strategy combined with a full year's contribution from the *Forester* and wider acceptance of the Subaru brand among overseas customers to produce this result. Exports of finished vehicles and CKD were held to a 6.3% increase due to a 9.3% decrease in CKD exports. U.S. unit sales rose 10.5% and U.S. production units of the *Legacy* were up 2.0%.

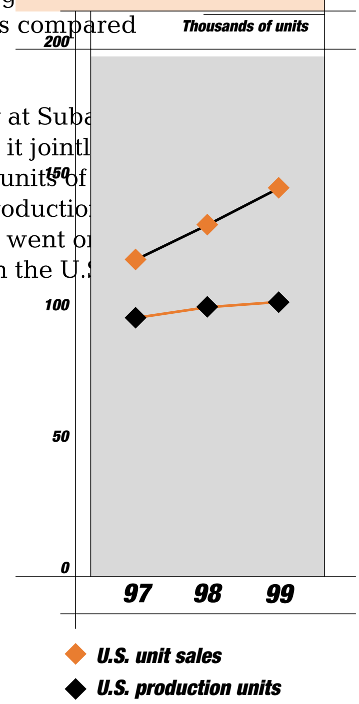
Domestic Units: Total domestic automobile unit sales in Japan for fiscal 1999 declined 6.5% from 6,280,168 units to 5,874,173 units owing to decreased personal consumption and capital expenditures as economic sluggishness dragged on. Fiscal 1999 was characterized by weak demand for registered vehicles, excluding minicars, and resurgent minicar demand. In respect of the former, FHI posted a 15.5% increase in unit sales of the *Legacy* but saw a drop-off in unit sales of the *Impreza* and *Forester*. In minicars, the *Pleo* was behind an 8.2% increase in unit sales in this category. This vehicle is based on the new regulations governing minicars and debuted in the second half of the fiscal year. Minicar sales in the year's second half were up 39.8% compared with the previous year. The result of these events was a 0.2% rise in FHI's total domestic automobile unit sales.

Exports Units: FHI's total exports of finished vehicles, which soared 70.8% in fiscal 1998, grew 18.3% in fiscal 1999 to 168,367 units. Exports to all areas rose. By destination, North America, Europe and other areas accounted for 43%, 33% and 24%, respectively, of exports. Exports to North America increased 29.2% from 55,414 units to 71,575 units on the back of a robust U.S. economy. The *Forester*, in particular, won high marks from consumers for safety and performance. Exports for Europe increased from 49,140 units to 55,349 units, a result that can be attributed to Subaru's reputation for supplying vehicles with outstanding value. Exports to other areas increased from 37,715 units to 41,443 units and were led by exports to Australia, which topped the 20,000-unit mark for the first year ever. By model, the *Forester* was a major contributor, posting a sharp increase.

U.S. Unit Sales: U.S. unit sales consist of the *Legacy*, *Impreza* and *Forester*. The *Forester* was added to the lineup in fiscal 1998. Total unit sales for fiscal 1999 rose 10.5% from 133,783 units to 147,833 units. By model, unit sales of the *Legacy* fell from 92,913 units to 88,660 units as did unit sales of the *Impreza*, down from 24,242 units to 19,041 units. These declines, however, were more than offset by much higher sales of the *Forester*. Launched in fiscal 1998, the *Forester* has g strong support in the U.S. market and posted unit sales of 40,132 units compared with 15,988 units a year earlier.

U.S. Production Units: These units represent production of the *Legacy* at Suba Isuzu Automotive Inc. (SIA), FHI's manufacturing base in the U.S. that it jointl owns with Isuzu Motors Limited. In fiscal 1999, SIA produced 104,229 units of *Legacy*, which represented approximately 48.2% of the plant's total productio output. In May 1999, SIA started production of the new *Legacy*, which went o in July. Due to strong sales performances over the past several years in the U.S SIA's accumulated losses were erased last year.

Subaru's U.S. Unit Sales and Production



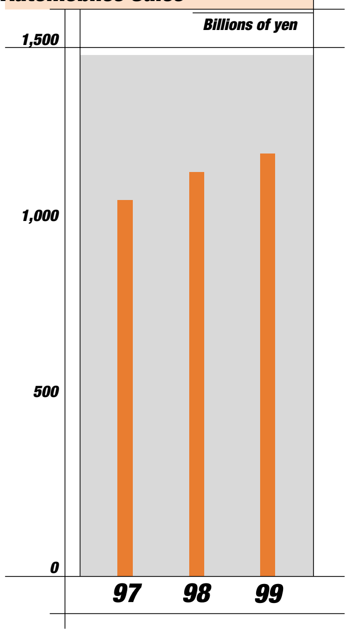
Note: Excludes all trucks and buses

Selling, General and Administrative Expenses

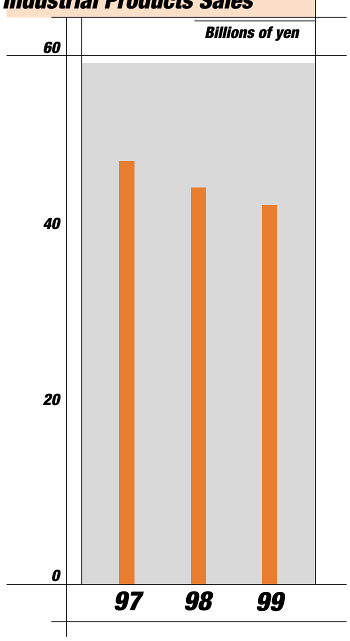
	Millions of yen		
	1999	1998	1997
Transportation and packing expenses	¥ 17,701	¥ 17,193	¥ 16,207
Advertising expenses	36,370	32,333	26,303
Sales incentives	44,295	51,197	48,762
Salaries and bonuses	16,789	16,772	15,195
Accrued bonuses	3,981	1,606	1,545
Research and development expenses	38,512	38,231	33,969
Others	37,072	38,438	29,429
Total	¥194,720	¥195,770	¥171,410

Selling, general and administrative expenses in fiscal 1999 decreased 0.5% from ¥195,770 million to ¥194,720 million. The ¥1,050 million decrease was attributable to a ¥6,902 million decline in sales incentives due to the popularity of new models. This offset an increase of ¥4,037 million in advertising expenses associated with the full model changes during the year under review. Accrued bonuses increased on account of a ¥2,453 million increase to solve the reserve shortage situation at affiliates. Research and development expenses, which increased significantly in the previous fiscal year for full model changes, only rose slightly in fiscal 1999. These expenditures decreased at all divisions except the Automobiles Division, where development of the next-generation *Impreza* resulted in a ¥545 million increase. Others decreased ¥1,366 million due to lower sales promotion expenses, despite increases in allowance for accrued severance indemnities for affiliates of ¥2,109 million and a ¥960 million provision for the allowance for doubtful accounts.

Automobiles Sales



Industrial Products Sales



Segment Information

Years ended March 31,	Millions of yen 1999	1998	1997
Total sales	¥1,352,520	¥1,303,989	¥1,223,015
Automobiles	1,198,173	1,146,215	1,067,199
Industrial products	43,527	45,473	48,917
Aerospace	78,416	73,645	63,762
Others	33,683	40,034	44,406
(Eliminations)	(1,279)	(1,378)	(1,269)
Costs and expenses	¥1,262,588	¥1,223,552	¥1,165,442
Automobiles	1,112,763	1,073,331	1,011,280
Industrial products	42,085	43,331	46,770
Aerospace	71,766	66,515	61,691
Others	37,285	41,777	46,983
(Eliminations)	(1,311)	(1,402)	(1,282)
Operating income	¥ 89,932	¥ 80,437	¥ 57,573
Automobiles	85,410	72,884	55,919
Industrial products	1,442	2,142	2,147
Aerospace	6,650	7,130	2,071
Other	(3,602)	(1,743)	(2,577)
(Eliminations)	32	24	13

Operating income rose 11.8% to ¥89,932 million in fiscal 1999. The majority of this rise reflected increased operating income in the Automobiles Division, where the operating income margin improved from 6.4% to 7.1%. There were two main reasons for the improved results: strong sales overseas and a reduction in selling, general and administrative expenses. Although the Aerospace Division has been posting profits, operating income fell 6.7% year on year and the operating income margin dropped from 9.7% to 8.5% as higher sales were outweighed by increases in the cost of sales and selling expenses. The Industrial Products Division saw its operating income drop due to lower sales, the result of soft domestic demand and a low level of economic activity in Asia. The Others Division continued to return an operating loss. FHI is presently formulating a strategy to drastically improve earnings in this division.

Other Income (Expenses)

	Millions of yen 1999	1998	1997
Interest and dividend income	¥ 4,641	¥ 3,478	¥ 2,937
Interest expenses	(11,981)	(11,665)	(12,329)
Exchange gains (losses)	(2,032)	876	1,277
Losses on devaluation of securities	(4,019)	(9,631)	(6,710)
Losses on disposal of property, plant and equipment — net	(4,317)	(2,759)	(300)
Other, net	(4,184)	(4,020)	(4,602)
Equity gains (losses) of affiliates	383	(107)	9,776
Total	¥(21,509)	¥(23,828)	¥ (9,951)

There was no conspicuous improvement in other expenses in fiscal 1999. Earnings continued to be sluggish at affiliates, while a reduction in losses on the devaluation of securities was offset by an increase in losses on disposal of property, plant and equipment-net due to full model changes. Exchange losses were recorded due to a sharp fluctuation in the Japanese yen in the second half of the fiscal year.

II. Capitalization, Financing and Liquidity

There was no major change in liquidity in fiscal 1999 relating to cash, marketable securities and other cash equivalents. Short-term investments in non-consolidated subsidiaries and affiliates increased ¥49.4 billion from ¥36.9 billion to ¥86.3 billion. This was the result of the inclusion in consolidated results for the first time of Subaru Finance Co., Ltd., one of FHI's finance subsidiaries. This company provides money to meet the working capital needs of dealers. Inventories and notes and accounts payable with third parties rose ¥11.1 billion and ¥19.7 billion, respectively, in line with expanded operations in the U.S. Notes and accounts receivable with third parties decreased ¥2.1 billion as the company imposed tighter controls on receivables.

In fiscal 1999, FHI's capital expenditures were ¥57.6 billion, mainly for the development of new products and to streamline and automate operations. With these investments, FHI continued to invest in equipment and facilities at a high level; fiscal 1998 capital expenditures amounted to ¥56.4 billion. Depreciation in fiscal 1999 was ¥38.7 billion, ¥6.1 billion higher than a year earlier. As a result of the foregoing, property, plant and equipment increased ¥13.2 billion.

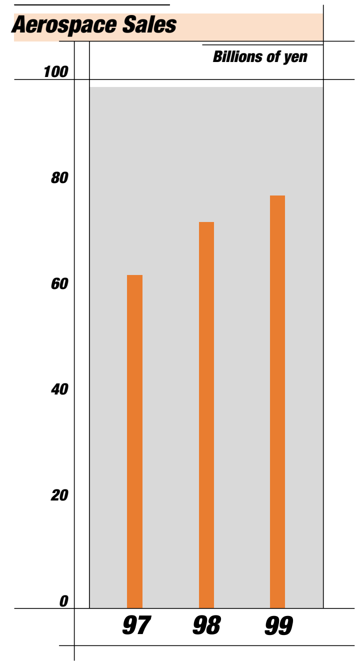
In respect of debt, short-term interest-bearing liabilities rose ¥48.1 billion due to two main factors: the transfer to current liabilities of a US-dollar denominated straight bond totaling $300 million (¥42.5 billion) due in November 1999 and ¥13.7 billion in long-term loans. The former outweighed new issues of straight bonds amounting to ¥20 billion, resulting in a ¥41.8 billion net decline in long-term debt. The company's total borrowings were largely unchanged from fiscal 1998, whereas total interest-bearing liabilities rose ¥6.4 billion to ¥363.0 billion. However, ¥48.9 billion of this total represented interest-bearing liabilities of newly consolidated subsidiaries. Excluding the effect of this consolidation, interest-bearing liabilities fell ¥42.6 billion. FHI's dependence on debt, which is defined as interest-bearing debt as a percentage of total assets, improved 2.4 percentage points to 37.0%. During the fiscal year under review, FHI made two issues of unsecured straight bonds; ¥10 billion of 5-year bonds in August 1998 and ¥10 billion in 7-year bonds in the following month. The interest rates on these bonds are 2.1% and 2.3%, respectively. These funds were used for capital expenditures.

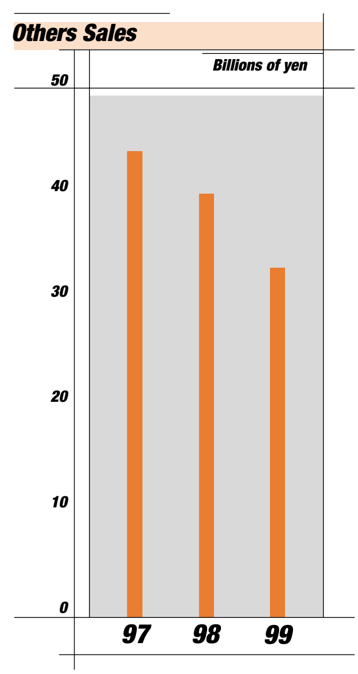
Year 2000 Problem

FHI established the Year 2000 Readiness and Contingency Plan System to ensure a complete response to the Year 2000 problem, or Y2K, across the company. FHI's response also encompasses affiliates and business partners. Furthermore, readiness teams have been established at all facilities under the leadership of a director, and a director has been assigned to oversee risk management across the company. Reports are made to the Board of Directors and Y2K is treated as an important management issue.

Regarding production, sales and internal management, a management system has been put in place for all conceivable risks. Compliance activities have been completed in respect of most of FHI's main products. In regards to parts and internal information processing and control systems, plans call for completion of remediation by September 1999. In the FHI Group, Y2K-related compliance expenditures have totaled ¥2.4 billion over the last 5 years.

In addition, approximately ¥1 billion is required for work performed by external parties, of which ¥0.7 billion has already been expensed.





Consolidated Balance Sheets

FUJI HEAVY INDUSTRIES LTD. AND CONSOLIDATED SUBSIDIARIES
As of March 31, 1999 and 1998

ASSETS	Millions of yen 1999	Millions of yen 1998	Thousands of U.S. dollars (Note 3) 1999
Current Assets:			
Cash and time deposits	¥ 90,578	¥ 92,679	$ 751,373
Marketable securities	58,831	58,863	488,022
Short-term investments in non-consolidated subsidiaries and affiliates	86,285	36,927	715,761
Notes and accounts receivable:			
Non-consolidated subsidiaries and affiliates	31,032	24,743	257,420
Third parties	79,203	81,271	657,014
Less allowance for doubtful accounts	(1,321)	(878)	(10,958)
Inventories (Note 4)	168,000	156,935	1,393,613
Other current assets	49,704	48,098	412,310
Total current assets	562,312	498,638	4,664,554
Property, plant and equipment (Note 4)	772,000	747,062	6,403,982
Less accumulated depreciation	(468,716)	(456,960)	(3,888,146)
Net property, plant and equipment	303,284	290,102	2,515,837
Investments and other assets:			
Securities investments (Note 4)	18,185	23,129	150,850
Investments in and advances to non-consolidated subsidiaries and affiliates	28,089	27,806	233,006
Other assets	43,192	43,288	358,291
	89,466	94,223	742,147
Translation adjustments	26,194	21,608	217,287
Total assets	¥ 981,256	¥ 904,571	$ 8,139,826

The accompanying notes are an integral part of these statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 1999	1998	Thousands of U.S. dollars (Note 3) 1999
Current liabilities:			
Short-term borrowings	¥168,047	¥164,859	$1,394,002
Current portion of long-term debt (Note 4)	65,508	20,574	543,409
Notes and accounts payable:			
Non-consolidated subsidiaries and affiliates	5,854	17,537	48,561
Third parties	199,929	180,222	1,658,474
Accrued expenses	108,221	90,488	897,727
Income taxes payable	18,087	18,373	150,037
Other current liabilities	20,269	18,787	168,138
Total current liabilities	585,915	510,840	4,860,348
Long-term liabilities:			
Long-term debt (Note 4)	129,471	171,225	1,074,002
Accrued severance indemnities	20,074	18,285	166,520
Other	24,318	19,190	201,725
	173,863	208,700	1,442,248
Minority interest in consolidated subsidiaries	21,258	16,198	176,342
Shareholders' equity:			
Common stock, ¥50 par value per share:			
Authorized — 1,500,000,000 shares			
Issued 1998 — 598,507,144 shares	–	84,138	–
1999 — 602,332,902 shares	85,121	–	706,105
Additional paid-in capital	91,567	90,588	759,577
Legal reserve	–	5,936	–
Retained earnings (accumulated deficit)	23,535	(11,827)	195,230
Less treasury stock, at cost	(3)	(2)	(25)
	200,220	168,833	1,660,888
Contingent liabilities (Note 7)			
Total liabilities and shareholders' equity	¥981,256	¥904,571	$8,139,826

Consolidated Statements of Income

FUJI HEAVY INDUSTRIES LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 1999 and 1998

	Millions of yen		Thousands of U.S. dollars (Note 3)
	1999	1998	1999
Net sales (Note 9)	¥1,352,520	¥1,303,989	$11,219,577
Cost of sales (Note 9)	1,067,868	1,027,782	8,858,299
Gross profit	284,652	276,207	2,361,277
Selling, general and administrative expenses (Notes 5, 6 and 9)	194,720	195,770	1,615,263
Operating income (Note 9)	89,932	80,437	746,014
Other income (expenses):			
Interest and dividend income	4,641	3,478	38,499
Interest expenses	(11,981)	(11,665)	(99,386)
Exchange gains (losses)	(2,032)	876	(16,856)
Loss on devaluation of securities	(4,019)	(9,631)	(33,339)
Loss on disposal of property, plant and equipment — net	(4,317)	(2,759)	(35,811)
Equity gains (losses) of affiliates	383	(107)	3,177
Other, net	(4,184)	(4,020)	(34,708)
	(21,509)	(23,828)	(178,425)
Income before income taxes, minority interest	68,423	56,609	567,590
Income taxes	29,565	21,291	245,251
Income before minority interest	38,858	35,318	322,339
Minority interest in consolidated subsidiaries	(5,152)	(4,610)	(42,737)
Net income	¥ 33,706	¥ 30,708	$ 279,602

	Yen		U.S. dollars (Note 3)
Per share of common stock:			
Net income	¥56.18	¥51.33	$0.47

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

FUJI HEAVY INDUSTRIES LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 1999, 1998 and 1997

	Thousands	Millions of yen			
	Number of shares issued	Common stock	Additional paid-in capital	Legal reserve	Retained earnings (Accumulated deficit)
Balance, March 31, 1996	585,346	¥80,716	¥87,183	¥4,991	¥(65,442)
Dividends paid					(2,927)
Payment of bonuses to directors and statutory auditors					(129)
Transfer from retained earnings				304	(304)
Shares issued upon conversion of convertible bonds	4,612	1,186	1,181		
Shares issued upon exercise of warrants	6,526	1,716	1,706		
Accumulated deficit of newly included consolidated subsidiaries					(26)
1997 net income					39,596
Balance, March 31, 1997	596,484	83,618	90,070	5,295	(29,232)
Dividends paid					(6,270)
Payment of bonuses to directors and statutory auditors					(194)
Transfer from retained earnings				641	(642)
Shares issued upon conversion of convertible bonds	2,023	520	518		
Accumulated deficit of newly included consolidated subsidiaries					(6,197)
1998 net income					30,708
Balance, March 31, 1998	598,507	84,138	90,588	5,936	(11,827)
Dividends paid					(4,201)
Payment of bonuses to directors and statutory auditors					(212)
Transfer from legal reserve				(5,936)	5,936
Shares issued upon conversion of convertible bonds	3,826	983	979		
Retained earnings of newly included consolidated subsidiaries					133
1999 net income					33,706
Balance, March 31, 1999	**602,333**	**¥85,121**	**¥91,567**	**¥ 0**	**¥ 23,535**

	Thousands of U.S. dollars (Note 3)			
Balance, March 31, 1998	$697,951	$751,456	$49,241	$ (98,109)
Dividends paid				(34,849)
Payment of bonuses to directors and statutory auditors				(1,759)
Transfer from retained earnings			(49,241)	49,241
Shares issued upon conversion of convertible bonds	8,154	8,121		
Retained earnings of newly included consolidated subsidiaries				1,103
1999 net income				279,602
Balance, March 31, 1999	**$706,105**	**$759,577**	**$ 0**	**$195,230**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

FUJI HEAVY INDUSTRIES LTD. AND CONSOLIDATED SUBSIDIARIES
Year ended March 31, 1999

	Millions of yen	Thousands of U.S. dollars (Note 3)
Cash flows from operating activities:		
Income before income taxes	¥ 68,423	$ 567,590
Adjustments to reconcile income to net cash provided by operating activities:		
Depreciation and amortization	44,938	372,775
Loss on sales and disposal of property, plant and equipment — net	4,317	35,811
Write-down of marketable securities and investments in securities	4,019	33,339
Changes in operating assets and liabilities:		
Notes and accounts receivable	(1,620)	(13,438)
Inventories and other current assets	(22,888)	(189,863)
Notes and accounts payable	24,878	206,371
Accrued expenses and other current liabilities	17,176	142,480
Income taxes paid	(34,940)	(289,838)
Other — net	547	4,538
Net cash provided by operating activities	104,850	869,764
Cash flows from investing activities:		
Purchase of property, plant and equipment	(59,945)	(497,263)
Proceeds from sales and disposal of property, plant and equipment	388	3,219
Increase in investments	(5,260)	(43,633)
Increase in marketable securities	(1,161)	(9,631)
Decrease in short-term investments	33,604	278,756
Other — net	(4,655)	(38,615)
Net cash used for investing activities	(37,029)	(307,167)
Cash flows from financing activities:		
Long-term debt	3,161	26,221
Repayment of long-term debt	(23,023)	(190,983)
Proceeds from long-term debt	20,000	165,906
Decrease in short-term borrowings	(47,822)	(396,698)
Payment of cash dividends	(4,201)	(34,849)
Net cash used for financing activities	(51,885)	(430,402)
Effect of exchange rate change on cash and cash equivalents	(4,893)	(40,589)
Net increase in cash and cash equivalents	11,043	91,605
Cash and cash equivalents at beginning of year:		
Amount at beginning	132,207	1,096,698
Amount applicable to subsidiaries newly included in consolidation	1,663	13,795
Cash and cash equivalents at end of year	¥144,913	$1,202,099
Supplemental information on cash flows:		
Cash paid during the period for interest	¥ 12,472	$ 103,459

The accompanying notes are an integral part of these statements.

1. BASIS OF PRESENTING THE FINANCIAL STATEMENTS:

Fuji Heavy Industries Ltd. (the "Company") and its domestic subsidiaries maintain their books of account and prepare their financial statements in conformity with accounting principles and practices generally accepted in Japan, and its foreign subsidiaries in conformity with those of the countries of their domicile.

The accompanying consolidated financial statements have been compiled from the consolidated financial statements filed with the Minister of Finance of Japan as required by the Securities and Exchange Law of Japan. Certain reclassifications of accounts and modifications have been made in the accompanying financial statements to facilitate understanding by readers outside Japan. The presentation of consolidated statements of shareholders' equity and of cash flows is not required under accounting principles and practices generally accepted in Japan. However, these statements are presented for the convenience of the reader.

The accounting information described in the notes to non-consolidated financial statements elsewhere in this annual report is to be read in conjunction with the notes to consolidated financial statements as they are equally applicable or similar to the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Consolidation:

The consolidated financial statements include the accounts of the Company and its significant subsidiaries. Significant intercompany balances, transactions and unrealized profits have been eliminated in consolidation.

The fiscal year-end of the consolidated subsidiaries is the same as that of the Company except for foreign subsidiaries whose fiscal years end December 31. Significant transactions between December 31 and March 31 are reflected in the consolidated financial statements.

Investments in non-consolidated subsidiaries and significant affiliates (owned 20% to 50%) are accounted for on the equity method. Consolidated net income includes the Company's equity in the current net income of such companies after elimination of unrealized intercompany profits.

Investments in insignificant non-consolidated subsidiaries and affiliates not accounted for on the equity method are carried at cost.

The difference between the cost and underlying net equity of consolidated subsidiaries at the time the investments are made is allocated to the appropriate balance-sheet accounts if the cause is determinable; otherwise, such difference is amortized over a period of five years.

Cash equivalents:

The Company considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Translation of foreign currency accounts:

Current and non-current accounts denominated in foreign currencies of the Company and its domestic subsidiaries are principally translated into yen at historical exchange rates. Revenues and expenses denominated in foreign currencies are translated at the exchange rates prevailing during the year. The resulting translation gains (or losses) are included in other income (or expenses).

The translation of foreign currency financial statements of foreign consolidated subsidiaries into Japanese yen has been made for consolidation purposes in accordance with the translation method prescribed in the statement issued by the Business Accounting Deliberation Council of Japan. The balance sheet accounts of the consolidated foreign subsidiaries are translated at the exchange rates in effect at the balance sheet date of the foreign subsidiaries, except for common stock and capital surplus, which are translated at historical rates. Revenue and expense accounts are also translated at the exchange rates in effect at the balance sheet date. The resulting translation adjustments are reflected in the consolidated balance sheet as "Translation adjustments".

Depreciation of property, plant and equipment:

Depreciation of property, plant and equipment of the Company and its domestic subsidiaries is principally computed by the declining-balance method at rates based on estimated useful lives. However, depreciation of buildings acquired on or after April 1, 1998 is computed by the straight-line method. Effective April 1, 1998, the useful lives for buildings were reduced slightly in accordance with the amendment to the corporation tax law. The effect of this change was not material.

Deferred income taxes:

Deferred income taxes pertaining to temporary differences are recognized only insofar as they relate to the elimination of unrealized intercompany profit and the adjustment of allowance for doubtful accounts for consolidation purposes.

Legal reserve:

In the consolidated balance sheet and the consolidated statements of shareholders' equity as at March 31, 1999, the legal reserves of the Company and its domestic subsidiaries are accounted for as retained earnings in accordance with the amendment of accounting principles.

3. U.S. DOLLAR AMOUNTS:

The United States dollar amounts included in the accompanying consolidated financial statements and related notes represent the arithmetic results of translating Japanese yen into U.S. dollars on the basis of ¥120.55 to U.S.$1, the exchange rate at March 31, 1999. The U.S. dollar amounts are included solely for the convenience of the reader, and it should not be construed that the assets and liabilities, expressed in U.S. dollar equivalents, can actually be realized in or be settled by U.S. dollars at the exchange rates used in the accompanying translation.

4. PLEDGED ASSETS:

The following assets as of March 31, are pledged as collateral for certain loans:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	**1999**
Inventories	**¥ 2,714**	–	**$ 22,513**
Property, plant and equipment	**84,006**	¥87,322	**696,856**
Securities investments	**2,929**	4,432	**24,297**
	¥89,649	¥91,754	**$743,667**

5. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:

Selling, general and administrative expenses for the years ended March 31, 1999 and 1998 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	**1999**
Transportation and packing expenses	**¥ 17,701**	¥ 17,193	**$ 146,835**
Advertising expenses	**36,370**	32,333	**301,701**
Sales incentives	**44,295**	51,197	**367,441**
Salaries and bonuses	**16,789**	16,772	**139,270**
Accrued bonuses	**3,981**	1,606	**33,024**
Research and development expenses	**38,512**	38,231	**319,469**
Others	**37,072**	38,438	**307,524**
	¥194,720	¥195,770	**$1,615,263**

6. LEASES:

Where the finance leases do not transfer ownership of the lease property to the lessee during the lease terms, the leased property is not capitalized and the related lease expenses are charged to income in the period incurred, as per the statements issued by the Business Accounting Deliberation Council of Japan.

Lease expenses on finance lease contracts without ownership-transfer for the years ended March 31, 1999 and 1998 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	**1999**
Lease expenses	**¥5,086**	¥7,091	**$42,190**

The amounts of outstanding future payments under finance leases due at March 31, 1999 and 1998, including the portion of interest thereon, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	**1999**
Future lease payments:			
One year or less	**¥3,154**	¥ 6,245	**$26,163**
More than one year	**2,625**	4,766	**21,775**
	¥5,779	¥11,011	**$47,939**

7. CONTINGENT LIABILITIES:

At March 31, 1999, contingent liabilities are as follows:

	Millions of yen	Thousands of U.S. dollars
	1999	1999
Trade notes discounted with banks	¥ 218	$ 1,808
As guarantor of indebtedness of non-consolidated subsidiaries, affiliates and others	47,998	398,158
	¥48,216	$399,967

8. AMOUNTS PER SHARE OF COMMON STOCK:

Primary net income per share is computed based on the weighted average number of shares of common stock outstanding during each year. Fully diluted net income per share is based on the assumption that all convertible bonds were converted into common stock.

	Yen			U.S. dollars
For the year ended March 31,	**1999**	1998	1997	**1999**
Net income				
Primary	**¥56.18**	¥51.33	¥67.63	**$0.47**
Fully diluted	**51.79**	47.18	66.28	**0.43**

The following amounts of net assets per share are computed on the outstanding number of shares of common stock at each balance sheet date.

	Yen			U.S. dollars
For the year ended March 31,	**1999**	1998	1997	**1999**
Net assets	**¥332.41**	¥282.09	¥251.05	**$2.76**

9. SEGMENT INFORMATION:

Information by industry segment:

The Company and its consolidated subsidiaries operate principally in four industry segments: automobiles, industrial products, aerospace, and other businesses (including transportation equipment business).

A summary of net sales, costs and expenses, operating income, assets, depreciation and capital expenditures by industry segments for the years ended March 31, 1999 and 1998 is shown below:

	Millions of yen							
	1999							
Industry segment	Outside customers	Inter-segment	Total sales	Costs and expenses	Operating income	Assets	Depreciation	Capital expenditures
Automobiles	¥1,197,429	¥ 744	¥1,198,173	¥1,112,763	¥85,410	¥749,383	¥33,408	¥54,997
Industrial products	43,257	270	43,527	42,085	1,442	48,330	2,044	1,134
Aerospace	78,268	148	78,416	71,766	6,650	117,224	2,258	3,176
Other	33,566	117	33,683	37,285	(3,602)	67,467	998	800
Total	1,352,520	1,279	1,353,799	1,263,899	89,900	982,404	38,708	60,107
Elimination	–	(1,279)	(1,279)	(1,311)	32	(1,148)	–	(2,541)
Consolidation	¥1,352,520	¥ 0	¥1,352,520	¥1,262,588	¥89,932	¥981,256	¥38,708	¥57,566

	Millions of yen							
	1998							
Industry segment	Outside customers	Inter-segment	Total sales	Costs and expenses	Operating income	Assets	Depreciation	Capital expenditures
Automobiles	¥1,145,353	¥ 862	¥1,146,215	¥1,073,331	¥72,884	¥704,191	¥26,994	¥51,485
Industrial products	45,202	271	45,473	43,331	2,142	39,384	2,160	976
Aerospace	73,528	117	73,645	66,515	7,130	106,624	2,413	2,894
Transportation equipment	39,906	128	40,034	41,777	(1,743)	56,171	1,007	1,064
Total	1,303,989	1,378	1,305,367	1,224,954	80,413	906,370	32,574	56,419
Elimination	–	(1,378)	(1,378)	(1,402)	24	(1,799)	–	–
Consolidation	¥1,303,989	¥ 0	¥1,303,989	¥1,223,552	¥80,437	¥904,571	¥32,574	¥56,419

	Thousands of U.S. dollars							
	1999							
Industry segment	Outside customers	Inter-segment	Total sales	Costs and expenses	Operating income	Assets	Depreciation	Capital expenditures
Automobiles	$ 9,933,049	$ 6,172	$ 9,939,220	$ 9,230,718	$708,503	$6,216,367	$277,130	$456,217
Industrial products	358,830	2,240	361,070	349,108	11,962	400,912	16,956	9,407
Aerospace	649,258	1,228	650,485	595,321	55,164	972,410	18,731	26,346
Other	278,440	971	279,411	309,291	(29,880)	559,660	8,279	6,636
Total	11,219,577	10,610	11,230,187	10,484,438	745,749	8,149,350	321,095	498,606
Elimination	–	(10,610)	(10,610)	(10,875)	265	(9,523)	–	–
Consolidation	$11,219,577	$ 0	$11,219,577	$10,473,563	$746,014	$8,139,826	$321,095	$498,606

Information by geographic area:
A summary of net sales, costs and expenses, operating income and assets by geographic areas for the years ended March 31, 1999 and 1998 is shown below.

	Millions of yen					
	1999					
Geographic area	Outside customers	Inter-segment	Total sales	Costs and expenses	Operating income	Assets
Domestic (Inside Japan)	¥ 738,945	¥ 213,582	¥ 952,527	¥ 886,766	¥65,761	¥ 721,643
North America	605,637	1,638	607,275	579,766	27,509	280,016
Other	7,938	55	7,993	7,802	191	2,191
Total	1,352,520	215,275	1,567,795	1,474,334	93,461	1,003,850
Elimination	–	(215,275)	(215,275)	(211,746)	(3,529)	(22,594)
Consolidation	¥1,352,520	¥ 0	¥1,352,520	¥1,262,588	¥89,932	¥ 981,256

	Millions of yen					
	1998					
Geographic area	Outside customers	Inter-segment	Total sales	Costs and expenses	Operating income	Assets
Domestic (Inside Japan)	¥ 708,851	¥ 173,858	¥ 882,709	¥ 823,904	¥58,805	¥656,485
North America	583,332	1,172	584,504	560,045	24,459	269,825
Other	11,806	67	11,873	11,707	166	2,344
Total	1,303,989	175,097	1,479,086	1,395,656	83,430	928,654
Elimination	–	(175,097)	(175,097)	(172,104)	(2,993)	(24,083)
Consolidation	¥1,303,989	¥ 0	¥1,303,989	¥1,223,552	¥80,437	¥904,571

	Thousands of U.S. dollars					
	1999					
Geographic area	Outside customers	Inter-segment	Total sales	Costs and expenses	Operating income	Assets
Domestic (Inside Japan)	$ 6,129,780	$ 1,771,730	$ 7,901,510	$ 7,356,002	$545,508	$5,986,255
North America	5,023,949	13,588	5,037,536	4,809,341	228,196	2,322,820
Other	65,848	456	66,304	64,720	1,584	18,175
Total	11,219,577	1,785,774	13,005,350	12,230,062	775,288	8,327,250
Elimination	–	(1,785,774)	(1,785,774)	(1,756,499)	(29,274)	(187,424)
Consolidation	$11,219,577	$ 0	$11,219,577	$10,473,563	$746,014	$8,139,826

Overseas sales:

Overseas sales for the years ended March 31, 1999 and 1998 are summarized as follows:

For 1999:	Millions of yen Overseas sales North America	European	Other	Total	Consolidated
Sales amount	¥637,780	¥104,628	¥66,842	¥809,250	¥1,352,520
Percentage against consolidated sales	47.2%	7.7%	4.9%	59.8%	100.0%

	Thousands of U.S. dollars Overseas sales North America	European	Other	Total	Consolidated
Sales amount	$5,290,585	$867,922	$554,475	$6,712,982	$11,219,577

For 1998:	Millions of yen Overseas sales North America	European	Other	Total	Consolidated
Sales amount	¥620,993	¥93,699	¥65,546	¥780,238	¥1,303,989
Percentage against consolidated sales	47.6%	7.2%	5.0%	59.8%	100.0%

Report of Independent Certified Public Accountants

To the Board of Directors of FUJI HEAVY INDUSTRIES LTD.

We have audited the accompanying consolidated balance sheets of FUJI HEAVY INDUSTRIES LTD. and its consolidated subsidiaries as of March 31, 1999 and 1998, and the related consolidated statements of income and of shareholders' equity for the years then ended, expressed in Japanese yen. We have also audited the consolidated statements of cash flows for the year ended March 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 consolidated financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 audited by us present fairly, in all material respects, the financial position of FUJI HEAVY INDUSTRIES LTD. and its consolidated subsidiaries as of March 31, 1999 and 1998, and the result of their operations for the years then ended and their cash flows for the year ended March 31, 1999, in conformity with accounting principles generally accepted in Japan.

The United States dollar amounts in the consolidated financial statements have been translated for convenience only on the basis described in Note 3.

Meiji Audit Corporation

Tokyo, Japan
June 29, 1999

MEIJI AUDIT CORPORATION

Non-Consolidated Balance Sheets

FUJI HEAVY INDUSTRIES LTD.
As of March 31, 1999 and 1998

ASSETS	Millions of yen 1999	Millions of yen 1998	Thousands of U.S. dollars (Note 3) 1999
Current Assets:			
Cash	¥ 46,735	¥ 42,080	$ 387,681
Time deposits	15,001	6,032	124,438
Marketable securities (Note 6)	49,881	58,712	413,779
Short-term investments in subsidiaries and affiliates	29,887	35,505	247,922
Notes and accounts receivable (Note 5):			
Subsidiaries and affiliates	43,743	44,993	362,862
Third parties	67,689	67,518	561,501
Less allowance for doubtful receivables	(61)	(976)	(506)
Inventories (Note 4)	90,059	86,427	747,068
Other current assets	25,098	15,722	208,196
Total current assets	368,032	356,013	3,052,941
Property, plant and equipment:			
Land (Note 9)	68,827	66,884	570,942
Buildings (Note 9)	135,365	133,372	1,122,895
Machinery and equipment (Note 9)	405,005	395,148	3,359,643
Construction in progress	7,052	10,816	58,499
	616,249	606,220	5,111,978
Less accumulated depreciation	(396,887)	(393,956)	(3,292,302)
	219,362	212,264	1,819,676
Investments and other assets:			
Securities investments (Notes 6 and 9)	16,575	13,041	137,495
Investments in and advances to subsidiaries and affiliates (Note 6)	120,347	120,971	998,316
Other assets	5,588	15,175	46,354
	142,510	149,187	1,182,165
Total assets	¥ 729,904	¥ 717,464	$ 6,054,782

The accompanying notes are an integral part of these statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 1999	1998	Thousands of U.S. dollars (Note 3) 1999
Current liabilities:			
Short-term borrowings (Note 9)	¥ 40,980	¥ 81,300	$ 339,942
Current portion of long-term debt (Note 9)	56,181	4,780	466,039
Notes and accounts payable (Note 5):			
Subsidiaries and affiliates	16,753	19,164	138,971
Third parties	166,090	146,029	1,377,769
Notes for acquisitions of property, plant and equipment	3,910	6,225	32,435
Accrued expenses (Note 7)	35,660	32,576	295,811
Income taxes payable (Note 16)	16,653	17,696	138,142
Other current liabilities (Note 8)	14,637	14,778	121,418
Total current liabilities	350,864	322,548	2,910,527
Long-term liabilities:			
Long-term debt (Note 9)	93,372	130,555	774,550
Accrued severance indemnities (Note 10)	16,958	17,241	140,672
Other	11,295	6,183	93,696
	121,625	153,979	1,008,917
Shareholders' equity (Note 11)**:**			
Common stock, ¥50 par value per share:			
Authorized — 1,500,000,000 shares			
Issued 1998 — 598,507,144 shares	–	84,138	–
1999 — 602,332,902 shares	85,121	–	706,105
Additional paid-in capital	91,567	90,588	759,577
Legal reserve	6,371	5,936	52,849
Retained earnings (Note 19)	74,356	60,275	616,806
	257,415	240,937	2,135,338
Contingent liabilities (Note 17)			
Total liabilities and shareholders' equity	¥729,904	¥717,464	$6,054,782

Non-Consolidated Statements of Income

FUJI HEAVY INDUSTRIES LTD.
Years ended March 31, 1999, 1998 and 1997

	Millions of yen			Thousands of U.S. dollars (Note 3)
	1999	1998	1997	**1999**
Net sales (Note 12)	**¥928,277**	¥856,367	¥824,735	**$7,700,348**
Cost of sales (Note 12)	**721,134**	654,091	646,475	**5,982,032**
Gross profit	**207,143**	202,276	178,260	**1,718,316**
Selling, general and administrative expenses (Note 13)	**141,584**	143,791	133,623	**1,174,484**
Operating income	**65,559**	58,485	44,637	**543,832**
Other income (expenses):				
Interest and dividend income	**2,529**	5,311	2,075	**20,979**
Interest expenses	**(5,556)**	(5,171)	(6,140)	**(46,089)**
Exchange gains (losses)	**(1,891)**	411	724	**(15,686)**
Other, net (Note 15)	**(15,059)**	(20,009)	(11,246)	**(124,919)**
	(19,977)	(19,458)	(14,587)	**(165,715)**
Income before income taxes	**45,582**	39,027	30,050	**378,117**
Income taxes (Note 16)	**26,725**	21,788	7,199	**221,692**
Net income	**¥ 18,857**	¥ 17,239	¥ 22,851	**$ 156,425**

	Yen			U.S. dollars (Note 3)
Per share of common stock:				
Net income	**¥31.43**	¥28.81	¥39.03	**$0.26**

The accompanying notes are an integral part of these statements.

Non-Consolidated Statements of Shareholders' Equity

FUJI HEAVY INDUSTRIES LTD.
Years ended March 31, 1999, 1998 and 1997

	Thousands	Millions of yen			
	Number of shares issued	Common stock	Additional paid-in capital	Legal reserve	Retained earnings
Balance, March 31, 1996	585,346	¥80,716	¥87,183	¥4,991	¥30,577
Dividends paid					(2,927)
Payment of bonuses to directors and statutory auditors					(110)
Transfer from retained earnings				304	(304)
Shares issued upon conversion of convertible bonds	4,612	1,186	1,181		
Shares issued upon exercise of warrants	6,526	1,716	1,706		
1997 net income					22,851
Balance, March 31, 1997	596,484	83,618	90,070	5,295	50,087
Dividends paid					(6,270)
Payment of bonuses to directors and statutory auditors					(140)
Transfer from retained earnings				641	(641)
Shares issued upon conversion of convertible bonds	2,023	520	518		
1998 net income					17,239
Balance, March 31, 1998	598,507	84,138	90,588	5,936	60,275
Dividends paid					(4,201)
Payment of bonuses to directors and statutory auditors					(140)
Transfer from retained earnings				435	(435)
Shares issued upon conversion of convertible bonds	3,826	983	979		
1999 net income					18,857
Balance, March 31, 1999	**602,333**	**¥85,121**	**¥91,567**	**¥6,371**	**¥74,356**

	Thousands of U.S. dollars (Note 3)			
Balance, March 31, 1998	$697,951	$751,456	$49,241	$500,000
Dividends paid				(34,849)
Payment of bonuses to directors and statutory auditors				(1,161)
Transfer from retained earnings			3,608	(3,608)
Shares issued upon conversion of convertible bonds	8,154	8,121		
1999 net income				156,425
Balance, March 31, 1999	**$706,105**	**$759,577**	**$52,849**	**$616,806**

The accompanying notes are an integral part of these statements.

Notes to Non-Consolidated Financial Statements

FUJI HEAVY INDUSTRIES LTD.
March 31, 1999

1. BASIS OF PRESENTING THE FINANCIAL STATEMENTS:

Fuji Heavy Industries Ltd. (the "Company") maintains its records and prepares its financial statements in accordance with accounting principles generally accepted in Japan. The accompanying non-consolidated financial statements are prepared based on the non-consolidated financial statements filed with the Minister of Finance as required by the Securities and Exchange Law of Japan.

The presentation of statements of shareholders' equity is not requested in Japan. This statement is, however, presented for the convenience of the reader. Furthermore, certain items presented in the original financial statements have been reclassified and summarized for readers outside Japan. In addition, the notes to the financial statements include information which is not required under accounting principles generally accepted in Japan, but is presented as additional information.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Non-consolidation of subsidiary accounts:
The accompanying financial statements do not include the accounts of the Company's majority-owned subsidiaries.

Translation of foreign currency accounts:
Monetary assets and liabilities denominated in foreign currency are translated into yen at historical exchange rates.

Revenues and expenses denominated in foreign currency are translated at the exchange rates prevailing when such transactions were made.

Marketable securities and securities investments:
Securities which are listed on stock exchanges, except for investments in subsidiaries, are stated at the lower of cost of market, cost being determined by the moving average method. Securities which are not listed on stock exchanges are states at cost, as determined by the moving average method, after devaluation for any permanent impairment.

Inventories:
Finished products are stated mainly at cost determined by the moving average method while raw materials, work in process and supplies are stated at cost principally determined by the first-in, first-out method.

Investments in and advances to subsidiaries and affiliates:
Investments in and advances to subsidiaries and affiliates are stated at cost after devaluation for any permanent impairment.

Property, plant and equipment and depreciation:
Property, plant and equipment are carried at cost. Significant renewals and additions are capitalized; maintenance and repairs, and minor renewals and improvements, are charged to income when incurred. Interest expense on capital expenditures during the construction stage is not capitalized.

Depreciation of property, plant and equipment is principally computed by the declining-balance method at rates based on estimated useful lives. However, depreciation of buildings acquired on or after April 1, 1998 is computed by the straight-line method.

Effective April 1, 1998, the useful lives for buildings were reduced slightly in accordance with the amendment to the corporation tax law. The effects of this change were to increase depreciation by ¥291 million (U.S.$2,414 thousand) and to decrease income before income taxes by ¥278 million (U.S.$2,306 thousand) for the year ended March 31, 1999.

Research and development expenses and bond issue expenses:
Research and development expenses and bond issue expenses are charged to income as incurred.

Allowance for doubtful receivables:
The Company has provided an allowance for doubtful receivables to cover possible losses on collection at the maximum amount allowable under Japanese tax regulations and based on management's estimates.

Finance leases:
Finance leases which do not transfer ownership of the leased property to the lessee are accounted for as rental transactions.

Income taxes:
Income taxes are provided based on amounts reflected in the tax returns for the period. Deferred income taxes relating to temporary differences are not recognized, as interperiod income tax allocation is not generally practiced in Japan.

Accrued severance indemnities and pension plan:
Employees who terminate employment are entitled, under most circumstances, to lump-sum payments determined by current basic rate of pay, length of service, position in the Company, and conditions under which the termination occurs. The minimum payment is an amount based on voluntary retirement. In addition to the minimum payment, employees receive additional benefits for retirement at the age limit or for other defined reasons. The Company records 40% of the voluntary liabilities to employee services to the end of the period.

Also, the Company has a funded pension plan which will generally provide for an annuity payable subsequent to retirement. This plan covers to the extent of 80% of retirement and severance benefits for employees who terminate employment at age fifty or over. The Company's contributions to the plan include amortization of prior service costs over thirty-eight years.

The Company has not provided accrued severance benefits for directors because, according to the Commercial Code of Japan, any termination benefits for directors are at the discretion of the shareholders and are not determinable in advance of a resolution by the shareholders covering such payment.

3. U.S. DOLLAR AMOUNTS:

The U.S. dollar amounts included in the accompanying non-consolidated financial statements and related notes represent the arithmetic results of translating Japanese yen into U.S. dollars on the basis of ¥120.55 to U.S.$1, the exchange rate at March 31, 1999. The U.S. dollar amounts are included solely for the convenience of the reader, and it should not be construed that the assets and liabilities, expressed in U.S. dollar equivalents, can actually be realized in or be settled by U.S. dollars at the exchange rates used in the accompanying translation.

4. INVENTORIES:

Inventories comprise the following:

	Millions of yen		Thousands of U.S. dollars
March 31,	1999	1998	1999
Finished products	¥25,060	¥23,072	$207,881
Work in process	57,799	56,578	479,461
Raw materials	5,934	5,580	49,224
Supplies	1,266	1,197	10,502
	¥90,059	¥86,427	$747,068

5. TRANSACTION OF CURRENT RECEIVABLES AND PAYABLES DENOMINATED IN FOREIGN CURRENCIES:

Current monetary receivables and payables denominated in foreign currencies are translated at historical exchange rates in accordance with Statement No. 55 of the Audit Committee of the Japanese Institute of Certified Public Accountants.

Unrealized foreign exchange gains (losses) resulting from a translation of receivables and payables at current exchange rates prevailing at the balance sheet date are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	1999	1998	1999
Receivables:			
At historical rate	¥14,907	¥13,161	$123,658
At current rate	15,046	13,849	124,811
Exchange gains	¥ 139	¥ 688	$ 1,153
Payables:			
At historical rate	¥ 2,990	¥1,947	$ 24,803
At current rate	2,984	2,077	24,753
Exchange gains (losses)	¥ 6	¥ (130)	$ 50

6. MARKETABLE SECURITIES AND SECURITIES INVESTMENTS:

Unrealized valuation gains between aggregate cost and market value of marketable and securities investments (including investments in affiliates) at March 31, 1999 and 1998 are shown below:

	Millions of yen		Thousands of U.S. dollars
March 31,	1999	1998	1999
Aggregate cost:			
Current	¥20,020	¥20,026	$166,072
Non-current	8,180	9,654	67,856
	¥28,200	¥29,680	$233,928
Market value:			
Current	¥29,537	¥21,202	$245,019
Non-current	14,330	19,481	118,872
	¥43,867	¥40,683	$363,891
Valuation gains	¥15,667	¥11,003	$129,963

Securities not traded in stock exchanges or other regulated markets are not included in the above aggregate cost and market value.

7. ACCRUED EXPENSES:

Accrued expenses are summarized as shown below:

	Millions of yen		Thousands of U.S. dollars
March 31,	1999	1998	1999
Accrued interest expenses	¥ 1,225	¥ 232	$ 10,162
Accrued bonuses to employees	11,141	10,941	92,418
Accrued warranty claims	5,874	4,981	48,727
Others	17,420	16,422	144,504
	¥35,660	¥32,576	$295,811

8. OTHER CURRENT LIABILITIES:

Other current liabilities represent:

	Millions of yen		Thousands of U.S. dollars
March 31,	1999	1998	1999
Advance payments received	¥ 630	¥ 858	$ 5,226
Payables for acquisitions of property, plant and equipment	11,157	12,058	92,551
Others	2,850	1,862	23,643
	¥14,637	¥14,778	$121,418

9. SHORT-TERM BORROWINGS AND LONG-TERM DEBT:

Short-term borrowings at March 31, 1999 consist of unsecured bank loans which are due principally in 365 days and bear interest at an average rate of approximately 1.3% per annum.

A summary of long-term debt is as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	1999	1998	1999
Loans, principally from banks and insurance companies, due through 2004 with interest ranging from 2.0% per annum to 7.0% per annum	¥ 30,336	¥ 34,155	$ 251,647
3.0% convertible bonds in U.S. dollars, due March 31, 2000	13	13	108
1.8% convertible bonds in Japanese yen, due March 31, 2003	2,095	2,097	17,379
8.75% bonds in U.S. dollars, due November 17, 1999	42,474	42,474	352,335
0.9% convertible bonds in Japanese yen, due September 30, 2003	24,635	26,596	204,355
2.25% bonds in Japanese yen, due July 31, 2002	20,000	20,000	165,906
2.10% bonds in Japanese yen, due January 31, 2001	10,000	10,000	82,953
2.10% bonds in Japanese yen, due August 29, 2003	10,000	–	82,953
2.3% bonds in Japanese yen, due September 30, 2005	10,000	–	82,953
	149,553	135,335	1,240,589
Portion due within one year	56,181	4,780	466,039
	¥ 93,372	¥130,555	$ 774,550

The aggregate annual maturities of long-term debt as of March 31, 1999 are summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2000	¥ 56,181	$ 466,039
2001	22,935	190,253
2002	1,648	13,671
2003	22,691	188,229
2004	35,931	298,059
2005 and thereafter	10,167	84,338
	¥149,553	$1,240,589

Assets of the Company pledged as collateral for certain loans at March 31, 1999 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment	¥52,895	$438,781
Securities investments	2,929	24,297
	¥55,824	$463,078

Convertible bonds are convertible, unless previously redeemed, into shares of common stock of the Company at conversion prices as follows:

	Convertible price per share		Convertible at any time up to and including
3.0% convertible bonds in U.S. dollars, due March 31, 2000	¥662.70	($5.50)	March 20, 2000
1.8% convertible bonds in Japanese yen, due March 31, 2003	¥633.30	($5.25)	March 28, 2003
0.9% convertible bonds in Japanese yen, due September 30, 2003	¥513.00	($4.26)	September 29, 2003

If all the outstanding convertible bonds were converted at March 31, 1999, approximately 51,349 thousand additional shares of common stock would be issued.

As is customary in Japan, substantially all bank borrowings are subject to general agreements which provide, among other things, that the banks may, under certain circumstances, request additional security for these loans and may treat any security furnished to the banks, as well as cash deposited with them, as security for all present and future indebtedness. The banks have never requested that the Company submit such additional security.

10. SEVERANCE INDEMNITIES AND PENSION PLAN:

Charges to income for severance indemnities and pension plan for employees are as follows:

	Millions of yen			Thousands of U.S. dollars
	1999	1998	1997	**1999**
Funded pension plan	**¥7,314**	¥4,788	¥4,673	**$60,672**
Accrued severance indemnities	**1,885**	2,435	2,575	**15,637**
	¥9,199	¥7,223	¥7,248	**$76,309**

11. SHAREHOLDERS' EQUITY:

The Commercial Code of Japan provides that an amount equivalent to at least 10% of cash outlays including cash dividends and bonuses to directors and statutory auditors be appropriated as a legal reserve until such reserve equals 25% of stated capital (common stock). The Code also provides that neither additional paid-in capital nor the legal reserve is available for dividends, but both may be used to reduce a deficit by resolution of the shareholders or may be capitalized in the form of a free distribution of shares by resolution of the Board of Directors.

The Japanese Commercial Code also provides that the entire amount of paid-in capital on new share issues including shares issued upon conversion of bonds shall, generally, be included in the common stock account. However, an amount equal to or less than 50% of the issue price of the shares may be transferred to the additional paid-in capital account on the condition that at least the par value per share is included in the common stock account.

The amount available for dividends under the Commercial Code of Japan is based upon retained earnings as recorded by the Company. At March 31, 1999, the amount available for dividends is ¥67,596 million (U.S.$560,730 thousand).

12. SALES TO AND PURCHASES FROM SUBSIDIARIES AND AFFILIATES:

Sales to and purchases from subsidiaries and affiliates during the three years ended March 31, 1999 are as follows:

	Millions of yen			Thousands of U.S. dollars
	1999	1998	1997	1999
Sales to:				
Subaru of America, Inc.	¥122,091	¥ 89,492	¥ 42,982	$1,012,783
Other subsidiaries and affiliates	419,542	404,322	434,649	3,480,232
Total	¥541,633	¥493,814	¥477,631	$4,493,015
Purchases from subsidiaries and affiliates	¥ 43,949	¥ 42,365	¥ 93,339	$ 364,571

13. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:

Selling, general and administrative expenses consist of the following:

	Millions of yen			Thousands of U.S. dollars
	1999	1998	1997	1999
Transportation and packing expenses	¥ 13,434	¥ 13,320	¥ 13,102	$ 111,439
Advertising expenses	20,741	18,091	17,076	172,053
Sales incentives	25,432	31,904	35,105	210,966
Sales promotion	8,932	11,862	3,243	74,094
Remuneration to directors	332	322	360	2,754
Salaries and bonuses	8,559	8,561	8,554	71,000
Accrued bonuses	1,426	1,487	1,430	11,829
Depreciation	727	591	627	6,031
Research and development expenses	38,345	38,099	33,910	318,084
Provision for accrued severance indemnities	405	505	801	3,360
Provision for allowance for doubtful accounts (net)	5,073	84	1,587	42,082
Others	18,178	18,965	17,828	150,792
Total	¥141,584	¥143,791	¥133,623	$1,174,484

14. LEASES

Where the finance leases do not transfer ownership of the leased property to the lessee during the lease terms, the leased property is not capitalized and the related lease expenses are charged to income in the period incurred, as per the statements issued by the Business Accounting Deliberation Council of Japan.

Lease expenses on finance lease contracts without ownership-transfer for the three years ended March 31, 1999 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars
	1999	1998	1997	**1999**
Lease expenses	**¥4,903**	¥6,912	¥8,148	**$40,672**

The amounts of outstanding future payments under finance leases due at March 31, 1999, 1998 and 1997, including the portion of interest thereon, are summarized as follows:

	Millions of yen			Thousands of U.S. dollars
	1999	1998	1997	**1999**
Future lease payments:				
One year or less	**¥3,003**	¥ 6,082	¥ 6,405	**$24,911**
More than one year	**2,385**	4,408	8,464	**19,784**
	¥5,388	¥10,490	¥14,869	**$44,695**

15. OTHER INCOME (EXPENSES):

A breakdown of other income (expenses) — other, net is as follows:

	Millions of yen			Thousands of U.S. dollars
	1999	1998	1997	**1999**
Gain (loss) on sale of marketable and investment securities	**¥ (128)**	¥ 1	¥ 4	**$ (1,062)**
Gain on sale of property, plant and equipment	**27**	248	3,116	**224**
Rental income	**1,676**	1,729	2,201	**13,903**
Loss from disposal of property, plant and equipment	**(4,185)**	(2,920)	(3,386)	**(34,716)**
Write-down of marketable securities and investments in subsidiaries and affiliates	**(2,473)**	(9,574)	(6,621)	**(20,514)**
Others	**(9,976)**	(9,493)	(6,560)	**(82,754)**
Total	**¥(15,059)**	¥(20,009)	¥(11,246)	**$(124,919)**

16. INCOME TAXES:

The Company is subject to several taxes based on income which, in the aggregate, result in normal statutory tax rates of approximately 48% for 1999 and 52% for 1998 and 1997.

The effective tax rates reflected in the statements of income differ from the normal tax rates primarily because of the effect of temporary differences in the recognition of certain income and expenses for tax and financial reporting purposes, the effect of permanent non-deductible expenses and tax exemptions for dividend income received from Japanese companies.

17. CONTINGENT LIABILITIES:

Contingent liabilities as of March 31, 1999 are as follows:

	Millions of yen	Thousands of U.S. dollars
As guarantor of indebtedness of subsidiaries, affiliates and others	¥181,530	$1,505,848
Trade notes discounted with banks	218	1,808
	¥181,748	$1,507,657

18. AMOUNTS PER SHARE OF COMMON STOCK:

Primary net income per share is computed based on the weighted average number of shares of common stock outstanding during each year. Fully diluted net income per share is based on the assumption that all convertible bonds were converted into common stock. Cash dividends per share represent those applicable to the respective years.

	Yen			U.S. dollars
For the years ended March 31,	**1999**	1998	1997	**1999**
Net income:				
Primary	**¥31.43**	¥28.81	¥39.03	**$0.26**
Fully diluted	**29.08**	26.57	38.21	**0.24**
Cash dividends applicable to the year	**8.00**	7.00	7.00	**0.07**

The following amounts of net assets per share are computed on the outstanding number of shares of common stock at each balance sheet date.

	Yen			U.S. dollars
As at March 31,	**1999**	1998	1997	**1999**
Net assets	**¥427.36**	¥402.56	¥384.03	**$3.55**

19. RETAINED EARNINGS:

The following appropriation of retained earnings at March 31, 1999 were approved at the general meeting of shareholders held on June 29, 1999.

	Millions of yen	Thousands of U.S. dollars
Balance at March 31, 1999	¥74,356	$616,806
Appropriation for —		
Cash dividends	2,711	22,489
Bonuses to directors and statutory auditors	140	1,161
Transfer to Legal reserve	286	2,372
Retained earnings carried forward	¥71,219	$590,784

Report of Independent Certified Public Accountants

To the Board of Directors of FUJI HEAVY INDUSTRIES LTD.

We have audited the accompanying non-consolidated balance sheets of FUJI HEAVY INDUSTRIES LTD. as of March 31, 1999 and 1998, and the related non-consolidated statements of income and of shareholders' equity for each of the three years in the period ended March 31, 1999, expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 non-consolidated financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the non-consolidated 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 non-consolidated financial statements audited by us present fairly, in all material respects, the financial position of FUJI HEAVY INDUSTRIES LTD. as of March 31, 1999 and 1998, and the result of its operations for each of the three years in the period ended March 31, 1999, in conformity with accounting principles generally accepted in Japan.

The United States dollar amounts in the non-consolidated financial statements have been translated for convenience only on the basis described in Note 3.

Meiji Audit Corporation

Tokyo, Japan
June 29, 1999

MEIJI AUDIT CORPORATION

Corporate Data

FUJI HEAVY INDUSTRIES LTD.

ESTABLISHED
July 15, 1953
(Founded as the Aircraft Research Laboratory in 1917)

COMMON STOCK
Authorized: 1,500,000,000 shares
Issued: 602,332,902 shares
Number of shareholders: 55,044
Transfer agent:
The Chuo Trust & Banking Co., Ltd.
7-1, Kyobashi 1-chome
Chuo-ku, Tokyo 104-8345, Japan
(As of March 31, 1999)

HEAD OFFICE
Subaru Building
7-2, Nishishinjuku 1-chome
Shinjuku-ku, Tokyo 160-8316, Japan
Phone: (03) 3347-2111
Facsimile: (03) 3347-2338 (GII, GIII)
Cable Address: TOKYO FUJI HEAVY
Home page: http://www.fhi.co.jp/english/index1.htm

Publicity Office
(03) 3347-2023
Subaru Overseas Division
(03) 3347-2396
Aerospace Division
(03) 3347-2513
Transportation & Ecology Systems Division
(03) 3347-2492
Bus Manufacturing & House Prefabricating Division
(03) 3347-2278
Industrial Products Division
(03) 3347-2414

PRINCIPAL OVERSEAS OFFICES
Fuji Heavy Industries Ltd.
Liaison Offices in Europe (Automobiles)
Konrad-Adenauer Straβe 34
55218 Ingelheim am Rhein, Germany
Phone: 06132-79141-0
Facsimile: 06132-79141-19
Subaru Test & Development Center in Europe
Konrad-Adenauer Straβe 34
55218 Ingelheim am Rhein, Germany
Phone: 06132-763-70
Facsimile: 06132-763-31
Fuji Heavy Industries Ltd.
China Office (Automobiles)
12 Nancaiyuan St. Xuanwu District
Beijing 100054, China
Phone: 010-6354-4402
Facsimile: 010-6354-4401

PRINCIPAL SUBSIDIARIES AND AFFILIATES
• Subaru of America, Inc.
Subaru Plaza, 2235 Route 70 West
Cherry Hill, NJ 08002, U.S.A.
Phone: (609)-488-8500
Facsimile: (609)-665-3346

• Fuji Heavy Industries U.S.A. Inc.
Cherry Hill Office (Automobiles)
C/O Subaru of America, Inc.
Subaru Plaza, 2235 Route 70 West
Cherry Hill, NJ 08002, U.S.A.
Phone: (609)-488-8532
Facsimile: (609)-488-9279
Seattle Office (Aerospace)
4040 Lake Washington Blvd. NE
Suite 314 Kirkland, WA 98033, U.S.A.
Phone: (425)-822-0762
Facsimile: (425)-822-2664
Washington Office (Patent)
C/O Smith, Gambrell & Russell, LLP.
Suite 800, 1850 M Street, N.W.
Washington, D.C. 20036, U.S.A.
Phone: (202)-659-2811
Facsimile: (202)-659-1462

• Subaru-Isuzu Automotive Inc.
5500 State Road 38 East
Lafayette, IN 47903, U.S.A.
Phone: (765)-449-1111
Facsimile: (765)-449-6952

• Subaru Research & Development, Inc.
3995 Research Park Drive
Ann Arbor, MI 48108, U.S.A.
Phone: (734)-623-0075
Facsimile: (734)-623-9579
Lafayette Office
C/O Subaru-Isuzu Automotive, Inc.
5500 State Road 38 East
Lafayette, IN 47903, U.S.A.
Phone: (765)-449-8839
Facsimile: (765)-449-8932

♦ Ta Ching Motors Co., Ltd.
337 Ta Hsi Road
Ching Hsi Lii, Ping Tung, Taiwan
Phone: 8-753-8001
Facsimile: 8-753-8021

• Subaru Canada Inc.
5990 Falbourne Street
Mississauga, Ontario
L5R 3S7 Canada
Phone: (905)-568-4959
Facsimile: (905)-568-8087

• Subaru Parts Europe N.V./S.A.
Hermesstraat 6C
1930 Nossegem-Zaventem, Belgium
Phone: 02-714-0400
Facsimile: 02-725-7792

Robin America, Inc.
940 Lively Blvd.
Wood Dale, IL 60191, U.S.A.
Phone: (630)-350-8200
Facsimile: (630)-350-8212

Fuji Heavy Industries (Singapore) Pte. Ltd. (Industrial Products)
23 Tuas Avenue
2 Singapore 639454
Phone: 65-863-8020
Facsimile: 65-861-8439

• Robin Manufacturing U.S.A., Inc.
1201 Industrial Road
Hudson, WI 54016, U.S.A.
Phone: (715)-381-5902
Facsimile: (715)-381-5901

Robin Europe GmbH
Industrial Engines and Equipment
Hanns-Martin-Schleyer-Str. 33
D-47877 Willich-Münchheide II
F.R. Germany
Phone: 49 (2154) 49230
Facsimile: 49 (2154) 492350

• Fuji Robin Industries Ltd.
• Daiichi Forging Co., Ltd.
• Subaru Building Co., Ltd.
• FICS Corporation
• Subaru Finance Co., Ltd.
• F.O.D Co., Ltd.
♦ Yusoki Kogyo K.K.
♦ Fuji Machinery Co., Ltd.
♦ Kiryu Industry Co., Ltd.
♦ Subaru Kosan Co., Ltd.
♦ Subaru Used Car Sales Co., Ltd.
♦ Chuo Subaru Motors Co., Ltd.
♦ Tokyo Subaru Motors Co., Ltd.
♦ Nagoya Subaru Motors Co., Ltd.
♦ Shin-Osaka Subaru Motors Co., Ltd.

• Fully consolidated subsidiary
♦ Subsidiary or affiliate consolidated by the equity method

FACILITIES (Domestic)
Automobiles Division
Gunma Manufacturing Division
Main Plant
Ohta, Gunma
Yajima Plant
Ohta, Gunma
Ohta North Plant
Ohta, Gunma
Oizumi Plant
Oura-gun, Gunma
Tokyo Office (Mitaka Plant)
Mitaka, Tokyo

Aerospace Division
Transportation & Ecology Systems Division
Utsunomiya Manufacturing Division
Utsunomiya, Tochigi/Handa, Aichi

Bus Manufacturing & House Prefabricating Division
Isesaki Manufacturing Division
Isesaki, Gunma

Industrial Products Division
Saitama Manufacturing Division
Kitamoto, Saitama

Additional copies of this annual report and other information may be obtained by contacting:
Finance Department,
Fuji Heavy Industries Ltd.
Phone: (03) 3347-2128
Facsimile: (03) 3347-2126
Other English-language publications:
Fuji Heavy Industries, Ltd.
Corporate Brochure
Subaru News

(As of July 1, 1999)

Board of Directors

Seated from left: Takayoshi Yoshihashi*, Takeshi Tanaka* and Teruo Hanada*
Standing from left: Kazuhiro Miyake, Mamoru Morinaga, Fukuji Inada and Hitoshi Maeda

*Representative Director

Executive Officers

President and Chief Executive Officer
Takeshi Tanaka

Senior Executive Vice Presidents
Takayoshi Yoshihashi
Teruo Hanada

Executive Vice Presidents
Mamoru Morinaga
Fukuji Inada
Kazuhiro Miyake
Hitoshi Maeda

Senior Vice Presidents
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Hiromichi Muto
Satoshi Idei
Masayoshi Nagano
Koichi Arasawa
Takeshi Tanaka
Masayasu Ohizumi
Takeo Tsumuji
Hideo Wada

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Hideshige Gomi
Takao Tsuchiya
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Kunitaka Nakahara
Kiyoshi Inoh
Masaru Katsurada
Akira Furuya
Takao Saito
Hiroshi Komatsu
Shunsuke Takagi
Yuichi Masuda
Yutaka Tsukahara
Kyoji Takenaka

Corporate Auditors

Eiichi Hongo
Toshio Hirai
Kakuhei Wada
Kunitake Nomura
Hiroshi Takaku

(As of June 29, 1999)

FUJI HEAVY INDUSTRIES LTD.
Subaru Bldg., 7-2, Nishishinjuku 1-chome
Shinjuku-ku, Tokyo 160-8316, Japan
Phone: 03-3347-2111
Fax: 03-3347-2338 (GII, GIII)

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