

Basic Policy on Corporate Governance

Fuji Heavy Industries Ltd. (FHI) is proceeding with corporate governance as a means to measure up to the trust placed in the Company by its shareholders, customers, and all stakeholders. The Board of Directors conducts decision-making regarding vital operational issues and the Board of Auditors supervises and monitors this process. The Board of Directors is composed of eight directors who carry out prompt decision-making regarding business operations. The Board of Auditors comprises four auditors who obtain reports on vital monitoring issues and deliberate accordingly. Preliminary to the Board of Directors is the Executive Management Board, which deliberates on company-wide management strategies and the execution of priority business operations.

ting Corporate Reforms

Progress of Corporate Governance Initiatives

In June 1999, FHI introduced an executive officer system as a means to clarify administrative and executive responsibility for each business. In June 2002, FHI took further steps to distinguish the separate functions of business administration and execution as well as further accelerate its management by adopting an internal company system, structured around its core automotive business.

Accelerating Decision-Making, Implementing Corporate Reforms

On June 25, 2003, the Company enhanced the functions of its Board of Directors' system to support implementation of its medium-term management plan, Fuji Dynamic Revolution-1 (FDR-1), and to increase the speed of decision-making.

1. Roles of Board of Director Members and Executive Officers

- Keeping in mind that the corporate governance structure separates managerial supervision from management of operations, Directors will devote themselves to company-wide decision-making and decide company policy and other matters while supervising overall management of the Company in a manner consistent with actual management conditions. To

accomplish this, without having any specific area of operational management of their own, Directors are responsible for supervising the operational management duties of the Executive Officers.

- The responsibility of operational management will be delegated to Executive Officers who are not members of the Board of Directors. The purpose of this is to accelerate the speed of the operational management in each operating unit and to clarify operational management responsibility.
- Executive Vice Presidents who are not on the Board of Directors will be responsible for a specific operational area, will assist the President from a company-wide point of view, provide support to management, and serve as a regular member of the Executive Management Board.

2. Length of Terms for Directors

- To respond promptly and flexibly to the changes in a challenging business environment, and to enhance the corporate governance structure, the length of terms for Directors and operating officers will be shortened from two years to one year.
- To meet the objectives of the group-wide management system as a whole, suitably qualified individuals will be flexibly assigned to the appropriate positions.