

5. Non-consolidated Financial Statements

1. Non-consolidated Balance Sheets

(Unit: million yen)

	FY 2007 (as of March 31, 2007)		FY 2008 (as of March 31, 2008)		Changes Increase / (Decrease)
	Amount	%	Amount	%	Amount
ASSETS					
I Current assets					
Cash and time deposits	24,774		14,338		(10,436)
Notes receivable, trade	1,784		1,405		(379)
Accounts receivable, trade	107,612		111,608		3,996
Marketable securities	2		2		—
Finished products	27,072		33,672		6,600
Raw materials	12,877		16,665		3,788
Work in process	81,119		96,384		15,265
Supplies	1,235		1,515		280
Advances paid	13,366		10,383		(2,983)
Prepaid expenses	2,800		2,754		(46)
Deferred tax assets	16,025		16,313		288
Short-term loans	73,994		85,305		11,311
Accounts receivable, other	24,495		28,023		3,528
Other	2,535		7,399		4,864
Allowance for doubtful accounts	(469)		(234)		235
Total current assets	389,221	43.7	425,532	47.8	36,311
II Fixed assets					
1. Property, plant and equipment, net					
Buildings	54,034		50,813		(3,221)
Structures	—		6,778		6,778
Machinery	73,144		68,181		(4,963)
Aircrafts	—		9		9
Vehicles	—		1,229		1,229
Tools and equipment	12,296		10,208		(2,088)
Land	83,634		89,512		5,878
Construction in progress	—		7,029		7,029
Other	17,327		—		(17,327)
Total property, plant and equipment, net	240,435	27.0	233,759	26.3	(6,676)
2. Intangible assets					
Patents	94		79		(15)
Land lease rights	11		11		—
Trademark	6		5		(1)
Software	12,557		9,865		(2,692)
Other	860		370		(490)
Total intangible assets	13,528	1.5	10,330	1.2	(3,198)
3. Investments and other assets					
Investment securities	55,280		41,362		(13,918)
Investments in subsidiaries and affiliated companies	143,252		143,564		312
Investment securities, other than stock	8		8		—
Investments in subsidiaries and affiliated companies, other than stock	1,056		1,983		927
Long-term loans	5		5		—
Long-term loans for employees	128		118		(10)
Long-term loans for subsidiaries and affiliated companies	44,600		26,030		(18,570)
Bankruptcy and rehabilitation claims	6,452		6,486		34
Long-term prepaid expenses	1,931		1,543		(388)
Deferred tax assets	3,257		11,992		8,735
Other	2,121		3,404		1,283
Allowance for devaluation of investments	—		(1,271)		(1,271)
Allowance for doubtful accounts	(9,992)		(14,889)		(4,897)
Total investments and other assets	248,098	27.8	220,335	24.7	(27,763)
Total fixed assets	502,061	56.3	464,424	52.2	(37,637)
Total assets	891,282	100.0	889,956	100.0	(1,326)

(Unit: Million yen)

	FY 2007 (as of March 31, 2007)		FY 2008 (as of March 31, 2008)		Changes Increase / (Decrease)
	Amount	%	Amount	%	Amount
LIABILITIES AND NET ASSETS					
I Current liabilities					
Notes payable, trade	3,941		3,620		(321)
Accounts payable, trade	166,929		197,072		30,143
Short-term borrowings	17,548		20,046		2,498
Current portion of bonds	10,000		30,000		20,000
Accounts payable, other	18,744		15,371		(3,373)
Accrued expenses	29,111		29,015		(96)
Accrued income taxes	3,239		5,126		1,887
Advances received	6,254		4,145		(2,109)
Deposits received	960		1,024		64
Income in advance	181		186		5
Accrued bonus	10,076		10,249		173
Accrued director's bonus	92		96		4
Accrued warranty claims	7,520		6,180		(1,340)
Other	1,401		23		(1,378)
Total current liabilities	275,996	31.0	322,153	36.2	46,157
II Long-term liabilities					
Bonds	90,000		60,000		(30,000)
Long-term debts	23,727		22,217		(1,510)
Long-term accounts payable, other	—		10,604		10,604
Accrued pension and severance benefits	27,651		23,847		(3,804)
Accrued directors' severance and retirement benefits	200		—		(200)
Provision for losses on guarantees	745		745		—
Other	8,940		1,161		(7,779)
Total long-term liabilities	151,263	16.9	118,574	13.3	(32,689)
Total liabilities	427,259	47.9	440,727	49.5	13,468
NET ASSETS					
I Shareholders' capital					
Common stock					
	153,795	17.3	153,795	17.3	—
Capital surplus					
Capital reserve	160,071		160,071		
Other capital reserve	49		43		
Capital surplus total	160,120	18.0	160,114	18.0	(6)
Retained earnings					
Legal reserve	7,901		7,901		
Other Retained earnings					
Advanced depreciation reserve	719		749		
General reserve	85,335		85,335		
Unappropriated retained earnings	75,500		68,944		
Retained earnings total	169,455	18.9	162,929	18.3	(6,526)
Less-treasury stock, at cost	(40,477)	(4.5)	(40,504)	(4.6)	(27)
Total shareholders' capital	442,893	49.7	436,334	49.0	(6,559)
II Valuation, translation, and other adjustments					
Net unrealized holding gains on securities	21,130	2.4	12,895	1.5	(8,235)
Total valuation, translation, and other adjustments	21,130	2.4	12,895	1.5	(8,235)
Total net assets	464,023	52.1	449,229	50.5	(14,794)
Total liabilities and net assets	891,282	100.0	889,956	100.0	(1,326)

2. Non-consolidated Statements of Income

(Unit: Million yen)

	FY 2007 (ended March 31, 2007)		FY 2008 (ended March 31, 2008)		Changes Increase/ (Decrease) Amount		
	Amount	%	Amount	%			
I Net sales		964,424	100.0		1,018,820	100.0	54,396
II Cost of sales		782,838	81.2		843,069	82.7	60,231
Gross profit		181,586	18.8		175,751	17.3	(5,835)
III Selling, general and administrative expenses		148,079	15.3		149,921	14.8	1,842
Operating income		33,507	3.5		25,830	2.5	(7,677)
IV Non-operating income							
Interest and dividends income	2,659			2,959			
Gain on revaluation of derivatives	4,166			4,921			
Other	6,363	13,188	1.3	4,514	12,394	1.2	(794)
V Non-operating expenses							
Interest expenses	1,656			1,768			
Foreign exchange losses	12,082			5,998			
Loss on revaluation of derivatives	72			—			
Other	5,750	19,560	2.0	5,611	13,377	1.3	(6,183)
Ordinary income		27,135	2.8		24,847	2.4	(2,288)
VI Extraordinary gains							
Gain on sale of property, plant and equipment	678			1,025			
Gain on sale of securities	—			1,652			
Prior period adjustment	1,451			—			
Other	363	2,492	0.3	0	2,677	0.3	185
VII Extraordinary losses							
Loss on sale and disposal of property, plant and equipment	1,424			3,945			
Loss on devaluation of securities	892			2,418			
Impairment loss on property, plant and equipment	—			10,940			
Allowance for doubtful accounts	3,077			4,885			
Allowance for losses on guarantees	745			—			
Allowance for devaluation of investments	—			1,271			
Loss on liquidation of affiliated companies	1,922			—			
Other	176	8,236	0.9	—	23,459	2.3	15,223
Income before income taxes		21,391	2.2		4,065	0.4	(17,326)
Income taxes-current	5,634			7,540			
Income taxes-deferred	22,148	27,782	2.9	(3,417)	4,123	0.4	(23,659)
Net loss		6,391	(0.7)		58	(0.0)	6,333

3. Non-consolidated Statements of Changes in Net Assets

FY 2008 (from April 1, 2007 to March 31, 2008)

(Unit: Million yen)

	Shareholders' capital								
	Common stock	Capital surplus			Legal reserve	Retained earnings			Total
		Capital reserve	Other	Total		Other			
						Ad. dep. reserve	General reserve	Unappropriated retained earnings	
Balance, March 31, 2007	153,795	160,071	49	160,120	7,901	719	85,335	75,500	169,455
Increase (decrease) during the year									
Reserve for reduction in cost basis of fixed assets	—	—	—	—	—	30	—	(30)	—
Cash dividends	—	—	—	—	—	—	—	(6,468)	(6,468)
Net loss	—	—	—	—	—	—	—	(58)	(58)
Purchase of treasury stock	—	—	—	—	—	—	—	—	—
Disposal of treasury stock	—	—	(6)	(6)	—	—	—	—	—
Changes (other than shareholders' capital), net	—	—	—	—	—	—	—	—	—
Total	—	—	(6)	(6)	—	30	—	(6,556)	(6,526)
Balance, March 31, 2008	153,795	160,071	43	160,114	7,901	749	85,335	68,944	162,929

	Shareholders' capital		Valuation, translation and other adjustments		Net assets total
	Treasury stock	Total	Net unrealized holding gains on securities	Total	
Increase (decrease) during the year					
Reserve for reduction in cost basis of fixed assets	—	—	—	—	—
Cash dividends	—	(6,468)	—	—	(6,468)
Net loss	—	(58)	—	—	(58)
Purchase of treasury stock	(60)	(60)	—	—	(60)
Disposal of treasury stock	33	27	—	—	27
Changes (other than shareholders' capital), net	—	—	(8,235)	(8,235)	(8,235)
Total	(27)	(6,559)	(8,235)	(8,235)	(14,794)
Balance, March 31, 2008	(40,504)	436,334	12,895	12,895	449,229

	Shareholders' capital								
	Common stock	Capital surplus			Legal reserve	Retained earnings			Total
		Capital reserve	Other	Total		Other			
						Ad. dep. reserve	General reserve	Unappropriated retained earnings	
Balance, March 31, 2006	153,795	160,071	—	160,071	7,901	687	85,335	88,441	182,364
Increase (decrease) during the year									
Reserve for reduction in cost basis of fixed assets	—	—	—	—	—	32	—	(32)	—
Cash dividends	—	—	—	—	—	—	—	(6,452)	(6,452)
Payment of bonuses to directors and statutory auditors	—	—	—	—	—	—	—	(66)	(66)
Net loss	—	—	—	—	—	—	—	(6,391)	(6,391)
Purchase of treasury stock	—	—	—	—	—	—	—	—	—
Disposal of treasury stock	—	—	49	49	—	—	—	—	—
Changes (other than shareholders' capital), net	—	—	—	—	—	—	—	—	—
Total	—	—	49	49	—	32	—	(12,941)	(12,909)
Balance, March 31, 2007	153,795	160,071	49	160,120	7,901	719	85,335	75,500	169,455

	Shareholders' capital		Valuation, translation and other adjustments		Net assets total
	Treasury stock	Total	Net unrealized holding gains on securities	Total	
Balance, March 31, 2006	(41,519)	454,711	19,920	19,920	474,631
Increase (decrease) during the year					
Reserve for reduction in cost basis of fixed assets	—	—	—	—	—
Cash dividends	—	(6,452)	—	—	(6,452)
Payment of bonuses to directors and statutory auditors	—	(66)	—	—	(66)
Net loss	—	(6,391)	—	—	(6,391)
Purchase of treasury stock	(62)	(62)	—	—	(62)
Disposal of treasury stock	1,104	1,153	—	—	1,153
Changes (other than shareholders' capital), net	—	—	1,210	1,210	1,210
Total	1,042	(11,818)	1,210	1,210	(10,608)
Balance, March 31, 2007	(40,477)	442,893	21,130	21,130	464,023

4. Notes to Non-consolidated Financial Statements

(Non-consolidated Statements of Income)

[Significant items of extraordinary gains and extraordinary losses]

FY 2007	FY 2008												
<p>(1) Not Applicable.</p>	<p>(1) Gain on sale of securities “Gain on sale of securities” includes a gain of 1,571 million yen on sale of affiliated company stock.</p>												
<p>(2) Prior period adjustment Period adjustment represents a gain due to final settlement on reversal of a portion of “Loss on termination of a joint development project (a joint development project for new model vehicles)” which was recorded as an extraordinary loss in prior period.</p>	<p>(2) Not Applicable.</p>												
<p>(3) Not Applicable.</p>	<p>(3) Impairment loss The Company recorded an impairment loss with regard to the following asset groups.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Use</th> <th style="text-align: center;">Location</th> <th style="text-align: center;">Category</th> <th style="text-align: center;">Amount</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Production facility</td> <td style="text-align: center;">Gunma prefecture</td> <td style="text-align: center;">Buildings, machinery and other</td> <td style="text-align: center;">9,728 millions yen</td> </tr> <tr> <td style="text-align: center;">Idle assets</td> <td style="text-align: center;">Gunma prefecture</td> <td style="text-align: center;">Machinery and other</td> <td style="text-align: center;">1,195 millions yen</td> </tr> </tbody> </table> <p>Operating properties are generally grouped by line of business, and idle assets are grouped on a property by property basis.</p> <p>The Company has revised its assets grouping within the Automobile business as a result of the agreement to take the supply of mini car under an OEM arrangement from Daihatsu Motor Co., Ltd., on April 10, 2008. Accordingly, the net book amount of mini car production facilities was reduced to an estimated recoverable amount.</p> <p>In addition, the Company recorded impairment losses on idle facilities to be disposed of.</p> <p>The Company recorded these impairment losses as part of extraordinary losses. A breakdown by asset category was; buildings of 1,710 million yen, machinery of 8,118 million yen, and tools and equipment and other of 1,095 million yen.</p> <p>The recoverable amount was based on an estimated net realizable value which is the estimated disposal value derived from the published assessed value of properties less costs to sell.</p>	Use	Location	Category	Amount	Production facility	Gunma prefecture	Buildings, machinery and other	9,728 millions yen	Idle assets	Gunma prefecture	Machinery and other	1,195 millions yen
Use	Location	Category	Amount										
Production facility	Gunma prefecture	Buildings, machinery and other	9,728 millions yen										
Idle assets	Gunma prefecture	Machinery and other	1,195 millions yen										
<p>(4) Allowance for doubtful accounts The allowance has been provided for affiliated companies.</p>	<p>(4) Allowance for doubtful accounts The allowance has been provided for affiliated companies.</p>												
<p>(5) Loss on liquidation of affiliated companies [1] Integration of dealer subsidiaries The Company has recorded 1,009 millions yen for estimated losses as a result of integration of dealer subsidiaries in Osaka prefecture and Wakayama prefecture. [2] Liquidation of a joint venture The Company has recorded a 913 millions yen loss on liquidation of Fuji AT Ltd, which was a joint venture with JATCO Ltd.</p>	<p>(5) Not Applicable.</p>												

FY 2007	FY 2008
<p>(6) Income tax-deferred</p> <p>Since the adoption of the accounting standard for financial instruments, the Company has conservatively recorded impairment losses on its investments in subsidiaries. In accordance with its accounting policy, the Company recognized deferred tax assets for the resulting deductible temporary differences between the carrying amounts of its investments in subsidiaries and their respective tax bases, since the Company considered those deferred tax assets to be fully realizable through a tax-planning strategy such as regional integration or reorganization of domestic dealership subsidiaries based on its business plan.</p> <p>However, pursuant to the new mid-term business plan that was recently announced, the Company re-evaluated the tax-planning strategy including the possibility of regional integration or reorganization, and the timing of related tax deductions, and has concluded that the scheduling of the reversal of such deductible temporary differences became no longer feasible. As a result, the Company has provided a valuation allowance of 19,892 millions yen against its deferred tax assets related to the impairment losses on investments in subsidiaries in FY 2007.</p>	<p>(6)</p> <p style="text-align: center;">Not Applicable.</p>

(Changes in Presentation of Non-consolidated Financial Statements)

[Non-consolidated Balance Sheets]

- (1) "Structures", "Aircraft", "Vehicles", and "Construction in progress" which were included "Other" property, plant and equipment in FY 2007, have been presented as a separate line item in FY 2008. Included in "Other" property, plant and equipment of 17,327 million yen in FY 2007 were "Structures" of 7,221 million yen, "Aircraft" of 12 million yen, "Vehicles" of 1,251 million yen, and "Construction in progress" of 8,843 million yen.
- (2) "Long-term accounts payable, other" which was included in "Other" long-term liabilities in FY 2007, has been presented as a separate line item in FY 2008. Included in "Other" long-term liabilities of 8,940 million yen in FY 2008 was "Long-term accounts payable, other" of 7,743 million yen.

[Non-consolidated Statements of Income]

- (1) "Gain on sale of securities" which was included in "Other" extraordinary gains in FY 2007, has been presented as a separate line item in FY 2008. "Gain on sale of securities" included in "Other" extraordinary gains of 363 million yen in FY 2007 was 211 million yen.
- (2) "Impairment loss on property, plant and equipment" which was included in "Other" Extraordinary losses in FY 2007, has been presented as a separate line item in FY 2008. "Impairment loss on property, plant and equipment" included in "Other" extraordinary losses of 176 million yen in FY 2007 was 157 million yen.

(Subsequent Event)

(Development of a business alliance)

The Company at its board of directors meeting on April 10, 2008 resolved to enter into an alliance relationship in the development and production of cars, and the disposition of its own shares in treasury to give effect to such a business alliance.

1. Alliance partners : Toyota Motor Corporation (TMC) and Daihatsu Motor Co., Ltd.(Daihatsu)
2. Alliance contents :
 - (1) TMC and FHI jointly develop a compact rear-wheel-drive sports car, and market the new model through the sales channels of both companies.
 - (2) TMC supplies a sub-compact car to FHI under an OEM arrangement.
 - (3) Daihatsu supplies a mini car and a sub-compact car “COO” to FHI under an OEM arrangement.

3. Disposition of treasury stock

The Company sells its treasury stock to TMC in order to further strengthen its relationship with TMC.

- (1) Class of stocks : Common stock
- (2) Method of sale of treasury stock : Private placement to a designated third party
- (3) Total number of shares : 61,000,000 shares
- (4) Sale price : 510 yen per share (Total 31,110 millions yen)
- (5) The basis for calculation of the sale price : The sale price of 510 yen was determined in reference to the average closing price of FHI shares of 462 yen at the Tokyo Stock Exchange from December 11, 2007 to March 10, 2008. (Plus 10% premium, rounded up to the nearest whole yen)
- (6) Placement period : From May 2, 2008 to May 1, 2009

4. Construction of a new assembly plant

The Company plans to build a new vehicle assembly plant in Oizumimachi, Ora-gun, Gunma, in connection with the development of the business alliance with TMC and Daihatsu. Details of the plan such as the amount of investment are yet to be determined through a discussion with TMC.

(Change of retirement benefit scheme)

Effective April 1, 2008, the Company restructured part of its retirement benefit scheme and has introduced a defined benefit plan and a defined contribution pension, in order to stabilize post-retirement life of its retired employees as well as to improve the Company's financial position by reducing the retirement benefit liabilities.

Contents of change :

- (1) Introduction of a point system
- (2) Transfer of its qualified pension plan to a defined benefit plan and a defined contribution pension

The Company is to account for this change in accordance with Corporate Accounting Implementation Guidelines No. 1, “Accounting for Transfers Between Retirement Benefit Plans” (Accounting Standards Board of Japan, January 31, 2002), and expects to recognize a gain of 650 million yen as a result of a reduction in the retirement benefit liabilities.