SUBARU

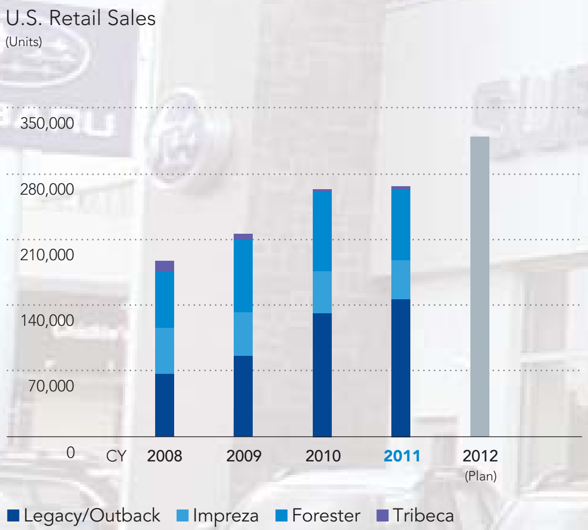
Annual Report 2012

For the year ended March 31, 2012

What is Distinctive about Subaru?

Distinctive Sales Record

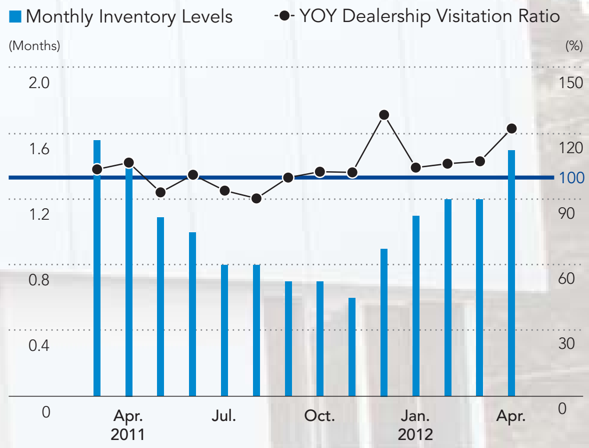
Subaru achieved record-high sales for the third year in a row and became the only automobile manufacturer to surpass year-on-year sales for the fourth consecutive year in the U.S. market. Subaru is taking on the challenge of selling 320 thousand vehicles in 2012 with the aim of growing even further.



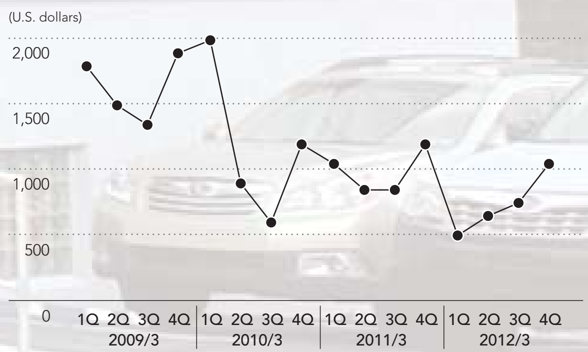
Distinctive *Marketing*

Subaru provides the values of "enjoyment and peace of mind" to customers. In line with our brand statement *Confidence in Motion*, we aim to increase the number of Subaru fans through marketing that showcases the appeal of our automobiles not in terms of price, but in the authentic values they offer.

U.S. Dealer Monthly Inventory Levels/Visits YOY



Incentives Per Vehicle



Distinctive Progress

Subaru focuses on the concepts of "trust" and "innovation." We meet customer expectations by evolving with the times. To this end, we place particular emphasis on maintaining Subaru's consistent philosophy "Engineering Excellence" as well as improving environmental friendliness through such innovations as the new horizontally-opposed engines and the new Lineartronic-CVT (Continuously Variable Transmission).

New Horizontally-Opposed Engine
+ New Lineartronic-CVT

Distinctive Cooperation

Subaru and Toyota Motor Corporation have jointly developed a new front-engine, rear-wheel drive compact sports car. This new automobile was created with the intention of both companies to introduce an even greater number of customers to the pleasure of driving. We will continue pursuing a win-win relationship with Toyota to boost the long-term competitiveness and development of both companies.

Horizontally-Opposed Engine
+ Front-Engine, Rear-Wheel Drive

Confidence in Motion

Confidence in Motion is a unified global brand statement that encapsulates the aim of the Subaru brand. *Confidence* reflects our approach towards reliable automobile manufacturing dating back to the Subaru 360 and the relationship of trust that we have built with customers by providing enjoyment and peace of mind. *In Motion* expresses Subaru's resolve to enhance customer trust by proactively staying abreast of changing trends.

Through *Confidence in Motion*, Subaru aims to meet customer expectations for the freedom and fulfillment enabled by Subaru's uniquely satisfying driving experience.

CONSOLIDATED FINANCIAL HIGHLIGHTS

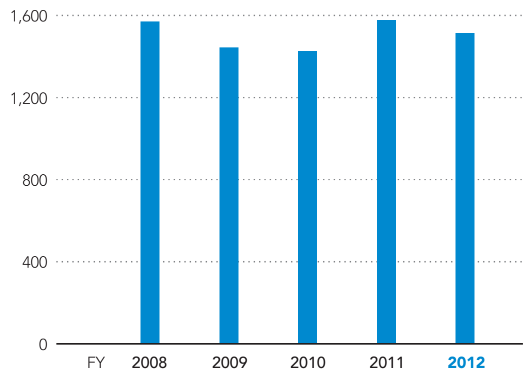
FUJI HEAVY INDUSTRIES LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31

Billions of yen

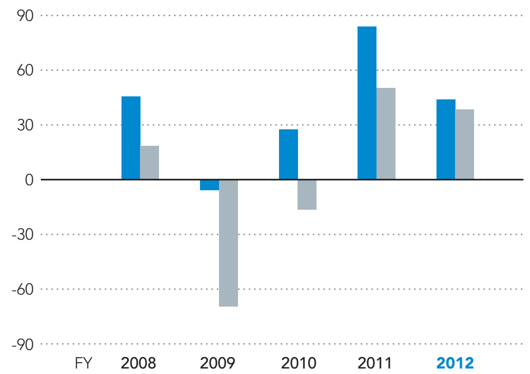
	2008	2009	2010	2011	2012
For the Year:					
Net sales	¥1,572.3	¥1,445.8	¥1,428.7	¥1,580.6	¥1,517.1
Operating income (loss)	45.7	(5.8)	27.4	84.1	44.0
Net income (loss)	18.5	(69.9)	(16.5)	50.3	38.5
Capital expenditures	56.3	58.0	56.1	43.1	54.3
Depreciation expenses	65.5	65.1	57.1	49.8	53.7
R&D expenses	52.0	42.8	37.2	42.9	48.1
Automobiles sales volume (thousand units)	597	555	563	657	640
Exchange rate (¥/$, non-consolidated)	116	102	93	86	79
At Year-End:					
Total assets	1,296.4	1,165.4	1,231.4	1,188.3	1,352.5
Net assets	494.4	394.7	381.9	414.0	451.6
Interest-bearing debt	304.5	381.7	367.6	330.6	341.0
Financial Ratios (%):					
ROE	3.7	—	—	12.7	8.9
ROA [1]	3.9	—	2.4	7.1	3.6

1. ROA was calculated as "(operating income + interest and dividend income)/(average of assets at the beginning and end of the term)"

Net Sales
(Billions of yen)



Operating Income (Loss) & Net Income (Loss)
(Billions of yen)



Contents

Disclaimer Regarding Forward-Looking Statements

Statements herein concerning plans and strategies, expectations or projections about the future, FHI's efforts with regard to various management issues, and other statements, except for historical facts, are forward-looking statements. These forward-looking statements are subject to uncertainties that could cause actual results to differ materially from those anticipated. These uncertainties include, but are not limited to, general economic conditions, demand for and prices of FHI's products, FHI's ability to continue to develop and market advanced products, raw material prices, and currency exchange rates. FHI disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events, or otherwise.

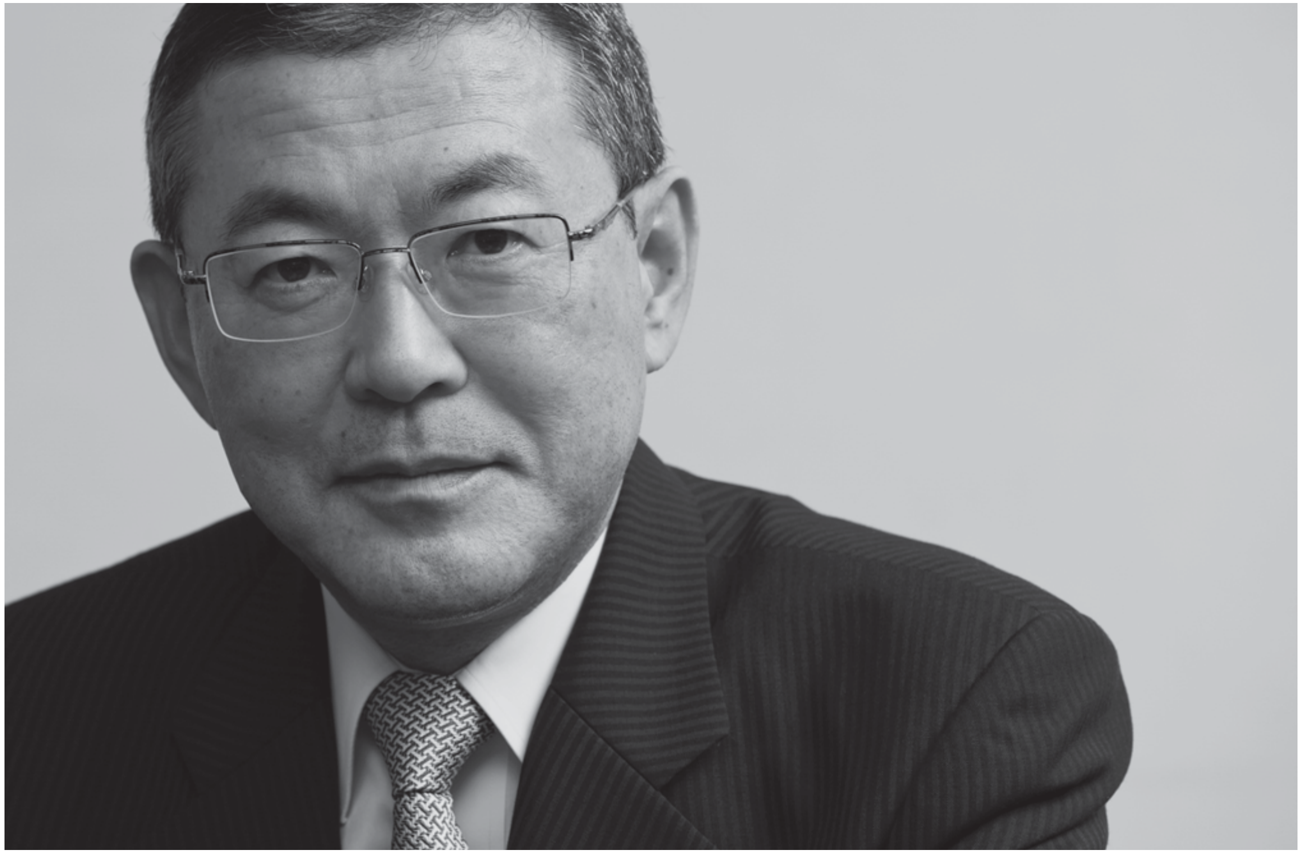
A MESSAGE TO OUR STAKEHOLDERS

YASUYUKI YOSHINAGA
Representative
Director of the Board,
President and CEO

Pursuing further growth with distinctive, high value-added Subaru products and stronger focus on core competencies in the ever changing business environment.

In July 2011, Subaru commenced the "Motion-V" mid-term management plan. In fiscal 2012, the first year of the plan, consolidated net sales totaled ¥1,517.1 billion (down 4.0% year on year), consolidated operating income amounted to ¥44.0 billion (down 47.8%) and consolidated net income was ¥38.5 billion (down 23.6%). Despite these decreases in revenue and earnings in the aftermath of the Great East Japan Earthquake, we achieved results that exceeded initial projections with team efforts among the manufacturer, dealers and suppliers to resume production and maintain sales.

Amid these major changes in the business environment, Subaru continues to provide unique, high-value-added automobiles to maintain favorable sales momentum while uniting Companywide to achieve "Motion-V" in line with the guiding principle, *Confidence in Motion*.



After much contemplation, I believe that a distinctive Subaru experience is characterized by a sense of individuality, high added value and a high degree of differentiation.

Having completed your first year as the president of FHI, please share with us your honest impression of the past year.

If I could summarize the past year in a single expression, it would be "thank you" to convey the strong sense of appreciation I have for the hard work of all of our employees and everyone else that put forth such effort. To begin, the Great East Japan Earthquake struck immediately after I become president. I had no idea when we could restore production. Some people went as far as saying that resuming operations by the end of the year would be impossible. Despite these circumstances, we were able to resume plant operations in an exceedingly short time period thanks to the extraordinary efforts of those employed at our manufacturing facilities as well as suppliers. I believe that these efforts showcased Japan's fundamental power, which values the concept of *monozukuri* ("manufacturing products"). In particular, this *monozukuri* power was seen in the support the entire automobile industry lent to components manufacturers. Subaru completely restored production in October 2011, commencing full-scale production soon after. By the end of fiscal 2012, we were able to reach operating income of ¥44.0 billion in spite of these severe conditions and this exceeded our initial target of ¥30.0 billion.

Looking back on the past year, sales momentum particularly in Japan and the United States remained steady. This is in fact quite meaningful. Once sales drop off, it takes a lot of effort to regain momentum. Nevertheless, we were able to sustain sales momentum despite production stoppages and the gradual depletion of inventory. Dealerships in the United States are owned independently, yet they mutually supported sales by flexibly accommodating each other's dwindling vehicle stocks. Consequently, Subaru surpassed year-on-year sales in the United States for four consecutive years in 2011 and was the only brand to maintain record-breaking sales for the past three years. With newspapers and other media sources reporting on this achievement, a greater number of people have been visiting Subaru dealerships and, in turn, creating a virtuous circle.

I honestly did not believe in late November that we would break sales records for four straight years. However, the representatives from three U.S. dealerships who visited the Tokyo Motors Show at the end of November all wore wristbands with "Plus 1" written on them. This signified their determination to sell more units than the previous year and their pledge not to give up on surpassing last year's performance, despite the need to mutually accommodate each other's dwindling stocks. In response to this resolve, we continued to produce and supply vehicles to the best of our ability. As a result, we achieved this sales record. We are currently seeing ongoing sales momentum in the United States, which is a testament to the considerable ability of the entire Subaru team. Once again, I would like to express my sincere gratitude to everyone whose hard work made this achievement possible.

Why do you think new Subaru models continue to be hits?

It is not easy to narrow down the popularity of Subaru vehicles to just one reason. Subaru's strength lies in its distinctive technological capabilities. Subaru employs engineers who love all aspects of cars and focus exclusively on automobile development. We have always built automobiles based on our own preferences and convictions. That said, a single-minded focus on technology is not healthy. By making every effort to listen to opinions gained from the market and dealerships, we are able to nurture the positive aspects of this technological focus. This is the reason why Subaru automobiles are hits.

In spite of changing times, Subaru strives to develop vehicles by being technologically oriented. In other words, we must pursue a distinctive Subaru experience. If we are guided solely by market feedback, our cars will be the same as everyone else's. As such, we are not too unique or individualistic, but we do avoid the trap of being overly commercial. The bottom line for a company the size of Subaru is to find ways to maintain a balance between the two extremes. Regarding vehicle development, we stay focused on the market by listening to the opinions of customers and dealers while searching for ways to realize a distinctive Subaru experience. I feel that we currently have the right balance.

Subaru got its start in the development and manufacture of aircraft. Indeed, Subaru's DNA extends from FHI's forerunner, Nakajima Aircraft Company. This has fostered a corporate culture based on the creation of automobiles that are not only reliable but safe. More succinctly, we have zero-tolerance for unsafe cars. Even though we are a company that makes automobiles, our background in aircraft production separates us from other automakers. "Safety and reliability" are among our most important strengths, underscored with numerous awards recognizing Subaru's advanced safety capabilities. Another strength centers on the concept of "enjoyment." Subaru has been highly evaluated (or rated) by customers for providing enjoyment in various forms: pleasure of owing Subaru vehicles; having an active lifestyle with Subaru vehicles; fun-to-drive experience; and an unsurpassed level of drivability.

Subaru has set the target of reaching an annual sales volume of one million vehicles within the next 10 years while pursuing a distinctive Subaru experience. What steps is Subaru taking to realize this aim?

In July 2011 when we announced our mid-term management plan "Motion-V," we set the following targets for fiscal 2016: global sales of 900 thousand units (revised to 850 thousand units in May 2012), operating income of ¥120 billion and an annual sales volume of one million units within the next 10 years. Employees throughout the Company reacted exactly as I predicted. Subaru's sales division has responded strongly to the one million unit figure. This sparked a debate over the necessity of making smaller cars to reach the one million vehicle target. Starting my career in sales, I very much understand that point

Our ongoing technological orientation makes Subaru unique.

MID-TERM MANAGEMENT PLAN "MOTION-V" (FY2012-2016)

Vision

Achieving an annual automotive sales volume more than one million units within the next 10 years

In the mid-term management plan

1 Phase to solidify the foundation of the strategic direction for growth

Establishing the global brand position

2 Favorable advancement

Make structural reform in the remained area and strengthen the successful points further

Major Points of Mid-Term Management Plan "Motion-V"

Business Targets

FY2016	FY2012-2016
Consolidated Operating Income **¥120 billion** **(¥80/$, ¥105/€)** Consolidated Operating Margin **6% or more**	Total Consolidated R&D Expense **¥250 billion** Total Consolidated Capital Expenditure **¥330 billion** Total Consolidated Depreciation **¥310 billion**

Overhaul of Cost Structure

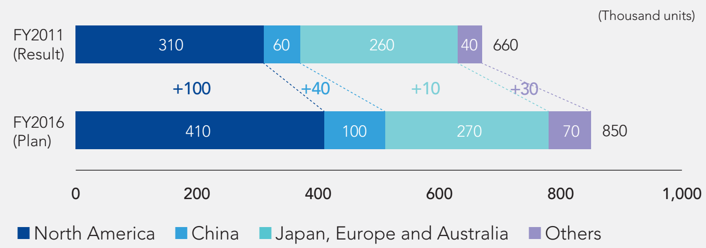
Measures

- Further cost reduction efforts in new vehicle development
- Additional cost reduction for production models
- Additional cost reduction for new engines and transmissions

Target: Additional ¥30 billion cost reduction by FY2016

Increase Sales Globally

Unit sales (non-consolidated basis, including OEM and CKD)



Product Portfolio Plan

	CY2011	CY2012	CY2013	CY2014	CY2015
Main Models	 Impreza	 FMC	 FMC	 FMC	 FMC
New Models	 Subaru XV	 SUBARU BRZ		 New concept	
Minicars	Terminate own production	All lineups on an OEM basis from Daihatsu			
Compact Cars	OEM				
Environmental Friendliness	New boxer engine + CVT equipped on all models				
		Turbo charged direct injection boxer engine			
			Hybrid introduce in Japan at first		
Active Driving Assist System	EyeSight equipped on all models in global markets with upgrade of performance				

of view. Focusing solely on unit sales figures, the sales department places the highest priority on achieving this target. In response, however, I often say that "reaching the target of one million vehicles is not the highest priority."

My focus is inherently on Subaru's profitability. Rather than reaching one million vehicles sold annually yet failing to attain operating income targets, I would prefer to achieve operating income objectives but sell only 800 thousand units. In the case of the latter, if profit increases lead to higher added value, brand image and positive recognition, this situation is acceptable. The reverse is unforgiveable. In terms of our priorities, we give preference to individuality, distinctiveness and market presence. If one million customers rate us highly on those characteristics, we will reach our target of one million vehicles. If customers recognize Subaru's high-added value, I am not concerned if we fall short of our target and only sell 800 thousand units.

Some believe that we need to make smaller models to increase unit sales as well as compact cars in emerging markets to reach the annual sales volume of one million. Such actions will cause cost competition with other automakers and ultimately lead to price wars. Compared with automobile companies with an annual production capacity of six to seven million units, the cost of manufacturing in emerging countries has no competitive advantages for Subaru. I have carefully explained this point repeatedly in an effort to gain the full understanding of employees companywide.

Targets for "Motion-V" were reset in May 2012. When did it become clear that Subaru's mid-term management plan needed revising?

"Motion-V" was announced on July 6, 2011, immediately after I became president on June 24. Typically, Subaru formulates mid-term management plans for a year following the inauguration of a new president. However, I felt it necessary to reveal a new policy as soon as possible. Between the announcement of "Motion-V" and the end of 2011, sales in the United States exceeded expectations. On the other hand, the assumption that the exchange rate would stay at ¥90 to the U.S. dollar is no longer correct. In addition, we have yet to receive a clear answer on the feasibility of engaging in local production in China. Typically, Subaru revises its five-year, mid-term management plans two to three years in. This time, however, it became necessary to reset targets earlier.

I want to emphasize that we have reaffirmed the major goals of "Motion-V," even though we reset some of the targets. The core of the plan, annual sales volume of one million units within 10 years, remains the same. To bolster our production system, we have decided to make the United States our priority market based on favorable sales there. Carefully monitoring the progress of our efforts to introduce local production in China, I do not project a significant amount of profit being generated in the near future as was initially forecasted. As such, higher unit production in the United States is compensating for decreases in China.

The operating income target of ¥120 billion has been maintained. In terms of revising this figure, we can no longer say that the circumstances underpinning this fundamental target are unchangeable. Despite the ¥10 appreciation in the exchange rate with the dollar, we will maintain the operating income target, and this announcement has been positively received by investors. As part of the most recent revision to the plan, we have added such goals as cost reductions of ¥30 billion, enabling us to take on the challenge of achieving the original ¥120 billion target, even at an exchange rate of ¥80 to the U.S. dollar.

Aim to achieve operating income of ¥120 billion, even at an exchange rate of ¥80 to the U.S. dollar.

Subaru's number one measure to counter yen appreciation is to continue producing relatively high-priced automobiles while minimizing incentives.

Are cost reductions the most promising measure to counter yen appreciation?

As a result of the combined efforts of the engineering and production divisions, we have been able to steadily reduce costs. I believe that this is very important. Given the Company's size, however, prevailing against the competition based solely on cost reductions is not a simple matter. Since every other automaker is desperately working to cut costs, attaining a comparative advantage is not easy.

To answer this question, the deciding factor in the case of Subaru was adding value. For example, in the United States, other companies offer per-vehicle incentives totaling around $2,000. In contrast, Subaru has kept this to less than half the cost at $800 to $900. This is important: Subaru's number one measure to counter yen appreciation is to continue producing relatively high-priced automobiles while minimizing incentives. Against this backdrop, Subaru has positioned itself as an automaker that offers differentiated, individual and value-added products. Accordingly, we are currently receiving high praise for this strategic approach both in the United States and Japan.

For instance, Subaru's "EyeSight" Active Driving Assist System has been rated very highly for furthering the concept of "collision-free cars." To be completely honest, other automakers cannot compete with Subaru as long as we are being very competitive in this area. We are introducing "EyeSight" to Subaru models sold in the United States. Although Subaru advertising does not focus on price, Legacy, Outback and Impreza have received very positive customer evaluations in the United States. Avoiding any mention of cash incentives, Subaru's value and the pleasure that is enabled from driving a Subaru have made it the No. 1 brand based on residual price. For customers, Subaru vehicles offer the highest resale value at trade-in following several years of driving enjoyment. For Subaru, the challenge lies in finding ways to maintain these areas of competitive advantage over the long term.

Some say the focus on maintaining strong sales poses risks for Subaru's production system. Please share with us your thoughts on enhancing Subaru's production system and what direction should be taken.

To be certain, insufficient vehicle inventory is a pressing issue. A point of contention remains over what form production enhancements will take and in what order of precedence. We have already announced production capacity increases at the Gunma Main Plant and Subaru of Indiana Automotive, Inc. (SIA). We are committed to capacity enhancements. Without a doubt the most pressing issue we face is how best to quickly realize them.

Nevertheless, although we are confronted with supply capacity-related problems, I would like to see supply remain tight, slightly below demand. The gap between supply and demand is currently too wide. Yet, despite favorable sales, we have no intention of overcompensating by greatly boosting capacity with a sudden, significant investment.

In light of the lack of progress of Subaru's initiatives to establish local production in China, what measures are you promoting in response to emerging markets?

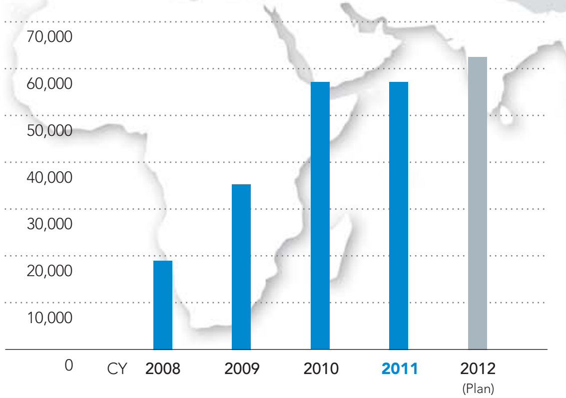
At the present moment, establishing local production in China within the period of the current mid-term management plan seems difficult. As a result, we will extend the export of completed automobiles from Japan. I do not see this as a negative because the Subaru brand image is extremely high in China. When we will ultimately begin local

REINFORCING VALUE CHAIN AND ENHANCING SALES FORCE (CHINA)

Enhancement of Product Appeal	• Introducing and developing products for China market • Enhancing SUV lineup
Production Scheme	• Difficulty in establishing local production in China during the mid-term period
Sales Scheme	• Priority placed on car export scheme • Reinforcing value chain management

China

China Retail Sales

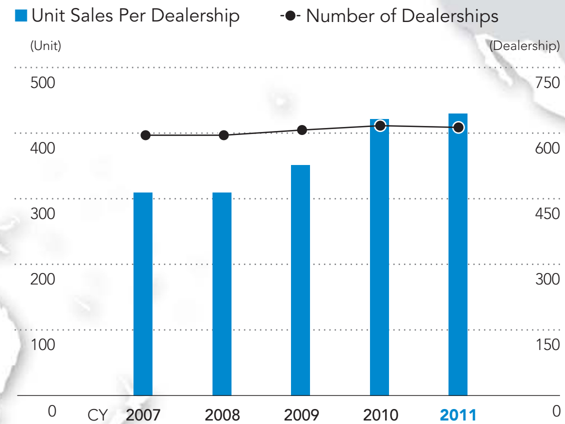


REINFORCING VALUE CHAIN AND ENHANCING SALES FORCE (U.S.A.)

Enhancement of Product Appeal	• Increasing passenger car sales • Enhancing SUV lineup
Production Scheme	• Increasing production capacity at SIA • Starting consideration of production expansion in North America for the future
Sales Scheme	• Upward revision of sales target corresponding to positive sales momentum • Increasing dealership quality

U.S.A.

Number of Dealerships in U.S./Unit Sales Per Dealership



PRODUCTION PLAN

- "Bridge manufacturing" of Impreza models at Gunma Main Plant will start from August 2012
- Local assembly production in Malaysia will start from January 2013

	FY2011	FY2016
Japan	460 thousand units	580 thousand units
Overseas	160 thousand units	210 thousand units
Total	620 thousand units	790 thousand units

PURSUIT OF ALLIANCE SYNERGY WITH TOYOTA MOTOR CORPORATION

Development	
Joint development	Introducing jointly developed model SUBARU BRZ/Toyota 86 and studying future improvement of the product
Technology development	Pursue synergies by participating in development work on next-generation environmental technologies
OEM	
Minicar	Supplied all lineups of minicars on an OEM basis by Daihatsu in the spring of 2012
Compact car	Supplied on an OEM basis by Toyota in Japan and Europe; Study ways to enhance its product competitiveness
Production	
North America	Consignment production of Camry in SIA
Japan	Manufacture of jointly developed model SUBARU BRZ/Toyota 86

production in China remains to be seen, but we are continuing our efforts to achieve this. Outside of the United States, potential locations for a company the size of Subaru to engage in full-scale local production are strictly limited and center on China. Therefore, we have no intention of removing China as an area for undertaking local production.

On the other hand, we are investigating the small-scale feasibility of undertaking local completely knocked down (CKD) production in Malaysia within the current fiscal year. Although we have been extremely cautious about such activities to date, we decided that pursuing CKD production was worth a try since there are no major risks associated with it. Despite the lack of significant profit potential due to the small scope of this investment, I feel that we need to experiment with this type of production. However, if this initiative spreads beyond Malaysia, the manufacturing division may be stretched in terms of personnel. As such, we will first give this venture in Malaysia a try, and when our local production efforts begin to take shape in China, we will redeploy employees to that country.

Please describe the future direction of Subaru's businesses.

On March 30, 2012, we announced our decision to transfer FHI's wind-power generation and sanitation truck businesses. This decision was the result of deliberations over what was best for both businesses as well as what needs to be done to expand them in the years ahead. The efforts made by the Company in both the wind-power generation and sanitation truck businesses are meaningful. In particular, wind-power generation offers technologies indispensable to the current environmental-oriented age. However, Subaru does not have the business resources to spare to expand investment to a level required to grow these businesses.

The same holds true not only for aircraft and industrial products, but automobiles as well. How to make automobiles more responsive to this environmentally conscious age has been called into question. Although it has been said that Subaru's strong point is technology, the Company does not have sufficient resources to develop fuel cells and hybrid vehicles from scratch. For this reason, we need to take full advantage of various business alliances. Jointly developing automobiles has merit for both Subaru and Toyota. As such, we intend to utilize joint development in such areas as environmental technologies. No matter what business we undertake, I believe that we must fully clarify the reasons for Subaru's involvement.

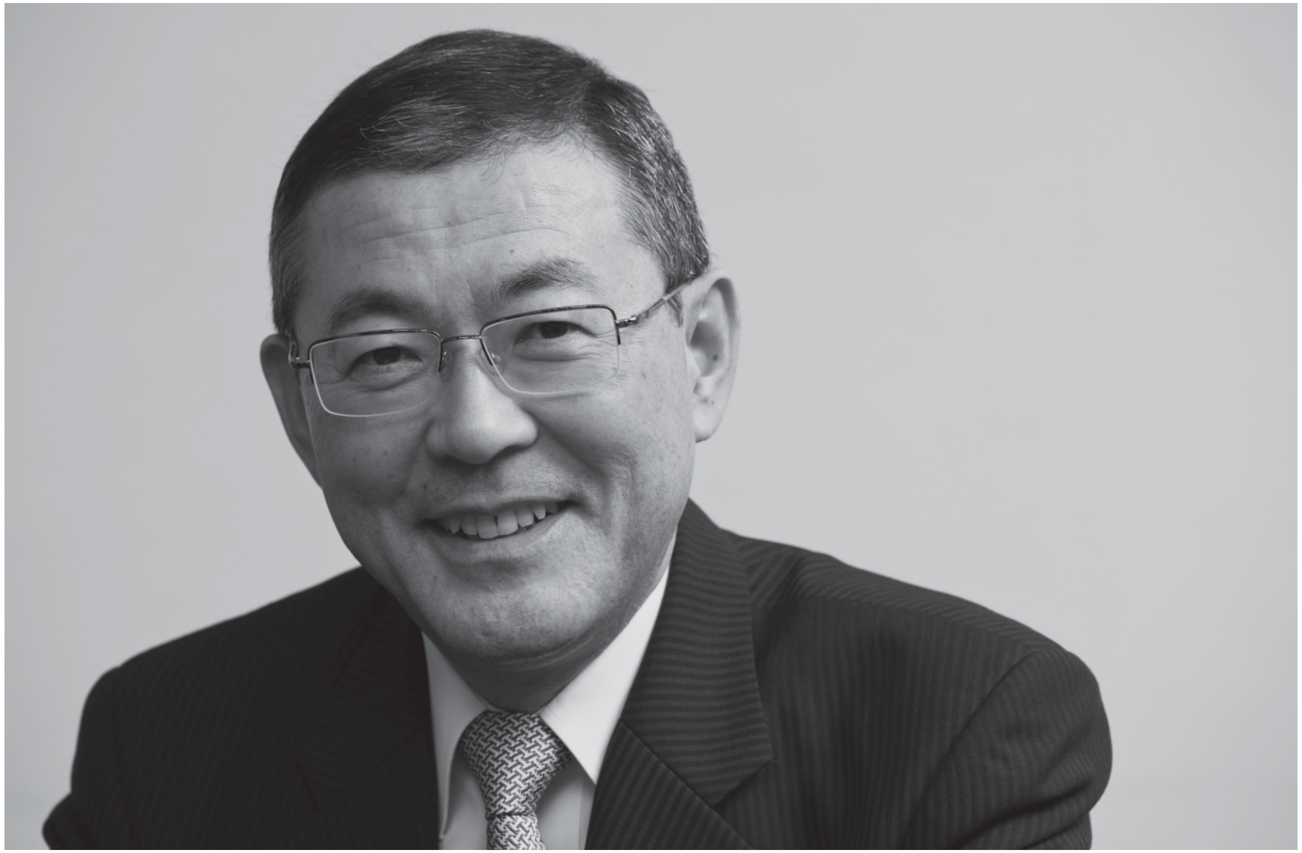
Please share your thoughts on what needs to be done to maintain favorable sales in the years ahead.

To begin, when it comes to considering what areas to specialize in, rather than try to be competent in all technological areas like large automakers, it is important for Subaru to concentrate on its own areas of technological expertise while looking for ways to hone and maintain its competitiveness. In other words, we work to determine which models will realize "enjoyment and peace of mind" values that Subaru offers customers through its brand statement, as well as how to continue offering this kind of value. We base this on the reliable drivability unique to Subaru, which is symbolized by the horizontally-opposed engine and Symmetrical All Wheel Drive (AWD). In addition, while advancing vehicle functionality, we are committed to creating and providing the customer with emotional values such as safety and peace of mind realized by "EyeSight"; and the new level of driving pleasure provided by the SUBARU BRZ. Providing such values will enable us to enjoy sustainable growth.

It is also important to develop a corporate organization that provides a foundation for favorable growth. With this in mind, I believe that a leader is someone who inspires others. Although a top-down approach to motivate people to improve is necessary, it is more important to continuously bring one's own abilities fully to bear to foster employee self-motivation. Accordingly, I have great expectations for Subaru's organizational development as well as its leaders. Fostering the ability to think for one's self will enable a level of individuality that will lead to great results. This, along with pooling our collective strengths, will allow Subaru to reach an even higher stage of growth. This is something I believe from the bottom of my heart. Creating an organization that aims for the same goals while possessing a variety of strengths is ideal.

In conclusion, what message would you like to give to shareholders and investors?

Subaru places the utmost priority on returning profits to shareholders and investors. With this in mind, we seriously engage in business management to create a level of success that provides investors with confidence that their investment in the Company was worthwhile. I look forward to your continued understanding and support in the years ahead.



Yasuyuki Yoshinaga
Representative Director of the Board,
President and CEO


SI-DRIVE
MIRROR

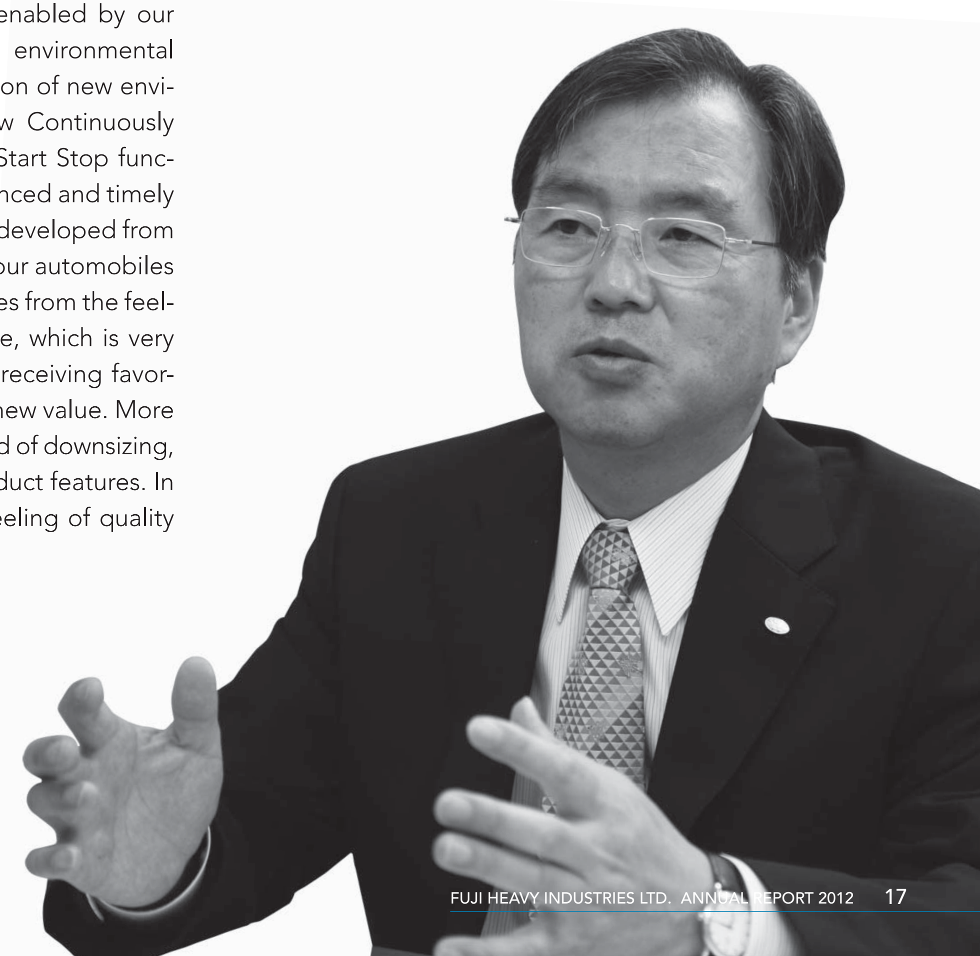
Why do you think such new models as the Impreza and the Subaru XV are enjoying strong sales?

This is thanks to our customers. The new Impreza continues to enjoy strong sales mainly on the back of orders received for 24,000 units in the four months since announcing its release in November 2011. This exceeds our sales target by 2.8 times. In the United States, Impreza has been breaking sales records every month since its release seven months ago (as of June 2012). The product concept of the fourth-generation Impreza is "Redefining value, Redefining class." The reason why Impreza perfectly fits today's global market is because of a distinctively Subaru styling and packaging that fully embody the "Redefining value, Redefining class" concept. This impressive sales record is also due to its enhanced product appeal, which reflects a level of quality that exceeds other vehicles in its class. These features are also rooted in Subaru's consistent philosophy of "Engineering Excellence."

Subaru is currently promoting its brand statement *Confidence in Motion*. In line with this, we aim to build relationships of trust with customers and thereby provide them with "enjoyment and peace of mind," value that resonates deeply with customers on an emotional level. We will realize this aim by offering distinctive Subaru products, which are created on the basis of our "Engineering Excellence" philosophy. "Enjoyment and peace of mind" can be seen in such tangible areas as Subaru's superior safety performance, vehicle stability, handling and packaging. "Enjoyment and peace of mind" is also expressed on an emotional level through the driving pleasure experienced in Subaru automobiles. I believe that owing a Subaru automobile enhances the enjoyment experienced in every aspect of one's life. To realize this type of value, we are ensuring that the product planning, R&D, manufacturing, sales and service divisions all share the same vision. Owing to our efforts to communicate with customers in a manner that is open, honest and reflects this shared vision, we have laid the foundation of favorable sales.

In Japan, although post-disaster reconstruction demand and eco-car tax rebates have driven sales, the key factor in Impreza's strong sales is its size and packaging, which is a perfect fit for the automobile market. In addition, sales benefitted from increased cyclic demand as customers replaced automobiles purchased between 2004 and 2005. Yet another factor is the realization of sporty and highly enjoyable drivability enabled by our new technologies along with superior environmental friendliness made possible by the adoption of new environmentally friendly Boxer engines, new Continuously Variable Transmissions (CVTs) and Auto Start Stop functions. Beyond this, I believe that the advanced and timely "EyeSight" Active Driving Assist System, developed from Subaru's unique technologies, has given our automobiles emotional appeal. This type of value comes from the feeling of safety Subaru automobiles provide, which is very appealing to customers. The Impreza is receiving favorable evaluations as a product that offers new value. More specifically, while being in the current trend of downsizing, the Impreza doesn't offer downsized product features. In other words, it continues to provide a feeling of quality that exceeds other vehicles in its class.

Illuminating Subaru's Future Direction by Creating Products Desired by Customers.



Toshio Masuda
Corporate Vice President
Chief General Manager
Subaru Product & Portfolio Planning Div.

In the United States, Impreza's refreshed styling has been highly appreciated. Moreover, Impreza has received the highest ratings in its class for safety performance, which is symbolic of Subaru's uniform automobile engineering. Impreza also received the highest possible evaluations in overall product categories by various consumer publications, contributing to higher sales. These evaluations are proof of the safety and reliability characteristic of all Subaru models, which are responsive to customer demands while being distinctively Subaru. In addition, all Subaru brand automobiles have gained wider recognition as reliable products. This is reflected in the high ratings received for used car resale value. This, in turn, has led to increased customer satisfaction. As a result, the increasing sales momentum has maintained a virtuous circle that is benefiting all Subaru models.

From a different perspective, the first- and second-generation Impreza display a sports-oriented concept that began with the development of Subaru's first pure sports sedan. Cultivating a high-performance image bolstered by successes in top categories of the World Rally Championship showcases yet another aspect of Subaru's brand value. At the same time, we have a strong desire as a manufacturer to expand customer categories for the new model Impreza and increase sales in global markets. As a result of our considerable research, we made a major decision to equip the new Impreza with a naturally-aspirated engine only. From a marketing perspective, we decided to move away from a strictly sport-oriented performance image featuring a turbo engine, for which we are known in the market. In terms of manufacturing, we chose not to incorporate turbo engines or other high-performance design concepts from the very earliest stages of development. Rather, we were able to utilize our resources as well as investment more efficiently and successfully develop the new Impreza by focusing on the naturally-aspirated engine as a key characteristic of this model. Without a doubt, nothing is more important at the development phase than determining customer needs. As such, we realize that providing environment-friendly automobiles best meets customer needs and has been an important factor in the strong sales we have enjoyed.

Subaru XV

The Subaru XV is a crossover model that was designed based on a passenger vehicle, an area in which Subaru excels. Staying abreast of the growing popularity of compact SUVs, especially in Europe, we emphasized a design that reflects the stylishness of SUVs from the earliest development stages. As a result, we created a vehicle that features a very stylish interior and exterior design. The Subaru XV has enjoyed strong sales precisely because it perfectly suits customer desires for smaller, more efficient vehicles that feature superior environmental friendliness.

In line with the phrase "fulfilling a diverse array of needs," Subaru is able to accurately anticipate changes in consumer preferences. How is Subaru able to accomplish this given the tendency of other companies to simply increase product lineups or produce vehicles that meet short term needs?

Subaru's corporate culture focuses on cultivating an extremely high level of technological excellence that is found nowhere else. At the same time, we are able to use limited business resources to stay ahead of the competition. As a result, we devote our energy to accurately understanding how to deliver quality to customers over the long term within a single package and design.

For example, we work to address changes in the automobile society, including trends towards smaller sizes, new power sources and environment friendly products. Rather than trying to change every feature, Subaru thinks deeply about what types of new automobiles and classes should be released to satisfy demand in particular markets. To this end, we work to accurately determine the direction of Subaru products in each market. Without a doubt, we will not be able to increase sales volume unless we offer products that meet customer needs. Accordingly, we prepare detailed, rational analysis to determine whether committing business resources to a particular new car model is worthwhile or not, as well as what type of return we can expect from our investment.

The key of our success as an automaker with a limited selection of vehicle models is by maximizing the merits found in being open to customers. Subaru is unique in that it emphasizes improvements to its products on a yearly basis. As such, we take advantage of numerous opportunities to communicate with customers. As a result, we gain a considerable amount of information by examining one model at a time. In addition to accurately conveying our engineering perspective to customers, we are constantly examining what changes are necessary as well as what is required to increase our market share based on a gradual understanding of market conditions gained from customers.

Product planning plays a role in precisely translating the direction Subaru must take into products that customers desire. We believe we have been closely communicating with customers in our consistent automobile engineering process. Accordingly, we are very careful to maintain the fundamental aspects of our production planning as we continue to increase product value. We continually and unreservedly ask "why," fully aware of the importance this question holds. With this in mind, we are always thinking about strategies to improve models throughout their lifespan. Therefore, we are constantly asking questions.... *What do customers appreciate? What is lacking? What do we need to add in future models?*

Communication with customers by conveying a strong message strengthens our relationship of trust with them and allows us to engage in precise product development. For instance, we have received top ratings for overall product quality, safety performance and residual value from the media and independent organizations in United States, a very important market for Subaru. This is supported by Subaru's culture of constantly improving products to maintain cutting-edge features and optimal quality by taking advantage of model year adjustments and periodically giving minor facelifts. By achieving successive improvements in standard models over each generation, we are able to come ever closer to meeting customer needs. As a result, we satisfy customers in areas including high residual value. This makes it possible to sell cars with minimal incentives and thereby create a virtuous circle in Subaru's business environment.

Most Subaru models undergo what we refer to as "big minor model changes" around the halfway point of their lifespan. It is important to stress that these "big minor model changes" are indispensable from the standpoint of accurately determining changes in the market and customer needs. We improve our automobiles to reflect the needs of each market as well as customers. In 2012, for example, Subaru equipped the Japanese-model Legacy with a first ever 2.0 liter direct-injection turbo engine. We adopted this engine design to meet customer expectations for higher performance as well as to fulfill our desire to introduce Subaru's unique technologies to rapidly address market trends favoring direct-injection engines and downsizing. This engine was developed by making full use of Subaru's direct-injection and turbo-engine technologies cultivated from the Boxer diesel engines. Teamed with the new CVT, we will further refine this new power unit that features Subaru's distinctive qualities and addresses current environmental needs.

In China, we are currently focusing on the SUV models, Outback and Forester. At the same time, we increased the height of the Legacy and changed partially its exterior design to meet localized demand for higher quality sedan models and boost the Legacy's presence in the highly competitive Chinese market.

These are some examples of how Subaru's product planning works to meet customer needs and respond to changing markets. On this premise, we take steps to effectively bolster communication with customers.

Gunma Main Plant

What are your thoughts on the SUBARU BRZ, which was developed jointly with Toyota Motor Corporation?

In light of the difficulties posed by joint development, we began developing the SUBARU BRZ based on the premise that it should distinctively offer Subaru uniqueness. As an experienced Subaru engineer, I believed the project would be achieved by utilizing Subaru's authentic engineering expertise that developed the Legacy and Impreza. Thanks to our efforts, we are very satisfied with SUBARU BRZ, which is the first two-door sporty model to be released since the "Subaru SVX" 20 years ago. Being in charge of development, I feel a great sense of accomplishment from the SUBARU BRZ, too. Developing the SUBARU BRZ helped to deepen our partnership with Toyota. Beyond this, the project had a great significance in furthering our business strategies since we were able to retool our main plant, which had been primarily used to produce minicars over the past 50 years. In addition to this shift to highly profitable passenger cars, the project was beneficial in terms of ensuring local employment and bolstering supplier business operations. In particular, we were able to achieve a complete switchover of manufacturing lines in just four days. This is proof positive of the manufacturing division's high degree of adaptability. After commencing production, we received far more orders than expected. As a result of our efforts, the pace of the factory floor has become very brisk, resulting in changes from one shift that produced minicars in the past to two shifts that accommodate both the SUBARU BRZ and Toyota 86.

Through joint development, we wanted to leverage this project to dramatically push forward our own abilities. As a manufacturer that specializes in Symmetrical All-Wheel Drive (AWD), we took on the challenge of extending our own technical standards during the development of the font-engine, rear-drive car. Throughout the development of SUBARU BRZ, we sometimes dropped our preconceptions. Consequently, the cooperative efforts of Subaru and Toyota to create a quality product were a major factor in the success of the project. As a Subaru engineer, I believe that these actions made it possible to overcome yet another obstacle in the development of a quality and enticing car.

Please share your thoughts on the future direction of product planning in terms of maintaining a "distinctive Subaru experience."

In our pursuit of rational and straightforward car engineering and manufacturing, we engage in product planning in which we offer best yet cutting-edge products in terms of performance, cost, quality, quantity, sales and service. Against this backdrop, a "distinctive Subaru experience" is created by making full use of Subaru's unique technologies and distinctive features such as the horizontally-opposed boxer engine, our car body engineering and other expertise. Specifically, we will develop technology-oriented products that feature unique engines and hybrid electric products that combine in an unique vehicle package. In addition to incorporating functions intrinsic to automobiles, our product planning focuses on creating features that strike a chord with customers. In other words, we develop "delightful" products that also offer emotional values such as safety and peace of mind.

The horizontally-opposed engine will remain a core expertise for Subaru. Its uniqueness enables a significant boost in power within a single engine design. For turbocharging technology, we have accumulated a level of technology and expertise that has made us a global trendsetter in this technology. In recent years, European automakers have also been promoting products that are responsive to the trend towards environment-friendly engines by developing smaller-size engines as well as the use of direct-injection technology. In line with this trend, Subaru is making vehicles that combine such features as smaller-displacement turbo engines and direct-injection engines with high-efficiency CVT. This design concept is being pursued with the aim of taking maximum advantage of Subaru's unique asset, the horizontally-opposed engine. Featuring an unparalleled design, this compact, low-vibration engine is being installed in our new car body platforms. Combined with the use of direct-injection technology, we are leveraging our technological capabilities to offer vehicles that are more attractive to customers.

Looking ahead, the key focus of product planning will be to expand sales by creating vehicles that meet the needs of major markets; offer lineups that are highly responsive in mature markets; determine how to develop high-volume vehicles; and improve the flexibility of product planning of those models in each market.

We expect the U.S. market will fully recover from the setbacks caused by the 2008 financial collapse as well as remarkable gains of South Korean automakers. Under these circumstances, we take the feedback we receive from this major market very seriously. By monitoring consumer trends in this market and maintaining sales momentum, we will identify key issues related to enhancing production capability and product lineups in line with the sales volume of our mainstay U.S. products from 2014 onward. In Japan, we will expand sales of strategic products in anticipation of increased post-disaster recovery demand and additional demand generated during eco car rebate periods.

In terms of specific future products, we will upgrade product appeals of performance models to enhance Subaru's brand image. At the same time, we will work to develop distinctive automobiles that showcase Subaru's unique advantages in the areas of "intelligent" safety and reliability. EyeSight is one example of this. Looking ahead, while taking steps to differentiate Subaru from the competition, we will enhance easy-to-understand functions to respond to the challenges posed by an aging society, create value that delights customers and optimize features on every Subaru model. We will also examine how to develop products in light of the increasing popularity of hybrid and electric vehicles. Looking beyond "Motion-V," I expect these measures to take shape in the next mid-term management plan.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

CSR Policy

As a corporate entity that carries out *monozukuri* ("manufacturing products") to bring enjoyment to its customers, the FHI Group has revised its CSR policy. The purpose of the revision to the CSR Policy in 2009, which has received the approval of the CSR-related committees, was to clarify the requirements for approaches at the corporate organizational level: (1) CSR centered on upholding the Corporate Code of Conduct and respect of critical items, and (2) aggressive CSR centered on contributing to social issues through business activities as a good corporate citizen.

1. **Based on FHI's Corporate Code of Conduct, we shall respect the law, human rights, international codes of conduct and stakeholder rights as well as uphold standards of moral behavior.**
2. **As a good corporate citizen, the FHI Group shall work toward rectifying the global social problems facing modern society.**

In addition to focusing on relationships with various stakeholders, our CSR activities emphasize the FHI Group's mission, which is to contribute to society's ongoing development through our global business activities.

CSR Activities

We have established eight categories to raise awareness of our CSR activities among all employees as well as help promote CSR in our business operations. In order to steadily meet social demands, we have defined in detail CSR activities undertaken in each category. This allows us to promote CSR with greater clarity.

The 8 CSR Categories of FHI

Customer/Product	Employee
Provide socially useful and safe products and services to earn customers' satisfaction and confidence.	While respecting the diversity, individuality and personality of employees, realize comfort and affluence by securing a safe and pleasant working environment.
Environment	**Compliance**
Since the approach to environmental problems is an issue common to humanity, get ourselves proactively involved as an indispensable need for corporate existence and activities.	Observing laws and keeping morality, be fair, transparent and free in competition and conduct right deals. Also, honor confidentiality by strictly protecting and managing information, including data on individuals and customers.
Information Disclosure	**Social Contribution**
Communicate widely with stockholders and others and disclose positively and fairly corporate information.	Get positively involved in social action programs as a "good corporate citizen."
Procurement	**Corporate Governance**
Conduct appropriate procurements and work on suppliers for CSR promotion.	The top management works to make CSR rooted deep company-wide and at the group companies, and take initiatives to solve issues in case of emergency.

ALL-AROUND SAFETY

As well as naturally striving to ensure that the driver and passengers in a Subaru vehicle enjoy a safe and comfortable ride from a variety of driving scenarios, Subaru aims to improve the overall safety of the mobility society from such perspectives as the surrounding environments and people's safety.

Active Safety: Safe Driving Capabilities

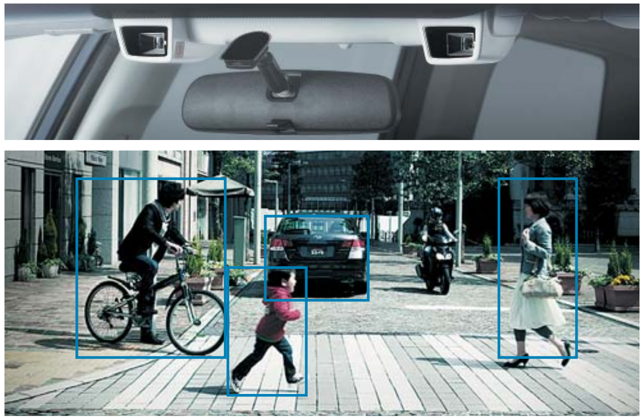
Subaru is improving the drive, turn and stop functions fundamental to automobiles, which in turn leads to the avoidance of hazards. Featuring superior weight balance by lowering the center of gravity of Subaru automobiles, Symmetrical AWD is the Company's core technology that increases pleasurable drivability while enabling safe operation. Owing to the optimal handling it provides in various circumstances, Symmetrical AWD creates leeway that allows drivers to make composed decisions just in time. Such capabilities allow the driver to avoid hazards.

Passive Safety: Collision Safety Capabilities

In the event of a collision, Subaru is continuing to pursue next-generation collision safety performance that will reduce injuries not only to drivers and passengers in Subaru automobiles, but to those in other vehicles and pedestrians as well. Consequently, Subaru automobiles have achieved the world's highest ratings in collision safety performance.

Pre-Crash Safety: Working to Realize a Society without Automobile Accidents

The "Eyesight" Active Driving Assist System was developed with the aim of providing the ultimate level of safety, referred to as "collision-free cars." "Eyesight" (version 2) features such functions as pre-collision braking control that uses automatic brakes to avoid collisions; adaptive cruise control with all-speed-range tracking functions that helps to maintain a safe distance between vehicles; and a creep suspension and control system that guards against sudden acceleration due to driver error. Subaru's "EyeSight" (version 2) has received high ratings and is



An image of EyeSight identifying obstacles in the street now featured on the Legacy, Impreza and Exiga in Japan and the Legacy and Outback in Australia. Subaru is scheduled to release models featuring "EyeSight" (version 2) in North America in the summer of 2012.

The Environment

Environmental Initiatives

FHI regards global environmental matters as one of its most pressing management issues. On that basis, FHI established in 1998 its "Environmental Policy" and formulated the "Operating Criteria for Environmental Conservation" as specific action guidelines. FHI is promoting activities in this area based on a detailed revision of the "Environmental Policy" in 2010.

Environmental Policy

In recognition of the close relationship between the global environment and business activities, we will deliver "Green Products" from "Clean Plants and Offices" through "Green Logistics" and "Clean Dealers" to customers for the sustainable development of society. Also, to say nothing of strictly observing laws and regulations, local agreements and industries' codes, we will get ourselves committed to contribution to society and local communities, voluntary ongoing improvements and prevention of pollution.

The 5th Voluntary Plan for the Environment

FHI has formulated its 5th Voluntary Plan for the Environment (fiscal 2013–fiscal 2017). The plan involves the following areas: (1) Undertake initiatives to counter global warming; (2) Conserve natural resources; (3) Prevent pollution and reduce the use of harmful chemicals; and (4) Engage in environmental management. Through this plan, we set environmental conservation goals that exceed normal standards in accordance with our environmental policy. In addition, the Company establishes targets to make contributions to society through its products. Accordingly, we offer customers greener products based on a system of environmentally clean plants, offices, logistics networks and dealers while engaging in appropriate environmental activities. Such activities include complying with laws, regulations and agreements along with cooperating with the automotive industry. Sharing the Plan as the guidelines of not only FHI, but also the other Group companies, we will positively address environmental issues for their continuous solution.

Main Initiatives

(1) Undertake initiatives to counter global warming	• Steadily meet fuel economy and greenhouse gas standards in every overseas region • Promote activities that reduce CO_2 emissions from overseas manufacturing plants • Improve fuel economy performance by 30%
(2) Conserve natural resources	• Continue efforts to ensure zero emissions from manufacturing plants • Take recyclability into account in new model designs
(3) Prevent pollution and reduce the use of harmful chemicals	• Comply with laws, regulations and agreements, including EU directives • Promote the development of low-noise technologies that offer both improved fuel economy and reduce emissions
(4) Engage in environmental management	• Develop and expand advanced safe driving systems • Expand the use of EyeSight (ver. 2) • Promote integrated ISO 14001 certification, including all affiliated companies • Encourage greening activities that consider biodiversity

Corporate Governance

Basic Approach to Corporate Governance

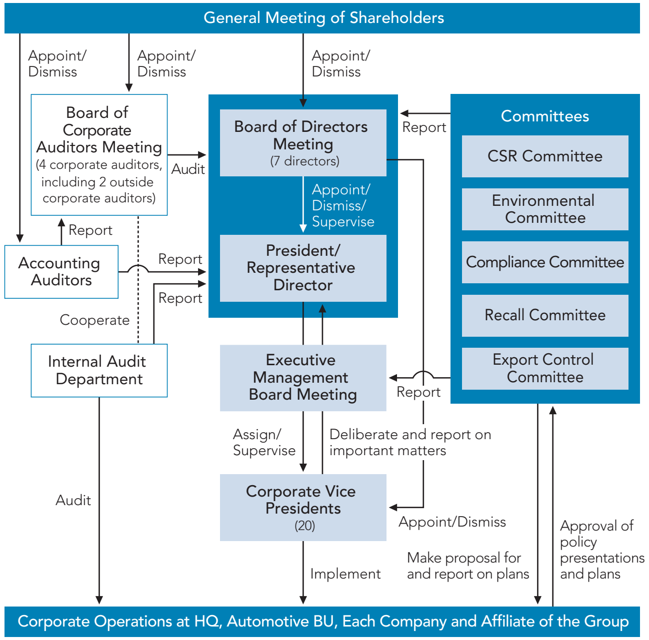
In line with its Corporate Philosophy, FHI views the strengthening of corporate governance as one of management's highest priorities, so that it can measure up to the trust and confidence placed in the Company by all of its shareholders, customers and other stakeholders. FHI is working to clarify the decision making, monitoring and execution functions of the Board of Directors to enhance decision-making speed and improve management efficiency. To that end, the Executive Management Board was established to undertake deliberations regarding Companywide strategies and matters important to business execution. The results of these deliberations are reported to the Board of Directors. In addition to adopting the executive officer system, the Company has positioned the Automobiles division as its core business and has introduced an internal company system—composed of the Aerospace, Industrial Products and Eco Technology divisions—to clarify management responsibilities and accelerate business execution. Management oversight is undertaken based on the monitoring functions of the Board of Directors and audits performed by corporate auditors and the Board of Corporate Auditors. In addition, the Company appoints an outside director and outside corporate auditors in an effort to maintain management objectivity and transparency.

Directors, Corporate Auditors and Outside Executive Officers

FHI has established the Board of Corporate Auditors. The Board of Directors' makes decisions and monitors matters related to important policies, strategies and business execution. Corporate auditors and the Board of Corporate Auditors conduct audits pertaining to how directors perform their duties. Currently, the Board of Directors is comprised of seven directors. This includes a highly independent outside director who has been appointed to further augment the Company's corporate governance. The Board of Corporate Auditors is comprised of four corporate auditors, including two outside corporate auditors, who participate in Board of Directors', Board of Corporate Auditors' and Executive Management Board meetings as well as attend other important company meetings. At the same time, corporate auditors provide appropriate advice and direction from a wide-ranging perspective while conducting audits through hearings held by business sites, subsidiaries and the Internal Audit Department.

The Company has appointed the outside director, Toshio Arima, who possesses considerable experience as an executive and has a high degree of expertise in the area of CSR. Mr. Arima offers sound advice to and ensures independent monitoring of the Board of Directors and other bodies. The Company has appointed the outside corporate auditor, Nobushige Imai, who is fully qualified for this position owing to his management experience and wealth of knowledge as an executive in the financial industry, and his credentials and abilities to undertake audits in an objective manner. In addition, FHI appointed outside corporate auditor, Takatoshi Yamamoto, who is fully qualified for this position owing to his wealth of knowledge of corporate activities as a securities analyst and his corporate management experience as an executive in the manufacturing industry. In light of their backgrounds and with no possibility of a conflict of interest arising with regular shareholders, Mr. Arima and Mr. Yamamoto have been appointed as independent directors under Tokyo Stock Exchange (TSE) regulations.

Corporate Governance System



Overview of Compensation for Directors and Corporate Auditors

Regarding executive compensation, the total amount of compensation paid to directors and corporate auditors in one year is limited to ¥600 million and ¥100 million, respectively. These amounts were approved at the Ordinary General Meeting of Shareholders in June 2006. Approved by the Board of Directors, this compensation, which is the basic amount paid to directors, is divided into a fixed amount (the specific amount is decided upon in consideration of the business environment and other factors based on position) and a performance-based amount (the specific amount decided upon in consideration of the business environment and other factors based on consolidated ordinary income for the fiscal year under review).

In fiscal 2012, compensation for directors and corporate auditors was as follows:

Millions of yen

Classification	Number	Basic compensation		Total
		Fixed amount	Performance-based amount	
Directors (Excluding outside directors)	8	255	73	328
Corporate auditors (Excluding outside corporate auditors)	2	51	—	51
Outside executive officers	3	42	—	42
Total	13	348	73	421

Note: This table includes directors who retired at the conclusion of the Ordinary General Meeting of Shareholders, held in June 2011. As of March 31, 2012, the Company maintains seven directors (including one outside director) and four corporate auditors (including two outside corporate auditors).

Risk Management

FHI takes steps to maintain business operations during emergencies by fully comprehending and taking optimal measures to deal with risk. Based on its compliance systems, FHI strengthens its risk management by formulating regulations and guidelines as well as through the coordination of each division and company.

FHI's headquarters cooperates with each FHI division and company to manage Companywide business risk. These actions are carried out under the supervision of the Management Planning Department, which is responsible for maintaining management functions across business operations.

Many types of risk can seriously affect FHI's management. In addition, such risks may lead to emergency situations that cannot be addressed through regular decision-making channels. Such risks are categorized into natural disasters, accidents, internal and external human factors, social factors, and compliance. The Company has prepared a manual for responding to these types of emergencies. FHI works to address risks through measures that include establishing optimal communication channels to provide information after risks are detected as well as an emergency response headquarters.

Moreover, the Company formulates a Business Continuity Plan (BCP) to maintain or restore business operations as rapidly and completely as possible. In emergency situations, FHI makes concerted efforts to minimize the negative impact on its services, market share and corporate value. In the event that business resources are affected during an emergency, the Company works to minimize disruptions to priority businesses by making maximum use of available resources in order to restore operations as quickly as possible.

Compliance

A Compliance Committee has been established in accordance with compliance regulations to promote corporate compliance Companywide. The Compliance Committee conducts deliberations and discussions, makes decisions and exchanges information regarding key compliance issues. In addition, each department devises a yearly compliance implementation plan to enhance corporate compliance while independently promoting continuous and systematic implementation activities. FHI takes steps to prevent illegal activity by implementing Groupwide compliance training and establishing a Compliance Hotline system.

MANAGEMENT (As of June 22, 2012)

Representative Director of the Board, President and CEO

1. YASUYUKI YOSHINAGA

Representative Director of the Board, Deputy President

2. JUN KONDO

Directors of the Board, Executive Vice Presidents

3. AKIRA MABUCHI

4. NAOTO MUTO

5. TOMOHIKO IKEDA

6. MITSURU TAKAHASHI (CFO)

Outside Director of the Board

7. TOSHIO ARIMA [1]

Executive Vice Presidents

SHUZO HAIMOTO

MITSURU TAKADA

HISASHI NAGANO

Senior Vice Presidents

TAMAKI KAMOGAWA

TAKESHI TACHIMORI

MASAHIRO KASAI

HIDETOSHI KOBAYASHI

YOSHIO HIRAKAWA

Vice Presidents

YASUO UENO

TATSUHIKO MUKAWA

YASUO KOSAKAI

TSUYOSHI NAKAI

YASUNOBU NOGAI

MASASHI TAKAHASHI

MASAMI IIDA

TOMOMI NAKAMURA

TOSHIO MASUDA

KAZUO HOSOYA

MASAKI OKAWARA

SATOSHI MAEDA

Standing Corporate Auditors

SHUNSUKE TAKAGI

HIROYUKI OIKAWA

NOBUSHIGE IMAI [2]

Corporate Auditor

TAKATOSHI YAMAMOTO [3]

1. Toshio Arima has been appointed as an outside director in accordance with Japanese Corporate Law (the "Law") and an independent director under Tokyo Stock Exchange (TSE) regulations.
2. Nobushige Imai has been appointed as an outside corporate auditor in accordance with the Law.
3. Takatoshi Yamamoto has been appointed as an outside corporate auditor in accordance with the Law and an independent director under TSE regulations.

CONSOLIDATED TEN-YEAR FINANCIAL SUMMARY

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

										Millions of yen	Thousands of U.S. dollars [1]
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2012
For the Year:											
Net sales	¥1,372,337	¥1,439,451	¥1,446,491	¥1,476,368	¥1,494,817	¥1,572,346	¥1,445,790	¥1,428,690	¥1,580,563	¥1,517,105	$18,469,747
Cost of sales	1,011,582	1,085,716	1,107,718	1,125,293	1,142,674	1,217,662	1,164,564	1,152,763	1,241,427	1,222,419	14,882,140
Gross profit	360,755	353,735	338,773	351,075	352,143	354,684	281,226	275,927	339,136	294,686	3,587,607
Selling, general and administrative expenses	293,234	303,411	296,756	292,736	304,237	309,004	287,029	248,577	255,001	250,727	3,052,435
Operating income (loss)	67,521	50,324	42,017	58,339	47,906	45,680	(5,803)	27,350	84,135	43,959	535,172
Income (loss) before income taxes and minority interests	46,970	56,266	21,066	28,674	45,589	31,906	(21,517)	(443)	63,214	52,879	643,767
Net income (loss)	33,484	38,649	18,238	15,611	31,899	18,481	(69,933)	(16,450)	50,326	38,453	468,140
Comprehensive income	—	—	—	—	—	—	—	(13,416)	34,900	44,474	541,441
At Year-End:											
Net assets [2]	¥ 414,614	¥ 457,027	¥ 474,616	¥ 467,786	¥ 495,703	¥ 494,423	¥ 394,719	¥ 381,893	¥ 413,963	¥ 451,607	$ 5,498,016
Shareholders' equity	411,252	453,708	471,149	465,522	494,004	493,397	393,946	380,587	412,661	450,302	5,482,128
Total assets	1,344,072	1,349,727	1,357,459	1,348,400	1,316,041	1,296,388	1,165,431	1,231,367	1,188,324	1,352,532	16,466,180
Ratio of shareholder's equity to total assets (%)	30.6%	33.6%	34.7%	34.5%	37.5%	38.1%	33.8%	30.9%	34.7%	33.3%	
Per Share (in yen and U.S. dollars):											
Net income or net loss:											
Basic	¥44.84	¥50.62	¥23.27	¥20.66	¥44.46	¥25.73	¥(91.97)	¥(21.11)	¥64.56	¥49.27	$0.60
Diluted	42.91	49.66	23.27	20.66	44.44	25.73	—	—	—	—	—
Net assets	553.90	582.60	604.51	649.41	687.81	687.02	505.59	488.58	528.88	576.97	7.02
Other Information:											
Depreciation/amortization expenses	¥ 67,896	¥ 71,112	¥ 71,010	¥ 80,073	¥ 81,454	¥ 87,164	¥ 74,036	¥ 65,785	¥ 56,062	¥ 58,611	$ 713,550
Capital expenditures (addition to fixed assets)	119,423	128,026	147,759	119,289	126,329	118,869	95,153	89,077	67,378	67,035	816,107
R&D expenses	60,110	57,541	52,962	46,893	50,709	52,020	42,831	37,175	42,907	48,115	585,768
Number of shares issued (thousands of shares) [3]	746,521	782,865	782,865	782,865	782,865	782,865	782,865	782,865	782,865	782,865	
Number of shareholders [3]	35,584	34,704	34,558	46,367	42,920	44,484	40,839	39,223	34,240	33,139	
Number of employees [3]:											
Parent only	13,064	12,928	12,703	11,998	11,752	11,909	12,137	12,483	12,429	12,359	
Consolidated	27,478	27,296	26,989	26,115	25,598	26,404	27,659	27,586	27,296	27,123	

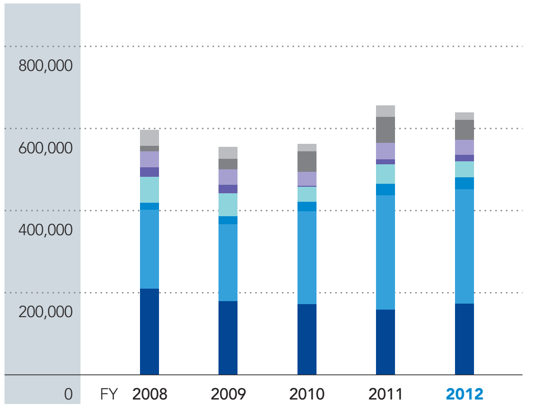
1. U.S. dollar figures have been translated from yen, for convenience only, at the rate of ¥82.14 to US$1.00, the approximate rate of exchange at March 31, 2012.
2. Prior year amounts have been reclassified to conform to the current year presentation.
3. As of March 31

FIVE-YEAR AUTOMOBILE SALES

Years ended March 31

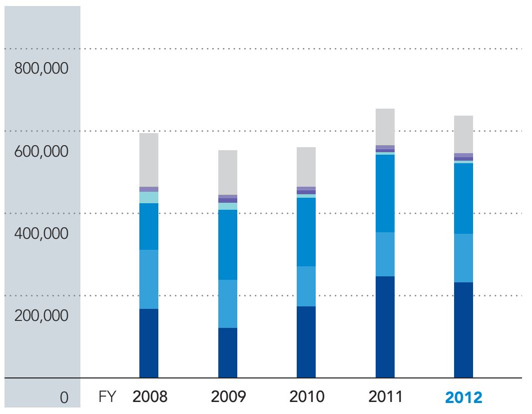
Consolidated Automobile Sales by Region

(Number of units)



Consolidated Automobile Sales by Model

(Number of units)



Consolidated Automobile Sales

Number of units

	2008	2009	2010	2011	2012
Domestic Units:					
Legacy	31,079	20,415	28,862	22,673	22,812
Impreza	29,678	19,733	21,721	20,184	29,122
Forester	16,863	16,424	11,879	12,685	13,803
Exiga	—	11,126	10,789	7,859	8,020
BRZ	—	—	—	—	249
OEM	—	2,034	1,523	4,430	5,844
Others	435	363	323	303	303
Subtotal	78,055	70,095	75,097	68,134	80,153
Minicars	130,635	108,694	96,175	89,971	92,189
Domestic Total	208,690	178,789	171,272	158,105	172,342
Overseas Units by Region:					
United States	192,760	188,240	227,028	278,959	280,356
Canada	17,587	18,873	22,828	28,059	28,239
Europe	63,373	56,764	37,340	48,244	39,075
Russia	22,622	20,711	1,563	11,320	15,860
Australia	40,210	36,716	34,992	41,150	36,928
China	12,621	26,184	48,938	62,412	48,323
Others	38,802	29,056	18,876	28,715	18,739
Subtotal	387,975	376,544	391,565	498,859	467,520
Overseas Units by Model:					
Legacy	137,829	102,106	146,099	225,388	210,194
Impreza	113,777	97,472	74,998	87,066	90,149
Forester	96,839	153,289	156,288	176,453	157,833
Tribeca	27,327	17,658	7,564	5,643	5,702
BRZ	—	—	—	—	38
OEM	11,624	5,580	5,994	3,865	3,372
Others	579	439	622	444	232
Subtotal	387,975	376,544	391,565	498,859	467,520
Total	596,665	555,333	562,837	656,964	639,862

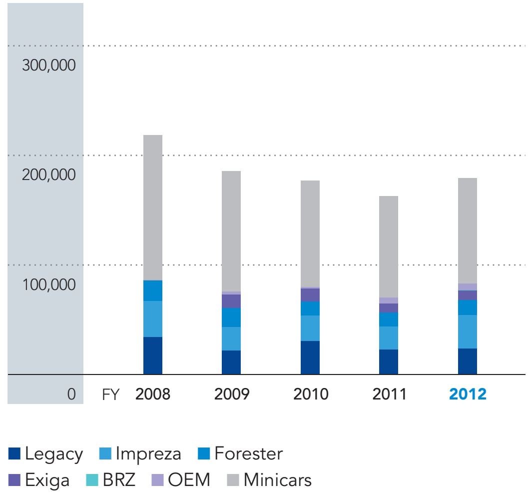
Non-Consolidated Automobile Sales

Number of units

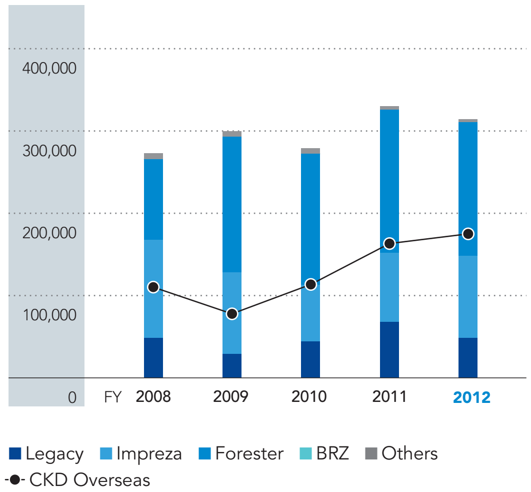
	2008	2009	2010	2011	2012
Domestic Units:					
Legacy	34,634	22,059	30,927	23,212	23,968
Impreza	32,873	21,935	23,316	20,859	30,566
Forester	18,740	16,954	12,542	13,160	13,990
Exiga	—	12,787	11,893	8,150	8,477
BRZ	—	—	—	—	585
OEM	—	2,651	1,575	5,313	5,993
Subtotal	86,247	76,386	80,253	70,694	83,579
Minicars	132,872	110,043	97,230	92,752	96,457
Domestic Total	219,119	186,429	177,483	163,446	180,036
Export Units:					
Legacy	48,568	28,787	43,937	67,926	48,304
Impreza	119,000	99,688	69,386	83,921	100,350
Forester	98,602	164,960	159,463	174,541	162,199
BRZ	—	—	—	—	211
Others	7,533	6,978	6,934	4,309	3,935
Export total	273,703	300,413	279,720	330,697	314,999
U.S. Retail Sales [1]:					
Legacy	78,428	66,878	86,330	131,873	146,806
Impreza	46,329	49,098	46,611	44,395	41,196
Forester	44,534	60,748	77,781	85,080	76,196
Tribeca	16,790	10,975	5,930	2,472	2,791
Baja	1,127	—	—	—	—
Total	187,208	187,699	216,652	263,820	266,989
CKD [2] Overseas	110,363	77,871	113,605	163,469	175,256
(SIA Portion)	110,363	77,871	113,605	163,469	175,256
SIA Production Units [3]					
Legacy	84,960	73,473	100,149	159,215	164,968
Tribeca	24,218	18,108	4,197	5,558	5,661

1. U.S. Retail Sales are the aggregate figures for the calendar year from January through December.
2. Completely Knocked Down
3. SIA Production Units are the aggregate figures for the calendar year from January through December until 2009.

Non-Consolidated Domestic Automobile Sales by Model
(Number of units)



Non-Consolidated Automobile Export Units by Model
(Number of units)



The Fuji Heavy Industries Ltd. Group

The Fuji Heavy Industries Ltd. ("FHI") Group is engaged in production and sales activities across a wide range of business sectors. These activities are conducted under four business divisions: Automobiles (the Group's core operating domain, which accounts for over 90% of consolidated net sales), Aerospace, Industrial Products and Other.

On a consolidated settlement of accounts basis, FHI and 70 subsidiaries (a year-on-year decrease of one) as well as 9 equity-method affiliated companies (no change year-on-year) were included in the scope of the FHI Group's consolidation as of March 31, 2012, the end of fiscal 2012 ("the fiscal year under review").

Overview

Business Environment

During the first half of fiscal 2012, the economic circumstances surrounding the FHI Group deteriorated due to the impact of the Great East Japan Earthquake and the persistently strong yen. However, corporate production activities rebounded in the second half thanks to the resolution of post-disaster electric power and parts supply shortages. In addition, such factors as an upswing in consumer spending led to a gradual economic recovery.

Under these conditions, the FHI Group established the target of selling over one million units per year within the next decade for the Group's core automobile division "Subaru." In addition, the Group announced its new five-year mid-term management plan "Motion-V (Five)" (fiscal 2012–fiscal 2016) in July 2011. Currently underway, "Motion-V" serves as the basis for achieving this sales target.

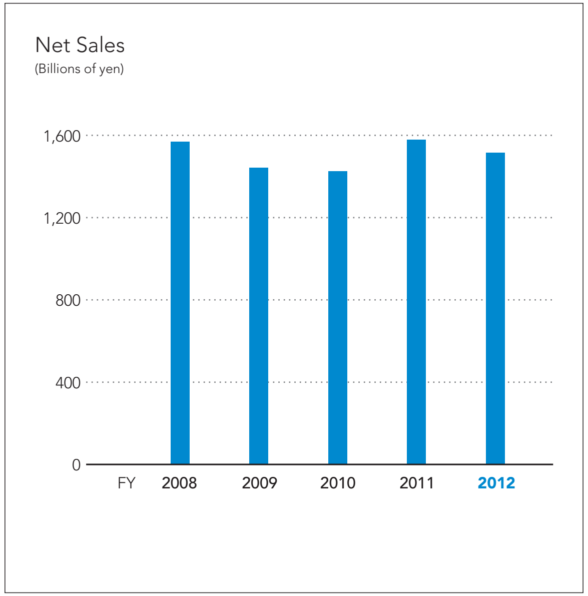
In fiscal 2012 (the first year of "Motion-V"), the Group launched the new model Impreza and the new model sports car SUBARU BRZ. The SUBARU BRZ was developed jointly with Toyota Motor Corporation. Both of these strategic brands have received extremely high customer ratings and reflect the Group's ability to produce results.

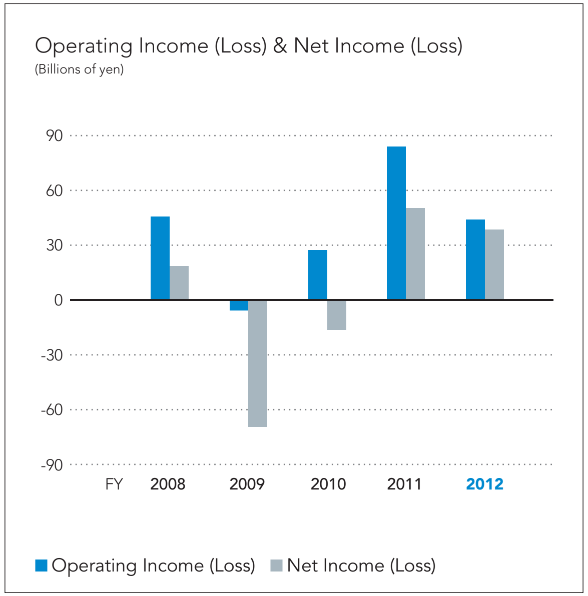
Moreover, despite a significant drop in unit production in the first half of fiscal 2012 due to post-disaster parts supply shortages, the Group made a unified effort to increase production in order to achieve higher sales after fully restoring automobile production in October 2011.

Performance Review

Turning to Group performance in fiscal 2012, in light of the above factors, the post-disaster decrease in production and continual yen appreciation during the first half led to lower year-on-year net sales and income. Nevertheless, the Group noticeably surpassed full-year targets set at the beginning of the period under review. This was due mainly to the restoration of production and higher sales volume in the second half as well as efforts to reduce SG&A and other expenses. Underpinned by the "Motion-V" mid-term management plan, these successes reflected concerted efforts to "provide distinctive Subaru experience," "accelerate sales expansion" and "solidify operational foundation." Consolidated performance during the fiscal year under review was as follows.

Net sales amounted to ¥1,517.1 billion, down ¥63.5 billion, or 4.0%, compared with the fiscal year ended March 31, 2011. This result was largely attributable to a major post-disaster decrease in sales in the Automobiles division during the first half of fiscal 2012 and the ongoing strength of the yen.





From a profit perspective, the FHI Group reported an operating income of ¥44.0 billion, representing a decline of ¥40.2 billion, or 47.8%, compared with the previous fiscal year. Despite the positive impact of lower SG&A and other expenses, this decrease mainly reflected higher yen rates and R&D expenses.

Net income totaled ¥38.5 billion, a decrease of ¥11.9 billion, or 23.6%, compared with the fiscal year ended March 31, 2011, despite gaining ¥26.1 billion in extraordinary income from the sale of FHI's head office building. This decline was due to the recording of a ¥7.3 billion loss on disaster following the Great East Japan Earthquake and ¥4.2 billion in losses from the transfer of certain business operations.

Cost of Sales, Expenses and Operating Income

Operating Income

Operating income, as mentioned above, fell ¥40.2 billion year on year to ¥44.0 billion in spite of such positive factors as sales volume and mix totaling ¥1.2 billion (mainly on the back of increased unit sales in Japan and North America) and an ¥8.0 billion reduction in SG&A and other expenses. This decrease was primarily due to a ¥42.0 billion loss from foreign currency exchange rate differences caused by the strong yen and a ¥5.2 billion yen increase in R&D expenses related to new model vehicle development and environment-friendly technologies. Consequently, the operating margin decreased from 5.3% year on year to 2.9%.

Income before Income Taxes and Minority Interests, and Net Income

Income before income taxes and minority interests declined ¥10.3 billion, or 16.3%, compared with the previous fiscal year to ¥52.9 billion, despite the above-mentioned extraordinary income recorded mainly from the sale of FHI's head office building. In addition to a fall in operating income, this decrease was largely caused by the recording of a loss on valuation of derivatives (reflecting the influence of currency exchange rates), loss on disaster (including fixed costs incurred when operations were suspended in the aftermath of the Great East Japan Earthquake) and provision for loss on transfer of business following the transfer of FHI's sanitation truck and wind-power generation businesses.

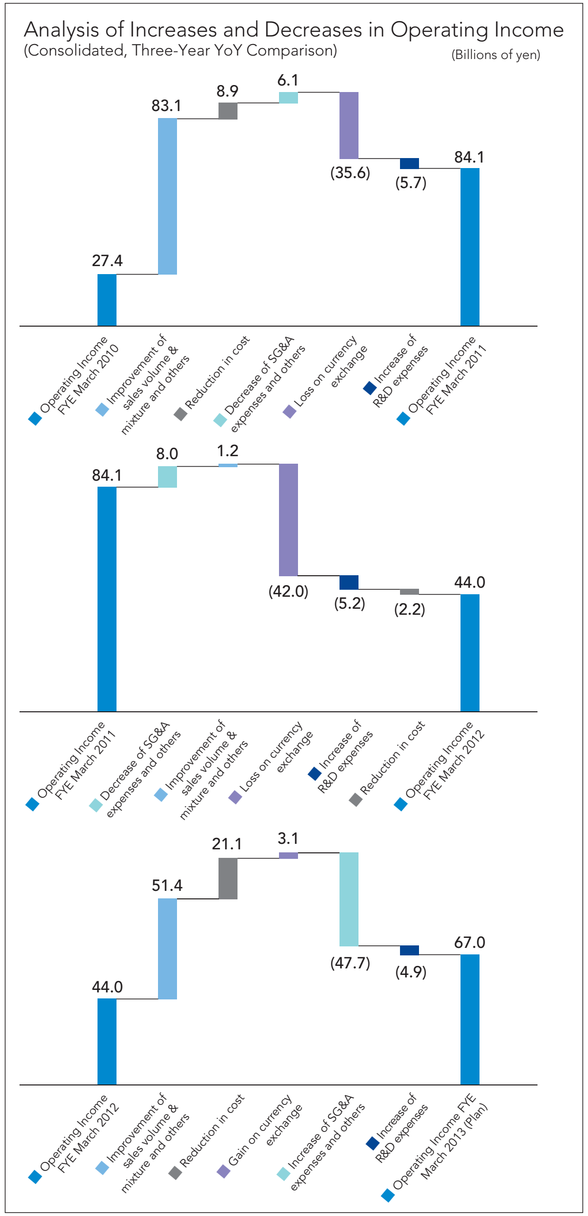
Net income for the fiscal period under review, amounted to ¥38.5 billion, a ¥11.9 billion, or 23.6%, decrease compared with the previous fiscal year.

Segment Information

Automobiles Division

In the fiscal year under review, sales volume for completed vehicles stood at 640 thousand units, down 17 thousand units, or 2.6%, year on year due mainly to a drop in unit production following the Great East Japan Earthquake. This decrease occurred despite favorable sales of the new model Impreza following its release in Japan and North America.

In Japan, production and sales volume during the first half of fiscal 2012 fell drastically in the aftermath of last year's disaster. During the second half, however, FHI recorded favorable sales of the new model Impreza—



equipped with the New Generation Boxer Engine and a new Lineartronic-CVT (Continuously Variable Transmission)—exceeding sales from the previous fiscal year. We also recorded higher year-on-year sales of the Sambar, which were driven by last-minute demand ahead of the discontinuation of this model in February 2012. In addition to these positive factors, unit sales in the second half were buoyed by the government's eco-car subsidy program.

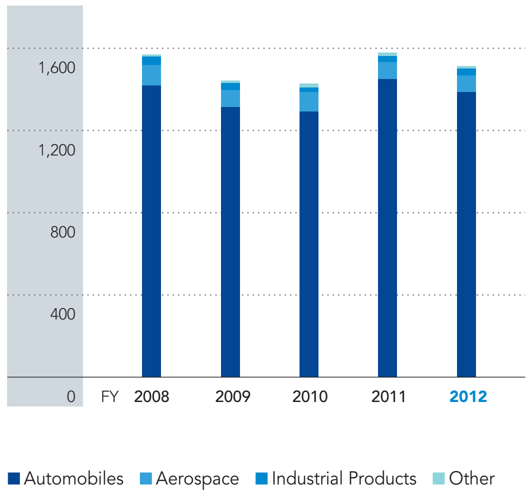
As a result, full-year sales volume for Subaru passenger cars in Japan rose 12 thousand units, or 17.6%, year on year to 80 thousand units, while minicar sales volume increased 2 thousand units, or 2.5%, to 92 thousand units. Accordingly, domestic sales volume improved 14 thousand units, or 9.0%, to 172 thousand units compared with the previous fiscal year.

Overseas, unit sales of the new model Impreza increased, particularly in North America, following a restoration of production in the second half of fiscal 2012. However, year-on-year sales volume fell in Europe, Australia and China due primarily to a major disaster-related decline in the number of automobiles produced in the first half. As a result, overseas sales volume decreased 31 thousand units, or 6.3%, to 468 thousand units compared with the previous fiscal year.

By region, units sold in North America increased 2 thousand units, or 0.5%, for a record high 309 thousand units. This is owing to continued strong sales of the new model Impreza as well as the Legacy and Outback. In China, sales volume fell 14 thousand units, or 22.6%, to 48 thousand units year on year due to a decline in the number of automobiles produced. In Europe and Russia, sales volume decreased 5 thousand units, or 7.8%, year on year to 55 thousand units. Year-on-year unit sales in Australia fell 4 thousand units, or 10.3%, to 37 thousand units, while sales volume in other regions were down 10 thousand units, or 34.7%, to 19 thousand units.

Consequently, net sales in the Automobiles division decreased ¥63.1 billion, or 4.3%, to ¥1,389.1 billion compared with the previous fiscal year, despite the positive impact of higher year-on-year sales in Japan and North America. This result is attributable to lower worldwide sales, reflecting the delayed restoration of production following the disaster and the yen's appreciation in foreign currency exchange markets. Segment income in the fiscal year ended March 31, 2012 declined ¥41.0 billion, or 51.0%, year on year to ¥39.4 billion primarily due to the strong yen.

Net Sales by Division (Excluding intersegment sales)
(Billions of yen)



Net Sales by Division (Excluding intersegment sales) Billions of yen

	2008	2009	2010	2011	2012
Automobiles	¥1,421.2	¥1,316.3	¥1,294.5	¥1,452.2	¥1,389.1
Aerospace	99.7	80.9	93.2	82.8	80.3
Industrial Products	40.7	34.9	23.9	30.1	33.6
Other	10.8	13.7	17.1	15.5	14.2
Total	¥1,572.3	¥1,445.8	¥1,428.7	¥1,580.6	¥1,517.1

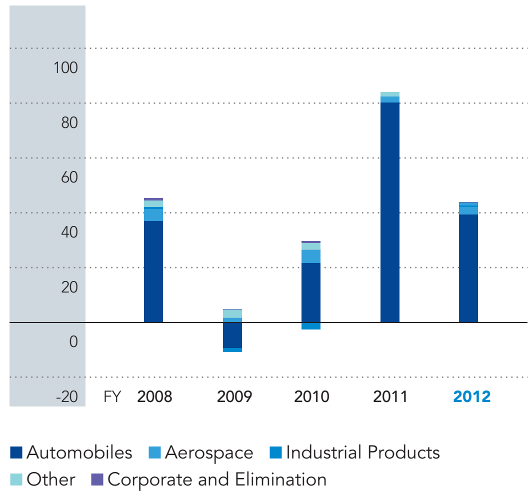
Aerospace Division

Net sales of products to the Ministry of Defense—centered on Unmanned Reconnaissance Systems, the multipurpose helicopter UH-1J, and the fighter plane F-2—declined compared with the previous fiscal year.

On the other hand, net sales in the commercial sector rose over the previous fiscal year thanks to an upswing in sales of the Boeing 777. This increase occurred despite higher year-on-year yen exchange rates.

Based on these factors, net sales in the Aerospace

Segment Income (Loss) by Division
(Billions of yen)



Segment Income (Loss) by Division Billions of yen

	2008	2009	2010	2011	2012
Automobiles	¥37.1	¥(9.2)	¥21.7	¥80.4	¥39.4
Aerospace	4.4	1.6	4.8	2.3	2.9
Industrial Products	0.7	(1.6)	(2.4)	(0.1)	0.5
Other	2.5	3.1	2.6	1.5	1.0
Corporate and Elimination	0.9	0.3	0.7	0.1	0.2
Total	¥45.7	¥(5.8)	¥27.4	¥84.1	¥44.0

division decreased ¥2.6 billion, or 3.1%, compared with the previous fiscal year to ¥80.3 billion. In contrast, segment income increased ¥0.6 billion, or 27.7%, year on year to ¥2.9 billion.

Industrial Products Division

Despite stagnant engine sales in North America and the stronger yen, sales in Japan surged, particularly for power generators used in disaster-related reconstruction. In addition, engine sales in Southeast Asia were favorable.

As a result, net sales in the Industrial Products division increased ¥3.6 billion, or 11.8%, compared with the previous fiscal year to ¥33.6 billion. Segment income rose ¥0.6 billion year on year to ¥0.5 billion.

Other Division

A rise in unit sales of the sanitation truck Fuji Mighty was offset by a decline in deliveries of large-scale wind-power generation systems. As a result, net sales fell ¥1.3 billion, or 8.5%, compared with the previous fiscal year to ¥14.2 billion, and segment income decreased ¥0.4 billion, or 29.7%, year on year to ¥1.0 billion.

Liquidity and Financing

Financial Position

Total assets as of March 31, 2012 stood at ¥1,352.5 billion, an increase of ¥164.2 billion compared with the previous fiscal year-end.

Of this total, current assets stood at ¥762.5 billion, up ¥152.2 billion compared with March 31, 2011. This result was primarily due to a rise in cash and cash equivalents (reflecting assistance received from subsidiaries after the disaster and the sale of FHI's head office building) and increases in inventories and notes and accounts receivable—trade, both of which are consistent with higher unit production in the second half of fiscal 2012.

Total property, plant and equipment rose ¥12.0 billion year on year to ¥590.0 billion. This result was mainly attributable to an increase in investment securities and other items.

Total liabilities were up ¥126.6 billion year on year, to ¥900.9 billion, despite the partial redemption of corporate bonds. The main factors for this was a rise in notes and accounts payable—trade, consistent with the growth in unit production, and higher long term debt.

Interest-bearing debt amounted to ¥341.0 billion as of March 31, 2012, up ¥10.4 billion compared with the end of the previous fiscal year. This reflected an increase in loans that exceeded the amount of bonds redeemed during fiscal 2012. The debt/equity ratio improved 0.04 of a point since March 31, 2011 to 0.76 due primarily to a rise in shareholders' equity.

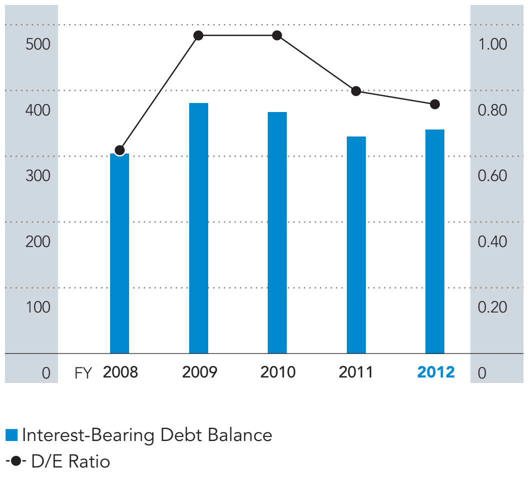
Net assets totaled ¥451.6 billion, up ¥37.6 billion compared with the end of the previous fiscal year. This was primarily due to an increase in retained earnings of ¥31.6 billion, reflecting the recording of net income in fiscal 2012. As a result, net assets per share as of the end of the fiscal year under review totaled ¥576.97, up ¥48.09 from ¥528.88 as of the year prior.

Cash Flows

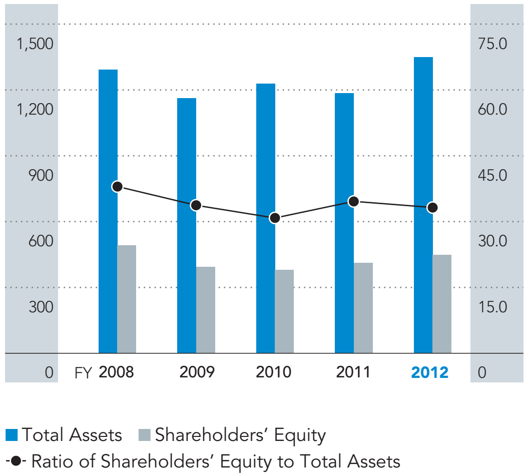
In the fiscal year under review, net cash provided by operating activities was ¥54.9 billion compared with ¥138.2 billion in the previous fiscal year. This result was mainly due to rises in inventories and notes and accounts receivable—trade following a rebound in production and sales in the second half of fiscal 2012 coupled with a decrease in operating income level.

Net cash used in investing activities was ¥26.6 billion in fiscal 2012 compared with ¥51.1 billion used in the previous fiscal year. This decline was primarily due to the sale of the FHI's head office building.

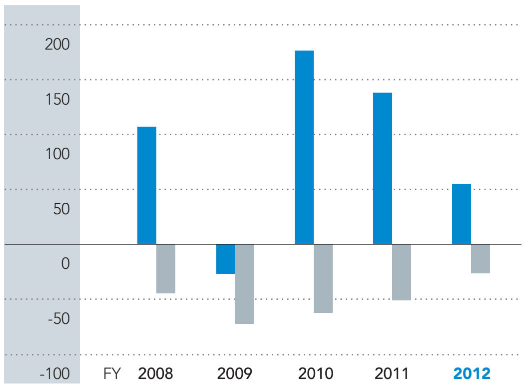
Interest-Bearing Debt Balance & D/E Ratio
(Billions of yen)



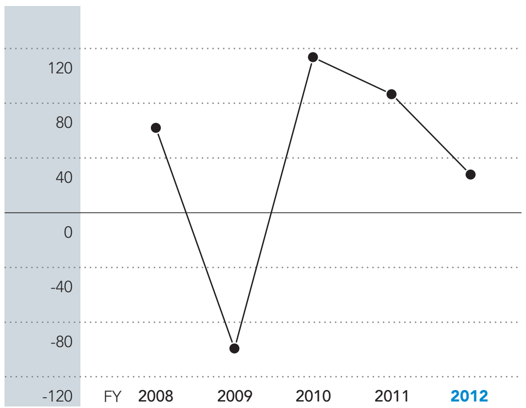
Total Assets, Shareholders' Equity & Ratio of Shareholders' Equity to Total Assets
(Billions of yen, %)



Cash Flows from Operating Activities & Cash Flows from Investing Activities
(Billions of yen)



Free Cash Flow
(Billions of yen)



As a result, free cash flow amounted to ¥28.3 billion, a decrease of ¥58.8 billion from ¥87.1 billion provided in the previous fiscal year.

Net cash provided by financing activities totaled ¥2.6 billion in the fiscal year ended March 31, 2012, a turnaround from net cash used in financing activities of ¥39.4 billion in fiscal 2011. This result was largely attributable to an increase in long-term debt.

Accounting for the aforementioned activities and the effect of translation adjustments, cash and cash equivalents as of the end of the fiscal year under review stood at ¥258.1 billion, up ¥30.4 billion year on year.

Securing Liquidity

FHI believes that it has secured liquidity at a level sufficient to satisfy its current needs through the use of commitment lines contracted with major banks, combined with cash and cash equivalents.

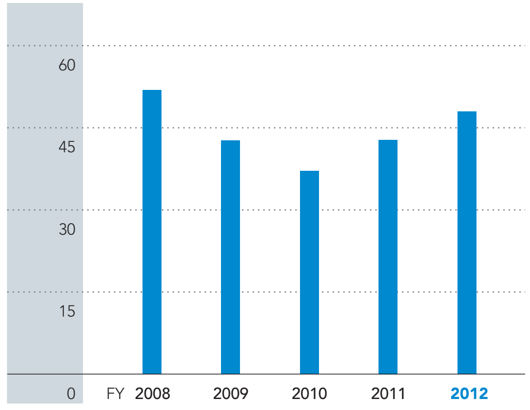
Research and Development Expenses

FHI invested in the development expenses toward the launch of such new car models as the Impreza and SUBARU BRZ as well as environment-friendly technologies, including the horizontally-opposed direct injection turbo engine. Mainly as a result of these factors, R&D expenses increased ¥5.2 billion, or 12.1%, year on year, to ¥48.1 billion.

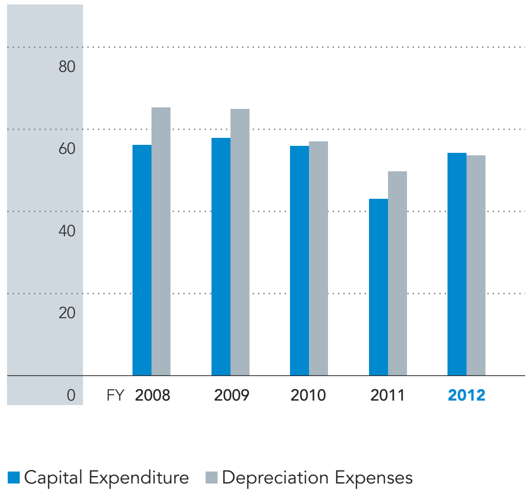
Capital Expenditures and Depreciation

Capital expenditures increased ¥11.2 billion, or 26.1%, compared with the previous fiscal year, to ¥54.3 billion due to such factors as a rise in production capacity at the Oizumi Plant in response to the introduction of new engine models and a switch from minicar production lines to those that produce passenger cars at the Oizumi Plant. Depreciation increased ¥3.9 billion, or 7.7%, year on year, to ¥53.7 billion.

Research & Development Expenses
(Billions of yen)



Capital Expenditure & Depreciation Expenses
(Billions of yen)



Billions of yen

	2008	2009	2010	2011	2012
R&D Expenses	¥ 52.0	¥ 42.8	¥ 37.2	¥ 42.9	¥ 48.1
Capital Expenditures	56.3	58.0	56.1	43.1	54.3
Depreciation Expenses	65.5	65.1	57.1	49.8	53.7

Basic Policy Regarding the Distribution of Profits

FHI views the return of profits to shareholders as a critical task for management. With a view to improving ROE and based on maintaining continual dividend payments, we apply a results-linked approach that takes into consideration such factors as earnings, investment plans, operating conditions and dividend payout ratio of each fiscal year.

Taking into account business results for the fiscal year under review as well as future business developments, operating environments and other factors, FHI distributed interim and year-end dividends of ¥4.50 per share, for an annual dividend of ¥9.00 per share. These per-share amounts were in line with initial projections.

For fiscal 2013, dividends are forecasted to be the same amounts as the fiscal year under review, for an annual dividend of ¥9.00 per share (comprised of an interim dividend and a year-end dividend of ¥4.50 each).

Outlook

Regarding consolidated results forecasts for the fiscal year ending March 2013, Subaru unit sales are anticipated to increase 81 thousand units, or 12.7%, to reach a record high of 721 thousand units thanks to growth in passenger car sales in such overseas markets as North America as well as Japan. These sales increases are expected in spite of concern over the strong yen and other factors.

As a result, consolidated net sales for fiscal 2013 are projected (as May 2012) to reach the unprecedented level of ¥1,860.0 billion, an upswing of ¥342.9 billion, or 22.6%, year on year. Turning to profits, operating income is expected to jump ¥23.0 billion, or 52.4%, year on year to ¥67.0 billion, while net income is forecasted to rise ¥9.5 billion, or 24.8%, to ¥48.0 billion. These income forecasts are based on improvements in sales volume mixture on the back of higher unit sales and cost reduction measures.

These forecasts are based on average annual exchange rates of ¥80 to U.S. $1 (previously ¥79 to U.S. $1) and ¥105 to €1 (previously ¥108 to €1).

Note: Performance forecasts and medium- to long-term management strategies are based on information available to management as of the date of this report. Accordingly, actual results may differ materially due to a variety of factors.

Forecast for Consolidated Results — Billions of yen

	2012 (Results)	2013	Change
Net sales	1,517.1	1,860.0	342.9
Japan	498.5	627.8	129.3
Overseas	1,018.6	1,232.2	213.6
Operating income	44.0	67.0	23.0
Income before income taxes and minority interest	52.9	60.0	7.1
Net income	38.5	48.0	9.5
Exchange rate (in yen)			
¥/$	79	80	1
¥/€	108	105	(3)

Forecast for Global Automobile Sales — Thousand units

	2012 (Results)	2013	Change
Japan:			
Passenger cars	80.2	94.9	14.7
Minicars	92.2	50.5	(41.6)
Subtotal	172.3	145.4	(26.9)
Overseas:			
United States	280.4	324.0	43.7
Canada	28.2	31.7	3.5
Europe	39.1	59.2	20.1
Russia	15.9	23.3	7.5
Australia	36.9	43.9	7.0
China	48.3	62.0	13.7
Other	18.7	31.2	12.5
Subtotal	467.5	575.4	107.9
Total	639.9	720.8	81.0

Business Risks

Operational and other risks that could significantly influence the decisions of investors and impact the Company's financial status are set out below. Based on information available to the FHI Group as of June 28, 2012, the enumerated risks include forward-looking statements, but do not encompass every possible risk posed to the FHI Group. As such, there are other risk factors which could influence investors and their decisions.

(1) Economic Trends

Economic trends in countries and regions that comprise important markets for the FHI Group could potentially impact the Group's business performance. In Japan and North America, key markets for the Group, economic recession, decreasing demand or increasing price competition could undermine the sales and profitability of the Group's products and services.

(2) Currency Exchange Rate Fluctuations

The FHI Group's ratio of overseas net sales stood at 67.1% in the fiscal year ended March 31, 2012. The Group's consolidated financial statements, which are presented in Japanese yen, are affected by translation of overseas net sales, operating income and assets from local currencies, particularly U.S. dollars, into yen. Accordingly, in the event that discrepancies arise between projected exchange rates in full-year forecasts and actual rates at the time of account settlement, the Group's business performance and financial position may be adversely affected when the yen appreciates or positively affected when the yen depreciates.

The Company uses forward exchange rate contracts and other risk hedges to minimize the Group's sensitivity to such currency exchange risks. However, the effect of severe fluctuations in currency exchange rates at the end of the fiscal year could result in a loss (gain) on valuation of derivatives and have a major impact on non-operating expenses.

(3) Dependence on Certain Businesses

The FHI Group is mainly comprised of the Automobiles, Aerospace and Industrial Products business segments. However, the Automobiles business segment accounts for the overwhelming majority of the Group's business operations. Accordingly, in the event that automobile-related demand, market conditions, price competition with other automakers, or other factors exceed projected levels, the entire Group's overall business performance and financial position could be significantly affected.

(4) Changes in Market Appraisal

The FHI Group develops, manufactures and releases new products based on appropriate timing and pricing in line with product planning that reflects market demand and customer needs. Such actions are the most important factors in maintaining stable increases in Group business performance. In the event that market appraisals of new model vehicles and other products do not meet sales plan expectations or that the obsolescence rate of current products exceeds forecasts, the Group's business performance and financial position could be significantly affected.

(5) Dependence on Suppliers for Raw Materials and Components

The FHI Group procures raw materials, components and other items from numerous suppliers. However, there are cases in which the Group relies on certain items and/or a limited number of suppliers. Due to tightening supply and demand or other factors, the inability to procure supplies in a manner that ensures stable costs, delivery dates and quality could seriously impact the Group's business performance and financial position.

(6) Protection of Intellectual Property

The FHI Group works to protect its intellectual property through the use of patents and trademarks in such areas as technologies and expertise that ensure product differentiation. However, the Group could experience a decrease in sales or an increase in litigation costs in cases where a third party makes unauthorized use of the Group's intellectual property to manufacture similar products, as well as in specific regions where intellectual property protection is limited. Such factors could impact the Group's profitability.

(7) Product Defects

The FHI Group places the highest priority on the safety of the products it develops, manufactures and sells. However, completely avoiding defects and recalls regarding all products and services is impossible. The substantial costs associated with a major recall could significantly affect the Group's business performance and financial position. In addition, although the Group purchases product liability insurance, the risk of incomplete coverage exists.

(8) Retirement Benefit Obligations

The FHI Group's employee retirement benefit costs and obligations are calculated based on the following assumptions: retirement benefit obligation discount rates and the expected rate of return on pension assets, both of which are established based on mathematical calculations. However, in the event that actual performance differs from the assumptions, the Group's business performance and financial position could be affected over the long term.

(9) Environmental and Other Legal Regulations

The FHI Group is subject to various domestic and overseas legal regulations in relation to such areas as exhaust emissions, energy conservation, noise, recycling, the level of pollutants emitted from manufacturing facilities and automobile safety. The Group's business performance and financial position could be affected by an increase in costs due to future regulatory changes.

(10) The Impact of Natural Disasters, War, Terror, Strikes and Other Events

The occurrence of major earthquakes, typhoons or other natural disasters, diseases, wars, terrorist attacks or other events could impede the FHI Group's business activities as well as delay or suspend raw material/component purchases, production, product sales/transport, and the provision of services. The Group's business performance and financial position could be affected in the event that such delays or suspensions are prolonged.

CORPORATE DATA (As of March 31, 2012)

Company Name
Fuji Heavy Industries Ltd.

Established
July 15, 1953

Paid-in Capital
¥153,795 million

Number of Employees
12,359 (consolidated: 27,123)

Website Address
http://www.fhi.co.jp/english/ir/

Head Office
Subaru Building, 7-2, Nishi-Shinjuku 1-chome,
Shinjuku-ku, Tokyo 160-8316, Japan
Phone: +81-3-3347-2111
Fax: +81-3-3347-2338

Investor Relations Office
Subaru Building, 7-2, Nishi-Shinjuku 1-chome,
Shinjuku-ku, Tokyo 160-8316, Japan
Phone: +81-3-3347-2655
Fax: +81-3-3347-2295

Domestic Manufacturing Divisions
Gunma Manufacturing Division (Automobiles Division)
Utsunomiya Manufacturing Division
(Aerospace Division and Eco Technologies Division)
Saitama Manufacturing Division
(Industrial Products Division)

Principal Consolidated Subsidiaries and Affiliates

Company Name	Percentage of Voting Rights	Main Business Activities
Japan		
Fuji Machinery Co., Ltd.	100.0%	Manufacture and sales of automobile parts and industrial product parts
Ichitan Co., Ltd.	100.0%	Manufacture and sales of forged automobile/industrial product parts
Kiryu Industrial Co., Ltd.	97.7%	Manufacture of Subaru specially equipped automobiles and distribution of Subaru automobile parts
Subaru Tecnica International Inc.	100.0%	Management of SUBARU Motorsport Activities, Development and manufacture of competition parts, tuning parts and accessories for SUBARU cars
Subaru Kohsan Co., Ltd.	100.0%	Leasing of real estate, shopping mall management and travel agency operations
Subaru Finance Co., Ltd.	100.0%	Lease & credit facilities provider for Subaru automobiles, financing for FHI subsidized companies, lease for various facility equipment, rolling stock & FHI made garbage trucks and sales of insurance
Yusoki Kogyo K.K.	100.0%	Manufacture and sales for aircraft parts
TOKYO SUBARU INC.	100.0%	Distribution, sales and services of Subaru automobiles (including 32 other dealerships)
Overseas		
Subaru of America, Inc.	100.0%	Distribution and sales of Subaru automobiles and parts
Fuji Heavy Industries U.S.A., Inc.	100.0%	Engineering research of Subaru automobiles in North America Market
Subaru Research & Development, Inc.		Research and development of automobiles
Subaru of Indiana Automotive, Inc.	100.0%	Manufacture of Subaru automobiles and contracted manufacture of Toyota automobiles
Subaru Canada, Inc.	100.0%	Distribution and sales of Subaru automobiles and parts
Subaru Europe N.V./S.A.	100.0%	Distribution, sales and marketing of Subaru automobiles and parts
Subaru of China, Ltd.	100.0%	Distribution, sales and marketing of Subaru automobiles and parts

INVESTOR INFORMATION (As of March 31, 2012)

Common Stock Authorized
1,500,000,000 shares

Common Stock Issued
782,865,873 shares

Number of Shareholders
42,782

Stock Exchange Listing
Tokyo Stock Exchange

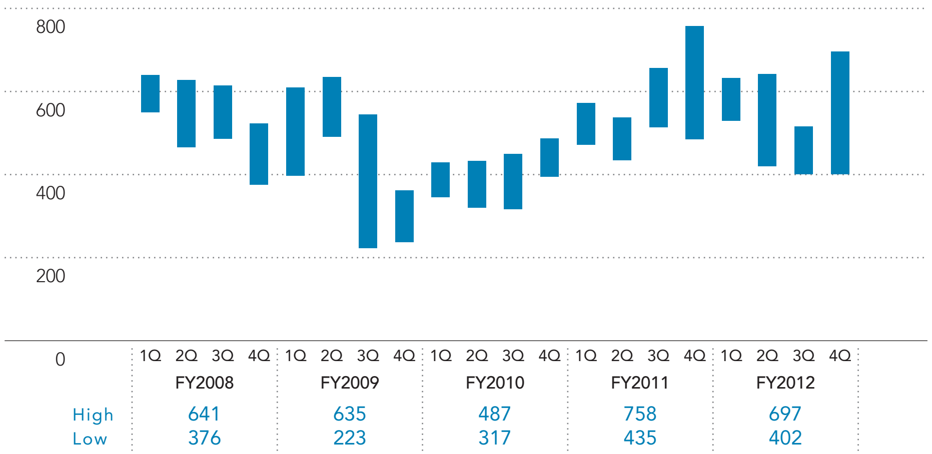
Transfer Agent
Mizuho Trust & Banking Co., Ltd.
2-1, Yaesu 1-chome, Chuo-ku, Tokyo
103-8670, Japan

Major Shareholders

Name	Number of Shares Held (in thousands)	Percentage of Total Shares
Toyota Motor Corporation	129,000	16.48
The Master Trust Bank of Japan, Ltd. (Trust account)	42,948	5.49
Japan Trustee Services Bank, Ltd. (Trust account)	33,176	4.24
Suzuki Motor Corporation	13,690	1.75
National Mutual Insurance Federation of Agricultural Cooperatives	13,534	1.73
FHI's Client Stock Ownership	12,866	1.64
Mizuho Corporate Bank, Ltd.	12,361	1.58
Mizuho Bank, Ltd.	12,017	1.54
BBH 493025 BlackRock Global Allocation Fund, Inc.	12,006	1.53
Sompo Japan Insurance Inc.	11,716	1.50

Quarterly Common Stock Price Range (Tokyo Stock Exchange)

(yen)



Fuji Heavy Industries Ltd.

Subaru Building, 7-2, Nishi-Shinjuku 1-chome,
Shinjuku-ku, Tokyo 160-8316, Japan
Phone:+81-3-3347-2111
Fax:+81-3-3347-2338
http://www.fhi.co.jp/english/ir/

Consolidated Balance Sheets

FUJI HEAVY INDUSTRIES LTD. AND CONSOLIDATED SUBSIDIARIES
As of March 31, 2012 and 2011

ASSETS	Millions of yen 2012	2011	Thousands of U.S. dollars (Note 1) 2012
Current assets:			
Cash and deposits (Note 4 and 5)	**¥237,614**	¥211,700	**$2,892,793**
Notes and accounts receivable-trade (Note 5 and 7)	**117,062**	76,810	**1,425,152**
Lease investment assets (Note 5 and 23)	**21,865**	23,050	**266,192**
Short-term investment securities (Notes 4, 5 and 6)	**31,635**	21,063	**385,135**
Merchandise and finished goods	**121,686**	72,871	**1,481,446**
Work in process	**56,143**	56,567	**683,504**
Raw materials and supplies	**33,715**	36,974	**410,458**
Deferred tax assets (Note 12)	**17,399**	13,754	**211,821**
Short-term loans receivable (Note 4 and 5)	**78,788**	59,986	**959,192**
Other current assets	**48,019**	39,396	**584,599**
Allowance for doubtful accounts	**(1,395)**	(1,851)	**(16,983)**
Total current assets	**762,531**	610,320	**9,283,309**
Property, plant and equipment (Notes 7, 9 and 16)	**1,225,559**	1,230,215	**14,920,368**
Accumulated depreciation	**(769,274)**	(765,211)	**(9,365,401)**
Accumulated impairment loss	**(30,194)**	(34,162)	**(367,592)**
Total property, plant and equipment	**426,091**	430,842	**5,187,375**
Investments and other assets:			
Intangible assets	**11,818**	12,040	**143,876**
Investment securities (Note 5 and 6)	**72,794**	62,595	**886,219**
Investments in non-consolidated subsidiaries and affiliated companies	**12,830**	12,894	**156,197**
Deferred tax assets (Note 12)	**1,873**	1,812	**22,803**
Other assets (Note 31)	**68,179**	61,832	**830,034**
Allowance for doubtful accounts	**(3,584)**	(4,011)	**(43,633)**
Total investments and other assets	**163,910**	147,162	**1,995,496**
Total assets	**¥1,352,532**	¥1,188,324	**$16,466,180**

LIABILITIES AND NET ASSETS	Millions of yen 2012	2011	Thousands of U.S. dollars (Note 1) 2012
Current liabilities:			
Notes and accounts payable-trade (Note 5)	**¥251,043**	¥176,895	**$3,056,282**
Short-term loans payable (Note 5 and 7)	**71,040**	99,072	**864,865**
Current portion of long-term debts (Note 5 and 7)	**43,796**	40,912	**533,187**
Accrued expenses (Note 5)	**69,437**	60,876	**845,349**
Provision for bonuses	**16,478**	16,322	**200,609**
Provision for product warranties	**28,861**	27,172	**351,364**
Accrued income taxes (Note 5 and 12)	**4,600**	2,089	**56,002**
Other current liabilities (Note 5, 7 and 12)	**76,380**	57,365	**929,876**
Total current liabilities	**561,635**	480,703	**6,837,534**
Long-term liabilities:			
Long-term debts (Note 5 and 7)	**226,144**	190,642	**2,753,153**
Accrued pension and severance liability (Note 11)	**33,950**	33,707	**413,319**
Deferred tax liabilities (Note 12)	**22,740**	14,002	**276,844**
Other long-term liabilities (Note 7)	**56,456**	55,307	**687,314**
Total long-term liabilities	**339,290**	293,658	**4,130,630**
Contingent liabilities (Note 25)			
Net assets: (Note 13)			
Shareholders' equity:			
Capital stock			
Authorized– 1,500,000,000 shares			
Issued — 782,865,873 shares	**153,795**	153,795	**1,872,352**
Capital surplus	**160,071**	160,071	**1,948,758**
Retained earnings	**188,538**	156,948	**2,295,325**
Less－treasury stock, at cost,	**(1,259)**	(1,381)	**(15,327)**
2012— 2,406,736 shares			
2011— 2,605,141 shares			
Total shareholders' equity	**501,145**	469,433	**6,101,108**
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	**18,966**	11,567	**230,898**
Foreign currency translation adjustment	**(69,809)**	(68,339)	**(849,878)**
Total accumulated other comprehensive income	**(50,843)**	(56,772)	**(618,980)**
Minority interests	**1,305**	1,302	**15,888**
Total net assets	**451,607**	413,963	**5,498,016**
Total liabilities and net assets	**¥1,352,532**	¥1,188,324	**$16,466,180**

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

Consolidated Statements of Income

FUJI HEAVY INDUSTRIES LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Net sales (Note 2)	**¥1,517,105**	¥1,580,563	**$18,469,747**
Cost of sales (Note 14)	**1,222,419**	1,241,427	**14,882,140**
Gross profit	**294,686**	339,136	**3,587,607**
Selling, general and administrative expenses (Note 2 and 15)	**250,727**	255,001	**3,052,435**
Operating income (loss)	**43,959**	84,135	**535,172**
Other income (expenses):			
Interest and dividend income	**2,092**	1,945	**25,469**
Interest expenses	**(3,780)**	(4,522)	**(46,019)**
Equity in earnings of affiliates	**817**	2,619	**9,946**
Real estate rent	**530**	558	**6,452**
Foreign exchange gains (losses)	**2,290**	(1,010)	**27,879**
Gain (loss) on valuation of derivatives	**(5,116)**	573	**(62,284)**
Gain (loss) on sales and retirement of noncurrent assets (Note 19)	**26,807**	(662)	**326,357**
Gain (loss) on sales of investment securities (Note 6)	**687**	460	**8,364**
Loss on valuation of investment securities (Note 6)	**(403)**	(415)	**(4,906)**
Reversal of allowance for doubtful accounts	**-**	412	**-**
Depreciation	**(1,171)**	(1,162)	**(14,256)**
Impairment loss (Note 9, and 16)	**(63)**	(1,457)	**(767)**
Gain on sales of loans receivable	**-**	881	**-**
Loss on disaster (Note 17)	**(7,257)**	(7,352)	**(88,349)**
Loss on prior periods adjustment (Note 18)	**-**	(6,110)	**-**
Loss on adjustment for changes of accounting standard for asset retirement obligations (Note 2)	**-**	(372)	**-**
Provision for loss on transfer of business (Note 20)	**(4,177)**	-	**(50,852)**
Loss on reconstruction of office building (Note 19)	**-**	(657)	**-**
Other, net (Note 21)	**(2,336)**	(4,650)	**(28,439)**
	8,920	(20,921)	**108,595**
Income (loss) before income taxes and minority interests	**52,879**	63,214	**643,767**
Income taxes (Note 12):			
Current	**12,078**	8,735	**147,042**
Deferred	**2,251**	4,064	**27,404**
	14,329	12,799	**174,446**
Income (loss) before minority interests	**38,550**	50,415	**469,321**
Minority interests in income (loss)	**97**	89	**1,181**
Net income (loss)	**¥38,453**	¥50,326	**$468,140**

			U.S. dollars
Per share data (Note 2) :			
Net income (loss) —Basic	**¥49.27**	¥64.56	**$0.60**
—Diluted *	**-**	-	**-**
Net assets	**576.97**	528.88	**7.02**
Cash dividends (Note 13)	**9.00**	9.00	**0.11**

The accompanying notes are an integral part of these statements.

*For the year ended March 31, 2012 and 2011 diluted information is not presented because potentially dilutive securities do not exist.

Consolidated Statements of Comprehensive Income

82.14

FUJI HEAVY INDUSTRIES LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	**2011**	**2012**
Income (loss) before minority interests	**¥38,550**	¥50,415	**$469,321**
Other comprehensive income (Note 3)			
Valuation difference on available-for-sale securities	**7,399**	1,254	**90,078**
Foreign currency translation adjustment	**(1,464)**	(16,397)	**(17,823)**
Share of other comprehensive income of associates accounted for using equity method	**(11)**	(372)	**(134)**
Total other comprehensive income	**5,924**	(15,515)	**72,121**
Comprehensive income	**44,474**	34,900	**541,441**
(Comprehensive income attributable to)			
Comprehensive income attributable to owners of the parent	**44,382**	34,832	**540,321**
Comprehensive income attributable to minority interests	**¥92**	¥68	**$1,120**

Consolidated Statements of Changes in Net Assets

FUJI HEAVY INDUSTRIES LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Shareholders' equity			
Capital stock			
Balance at the beginning of current period	**¥153,795**	¥153,795	**$1,872,352**
Balance at the end of current period	**153,795**	153,795	**1,872,352**
Capital surplus			
Balance at the beginning of current period	**160,071**	160,071	**1,948,758**
Balance at the end of current period	**160,071**	160,071	**1,948,758**
Retained earnings			
Balance at the beginning of current period	**156,948**	110,172	**1,910,738**
Changes of items during the period			
Dividends from surplus	**(7,027)**	(3,510)	**(85,549)**
Net income (loss)	**38,453**	50,326	**468,140**
Disposal of treasury stock	**(4)**	(109)	**(49)**
Change of scope of consolidation	**171**	-	**2,082**
Other	**(3)**	69	**(37)**
Total changes of items during the period	**31,590**	46,776	**384,587**
Balance at the end of current period	**188,538**	156,948	**2,295,325**
Treasury stock			
Balance at the beginning of current period	**(1,381)**	(2,173)	**(16,813)**
Changes of items during the period			
Purchase of treasury stock	**(7)**	(30)	**(85)**
Disposal of treasury stock	**129**	822	**1,570**
Total changes of items during the period	**122**	792	**1,485**
Balance at the end of current period	**(1,259)**	(1,381)	**(15,328)**
Total shareholders' equity			
Balance at the beginning of current period	**469,433**	421,865	**5,715,035**
Changes of items during the period			
Dividends from surplus	**(7,027)**	(3,510)	**(85,549)**
Net income (loss)	**38,453**	50,326	**468,140**
Purchase of treasury stock	**(7)**	(30)	**(85)**
Disposal of treasury stock	**125**	713	**1,522**
Change of scope of consolidation	**171**	-	**2,082**
Other	**(3)**	69	**(37)**
Total changes of items during the period	**31,712**	47,568	**386,073**
Balance at the end of current period	**¥501,145**	¥469,433	**$6,101,108**

Consolidated Statements of Changes in Net Assets

FUJI HEAVY INDUSTRIES LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities			
Balance at the beginning of current period	**¥11,567**	¥10,309	**$140,821**
Changes of items during the period			
Net changes of items other than shareholders' equity	**7,399**	1,258	**90,078**
Total changes of items during the period	**7,399**	1,258	**90,078**
Balance at the end of current period	**18,966**	11,567	**230,899**
Foreign currency translation adjustment			
Balance at the beginning of current period	**(68,339)**	(51,587)	**(831,982)**
Changes of items during the period			
Net changes of items other than shareholders' equity	**(1,470)**	(16,752)	**(17,896)**
Total changes of items during the period	**(1,470)**	(16,752)	**(17,896)**
Balance at the end of current period	**(69,809)**	(68,339)	**(849,878)**
Total accumulated other comprehensive income			
Balance at the beginning of current period	**(56,772)**	(41,278)	**(691,161)**
Changes of items during the period			
Net changes of items other than shareholders' equity	**5,929**	(15,494)	**72,181**
Total changes of items during the period	**5,929**	(15,494)	**72,181**
Balance at the end of current period	**(50,843)**	(56,772)	**(618,980)**
Minority interests			
Balance at the beginning of current period	**1,302**	1,306	**15,851**
Changes of items during the period			
Net changes of items other than shareholders' equity	**3**	(4)	**37**
Total changes of items during the period	**3**	(4)	**37**
Balance at the end of current period	**1,305**	1,302	**15,888**
Total net assets			
Balance at the beginning of current period	**413,963**	381,893	**5,039,725**
Changes of items during the period			
Dividends from surplus	**(7,027)**	(3,510)	**(85,549)**
Net income (loss)	**38,453**	50,326	**468,140**
Purchase of treasury stock	**(7)**	(30)	**(85)**
Disposal of treasury stock	**125**	713	**1,522**
Change of scope of consolidation	**171**	-	**2,082**

Consolidated Statements of Cash Flows

FUJI HEAVY INDUSTRIES LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Net cash provided by (used in) operating activities			
Income (loss) before income taxes and minority interests	**¥52,879**	¥63,214	**$643,767**
Depreciation and amortization	**58,611**	56,062	**713,550**
Impairment loss	**63**	1,457	**767**
Increase (decrease) in allowance for doubtful accounts	**(883)**	(972)	**(10,750)**
Increase (decrease) in provision for bonuses	**150**	974	**1,826**
Increase (decrease) in provision for product warranties	**1,658**	8,618	**20,185**
Increase (decrease) in provision for loss on construction contracts	**(1,840)**	3,282	**(22,401)**
Increase (decrease) in provision for retirement benefits	**147**	(1,284)	**1,790**
Interest and dividends income	**(2,092)**	(1,945)	**(25,469)**
Interest expenses	**3,780**	4,522	**46,019**
Loss (gain) on valuation of derivatives	**5,116**	(573)	**62,284**
Equity in (earnings) losses of affiliates	**(817)**	(2,619)	**(9,946)**
Loss (gain) on sales and retirement of noncurrent assets	**(26,807)**	662	**(326,357)**
Loss (gain) on sales and valuation of investment securities	**(284)**	(45)	**(3,458)**
Decrease (increase) in notes and accounts receivable-trade	**(40,602)**	25,208	**(494,302)**
Decrease (increase) in inventories	**(49,033)**	18,677	**(596,944)**
Increase (decrease) in notes and accounts payable-trade	**74,197**	(37,633)	**903,299**
Decrease (increase) in lease investment assets	**1,185**	4,447	**14,427**
Decrease (increase) in operating loans receivable	**(16,077)**	1,465	**(195,727)**
Decrease (increase) in vehicles and equipment on operating leases	**(1,842)**	2,750	**(22,425)**
Increase (decrease) in deposits received	**4,258**	(7,906)	**51,838**
Other	**5,685**	12,544	**69,211**
Sub total	**67,452**	150,905	**821,184**
Interest and dividends income received	**2,277**	1,967	**27,721**
Interest expenses paid	**(3,671)**	(4,592)	**(44,692)**
Income taxes paid	**(11,193)**	(10,072)	**(136,267)**
Net cash provided by (used in) operating activities	**54,865**	138,208	**667,946**
Net cash provided by (used in) investing activities			
Purchase of short-term investment securities	**(5,202)**	(4,237)	**(63,331)**
Proceeds from sales of short-term investment securities	**3,315**	4,460	**40,358**
Purchase of property, plant and equipment	**(49,059)**	(44,729)	**(597,261)**
Proceeds from sales of property, plant and equipment	**36,370**	1,880	**442,781**
Purchase of intangible assets	**(3,204)**	(3,078)	**(39,007)**
Purchase of investment securities	**(16,370)**	(20,719)	**(199,294)**
Proceeds from sales of investment securities	**13,854**	16,722	**168,663**
Payments of loans receivable	**(92,710)**	(84,517)	**(1,128,683)**
Collection of loans receivable	**88,361**	84,848	**1,075,737**
Other, net	**(1,957)**	(1,739)	**(23,825)**
Net cash provided by (used in) investing activities	**(26,602)**	(51,109)	**(323,862)**
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	**(28,033)**	(43,034)	**(341,283)**
Proceeds from long-term loans payable	**79,585**	68,828	**968,895**
Repayment of long-term loans payable	**(21,268)**	(40,721)	**(258,924)**
Redemption of bonds	**(20,010)**	(20,010)	**(243,608)**
Cash dividends paid	**(7,027)**	(3,498)	**(85,549)**
Repayment of lease obligations	**(774)**	(1,302)	**(9,423)**
Other,net	**113**	329	**1,376**
Net cash provided by (used in) financing activities	**2,586**	(39,408)	**31,484**
Effect of exchange rate change on cash and cash equivalents	**(332)**	(11,453)	**(4,042)**
Net increase (decrease) in cash and cash equivalents	**30,517**	36,238	**371,524**
Cash and cash equivalents at beginning of period	**227,704**	191,466	**2,772,145**
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	**(137)**	-	**(1,668)**
Cash and cash equivalents at end of period (Note 4)	**¥258,084**	¥227,704	**$3,142,001**

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

FUJI HEAVY INDUSTRIES LTD. AND CONSOLIDATED SUBSIDIARIES

1. Basis of Presentation of the Financial Statements

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

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

The translations of the Japanese yen amounts into U.S. dollars in the accompanying consolidated financial statements are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2012, which was ¥82.14 to U.S.$1. The convenience translation should not be construed as a representation that the Japanese yen amounts have been, could have been, or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies

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

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

The consolidated financial statements include the accounts of the Company and 70 subsidiaries in fiscal 2012 (71 subsidiaries in fiscal 2011).

In addition, 8 non-consolidated subsidiaries and one affiliated company were accounted for by the equity method in fiscal 2012 and 2011.

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

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

(Fiscal Year Change of Consolidated Subsidiaries)
From the fiscal year 2012, the balance sheet dates of Subaru Canada Inc. and its subsidiary was changed from December 31 to March 31.
Because of this change, the fiscal term of Subaru Canada Inc. and its subsidiary was 15 months period from January 1, 2011 to March 31, 2012.

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

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

[4] Property, Plant and Equipment (Excluding Leased Assets)
Property, plant and equipment are stated at cost. Significant renewals and additions are capitalized; ordinary maintenance, ordinary repairs, minor renewals and minor improvements are charged to the consolidated statements of income as incurred.
Depreciation of the property, plant and equipment of the Company and its consolidated domestic subsidiaries is principally computed by the declining-balance method, except for those buildings (excluding building improvements) acquired on or after April 1, 1998, for which the straight-line method is applied.
Depreciation of the property, plant and equipment of consolidated foreign subsidiaries is computed by the straight-line method at rates based on the estimated useful lives of the assets according to their general class, type of construction, and use.
Estimated useful lives for depreciable assets are as follows:

Buildings and structures: 7–50 years
Machinery, equipment and vehicles: 2–12years

[5] Intangible Assets (Excluding Leased Assets)
Computer software used internally by the Company and its consolidated subsidiaries is amortized by the straight-line method over the relevant economic useful lives of three or five years.

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

For leased assets under finance lease transactions in which the ownership is not transferred to the lessee:
The leased assets are depreciated by the straight-line method over the leased period and the residual value is zero.
In addition, finance lease transactions in which the ownership is not transferred to the lessee on or before March 31, 2008 are recorded as regular rental transactions.

[7] Allowance for Doubtful Accounts

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

[8] Provision for Bonuses

Employee's bonuses are recognized as expenses for the period in which those are incurred.

[9] Provision for Product Warranties

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

[10] Provision for Loss on Construction Contracts

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

[11] Provision for Loss on Transfer of Business

The Company provides for losses on transfer of an important business and these losses are reasonably estimated at the end of the fiscal year.

[12] Accrued Pension and Severance Liability

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

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

Under the Japanese accounting standards for pension and severance benefits, accrued pension and severance liability for employees is provided based on the estimated amounts of projected pension and severance obligation and the fair value of plan assets at the end of the fiscal year. Prior service cost is being amortized by the straight-line method over a period (11-18 years) that is shorter than the average remaining service period of the eligible employees. Actuarial gains and losses are amortized from the following fiscal year by the straight-line method over a period (primarily 16 years for fiscal years 2012 and 2011) that is shorter than the average remaining service period of the eligible employees.

Accrued pension contribution for defined benefit pension plans is included in accrued pension and severance liability.

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

[13] Translation of Foreign Currency-Denominated Accounts
Under the Japanese accounting standards for foreign currency translation, monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at each balance sheet date with the resulting gain or loss included currently in the statement of income.
The assets and liabilities of foreign subsidiaries and affiliated companies are translated into Japanese yen at the exchange rates in effect at the balance sheet dates of the foreign subsidiaries and affiliated companies, except for common stock and capital surplus, which are translated at historical rates. Revenue and expense accounts are translated at the average exchange rates during the respective years. The resulting foreign currency translation adjustments are included in "Foreign currency translation adjustments" and "Minority interest" in the net assets section of the accompanying consolidated balance sheets.

[14] Revenue Recognition
The percentage-of-completion method of revenue from Aerospace division production is applied to construction contracts for which certain elements are determinable with certainty at the end of fiscal year. (The percentage of completion is estimated with the proportion-of-cost method). The completed-contract method is applied to other works.

[15] Accounting for Lease Transactions
A part of domestic consolidated subsidiaries recognizes revenue for financial lease transactions on the effective date of each lease contract.

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

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

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

Financial Instrument	Transactions, assets and liabilities
Interest swaps	Borrowings

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

[17] Goodwill
Goodwill is principally amortized by the straight-line method over five years in accordance with accounting principles generally accepted in the countries where such goodwill is recorded.

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

[19] Income Taxes

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

(Application of Consolidated Taxation System)

(Fiscal 2012)

From the fiscal year 2012, the Company and its wholly owned domestic subsidiaries applied Consolidated taxation system.

[20] Research and Development Expenses

Research and development costs are expensed as incurred and amounted to ¥48,115 million (US$ 585,768 thousand) and ¥42,907 million for fiscal years 2012 and 2011, respectively.

[21] Net Income per Share

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

[22] Reclassification and Restatement

Financial statements in fiscal 2011 have been reclassified to conform to the current year presentation. These reclassifications had no impact on previously reported results of operations or retained earnings.

[23] Other Changes in Accounting Policy

(Application of Accounting Standard for Accounting Changes and Error Corrections)

The Company and its consolidated domestic subsidiaries adopted "Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standards Board of Japan ("ASBJ") Statement No.24 issued on December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, issued on December 4, 2009) for accounting changes and corrections of prior period errors which are made from the fiscal year beginning on April 1, 2011.

3. Reclassification adjustments and income tax in other comprehensive income

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income were as follows:

	Millions of yen	Thousands of U.S. dollars
	2012	**2012**
Valuation difference on available-for-sale securities		
Increase(decrease) during the year	**¥9,580**	**$116,630**
Reclassification adjustments	**321**	**3,908**
Sub-total, before tax	**9,901**	**120,538**
Tax (expense) or benefit	**(2,502)**	**(30,460)**
Sub-total, net of tax	**7,399**	**90,078**
Foreign currency translation adjustment		
Increase(decrease) during the year	**(1,381)**	**(16,813)**
Reclassification adjustments	**(83)**	**(1,010)**
Sub-total, before tax	**(1,464)**	**(17,823)**
Tax (expense) or benefit	**-**	**-**
Sub-total, net of tax	**(1,464)**	**(17,823)**
Share of other comprehensive income of associates accounted for using equity method		
Increase(decrease) during the year	**(11)**	**(134)**
Total other comprehensive income	**¥5,924**	**$72,121**

4. Additional Cash Flow Information

Cash and cash equivalents as of March 31, 2012 and 2011, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Cash and deposits	**¥237,614**	¥211,700	**$2,892,793**
Short-term investment securities	**31,635**	21,063	**385,135**
	269,249	232,763	**3,277,928**
Less maturity over three months	**(11,165)**	(5,059)	**(135,927)**
Cash and cash equivalents	**¥258,084**	¥227,704	**$3,142,001**

(Fiscal 2011)

Non Cash transaction

The Company carried out a share exchange (the "Share Exchange") on August 1, 2010, and Ichitan Co., Ltd. becomes a wholly owned subsidiary of the Company.

This share exchange resulted in recognition of "Goodwill" of ¥280 million, and a decrease in "treasury stock" of ¥450 million.

5. Financial Instruments

(1) Summary of Financial Instruments Status

[1] Action Policy with Regard to Financial Instruments

With regard to planned capital expenditure to support Fuji Heavy Industries Ltd., its consolidated subsidiaries and affiliated companies (the "FHI Group") in their main operations of automobile manufacturing and sales, the FHI Group finances mainly from bank loans and the issue of corporate bonds. Temporary surpluses are invested in highly secure financial assets, and bank loans and liquidation of accounts receivable provide short-term working capital. It is the FHI Group's policy to use derivatives as a way to avoid the below-stated risks and to not conduct speculative transactions.

[2] Details of Financial Instruments and Respective Risks

Operating receivables such as notes and accounts receivable-trade and lease investment assets are subject to customer credit risks. Moreover, because the FHI Group works to expand its business globally, operating receivables denominated in foreign currencies are subject to the risk of changes in foreign exchange rates. As a general rule, however, forward foreign exchange contracts are used to hedge the foreign exchange rate risk, considering the net amount of operating receivables denominated in foreign currencies that exceed foreign currency denominated operating liabilities. Available-for-sale securities and investment securities are mainly stocks associated with business and capital alliances with principal business partners, and are subject to risk of market price fluctuation.

Notes and accounts payable-trade that are included in operating liabilities usually have a payment date of within one year. Furthermore, a certain portion of such liabilities involves foreign currency denominated transactions associated with the import of raw materials and is thus subject to exchange rate fluctuation risk, although it is consistently less than accounts receivable balance of the same foreign currency. The FHI Group’s liabilities associated with debt and bonds are set specifically for the acquisition of essential funds, mainly for capital expenditure, whose redemption dates come within 12 years after March 31, 2012 at the latest. A certain portion of said liabilities may have adjustable rates and are therefore subject to the risk of changes in interest rates, although in such cases derivative transactions (interest rate swap transactions) are used.

Derivative transactions are foreign exchange forward contracts to hedge against exchange rate fluctuations associated with accounts receivables and liabilities denominated in foreign currencies, and interest rate swap contracts with the objective of hedging against the risk of change in interest rates to be paid on loans. With regard to hedging instruments and hedged items, hedge policy, the method of evaluation of hedge effectiveness and other related items, please refer to "2-[16] Derivative Financial Instruments and Hedge Accounting".

[3] Risk Management System with Regard to Financial Instruments

(a) Management of Credit Risk (Risk Associated with Business Partner’s Breach of Contract)

Credit control departments at each FHI division and its consolidated subsidiaries regularly monitor the financial status of key customers with regard to accounts receivables and lease investment assets. Together with keeping an eye on deadlines and balances of each customer, these departments identify and mitigate the risk of potential problem in collection due to deterioration in financial status or other factors.

(b) Management of Market Risk (Risk Associated with Fluctuations in Exchange or Interest Rates)

With regard to operating assets and liabilities denominated in foreign currencies, as a general rule, the Company uses foreign exchange forward contracts to hedge against risks of exchange rate fluctuation on a monthly basis by each currency. Depending on the status of exchange rates, foreign exchange forward contracts, that is no longer than six months, are used to hedge against the risk of exchange rate fluctuation to which net position of accounts receivable and accounts payable dominated in foreign currency is exposed. Moreover, the Company and certain consolidated subsidiaries use interest rate swap transactions to limit exposure to the risk of fluctuation in interest rates payable on loans or corporate bonds. The Company also regularly check the market values of securities and investment securities as well as the financial conditions of issuers (business partner companies), and constantly reviews its investment position taking into consideration its relationships with respective business partner companies. Basic policies with regard to derivative transactions are approved by the Executive Management Board. Derivative transactions are handled in line with regulations and are conducted by the Finance & Accounting Department. The results of these transactions are without exception reported to officers concerned.

(c) Management of Liquidity Risk (Risk of Becoming Unable to Make Payments by the Due Date) Associated with Funds Procurement

The Company secures liquidity at a level sufficient to satisfy its current needs through the use of commitment lines contracted with major banks in combination with cash and cash equivalents.

[4] Supplemental Explanation of Items with Regard to Fair Value of Financial Instruments

Fair value includes the fair market value of financial instruments and, in the event market-based prices are not available, prices that are calculated on a rational basis. Because the factors incorporated into the calculation of these prices are subject to change, differing assumptions may result in differing fair values. In addition, the values of contracts with regard to derivative transactions as stated in "(2) Items with Regard to Fair Value of Financial Instruments" do not by themselves indicate the market risk associated with the respective derivative transaction.

(2) Items with Regard to Fair Value of Financial Instruments

The consolidated balance sheet, the fair value and difference as of March 31, 2012 and 2011 were as follows:

The items whose fair values were extremely difficult to measure were not included in the table below (refer to Note 2).

As of March 31, 2012

	Millions of yen		
	Consolidated balance sheet amounts	Fair Value	Difference
Cash and deposits	**¥237,614**	**¥237,614**	**¥-**
Notes and accounts receivable-trade	**117,062**		
Allowance for doubtful accounts (*1)	**(417)**		
	116,645	**116,645**	**-**
Lease investment assets	**21,865**		
Allowance for doubtful accounts (*1)	**(34)**		
	21,831	**23,103**	**1,272**
Short-term loans receivable	**78,788**		
Allowance for doubtful accounts (*1)	**(733)**		
	78,055	**79,295**	**1,240**
Short-term investment securities, Investment securities and Other securities	**76,730**	**76,730**	**-**
Total Assets	**530,875**	**533,387**	**2,512**
Notes and accounts payable-trade	**251,043**	**251,043**	**-**
Short-term loans payable	**71,040**	**71,040**	**-**
Current portion of long-term loans payable	**23,786**	**24,043**	**(257)**
Current portion of bonds	**20,010**	**20,069**	**(59)**
Accrued income taxes	**4,600**	**4,600**	**-**
Accrued expenses	**69,437**	**69,437**	**-**
Bonds payable	**4,070**	**4,153**	**(83)**
Long-term loans payable	**222,074**	**223,009**	**(935)**
Total Liabilities	**666,060**	**667,394**	**(1,334)**
Derivative transactions (*2)			
hedge accounting is not applied	**(6,422)**	**(6,422)**	**-**
hedge accounting is applied	**¥-**	**¥-**	**¥-**

As of March 31, 2012

	Thousands of U.S. dollars		
	Consolidated balance sheet amounts	Fair Value	Difference
Cash and deposits	**$2,892,793**	**$2,892,793**	**$-**
Notes and accounts receivable-trade	**1,425,152**		
Allowance for doubtful accounts (*1)	**(5,077)**		
	1,420,075	**1,420,075**	**-**
Lease investment assets	**266,192**		
Allowance for doubtful accounts (*1)	**(414)**		
	265,778	**281,264**	**15,486**
Short-term loans receivable	**959,192**		
Allowance for doubtful accounts (*1)	**(8,924)**		
	950,268	**965,364**	**15,096**
Short-term investment securities, Investment securities and Other securities	**934,137**	**934,137**	**-**
Total Assets	**6,463,051**	**6,493,633**	**30,582**
Notes and accounts payable-trade	**3,056,282**	**3,056,282**	**-**
Short-term loans payable	**864,865**	**864,865**	**-**
Current portion of long-term loans payable	**289,579**	**292,708**	**(3,129)**
Current portion of bonds	**243,608**	**244,326**	**(718)**
Accrued income taxes	**56,002**	**56,002**	**-**
Accrued expenses	**845,349**	**845,349**	**-**
Bonds payable	**49,550**	**50,560**	**(1,010)**
Long-term loans payable	**2,703,603**	**2,714,987**	**(11,384)**
Total Liabilities	**8,108,838**	**8,125,079**	**(16,241)**
Derivative transactions (*2)			
hedge accounting is not applied	**(78,184)**	**(78,184)**	**-**
hedge accounting is applied	**$-**	**$-**	**$-**

*1. Allowance for doubtful accounts corresponding to Notes and accounts receivable-trade, Lease investment assets and Short-term loans receivable is deducted.

*2. Indicated are the net amounts of assets and liabilities results from derivative transactions, with the total net liabilities indicated in ( ).

As of March 31, 2011

	Millions of yen		
	Consolidated balance sheet amounts	Fair Value	Difference
Cash and deposits	¥211,700	¥211,700	¥-
Notes and accounts receivable-trade	76,810		
Allowance for doubtful accounts (*1)	(350)		
	76,460	76,460	-
Lease investment assets	23,050		
Allowance for doubtful accounts (*1)	(156)		
	22,894	24,560	1,666
Short-term loans receivable	59,986		
Allowance for doubtful accounts (*1)	(852)		
	59,134	60,123	989
Short-term investment securities, Investment securities and Other securities	62,713	62,713	-
Total Assets	432,901	435,556	2,655
Notes and accounts payable-trade	176,895	176,895	-
Short-term loans payable	99,072	99,072	-
Current portion of long-term loans payable	20,902	21,081	(179)
Current portion of bonds	20,010	20,060	(50)
Accrued income taxes	2,089	2,089	-
Accrued expenses	60,876	60,876	-
Bonds payable	24,080	24,502	(422)
Long-term loans payable	166,562	167,628	(1,066)
Total Liabilities	570,486	572,203	(1,717)
Derivative transactions (*2)			
hedge accounting is not applied	(1,306)	(1,306)	-
hedge accounting is applied	¥-	¥-	¥-

*1. Allowance for doubtful accounts corresponding to Notes and accounts receivable-trade, Lease investment assets and Short-term loans receivable is deducted.
*2. Indicated are the net amounts of assets and liabilities results from derivative transactions, with the total net liabilities indicated in ( ).

[1] The calculation methods of financial instrument fair value together with securities and derivative transactions

<u>Assets</u>
Cash and deposits and Notes and accounts receivable-trade

Because these are settled in the short-term, the fair value is mostly the same as the book value and as such the book value is deemed as fair value.

Lease investment assets and Short-term loans receivable

Fair value is the present value calculated by discounting relevant cash flows by each category of the assets and timing of cash flow, where discount rates were adopted taking into consideration the period until maturity and credit risks. In addition, the estimated residual value is included in the balance of Lease investment assets.

Short-term investment securities and investment securities

Fair value is determined by the stock exchange price, while bonds are determined by the stock exchange price or by quotations received from financial institutions. Please refer to the note entitled "5.Short-term investment securities and investment securities" regarding to respective objectives for holding securities.

Liabilities

Notes and accounts payable-trade, Short-term loans payable, Accrued income taxes and Accrued expenses

Because these are settled in the short-term, the fair value is mostly the same as the book value and as such the book value is deemed as fair value.

Current portion of long-term loans payable and Long-term loans payable

Fair value is measured based on the present value that is calculated as discounted cash flow of the total amount of principal and interest, where the interest would be set, if the Company concluded a brand new loan agreement with the same condition at the date of measurement.

Current portion of bonds and Bonds payable

The fair value of bonds issued by the Company is based on market prices if available. For bonds with no available market price, fair value is calculated using the present value that is calculated as discounted cash flow of the total amount of principal and interest by, where discount rates are adopted taking into consideration the remaining redemption period and credit risks.

Derivative transactions

Fair value of interest rate swap that meets certain hedging criteria is included in the fair value of long-term debt as a hedged item, because they are treated as a unit.

[2] Financial instruments which fair value is extremely difficult to measure

Consolidated balance sheet amount as of March 31, 2012 and 2011:

Other securities (available-for-sale securities)	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Money management fund	**¥23,940**	¥17,802	**$291,454**
Unlisted stocks (excluding over-the-counter stocks)	**¥3,759**	¥3,143	**$45,763**

These have no available market prices and are expected to entail excessive costs in the estimation of future cash flows. Consequently, estimating their fair value is recognized as extremely difficult and they are not included in "Short-term investment securities, Investment securities and Other securities".

[3] Scheduled redemption of monetary assets and securities with maturity

As of March 31, 2012:

	Millions of yen			
	Within 1 Year	1 to 5 Years	5 to 10 Years	Over 10 years
Cash and deposits	**¥237,614**	**¥-**	**¥-**	**¥-**
Notes and accounts receivable-trade	**115,797**	**1,265**	**-**	**-**
Lease investment assets	**6,524**	**15,287**	**54**	**-**
Short-term investment securities, Investment securities and Other securities				
Government and municipal bonds	**5,535**	**4,572**	**1,303**	**2,753**
Corporate bonds	**2,154**	**5,198**	**988**	**372**
Other	**253**	**25**	**187**	**2,456**
Short-term loans receivable	**¥29,984**	**¥47,557**	**¥1,247**	**¥-**

As of March 31, 2012:

	Thousands of U.S. dollars			
	Within 1 Year	1 to 5 Years	5 to 10 Years	Over 10 years
Cash and deposits	**$2,892,793**	**$-**	**$-**	**$-**
Notes and accounts receivable-trade	**1,409,752**	**15,400**	**-**	**-**
Lease investment assets	**79,425**	**186,109**	**658**	**-**
Short-term investment securities, Investment securities and Other securities				
Government and municipal bonds	**67,385**	**55,661**	**15,863**	**33,516**
Corporate bonds	**26,224**	**63,282**	**12,028**	**4,529**
Other	**3,080**	**304**	**2,277**	**29,900**
Short-term loans receivable	**$365,035**	**$578,975**	**$15,182**	**$-**

As of March 31, 2011:

	Millions of yen			
	Within 1 Year	1 to 5 Years	5 to 10 Years	Over 10 years
Cash and deposits	¥211,700	¥-	¥-	¥-
Notes and accounts receivable-trade	74,059	2,751	-	-
Lease investment assets	9,911	13,075	64	-
Short-term investment securities, Investment securities and Other securities				
Government and municipal bonds	1,152	2,854	1,106	2,069
Corporate bonds	2,109	6,365	1,269	430
Other	-	6	217	2,687
Short-term loans receivable	¥22,814	¥36,245	¥927	¥-

[4] Amount of repayment for long-term debt and other interest-bearing debt

As of March 31, 2012:

	Millions of yen			
	Within 1 Year	1 to 5 Years	5 to 10 Years	Over 10 years
Bonds payable	**¥20,010**	**¥4,070**	**¥-**	**¥-**
Long-term loans payable	**23,786**	**154,378**	**67,149**	**547**

As of March 31, 2012:

	Thousands of U.S. dollars			
	Within 1 Year	1 to 5 Years	5 to 10 Years	Over 10 years
Bonds payable	**$243,608**	**$49,550**	**$-**	**$-**
Long-term loans payable	**289,579**	**1,879,450**	**817,495**	**6,658**

As of March 31, 2011:

	Millions of yen			
	Within 1 Year	1 to 5 Years	5 to 10 Years	Over 10 years
Bonds payable	¥20,010	¥24,080	¥-	¥-
Long-term loans payable	20,902	145,574	20,137	851

6. Short-Term Investment Securities and Investment Securities

Information on the value of short-term investment securities and investment securities as of March 31, 2012 and 2011 was as follows:

(1) Other securities (available-for-sale securities):

As of March 31, 2012:

	Millions of yen		
	Book value	Acquisition cost	Difference
Book value exceeding acquisition cost:			
Equity securities	**¥47,315**	**¥18,181**	**¥29,134**
Debt securities			
Government and municipal bonds	**11,149**	**10,858**	**291**
Corporate bonds	**8,043**	**7,751**	**292**
Other	**2,602**	**2,519**	**83**
Sub-total	**69,109**	**39,309**	**29,800**
Book value not exceeding acquisition cost:			
Equity securities	**3,613**	**4,021**	**(408)**
Debt securities			
Government and municipal bonds	**3,014**	**3,031**	**(17)**
Corporate bonds	**669**	**674**	**(5)**
Other	**325**	**326**	**(1)**
Sub-total	**7,621**	**8,052**	**(431)**
Total	**¥76,730**	**¥47,361**	**¥29,369**

As of March 31, 2012:

	Thousands of U.S. dollars		
	Book value	Acquisition cost	Difference
Book value exceeding acquisition cost:			
Equity securities	**$576,029**	**$221,342**	**$354,687**
Debt securities			
Government and municipal bonds	**135,732**	**132,189**	**3,543**
Corporate bonds	**97,918**	**94,363**	**3,555**
Other	**31,678**	**30,667**	**1,011**
Sub-total	**841,357**	**478,561**	**362,796**
Book value not exceeding acquisition cost:			
Equity securities	**43,986**	**48,953**	**(4,967)**
Debt securities			
Government and municipal bonds	**36,693**	**36,900**	**(207)**
Corporate bonds	**8,145**	**8,206**	**(61)**
Other	**3,956**	**3,969**	**(13)**
Sub-total	**92,780**	**98,028**	**(5,248)**
Total	**$934,137**	**$576,589**	**$357,548**

As of March 31, 2011:

	Millions of yen		
	Book value	Acquisition cost	Difference
Book value exceeding acquisition cost:			
Equity securities	¥38,865	¥19,191	¥19,674
Debt securities			
Government and municipal bonds	4,654	4,553	101
Corporate bonds	8,846	8,580	266
Other	2,041	2,000	41
Sub-total	54,406	34,324	20,082
Book value not exceeding acquisition cost:			
Equity securities	3,583	4,233	(650)
Debt securities			
Government and municipal bonds	2,526	2,575	(49)
Corporate bonds	1,326	1,334	(8)
Other	872	888	(16)
Sub-total	8,307	9,030	(723)
Total	¥62,713	¥43,354	¥19,359

(2) Other securities (available-for-sale securities) sold during fiscal years 2012 and 2011:

For the year ended March 31, 2012:

			Millions of yen
	Sales amount	Total gains	Total losses
Equity securities	**¥3,686**	**¥591**	**¥180**
Debt securities			
Government and municipal bonds	**8,278**	**232**	**17**
Corporate bonds	**3,790**	**61**	**-**
Other	**1,416**	**11**	**11**
Other	**21,293**	**-**	**-**
Total	**¥38,463**	**¥895**	**¥208**

For the year ended March 31, 2012:

			Thousands of U.S. dollars
	Sales amount	Total gains	Total losses
Equity securities	**$44,875**	**$7,195**	**$2,191**
Debt securities			
Government and municipal bonds	**100,779**	**2,824**	**207**
Corporate bonds	**46,141**	**743**	**-**
Other	**17,239**	**134**	**134**
Other	**259,228**	**-**	**-**
Total	**$468,262**	**$10,896**	**$2,532**

For the year ended March 31, 2011:

			Millions of yen
	Sales amount	Total gains	Total losses
Equity securities	¥6,566	¥351	¥112
Debt securities			
Government and municipal bonds	11,077	223	53
Corporate bonds	2,697	76	2
Other	525	1	8
Other	39,862	-	16
Total	¥60,727	¥651	¥191

(3)The Company and its consolidated subsidiaries recognized ¥403 million (US$4,906 thousand) and ¥415 million in loss on devaluation of securities for fiscal years 2012 and 2011, respectively.

For the purpose of recording a loss on devaluation of securities, the Company and its consolidated subsidiaries consider all the securities whose fair market values have fallen below 50% of the acquisition cost to be permanently impaired, and record relevant losses on devaluation. For securities whose fair market values have declined by between 30% and 50% in relation to their acquisition costs, the Company and its consolidated subsidiaries specifically consider the probability of recovery of fair market values and record losses on devaluation to the amount deemed permanently impaired.

7. Short-Term Loans Payable and Long-Term Debts

Short-term loans payable as of March 31, 2012 and 2011, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Bank loans with average interest rate of 0.55 % and 0.66% per annum as of March 31, 2012 and 2011, respectively	**¥71,040**	¥99,072	**$864,865**

Long-term debts as of March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Loans principally from banks and insurance companies due through 2024 with average interest rate of 1.08% and 1.39% per annum as of March 31, 2012 and 2011, respectively	**¥245,860**	¥187,464	**$2,993,182**
Unsecured 1.31% bonds due April 28, 2011	**-**	20,000	**-**
Unsecured 0.93% bonds due March 30, 2012	**-**	10	**-**
Unsecured 2.01% bonds due May 31, 2012	**20,000**	20,000	**243,487**
Unsecured 0.93% bonds due March 29, 2013	**10**	10	**122**
Unsecured 0.93% bonds due March 31, 2014	**10**	10	**122**
Unsecured 1.62 % bonds due July 10, 2014	**4,000**	4,000	**48,697**
Unsecured 0.93% bonds due March 31, 2015	**60**	60	**730**
Subtotal	**269,940**	231,554	**3,286,340**
Less-Portion due within one year	**(43,796)**	(40,912)	**(533,187)**
Total	**¥226,144**	¥190,642	**$2,753,153**

Annual maturities of long-term debts as of March 31, 2012 were as follows:

	Millions of yen	Thousands of U.S. dollars
2013	¥43,796	$533,187
2014	43,610	530,923
2015	43,460	529,097
2016	42,199	513,745
2017	29,179	355,235
2018 and thereafter	67,696	824,153
Total	¥269,940	$3,286,340

Lease obligations as of March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Lease obligations due within one year as of March 31, 2012and 2011	**¥751**	¥674	**$9,143**
Lease obligations due after one year as of March 31, 2012and 2011	**962**	1,184	**11,712**
Total	**¥1,713**	¥1,858	**$20,855**

Annual maturities of lease obligations as of March 31, 2012 were as follows:

	Millions of yen	Thousands of U.S. dollars
2013	**¥751**	**$9,143**
2014	**507**	**6,172**
2015	**272**	**3,311**
2016	**133**	**1,619**
2017	**43**	**523**
2018and thereafter	**7**	**87**
Total	**¥1,713**	**$20,855**

The following assets as of March 31, 2012 and 2011 were pledged as collateral for certain loans:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Notes and accounts receivable-trade	**¥-**	¥110	**$-**
Property, plant and equipment	**60,025**	64,339	**730,765**
Total	**¥60,025**	¥64,449	**$730,765**

To raise working capital efficiently, the FHI Group has concluded the commitment-line contracts. The maximum amount that can be made available under these contracts is ¥101,121 million (US$1,231,081 thousand) as of March 31, 2012. At the end of the fiscal year under review, there were no borrowings under the commitment line.

8. Derivative transactions

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

The fair value information of derivative financial instruments as of March 31, 2012 and 2011 was as follows:

Derivative transactions to which hedge accounting is not applied

(1) Foreign currency contracts:

As of March 31, 2012

	Millions of yen			Thousands of U.S. dollars		
	Notional Amount	Fair value	Valuation gain (loss)	Notional Amount	Fair value	Valuation gain (loss)
Foreign exchange forward contracts:						
Sell-						
U.S. dollar	**¥146,534**	**(¥5,400)**	**(¥5,400)**	**$1,783,954**	**($65,741)**	**($65,741)**
Euro	**7,809**	**(382)**	**(382)**	**95,069**	**(4,651)**	**(4,651)**
Canadian dollar	**15,651**	**(640)**	**(640)**	**190,541**	**(7,792)**	**(7,792)**

As of March 31, 2011

	Millions of yen		
	Notional Amount	Fair value	Valuation gain (loss)
Foreign exchange forward contracts:			
Sell-			
U.S. dollar	¥83,265	(¥625)	(¥625)
Euro	8,913	(359)	(359)
Canadian dollar	11,921	(322)	(322)

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

Derivative transactions to which hedge accounting is applied

(1) Interest rate contracts:

Accounting treatment: Exception processing of interest rate swap

Hedge item: Long-term loans payable

As of March 31, 2012

	Millions of yen			Thousands of U.S. dollars		
	Notional Amount	Over 1 year	Fair value	Notional Amount	Over 1 year	Fair value
Interest rate swap contracts:						
Receive floating rate pay fixed rate	**¥34,735**	**¥24,610**	**(*)**	**$422,876**	**$299,610**	**(*)**

As of March 31, 2011

	Millions of yen		
	Notional Amount	Over 1 year	Fair value
Interest rate swap contracts:			
Receive floating rate pay fixed rate			
	¥36,060	**¥34,735**	**(*)**

Note *Fair value of interest rate swap that meets certain hedging criteria is included in the fair value of long-term debt as a hedged item, because they are treated as a unit.

9. Property, Plant and Equipment

Property, plant and equipment as of March 31, 2012 and 2011 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Buildings and structures	**¥315,725**	¥317,448	**$3,843,742**
Machinery, equipment and vehicles	**468,702**	454,663	**5,706,136**
Vehicles and equipment on operating leases, net	**18,209**	18,783	**221,682**
Other	**226,624**	226,816	**2,758,998**
Subtotal	**1,029,260**	1,017,710	**12,530,558**
Accumulated depreciation	**(769,274)**	(765,211)	**(9,365,401)**
Accumulated impairment loss	**(30,194)**	(34,162)	**(367,592)**
Land	**184,276**	191,111	**2,243,438**
Construction in progress	**12,023**	21,394	**146,372**
Total	**¥426,091**	¥430,842	**$5,187,375**

10. Unexecuted Balance of Overdraft Facilities and Lending Commitments

The unexecuted balance of overdraft facilities and lending commitments at a consolidated subsidiary (Subaru Finance Co., Ltd.) as of March 31, 2012 and 2011 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Total overdraft facilities and lending commitments	**¥4,430**	¥4,800	**$53,932**
Less amounts currently executed	**512**	666	**6,233**
Unexecuted balance	**¥3,918**	¥4,134	**$47,699**

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

11. Pension and Severance Plans

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

As of March 31, 2012, the Company and 50 of its consolidated domestic subsidiaries, which add up to a total of 51 companies, have lump-sum retirement payment plans. Within the FHI Group, there are also 20 defined contribution plans, and five defined benefits pension plans. In addition, there are 11 single-employer employees' welfare pension funds subject to the provisions of Article 33 of "Practice Guidelines of Accounting for Retirement Benefits."

Certain insignificant consolidated subsidiaries calculated their pension liability using the simplified method. Under the simplified method, an accrued pension and severance liability is provided at the amount that would have been payable had all the employees voluntarily retired at the end of the fiscal year, less an amount to be covered from the plan assets, while the Company and significant subsidiaries provide an accrued pension and severance liability based on the estimated amount of pension and severance obligation (projected benefit obligations), less the fair value of plan assets at the end of the fiscal year under the actuarial method.

Certain information concerning the multi-employer pension plan, which requires contributions that are expensed as they become due as pension and severance costs, is as follows:

(1) Overall funded status of the multi-employer pension plan (mainly as of February 29, 2012)

	Millions of yen	Thousands of U.S. dollars
	2012	**2012**
Plan assets	**¥150,396**	**$1,830,972**
Projected benefit obligation	**173,101**	**2,107,390**
Funded status	**(¥22,705)**	**($276,418)**

(2) Contributions by the Company and its consolidated domestic subsidiaries as a percentage of total contributions to the multi-employer pension plan (mainly from April 1, 2011 to March 31, 2012): 14%

A reconciliation between the projected pension and severance obligation and accrued pension and severance liability as of March 31, 2012 and 2011, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
a. Projected pension and severance obligation	**¥102,523**	¥100,917	**$1,248,149**
b. Plan assets	**(57,166)**	(50,676)	**(695,958)**
c. Unfunded pension and severance obligations	**45,357**	50,241	**552,191**
d. Unamortized actuarial loss	**(23,213)**	(21,971)	**(282,602)**
e. Unamortized prior service cost	**(302)**	(345)	**(3,677)**
f. Net amount recorded in balance sheet	**21,842**	27,925	**265,912**
g. Prepaid pension cost	**(12,108)**	(5,782)	**(147,407)**
h. Accrued pension and severance liability	**¥33,950**	¥33,707	**$413,319**

Notes: 1. The above amounts include the substitutional portion of the government pension plan funded by social security taxes paid by employees and employers.

2. Certain insignificant consolidated subsidiaries calculated the liability using the simplified method.

Periodic pension and severance costs for the fiscal years 2012, and 2011, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
a. Service cost	**¥9,116**	¥8,599	**$110,981**
b. Interest cost	**1,577**	1,791	**19,199**
c. Expected return on plan assets	**(1,718)**	(1,609)	**(20,916)**
d. Amortization of actuarial gain/loss	**2,115**	1,941	**25,749**
e. Amortization of prior service cost	**60**	51	**730**
f. Pension and severance cost	**11,150**	10,773	**135,743**
g. Gain on transfer of the substitutional portion of the employee's pension fund	**(327)**	(236)	**(3,981)**
h. Total	**¥10,823**	¥10,537	**$131,762**

Notes:1. The above amounts do not include the welfare pension funds paid by employees.
2. The service cost of consolidated subsidiaries using the simplified method is included in the service cost above.
3. The service cost above includes required funding for the multi-employer pension plan amounting to ¥506 million (US$6,160 thousand) and ¥628 million for fiscal years 2012 and 2011, respectively, for which plan assets could not be allocated to each participating employer.
4. The service cost above includes contributions for the defined contribution plans of the Company and certain consolidated subsidiaries amounting to ¥2,604 million (US$31,702 thousand) and ¥2,473 million for fiscal years 2012 and 2011, respectively.
5. In addition to the pension and severance cost above, additional retirement payments amounting to ¥189 million (US$2,301 thousand) and ¥220 million were made for fiscal years 2012 and 2011, respectively. For fiscal years 2012 and 2011, the entire ¥189 million (US$2,301 thousand) of additional retirement payments and ¥220 million of additional retirement payments are included in cost of sales and selling, general and administrative expenses, respectively.

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

	2012	2011
a. Attribution of expected benefit obligation	The straight-line method	The straight-line method
b. Discount rate	1.0%–1.8%	1.4%–2.0%
c. Expected rate of return on plan assets	1.4%–3.5%	1.4%–3.5%
d. Amortization of actuarial gain/loss	Primarily 16 years (amortized by the straight-line method starting from the following fiscal year, over a period shorter than the average remaining service periods of the eligible employees)	Primarily 16 years (amortized by the straight-line method starting from the following fiscal year, over a period shorter than the average remaining service periods of the eligible employees)
e. Amortization of prior service cost	11 to 18 years	11 to 18 years

12. Income Taxes

The Company and its consolidated subsidiaries were subject to a number of taxes based on income, which in the aggregate resulted in a normal statutory income tax rate of approximately 40.5% for fiscal years 2012 and 2011.

A reconciliation of the statutory income tax rates in Japan to the Company's effective income tax rates for the fiscal years 2012 and 2011 are as follows:

	2012	2011
Statutory income tax rate in Japan	**40.5%**	40.5%
Increase (reduction) in taxes resulting from:		
Changes in valuation allowance and tax benefits realized from loss carry forwards	**(11.0)**	(17.1)
Adjustment to past corporate income taxes payable and corporate income taxes refundable	**(0.2)**	(0.2)
Equity in earnings of affiliates	**(0.6)**	(1.7)
Difference of applicable tax rate in subsidiaries	**(1.1)**	(1.5)
Adjustment of deferred tax assets in the end of fiscal year 2012 by change of the tax amount	**(1.4)**	-
Other	**0.9**	0.2
Effective income tax rate	**27.1%**	20.2%

Significant components of the deferred tax assets and liabilities as of March 31, 2012 and 2011, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Deferred tax assets:			
Accrued expenses	**¥12,452**	¥11,687	**$151,595**
Accrued pension and severance liabilities	**11,942**	11,028	**145,386**
Depreciation and amortization expenses	**11,143**	13,568	**135,659**
Provision for product warranties	**10,341**	10,129	**125,895**
Provision for bonuses	**6,281**	6,561	**76,467**
Long-term accounts payable-other	**5,681**	4,472	**69,162**
Loss on valuation of inventories	**4,750**	9,148	**57,828**
Net operating loss carryforwards	**26,906**	33,663	**327,563**
Other	**10,919**	12,373	**132,931**
Total deferred tax assets	**100,415**	112,629	**1,222,486**
Valuation allowance	**(73,539)**	(89,542)	**(895,289)**
Total deferred tax assets, net of valuation allowance	**26,876**	23,087	**327,197**
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	**(10,472)**	(7,437)	**(127,490)**
Depreciation and amortization expenses	**(7,317)**	(7,266)	**(89,080)**
Reserve for reduction entry	**(2,396)**	(510)	**(29,170)**
Prepaid pension cost	**(4,260)**	-	**(51,863)**
Other	**(5,981)**	(6,436)	**(72,812)**
Total deferred tax liabilities	**(30,426)**	(21,649)	**(370,415)**
Net deferred tax assets	**(¥3,550)**	¥1,438	**($43,218)**

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

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Current assets—Deferred tax assets	**¥17,399**	¥13,754	**$211,821**
Investments and other assets—Deferred tax assets	**1,873**	1,812	**22,803**
Current liabilities—Deferred tax liabilities (Other current liabilities)	**(82)**	(126)	**(998)**
Long-term liabilities—Deferred tax liabilities	**(22,740)**	(14,002)	**(276,844)**
Total net deferred tax assets	**(¥3,550)**	¥1,438	**($43,218)**

(Adjustment of deferred tax assets and liabilities for enacted changes in tax laws and rates)

On December 2, 2011, amendments to the Japanese tax regulations were enacted into law, and the statutory income tax rate for years beginning on or after April 1, 2012 will be changed. As a result of these amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized has been changed as follows:

From April 1, 2012 to March 31, 2015	37.8%
on or after April 1, 2015	35.4%

Due to these changes in statutory income tax rates, net deferred tax assets increased by ¥2,160 million (US$26,297 thousand) as of March 31, 2012 and deferred income tax expense recognized for the year ended March 31, 2012 decreased by ¥720 million (US$8,766 thousand).

13. Net Assets

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

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

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

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

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

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

At the annual shareholders' meeting held on June 22, 2012, the shareholders approved cash dividends amounting to ¥3,514 million (US$42,781 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2011. Such appropriations are recognized in the period in which they are approved by the shareholders.

14. Ending Inventories

Book value of ending inventories is measured based on the lower of cost or market value.
¥459 million (US$5,588 thousand) and minus ¥627 million as "Loss on valuation of inventories" is included in "Cost of sales" for fiscal years 2012 and 2011, respectively. And minus ¥1,840 million (US$22,401 thousand) and ¥2,820 million as "Provision for loss on construction contracts" is included in "Cost of sales" for fiscal year 2012 and 2011, respectively.

15. Selling, General and Administrative Expenses

Selling, general and administrative expenses for fiscal years 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Freightage and packing expenses	**¥20,302**	¥21,034	**$247,163**
Advertising expenses	**36,452**	37,491	**443,779**
Sales incentives	**30,882**	35,345	**375,968**
Salaries and bonuses	**42,851**	42,627	**521,682**
Research and development expenses	**48,014**	42,778	**584,539**
Other	**72,226**	75,726	**879,304**
Total	**¥250,727**	¥255,001	**$3,052,435**

16. Impairment Loss on Property, Plant and Equipment
(Fiscal 2011)

In the fiscal year ended March 31, 2011, the Company recorded an impairment loss with regard to the following asset groups:

Use	Location	Category
Idle assets	Tokyo, Aichi Prefecture and 14 other locations	Buildings and structures, land and other

The idle assets are grouped on a property-by-property basis.

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

As a result, the Company and its consolidated subsidiaries recognized a total of ¥1,457million in impairment loss.

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

	Millions of yen
	2011
Buildings and structures	¥215
Land	1,209
Other	33
Total	¥1,457

A net realizable value is determined based on the government-published land valuation index prices or values used for real estate tax purposes less disposal cost.

17. Loss on Disaster

The loss was caused by Great East Japan Earthquake.

(Fiscal 2012)

The main content was the fixed overhead costs corresponding to lower production.

(Fiscal 2011)

The main contents were as follows;

	Millions of yen
	2011
Fixed costs by temporary suspension of production, etc	¥4,669
Cost to restore damaged facilities	966
Loss on the damage on inventory and fixed assets	883
Loss on doubtful accounts for suppliers, etc.	313
Other	521
Total	¥7,352

18. Loss on Prior Periods Adjustment

(Fiscal 2011)

The main contents were as follows.

The adjustment of provision for product warranties in prior years was recognized as a result of review of product warranty cost.

	Millions of yen
	2011
The adjustment of provision for product warranties in prior years	**¥4,763**
The adjustment of cost of sales in prior years	**1,347**
Total	**¥6,110**

19. Loss on Reconstruction of Office Building

(Fiscal 2011)

In relation to the reconstruction of Ebisu Subaru Building, the following losses were recognized.

	Millions of yen
	2011
Estimation of demolition costs	**¥334**
Non-recurring depreciation	**323**
Total	**¥657**

20. Provision for Loss on Transfer of Business

(Fiscal 2012)

The Company is going to assign the businesses of Eco Technologies division and records the estimated amount of loss related to these assignments.

21. Other Income and Loss

(Fiscal 2012)

Other income includes ¥1,611 million (US$19,613 thousand) which is the forgiveness of debt relating to the development resulting from the dissolution of contract about a specific project in the Aerospace division.

Other loss includes ¥3,028 million (US$36,864 thousand) which consists of the provision of allowance for doubtful accounts about the receivables from a customer whose credit risk had increased, loss on valuation of work in process and others.

(Fiscal 2011)

The Company is going to terminate the production of minicar in fiscal year 2012. Other loss includes ¥2,422 million, the cost of retirement and demolition, etc of facilities related to the termination.

22. Stock Option Plans

(Fiscal 2012)

1. Descriptions, volume, and movement of stock options

(1) Descriptions of stock option plans

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

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

(2) Volume and movement of stock options

The stock options outstanding in the fiscal year 2012 are summarized as follows:

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

	Fiscal 2004 Stock option plan
Nonexercisable stock options (shares):	
At the end of the fiscal year 2011	-
Stock options granted	-
Forfeitures	-
Conversion to exercisable stock options	-
Stock options outstanding	-
Exercisable stock options (shares):	
At the end of the fiscal year 2011	1,254,000
Conversion from nonexercisable stock options	-
Stock options exercised	205,000
Forfeitures	1,049,000
Stock options outstanding	-

[2] Price information of stock options

	Fiscal 2004 Stock option
Exercise price (Yen)	¥594,000
Average market price of the stock at the time of exercise (Yen)	620
Fair value (date of grant) (Yen)	-

(Fiscal 2011)

1. Descriptions, volume, and movement of stock options

(1) Descriptions of stock option plans

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

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

(2) Volume and movement of stock options

The stock options outstanding in the fiscal year 2011 are summarized as follows:

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

	Fiscal 2004 Stock option plan
Nonexercisable stock options (shares):	
At the end of the fiscal year 2010	-
Stock options granted	-
Forfeitures	-
Conversion to exercisable stock options	-
Stock options outstanding	-
Exercisable stock options (shares):	
At the end of the fiscal year 2010	1,863,000
Conversion from nonexercisable stock options	-
Stock options exercised	609,000
Forfeitures	-
Stock options outstanding	1,254,000

[2] Price information of stock options

	Fiscal 2004 Stock option
Exercise price (Yen)	¥594,000
Average market price of the stock at the time of exercise (Yen)	675
Fair value (date of grant) (Yen)	-

23. Finance Leases

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

Information as Lessee

(1) Transfer of title through finance lease transaction

[1] Leased assets

Mainly implements of production in the automotive business

[2] Depreciation method for leased assets

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

(2) Finance leases which do not transfer ownership title

[1] Leased assets

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

[2] Depreciation method for leased assets

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

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

[1] Pro forma information of such leases as of March 31, 2012 and 2011, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Machinery, equipment and vehicles	**¥231**	¥284	**$2,812**
Other tangible assets	**306**	760	**3,725**
Intangible assets	**9**	31	**110**
Total	**546**	1,075	**6,647**
Accumulated depreciation/amortization	**(443)**	(810)	**(5,393)**
Net	**¥103**	¥265	**$1,254**

[2] The future minimum lease/rent payments, excluding the portion of interest thereon, as of March 31, 2012 and 2011, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Finance leases:			
Due within one year	**¥74**	¥168	**$901**
Due after one year	**42**	114	**511**
Total	**¥116**	¥282	**$1,412**

[3] Pro forma information related to finance leases for fiscal years 2012 and 2011 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Lease payment	**¥171**	¥347	**$2,082**
Depreciation and amortization expenses	**159**	328	**1,936**
Interest expense portion	**¥4**	¥10	**$49**

Information as Lessor

(1) The details of lease investment assets as of March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Obligation of lease fee receivable	**¥26,374**	¥28,028	**$321,086**
Estimated residual value	**272**	280	**3,311**
Interest expense portion	**(4,781)**	(5,258)	**(58,205)**
Lease investment assets	**¥21,865**	¥23,050	**$266,192**

(2) Lease revenue related to lease investment assets

Amounts of collections on lease receivable after the fiscal year ended March 31, 2012 and 2011, were as follows;

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Within 1 year	**¥8,786**	¥9,120	**$106,964**
1 to 2 years	**7,004**	7,438	**85,269**
2 to 3 years	**5,226**	5,588	**63,623**
3 to 4 years	**3,267**	3,742	**39,774**
4 to 5 years	**2,013**	1,972	**24,507**
Over 5 years	**¥78**	¥168	**$949**

24. Operating Lease

Information as Lessee

The future minimum lease/rent payments, excluding the portion of interest thereon, as of March 31, 2012 and 2011, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Operating leases:			
Due within one year	**¥1,179**	¥1,135	**$14,354**
Due after one year	**4,813**	5,346	**58,595**
Total	**¥5,992**	¥6,481	**$72,949**

Information as Lessor

The future minimum lease/rent payments receivable, excluding the portion of interest thereon, as of March 31, 2012 and 2011, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Operating leases:			
Due within one year	**¥545**	¥1,122	**$6,635**
Due after one year	**206**	300	**2,508**
Total	**¥751**	¥1,422	**$9,143**

25. Contingent Liabilities

Contingent liabilities as of March 31, 2012 and 2011, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
As guarantor of third-party indebtedness from financial institutions	**¥38,600**	¥31,943	**$469,929**

26. The Amount of Discount of Export Bill

The amount of discount of export bill as of March 31, 2012 and 2011, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
The amount of discount of export bill	**¥905**	¥9,102	**$11,018**

27. Property for Transfer Balance to Special Purpose Company

Property for transfer balance to special purpose company as of March 31, 2012 and 2011, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Property for transfer balance to special purpose company (loan claims of Automobiles and account receivable-trade of Aerospace)	**¥23,416**	¥51,512	**$285,074**

28. Segment Information

(1)General information about reportable segments

The reportable segments the Company reports are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic investigation to determine distribution of management resources and evaluate their business result.

The Company has placed Automobile at the center of the whole businesses, and has implemented internal company system into Aerospace, Industrial Products and Eco technology divisions. This framework makes clearer the responsibility of each division and accelerates business execution. The Company manages the subsidiaries on the basis of this classification. Therefore the reportable segments consist of Automobile, Aerospace, Industrial products, Eco technology, and Other which does not belong to any division.

As for Eco technology division, the Company includes it into "Other" because it does not satisfy the quantitative criteria for the reportable segments. As a result, reportable segments are Automobile, Aerospace, and Industrial products.

Automobile segment manufactures and sells vehicles and related products. Aerospace segment manufactures aircrafts, parts of space-related devices. Industrial products segment manufactures and sells Robin engines and related products.

(2)Calculation method of sales, profit or loss, assets, liabilities and other items by reportable segments

Accounting method for reportable segments is almost the same as "2. Summary of Significant Accounting Policies".

The segment profit or loss are calculated based on operating income or loss.

Net sales - Inter-segment are calculated based on current market prices.

(3)Information on sales, profit or loss, assets and other items by reportable segments for the fiscal years ended March 31, 2012 and 2011 was summarized as follows

	Millions of yen		Thousands of U.S. dollars
Net Sales:	**2012**	2011	**2012**
Automobiles			
Outside customers	**¥1,389,070**	¥1,452,207	**$16,911,006**
Inter-segment	**2,947**	2,520	**35,877**
Sub-total	**1,392,017**	1,454,727	**16,946,883**
Aerospace			
Outside customers	**80,251**	82,817	**977,003**
Inter-segment	**-**	-	**-**
Sub-total	**80,251**	82,817	**977,003**
Industrial products			
Outside customers	**33,617**	30,061	**409,265**
Inter-segment	**111**	39	**1,351**
Sub-total	**33,728**	30,100	**410,616**
Other (*1)			
Outside customers	**14,167**	15,478	**172,474**
Inter-segment	**13,208**	13,207	**160,799**
Sub-total	**27,375**	28,685	**333,273**
Total	**1,533,371**	1,596,329	**18,667,775**
Adjustment (*2)	**(16,266)**	(15,766)	**(198,028)**
Consolidated total (*3)	**¥1,517,105**	¥1,580,563	**$18,469,747**

	Millions of yen		Thousands of U.S. dollars
Segment profit or Loss:	**2012**	2011	**2012**
Automobiles	**¥39,389**	¥80,387	**$479,535**
Aerospace	**2,882**	2,256	**35,086**
Industrial products	**503**	(52)	**6,124**
Other (*1)	**1,029**	1,463	**12,527**
Total	**43,803**	84,054	**533,272**
Adjustment (*2)	**156**	81	**1,900**
Consolidated total (*3)	**¥43,959**	¥84,135	**$535,172**

Segment assets:	2012	2011	2012
		Millions of yen	Thousands of U.S. dollars
Automobiles	**¥1,097,729**	¥944,046	**$13,364,122**
Aerospace	**153,960**	162,704	**1,874,361**
Industrial products	**53,863**	41,515	**655,746**
Other (*1)	**75,916**	71,562	**924,227**
Total	**1,381,468**	1,219,827	**16,818,456**
Adjustment (*2)	**(28,936)**	(31,503)	**(352,276)**
Consolidated total (*3)	**¥1,352,532**	¥1,188,324	**$16,466,180**

Other Items:	2012	2011	2012
		Millions of yen	Thousands of U.S. dollars
Depreciation and amortization:			
Automobiles	**¥53,043**	¥51,004	**$645,763**
Aerospace	**3,534**	2,380	**43,024**
Industrial products	**522**	660	**6,355**
Other (*1)	**1,512**	2,018	**18,408**
Total	**58,611**	56,062	**713,550**
Adjustment (*2)	**-**	-	**-**
Consolidated total (*3)	**¥58,611**	¥56,062	**$713,550**
Investment to equity-method affiliates:			
Automobiles	**¥5,285**	¥4,849	**$64,341**
Aerospace	**270**	230	**3,287**
Industrial products	**886**	890	**10,786**
Other (*1)	**266**	394	**3,239**
Total	**6,707**	6,363	**81,653**
Adjustment (*2)	**-**	-	**-**
Consolidated total (*3)	**¥6,707**	¥6,363	**$81,653**
Increase of property, plant and equipment and intangible fixed assets:			
Automobiles	**¥63,544**	¥64,591	**$773,606**
Aerospace	**2,772**	1,918	**33,747**
Industrial products	**262**	215	**3,190**
Other (*1)	**457**	654	**5,564**
Total	**67,035**	67,378	**816,107**
Adjustment (*2)	**-**	-	**-**
Consolidated total (*3)	**¥67,035**	¥67,378	**$816,107**

Note: *1. "Other" means the category which is not included into any reportable segments. It consists of garbage collection vehicles, specialized vehicles, real estate lease, etc.

*2. Adjustment of segment profit of loss refers to elimination of intersegment transaction.

*3 Segment profit or loss is adjusted on operating income on the consolidated statements of income.

Related Information

(1)Products and services information

Products and services information is not shown since the same information is in the segment information.

(2)Information about geographic areas

[1]Sales for the fiscal years ended March 31, 2012 and 2011 was summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Sales: (*1)			
Japan	**¥498,472**	¥467,323	**$6,068,566**
North America	**710,432**	725,775	**8,649,038**
[United States] (*2)	**[620,675]**	[654,402]	**[7,556,306]**
Europe	**112,826**	126,321	**1,373,582**
Asia	**96,729**	138,854	**1,177,611**
Other	**98,646**	122,290	**1,200,950**
Consolidated total	**¥1,517,105**	¥1,580,563	**$18,469,747**

Note: *1 Sales is categorized by country or area which is based on customer location.

*2 Sales of the United States is included in North America area.

[2]Property, plant and equipment for the fiscal years ended March 31, 2012 and 2011 was summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Property, plant and equipment: (*1)			
Japan	**¥376,569**	¥379,717	**$4,584,478**
North America	**49,417**	50,990	**601,619**
[United States] (*2)	**[48,732]**	[50,234]	**[593,280]**
Europe	**98**	135	**1,193**
Asia	**-**	-	**-**
Other	**7**	-	**85**
Consolidated total	**¥426,091**	¥430,842	**$5,181,503**

Note: *1 Property, plant and equipment is categorized by country or area according to geographic adjacent level.

*2 Property, plant and equipment of the United States is included in North America area.

[3]Major customers Information

Information about major customers is not shown because outside sales for major customers accounted for less 10% of operating revenue on the consolidated statements of income for the fiscal years ended March 31, 2012 and 2011.

Information on Impairment Loss in Fixed Assets by Reportable segments

Impairment loss in fixed assets by reportable segments for the fiscal years ended March 31, 2012 and 2011 was summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Impairment loss in fixed assets:			
Automobiles	**¥63**	¥1,431	**$767**
Aerospace	**-**	-	**-**
Industrial products	**-**	26	**-**
Other	**-**	-	**-**
Total	**63**	1,457	**767**
Adjustment	**-**	-	**-**
Total	**¥63**	¥1,457	**$767**

Information on Amortization of Goodwill and Unamortized Balance by Reportable segments

Information on amortization of goodwill and unamortized balance by reportable segments for the fiscal years ended March 31, 2012 and 2011 was summarized as follows:

(1)Goodwill

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Amount written off of current period:			
Automobiles	**¥318**	¥350	**$3,871**
Aerospace	**-**	-	**-**
Industrial products	**-**	-	**-**
Other (*1)	**1**	3	**12**
Total	**319**	353	**3,883**
Corporate and elimination	**-**	-	**-**
Total	**¥319**	¥353	**$3,883**
Balance at the end of current period:			
Automobiles	**¥2,420**	¥2,773	**$29,462**
Aerospace	**-**	-	**-**
Industrial products	**-**	-	**-**
Other (*1)	**-**	1	**-**
Total	**2,420**	2,774	**29,462**
Corporate and elimination	**-**	-	**-**
Total	**¥2,420**	¥2,774	**$29,462**

Note: *1 "Other" is related to Eco technology division.

(2)Negative Goodwill

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Amount written off of current period:			
Automobiles	**¥-**	¥206	**$-**
Aerospace	**-**	-	**-**
Industrial products	**-**	-	**-**
Other	**-**	-	**-**
Total	**-**	206	**-**
Corporate and elimination	**-**	-	**-**
Total	**¥-**	¥206	**$-**
Balance at the end of current period:			
Automobiles	**¥-**	¥-	**$-**
Aerospace	**-**	-	**-**
Industrial products	**-**	-	**-**
Other	**-**	-	**-**
Total	**-**	-	**-**
Corporate and elimination	**-**	-	**-**
Total	**¥-**	¥-	**$-**

Information on Negative Goodwill by Reportable segments

No items to be reported.

29. Fair Value of Investment and Rental Property

The Company and certain consolidated subsidiaries own rental office buildings and rental commercial facilities with the objective of generating rental income in Saitama prefecture and other locations. Certain domestic rental office buildings in Japan are classified as properties that include portions used as investment and rental property, because part of them are used by the Company and certain consolidated subsidiaries.

Investment and rental property consolidated balance sheet amounts, principal changes during fiscal 2012 and 2011, fair value at the end of fiscal 2012 and 2011 were as follows:

As of March 31, 2012

	Millions of yen			
	Consolidated balance sheet amounts			Fair value as the end of the fiscal year
	beginning balance	Increase(decrease) during the year	ending balance	
Investment and rental property	**¥34,148**	**(¥2,264)**	**¥31,884**	**¥40,854**
Properties that include portions used as investment and rental property	**¥14,711**	**(¥8,138)**	**¥6,573**	**¥9,555**

As of March 31, 2012

	Thousands of U.S. dollars			
	Consolidated balance sheet amounts			Fair value as the end of the fiscal year
	beginning balance	Increase(decrease) during the year	ending balance	
Investment and rental property	**$415,729**	**($27,563)**	**$388,166**	**$497,370**
Properties that include portions used as investment and rental property	**$179,097**	**($99,075)**	**$80,022**	**$116,326**

As of March 31, 2011

	Millions of yen			
	Consolidated balance sheet amounts			Fair value as the end of the fiscal year
	beginning balance	Increase(decrease) during the year	ending balance	
Investment and rental property	¥29,838	¥4,310	¥34,148	¥47,877
Properties that include portions used as investment and rental property	¥13,534	¥1,177	¥14,711	¥40,416

Note 1. The amounts of consolidated balance sheet excludes accumulated depreciation and accumulated impairment loss from acquisition costs.

2. Among changes in the amount of investment, rental property and properties that include portions used as investment and rental property during the fiscal 2012, principal increases were properties acquisitions etc, which amounted to ¥1,628 million (US$19,820 thousand), and principal decreases were loss on sales and retirement, which amounted to ¥8,968 million (US$109,179 thousand) .

Among changes in the amount of investment, rental property and properties that include portions used as investment and rental property during the fiscal 2011, principal increases were properties acquisitions etc, which amounted to ¥9,113 million, and principal decreases were depreciation and impairment loss, which amounted to ¥1,321 million and ¥846 million, respectively.

3. Fair value of a part of main investment and rental property is the amount estimated by based value of real-estate appraiser, and fair value of a part of other investment and rental property is the amount

estimated by the Company based principally on land assessment value. Also, fair value at the end of the fiscal year 2011 of Shinjuku Subaru building is the amount estimated by based on sale value.

Profit and loss in fiscal 2012 and 2011 concerning investment and rental property and properties that include portions used as investment and rental property were as follows:
As of March 31, 2012

	Millions of yen			
	Rental income	Rental expenses	Change	Other profit and loss
Investment and rental property	**¥3,309**	**¥2,062**	**¥1,247**	**¥111**
Properties that include portions used as investment and rental property	**¥1,144**	**¥537**	**¥607**	**¥26,134**

As of March 31, 2012

	Thousands of U.S. dollars			
	Rental income	Rental expenses	Change	Other profit and loss
Investment and rental property	**$40,285**	**$25,103**	**$15,182**	**$1,351**
Properties that include portions used as investment and rental property	**$13,927**	**$6,538**	**$7,389**	**$318,164**

As of March 31, 2011

	Millions of yen			
	Rental income	Rental expenses	Change	Other profit and loss
Investment and rental property	¥3,055	¥2,199	¥856	(¥338)
Properties that include portions used as investment and rental property	¥1,790	¥1,099	¥691	(¥669)

Note:1. Rental income (from the properties that include portions used as investment and rental property) does not include the portion that the Company or certain subsidiaries use as the provision of services and business administration purposes. Rental expenses, however, include all portions of the expenses (costs related to depreciation, repairs, insurance and taxes).
2. Other profit and loss include in gain on sale and impairment loss.

30.Subsequent Event
No items to be reported.

31.Other
On January 15, 2010, the Company filed a lawsuit with the Tokyo District Court against the Government of Japan for the payment [totaling ¥35,124 million (US$ 427,611 thousand)] of uncollected initial investment fees (amount paid for customization to the Japanese specifications) for the manufacture of the AH-64D combat helicopters for the Japan Ministry of Defense.

The payment [totaling ¥23,954 million (US$ 291,624 thousand)] of uncollected initial investment fees the Company paid was included in "Other assets" of "Investments and other assets".

In addition, the amount of lawsuit includes the uncollected initial investment fees, consumption tax and other paid by subcontractors.

Independent Auditor's Report

To the Board of Directors of FUJI HEAVY INDUSTRIES LTD.:

We have audited the accompanying consolidated financial statements of FUJI HEAVY INDUSTRIES LTD. and its consolidated subsidiaries, which comprise the consolidated balance sheets as of March 31, 2012 and 2011, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in net assets and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of FUJI HEAVY INDUSTRIES LTD. and its consolidated subsidiaries as of March 31, 2012 and 2011, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2012 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

June 25, 2012
Tokyo, Japan