



Presentation of Business Results  
for the 1st Half of FYE 2012  
Fuji Heavy Industries Ltd.

November 1, 2011

<http://www.fhi.co.jp/english/ir/index.html>



## A Summary of Business Results



## 1st Half : Consolidated Automobile Sales

(thousand units)

	<b>Actual Results</b> 1st Half FYE March 2011	<b>Actual Results</b> 1st Half FYE March 2012	<b>Increase/ Decrease</b>
Passenger Car	37.7	35.9	-1.8
Minicar	50.8	36.7	-14.1
<b>Domestic Total</b>	<b>88.5</b>	<b>72.6</b>	<b>-15.9</b>
U.S.	129.1	113.5	-15.6
Canada	15.0	14.7	-0.3
Russia	4.7	5.6	+0.9
Europe	24.6	14.6	-10.1
Australia	21.5	16.4	-5.1
China	32.0	18.9	-13.1
Others	15.8	9.7	-6.1
<b>Overseas Total</b>	<b>242.7</b>	<b>193.3</b>	<b>-49.3</b>
<b>Total</b>	<b>331.2</b>	<b>265.9</b>	<b>-65.2</b>

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Canada figures are consolidated on the calendar year basis from Jan. to Jun.

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Total consolidated sales for the first six months of the fiscal year ending March 2012 came to 265.9 thousand units. This represents a 65.2 thousand unit year-on-year drop due to the decline in production and shipment volumes resulting from the delayed supply of components in the wake of the massive earthquake that hit northeastern Japan this past March.

The total number of cars sold in the domestic market fell 15.9 thousand units to total 72.6 thousand. Our efforts to fill order backlogs were unable to offset the decreased production volume following on the heels of the devastating multiple disasters of 3-11. Passenger car sales dropped 1.8 thousand units to total 35.9 thousand while minicar sales fell 14.1 thousand units to total 36.7 thousand.

Sales in overseas markets also declined. The lack of exports in the aftermath of the March disasters resulted in a 49.3 thousand unit drop with the sales total reaching 193.3 thousand units.



## 1st Half : Consolidated Statements of Income

(100 million yen)

	Actual Results 1st Half FYE March 2011	Actual Results 1st Half FYE March 2012	Increase/ Decrease
<b>Net Sales</b>	<b>8,040</b>	<b>6,550</b>	<b>-1,490</b>
Domestic	2,520	2,245	-275
Overseas	5,520	4,305	-1,215
<b>Operating Income</b>	<b>573</b>	<b>188</b>	<b>-386</b>
<b>Ordinary Income</b>	<b>588</b>	<b>216</b>	<b>-373</b>
<b>Income Before Income Taxes and Minority Interests</b>	<b>557</b>	<b>402</b>	<b>-155</b>
<b>Net Income</b>	<b>446</b>	<b>328</b>	<b>-118</b>
<b>FHI Exchange Rate</b>	¥90/US\$	¥80/US\$	<b>-¥10/US\$</b>

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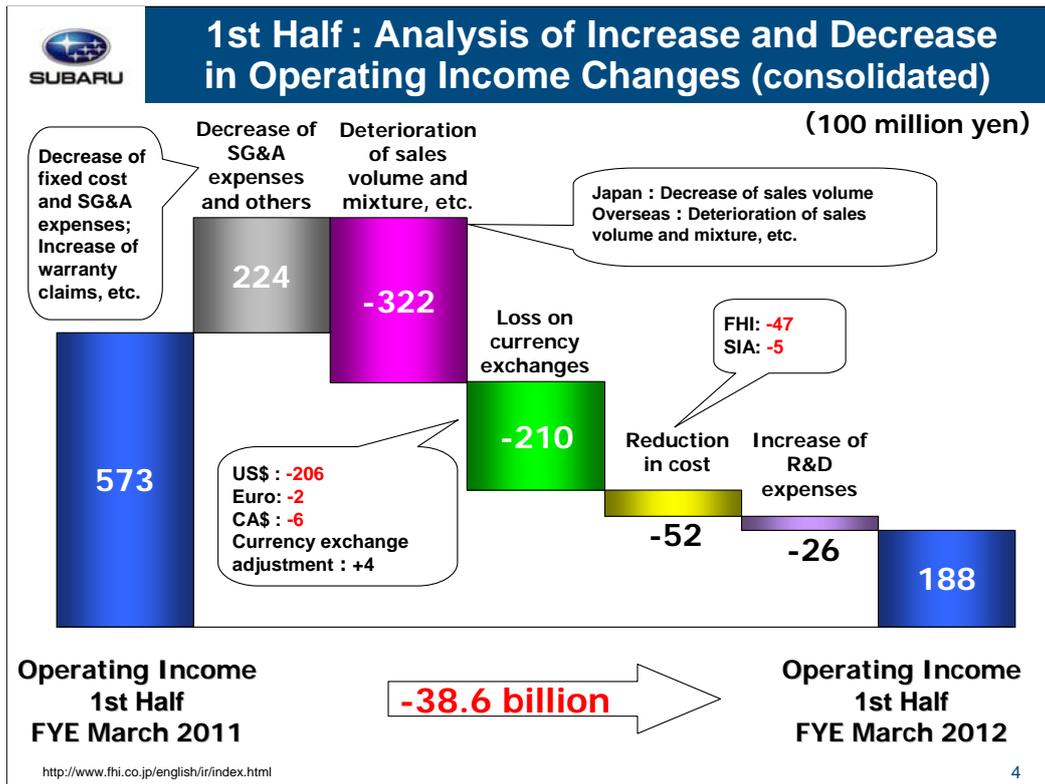
Net sales for the second quarter of the fiscal year ending March 2012 fell 149.0 billion yen, or 18.5%, year on year to total 655.0 billion yen. This decline includes a loss of 112.0 billion yen due to the poorer post-quake sales mix variance and a foreign exchange loss of 39.0 billion yen due to the strong yen. Unfortunately we were unable to offset these losses with the increased revenue from our three internal companies which generated an overall gain of 2.0 billion yen.

Operating income, totaling 18.8 billion yen, dropped 38.6 billion yen, or 67.3%, year on year. Despite a boost from lower SG&A expenses, operating income fell due to an unfavorable sales mix variance, foreign exchange losses, increased R&D expenses, and hikes in material prices. This will be looked at in further detail later on.

Ordinary income dipped 37.3 billion yen, or 63.3%, to total 21.6 billion yen due to losses on forward exchange contracts.

Income before income taxes and minority interests fell by 15.5 billion yen, or 27.8%, year on year to reach 40.2 billion yen. The major impact on our bottom line came from our lower ordinary income and an extraordinary loss due to disaster despite the gain on the sale of the Subaru Building which was posted during the first quarter.

Net income, which came to 32.8 billion yen, declined 26.5% or 11.8 billion yen year on year due to our decreased income before income taxes and minority interests.



Now let's look at the factors behind the 38.6 billion yen year-on-year drop in operating income that took us from 57.3 billion yen to 18.8 billion yen.

The primary reason for the increase in operating income was

a gain of 22.4 billion yen due to reduced SG&A expenses. Let's look at the three factors behind the increase. First, we see that a reduction in fixed manufacturing costs generated a gain of 9.8 billion yen, with a gain of 8.9 billion yen coming from FHI and another gain of 0.9 billion yen at SIA. FHI yielded a gain of 5.2 billion yen due to cost cuts for suppliers' dies and a gain of 3.7 billion yen due to lower fixed processing costs. SIA lost 0.1 billion yen due to increased costs for suppliers' dies and gained 1.0 billion yen due to a reduction in fixed processing costs. Next we see that a drop in SG&A expenses produced a gain totaling 13.7 billion yen. FHI generated a gain of 8.0 billion yen due to reduced advertising costs as well as lower transportation and packing costs as a result of lower sales volumes. Domestic dealers also generated 1.4 billion yen as a result of their efforts to cut SG&A expenses. SOA experienced a gain of 5.2 billion yen, while our Canadian subsidiary generated a loss of 0.1 billion yen and our other subsidiaries saw combined losses totaling 0.8 billion yen. The figure for SOA includes a gain of 1.2 billion yen due to reduced advertising costs, etc. in addition to a gain of 4.0 billion yen. This latter gain comes from an approximate 400 dollar drop in the per-unit rebate that brought the 950 dollar cash-back incentive for April through September 2010 down to 550 dollars for April through September 2011. Finally, the third factor includes an increase in costs associated with warranty claims that led to a loss of 1.1 billion yen. This loss was due to the allowance for recalls posted in the second quarter.

Major factors leading to the profit downturn included

a loss of 32.2 billion yen due to unhealthy sales mix variances. This loss can be broken down into the following three areas. First we saw a loss of 6.5 billion yen in domestic operations. Although the sales mix improved once we began filling our order backlog for passenger cars, the declining sales volume due to the impact of the earthquake brought performance down. Next, production and shipment disruptions due to the disasters resulted in loss of 31.7 billion yen at our overseas operations. Finally, in addition to these losses we did realize a gain of 6.0 billion yen due to inventory adjustments.

Another contributing factor that brought operating income down was a foreign exchange loss of 21.0 billion yen. This includes a loss of 20.6 billion yen due to an approximate 10 yen appreciation against the U.S. dollar, a loss of 0.2 billion yen due to an approximate 2 yen appreciation against the euro, and a loss of 0.6 billion yen due to an approximate 4 yen appreciation against the Canadian dollar. The 21.0 billion yen figure also includes a gain of 0.4 billion yen due to foreign exchange adjustments for transactions between FHI and its overseas subsidiaries.

Increases in R&D expenses resulted in a loss of 2.6 billion yen.

Despite efforts to reduce material costs, we saw an overall loss of 5.2 billion yen, with a loss of 4.7 billion yen at FHI and a loss of 0.5 billion yen at SIA. Cost cutting measures implemented at FHI actually resulted in a loss of 1.6 billion yen while hikes in material prices and an ailing market added another 3.1 billion yen to the loss column. SIA gained 1.2 billion yen from reduced material costs but lost 1.7 billion yen due to adverse market conditions.

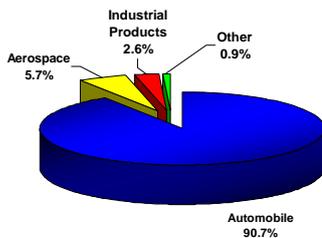
These factors combined brought first half operating income down 38.6 billion yen to total 18.8 billion yen.



## 1st Half : Net Sales by Business Segment (consolidated)

(100 million yen)

Percentage of  
total sales



	<u>Actual Results</u> 1st Half FYE March 2011	<u>Actual Results</u> 1st Half FYE March 2012	Increase/ Decrease
Automobile	7,420	5,943	-1,477
Aerospace	374	374	+0
Industrial Products	164	173	+9
Other	81	59	-21
<b>Total</b>	<b>8,040</b>	<b>6,550</b>	<b>-1,490</b>

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Looking at net sales by business segment,

we see that sales in the automobile business fell by 147.7 billion yen, or 19.9%, year on year to total 594.3 billion yen due to declining sales volumes in the wake of the earthquake as well as foreign exchange losses due to the strong yen.

Increased sales at the Aerospace Division kept performance on a par with last year's figure of 37.4 billion yen despite foreign exchange losses.

Industrial Products Division sales were up 0.9 billion yen, or 5.5%, year on year to reach 17.3 billion yen due to increased sales of power generators used for reconstruction efforts following the March 11 earthquake.



## 1st Half : Operating Income by Business Segment (consolidated)

(100 million yen)

	<u>Actual Results</u> 1st Half FYE March 2011	<u>Actual Results</u> 1st Half FYE March 2012	Increase/ Decrease
<b>Automobile</b>	<b>555</b>	<b>171</b>	<b>-384</b>
<b>Aerospace</b>	<b>5</b>	<b>10</b>	<b>+5</b>
<b>Industrial Products</b>	<b>1</b>	<b>3</b>	<b>+2</b>
<b>Other</b>	<b>12</b>	<b>4</b>	<b>-9</b>
<b>Elimination and Corporate</b>	<b>-0</b>	<b>1</b>	<b>+1</b>
<b>Total</b>	<b>573</b>	<b>188</b>	<b>-386</b>

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Looking at operating income by business segment,

we see that the operating income for the automobile business totaled 17.1 billion yen. That's a 38.4 billion yen, or 69.3%, year-on-year drop. Despite reductions in SG&A expenses and other costs, lower production and sales volumes that created an unfavorable sales mix variance as well as foreign exchange losses caused by the appreciation of the Japanese yen resulted in a decline.

The Aerospace Division posted an operating income total of 1.0 billion yen, up 0.5 billion yen, or 92.0%, year on year, despite the negative impact of foreign exchange fluctuations.

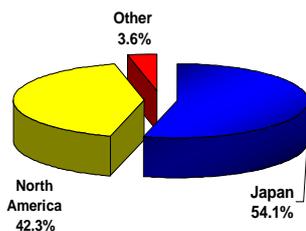
The Industrial Products Division also saw a 0.2 billion yen, or 171.7%, increase in operating income that brought the operating income total to 0.3 billion yen. This uptick was largely due to increased sales of engines and power generators, which offset foreign exchange losses.



## 1st Half : Net sales by Geographic Area (consolidated) <Appendix>

(100 million yen)

**Percentage of total sales**



	<u>Actual Results</u> 1st Half FYE March 2011	<u>Actual Results</u> 1st Half FYE March 2012	Increase/ Decrease
Japan	4,434	3,544	-890
North America	3,324	2,772	-552
Other	281	234	-47
<b>Total</b>	<b>8,040</b>	<b>6,550</b>	<b>-1,490</b>



## 1st Half : Operating Income by Geographic Area (consolidated) <Appendix>

(100 million yen)

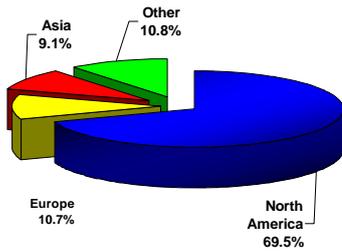
	<u>Actual Results</u> 1st Half FYE March 2011	<u>Actual Results</u> 1st Half FYE March 2012	Increase/ Decrease
Japan	350	26	-324
North America	241	102	-140
Other	4	2	-1
Elimination and Corporate	-21	58	+79
<b>Total</b>	<b>573</b>	<b>188</b>	<b>-386</b>



## 1st Half : Overseas Net Sales <Appendix>

(100 million yen)

Percentage of total sales



	<u>Actual Results</u> 1st Half FYE March 2011	<u>Actual Results</u> 1st Half FYE March 2012	Increase/ Decrease
North America	3,546	2,991	-556
Europe	635	459	-176
Asia	686	390	-296
Other	652	465	-187
<b>Total</b>	<b>5,520</b>	<b>4,305</b>	<b>-1,215</b>

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## Operating Results of Subsidiaries in U.S.

(million US\$)

<b>SOA</b>	<b>Actual Results 1st Half FYE March 2011</b>	<b>Actual Results 1st Half FYE March 2012</b>	<b>Increase/ Decrease</b>
Net Sales	\$3,122	\$2,861	-261
Operating Income	163	105	-58
Net Income	99	68	-31
Retail Sales (thousand units)	135.9	127.9	-8.0

<b>SIA</b>	<b>Actual Results 1st Half FYE March 2011</b>	<b>Actual Results 1st Half FYE March 2012</b>	<b>Increase/ Decrease</b>
Net Sales	\$1,706	\$1,552	-\$154
Operating Income/Loss	78	-6	-84
Net Income/Loss	47	-3	-50
Subaru Production (thousand units)	77.8	68.6	-9.2

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## Non-Operating Income & Expenses

(100 million yen)

	Actual Results 1st Half FYE March 2011	Actual Results 1st Half FYE March 2012	Increase/ Decrease
<b>Non-Operating Income</b>	<b>79</b>	<b>86</b>	<b>+7</b>
Interest & dividends income	9	9	+0
Equity in earnings of affiliates	21	5	-17
<b>Non-Operating Expenses</b>	<b>64</b>	<b>57</b>	<b>-6</b>
Interest expenses	26	19	-7
<b>Net</b>	<b>15</b>	<b>28</b>	<b>+13</b>
<b>Financial Revenue and Expenditure</b>	<b>-17</b>	<b>-10</b>	<b>+7</b>
<b>FOREX Effects</b>	<b>14</b>	<b>44</b>	<b>+30</b>
Net of gain and loss on valuation of derivatives	34	57	+23
Net of FOREX gains and losses	-20	-13	+6

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Net non-operating income and expenses increased 1.3 billion yen on a year-on-year basis

while financial revenue and expenditures rose 0.7 billion yen.

Foreign exchange fluctuations had a significant impact on non-operating income and expenses mainly in the following two areas: (1) gains and losses on revaluation of derivatives, and (2) foreign exchange gains and losses.

Net gains on valuation of derivatives were up 2.3 billion yen year on year, bringing the net gain total from 3.4 billion yen to 5.7 billion yen.

Net foreign exchange losses decreased 0.6 billion yen year on year to reach 1.3 billion yen. This figure includes a year-on-year increase of 0.9 billion yen due to the difference between market and hedge rates despite a year-on-year decrease of 0.4 billion yen due to the foreign exchange variance at overseas subsidiaries.



## Extraordinary Income & Expenses

(100 million yen)

	<b>Actual Results</b> 1st Half FYE March 2011	<b>Actual Results</b> 1st Half FYE March 2012	Increase/ Decrease
<b>Extraordinary Income</b>	<b>10</b>	<b>271</b>	<b>+261</b>
Gain on sales noncurrent assets	1	265	+264
Other	9	6	-3
<b>Extraordinary Loss</b>	<b>41</b>	<b>85</b>	<b>+44</b>
Loss on sales and retirement of noncurrent assets	5	6	+1
Impairment loss	8	1	-8
Loss on disaster	-	73	+73
Loss on prior periods adjustment	13	-	-13
Other	14	5	-9
<b>Net</b>	<b>-31</b>	<b>186</b>	<b>+218</b>

<http://www.fhi.co.jp/english/ir/index.html>

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Looking at net extraordinary income and loss, we see that net extraordinary income totaled 18.6 billion yen. That's a 21.8 billion yen year-on-year increase.

The biggest extraordinary income gain was 26.1 billion yen from the sale of the Subaru Building. This gain brought extraordinary income up 26.1 billion yen year on year to total 27.1 billion yen.

Extraordinary losses increased 4.4 billion yen to reach 8.5 billion yen since a loss due to disaster totaling 7.3 billion yen was posted to cover fixed costs incurred from reduced operations in the wake of the 3-11 earthquake.



## Consolidated Balance Sheets

(100 million yen)

	As of March 31, 2011	As of September 30, 2011	Increase/ Decrease
<b>Total Assets</b>	<b>11,883</b>	<b>12,669</b>	+786
Current Assets	6,103	7,082	+979
Noncurrent Assets	5,780	5,587	-193
<b>Interest Bearing Debts</b>	<b>3,306</b>	<b>3,866</b>	+560
<b>Net Assets</b>	<b>4,140</b>	<b>4,343</b>	+204
Retained Earnings	1,569	1,862	+293
Shareholder's Equity	4,127	4,330	+203
Shareholder's Equity to Total Assets	<b>34.7%</b>	<b>34.2%</b>	-0.5%
D/E ratio	<b>0.80</b>	<b>0.89</b>	+0.09

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The balance sheet shows

total assets as of September 30, 2011 increasing by 78.6 billion yen over the previous fiscal year end to total 1,266.9 billion yen. This increase comes despite a 17.8 billion yen loss due to the strong yen.

This jump includes an increase in cash and cash equivalents acquired through long-term loans as well as a gain on the sale of the Subaru Building. The loans were taken out to secure sufficient cash on hand needed to provide post-quake support to our subsidiaries.

Interest-bearing debt rose 56.0 billion yen to reach 386.6 billion yen. This surge is due to the increase in loans payable despite the redemption of corporate bonds amounting to 20.0 billion yen this past April. We plan to bring debt down to somewhere around 350.0 billion yen by the end of the fiscal year ending March 2012.

Our debt-to-equity ratio dropped 0.09 points to reach 0.89 due to increased loans.

Net assets totaled 434.3 billion yen, up 20.4 billion yen, due primarily to a 29.3 billion yen increase in retained earnings.

The shareholders' equity to total assets ratio was 34.2%.



## 1st Half : Consolidated Statement of Cash Flows

(100 million yen)

	<u>Actual Results</u> 1st Half FYE March 2011	<u>Actual Results</u> 1st Half FYE March 2012	Increase/ Decrease
<b>Net Cash Provided by (used in) Operating Activities</b>	<b>905</b>	<b>-92</b>	<b>-997</b>
<b>Net Cash Provided by (used in ) Investing Activities</b>	<b>-265</b>	<b>140</b>	<b>+405</b>
<b>Free Cash Flows</b>	<b>640</b>	<b>47</b>	<b>-593</b>
<b>Net Cash Provided by (used in) Financing Activities</b>	<b>-292</b>	<b>522</b>	<b>+813</b>
Effect of Exchange Rate Change on Cash and Cash Equivalents	-121	-53	+68
Net Increase (Decrease) in Cash and Cash Equivalents	227	516	+289
<b>Cash and Cash equivalents at End of Period</b>	<b>2,142</b>	<b>2,793</b>	<b>+651</b>

<http://www.fhi.co.jp/english/ir/index.html>

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Moving on to cash flows,

we see that net cash provided by operating activities declined 99.7 billion yen year on year to total a negative 9.2 billion yen. This drop is due to an approximate 33.0 billion yen decrease in net cash as a result of an increase in trade receivables that occurred once production began rebounding from the damage of the 3-11 disasters. A decline in overall profitability also caused net cash to decrease.

Net cash used in investment activities rose 40.5 billion yen year on year to 14.0 billion yen due to a gain on the sale of the Subaru Building.

Free cash flows decreased by 59.3 billion to reach 4.7 billion yen.

Net cash used in financing activities increased 81.3 billion yen to total 52.2 billion yen as a result of an increase in loans payable.

Cash and cash equivalents increased 65.1 billion yen to total 279.3 billion yen.



## Net Sales & Operating Income <Appendix>

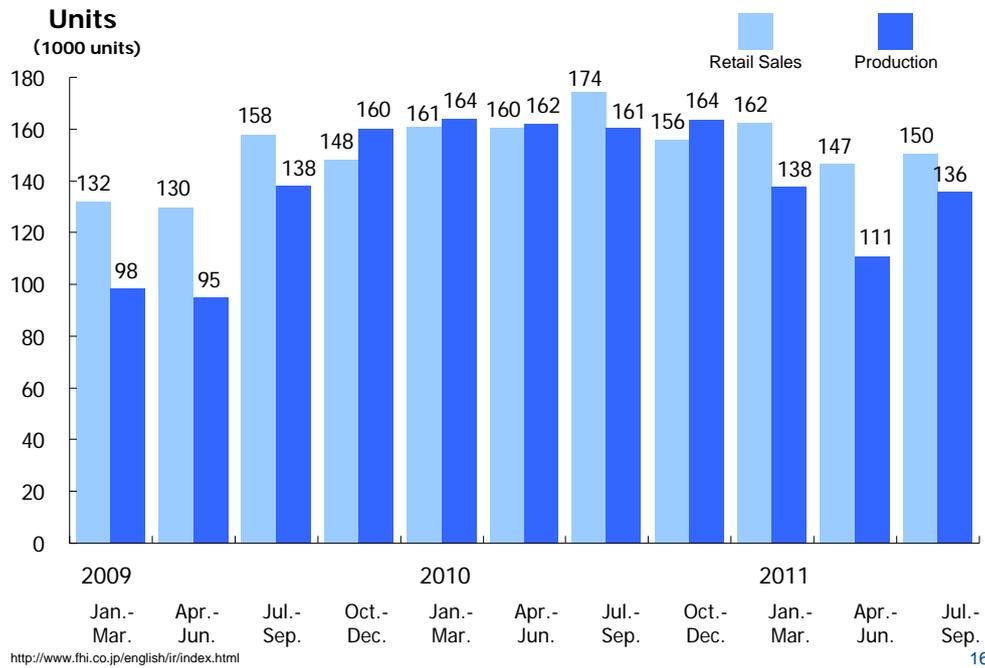


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## Retail Sales & Complete Cars Production <Appendix>





## Free Cash Flows & Shareholders' Equity to Total Assets <Appendix>

**FCF in bar graph**  
(100 million yen)

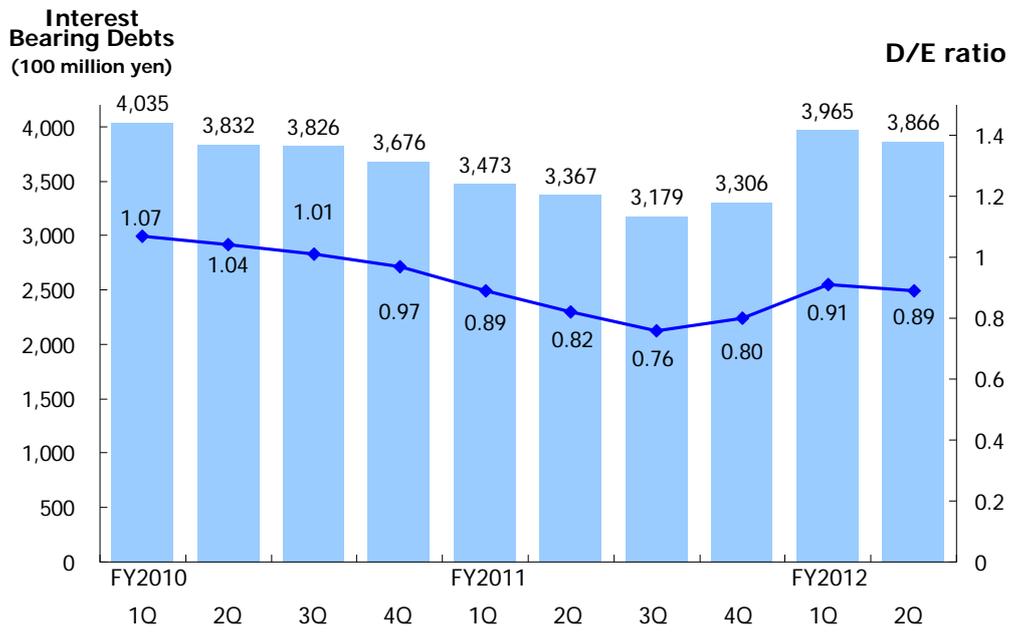
**Shareholders' Equity to Total Assets in line graph**



<http://www.fhi.co.jp/english/ir/index.html>



## Interest Bearing Debts & D/E Ratio <Appendix>



<http://www.fhi.co.jp/english/ir/index.html>

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## 2nd Quarter : Non- Consolidated Automobile Sales

<Appendix>

(thousand units)

	<u>Actual Results</u> 2Q FYE March 2011	<u>Actual Results</u> 2Q FYE March 2012	Increase/ Decrease
<b>Domestic Production</b>	<b>244.6</b>	<b>178.0</b>	<b>-66.6</b>
<b>Domestic Sales</b>	<b>92.3</b>	<b>76.2</b>	<b>-16.0</b>
Passenger Car	40.0	38.1	-1.9
Minicar	52.3	38.2	-14.1
<b>Number of Vehicles Exported</b>	<b>164.8</b>	<b>114.2</b>	<b>-50.6</b>
<b>Components for Overseas Production</b>	<b>77.1</b>	<b>72.7</b>	<b>-4.4</b>
<b>Total</b>	<b>334.2</b>	<b>263.1</b>	<b>-71.0</b>

<http://www.fhi.co.jp/english/ir/index.html>

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## 2nd Quarter : Consolidated Automobile Sales

<Appendix>

(thousand units)

	Actual Results 2Q FYE March 2011	Actual Results 2Q FYE March 2012	Increase/ Decrease
Passenger Car	25.0	20.2	-4.8
Minicar	28.0	21.6	-6.4
<b>Domestic Total</b>	<b>53.1</b>	<b>41.8</b>	<b>-11.3</b>
U.S.	70.9	61.7	-9.1
Canada	6.6	5.8	-0.9
Russia	3.2	3.9	+0.7
Europe	13.3	6.9	-6.4
Australia	9.7	9.4	-0.2
China	15.5	13.0	-2.5
Others	8.6	5.1	-3.5
<b>Overseas Total</b>	<b>127.8</b>	<b>105.8</b>	<b>-22.0</b>
<b>Total</b>	<b>180.8</b>	<b>147.6</b>	<b>-33.2</b>

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Canada figures are consolidated on the calendar year basis from Apr. to Jun.

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## 2nd Quarter : Consolidated Operating <Appendix>

(100 million yen)

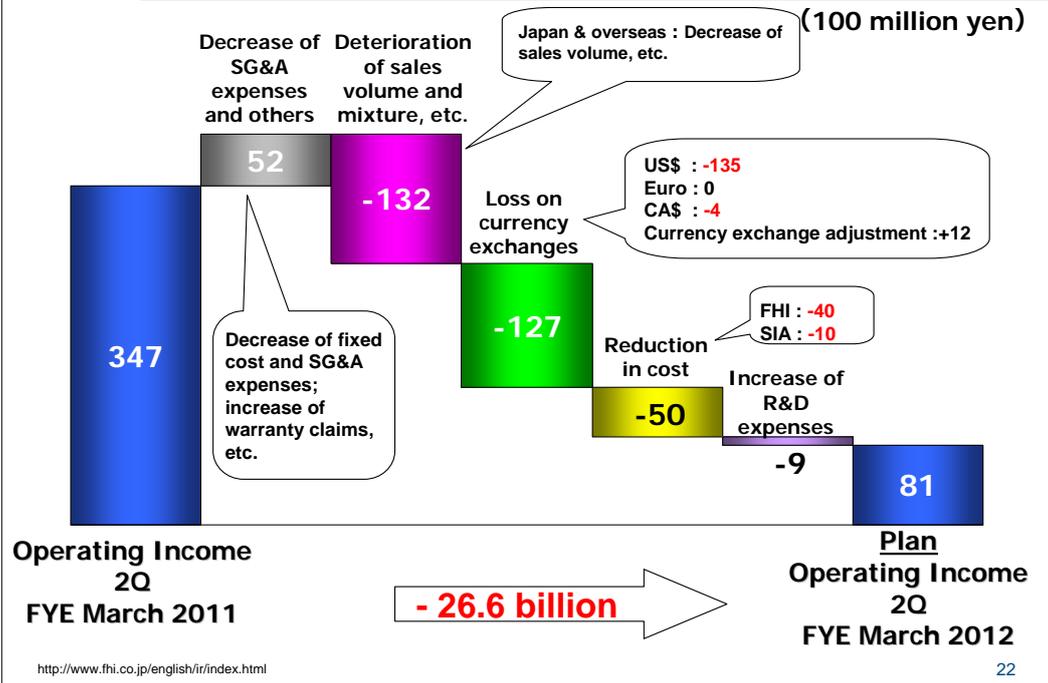
	<u>Actual Results</u> 2Q FYE March 2011	<u>Actual Results</u> 2Q FYE March 2012	Increase/ Decrease
<b>Net Sales</b>	<b>4,337</b>	<b>3,546</b>	<b>-791</b>
Domestic	1,475	1,257	-218
Overseas	2,862	2,290	-572
<b>Operating Income</b>	<b>347</b>	<b>81</b>	<b>-266</b>
<b>Ordinary Income</b>	<b>346</b>	<b>99</b>	<b>-247</b>
<b>Income Before Income Taxes and Minority Interests</b>	<b>312</b>	<b>79</b>	<b>-233</b>
<b>Net Income</b>	<b>254</b>	<b>43</b>	<b>-211</b>
<b>FHI Exchange Rate</b>	¥88/US\$	¥79/US\$	-¥9/US\$

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## 2nd Quarter : Analysis of Increase and Decrease in Operating Income Changes (consolidated) <Appendix>



## Outlook for the term Ending March 2012



## Full Year : Consolidated Automobile Sales Plan

(thousand units)

	<b>Actual Results</b> FYE March 2011	<b>Plan</b> FYE March 2012	<b>Increase/ Decrease</b>
Passenger Car	68.1	72.6	+4.5
Minicar	90.0	96.1	+6.1
<b>Domestic Total</b>	<b>158.1</b>	<b>168.7</b>	<b>+10.6</b>
U.S.	279.0	281.6	+2.6
Canada	28.1	27.2	-0.9
Russia	11.3	15.0	+3.6
Europe	48.2	37.4	-10.9
Australia	41.2	36.5	-4.6
China	62.4	55.1	-7.3
Others	28.7	23.1	-5.7
<b>Overseas Total</b>	<b>498.9</b>	<b>475.8</b>	<b>-23.0</b>
<b>Total</b>	<b>657.0</b>	<b>644.5</b>	<b>-12.4</b>

<http://www.fhi.co.jp/english/ir/index.html> Canada figures are consolidated on the calendar year basis from Jan. to Dec.

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Consolidated domestic and overseas automobile sales for the fiscal year ending March 2012 is projected to fall by 12.4 thousand units year on year to total 644.5 thousand units.

Domestic passenger car sales are expected to jump 4.5 thousand units to hit 72.6 thousand. Sales will be driven by the all new Impreza which is scheduled to be released by the end of this year. Minicar sales are expected to rise 6.1 thousand units and reach 96.1 thousand as demand for the Sambar climbs during the model's final year on the market. These figures combined will bring domestic automobile sales up 10.6 thousand units to total 168.7 thousand.

Overseas sales are expected to be lower than they were last year since the earthquake put a major dent in exports during the first half of the fiscal year. While the scheduled US launch of the new Impreza in the second half is expected to boost sales there, international sales are expected to fall off by 23 thousand units with the total reaching 475.8 thousand units.



## Full Year : Consolidated Operating Plan

(100 million yen)

	<b>Actual Results</b> FYE March 2011	<b>Plan</b> FYE March 2012	<b>Increase/ Decrease</b>
<b>Net Sales</b>	<b>15,806</b>	<b>14,800</b>	<b>-1,006</b>
Domestic	4,673	4,700	+27
Overseas	11,132	10,100	-1,032
<b>Operating Income</b>	<b>841</b>	<b>300</b>	<b>-541</b>
<b>Ordinary Income</b>	<b>822</b>	<b>290</b>	<b>-532</b>
<b>Income Before Income Taxes and Minority Interests</b>	<b>632</b>	<b>460</b>	<b>-172</b>
<b>Net Income</b>	<b>503</b>	<b>360</b>	<b>-143</b>
<b>FHI Exchange Rate</b>	¥86/US\$	¥78/US\$	-¥8/US\$

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We made upward revisions to the consolidated ordinary income and net income forecast for the fiscal year ending March 2012 that was announced on August 2.

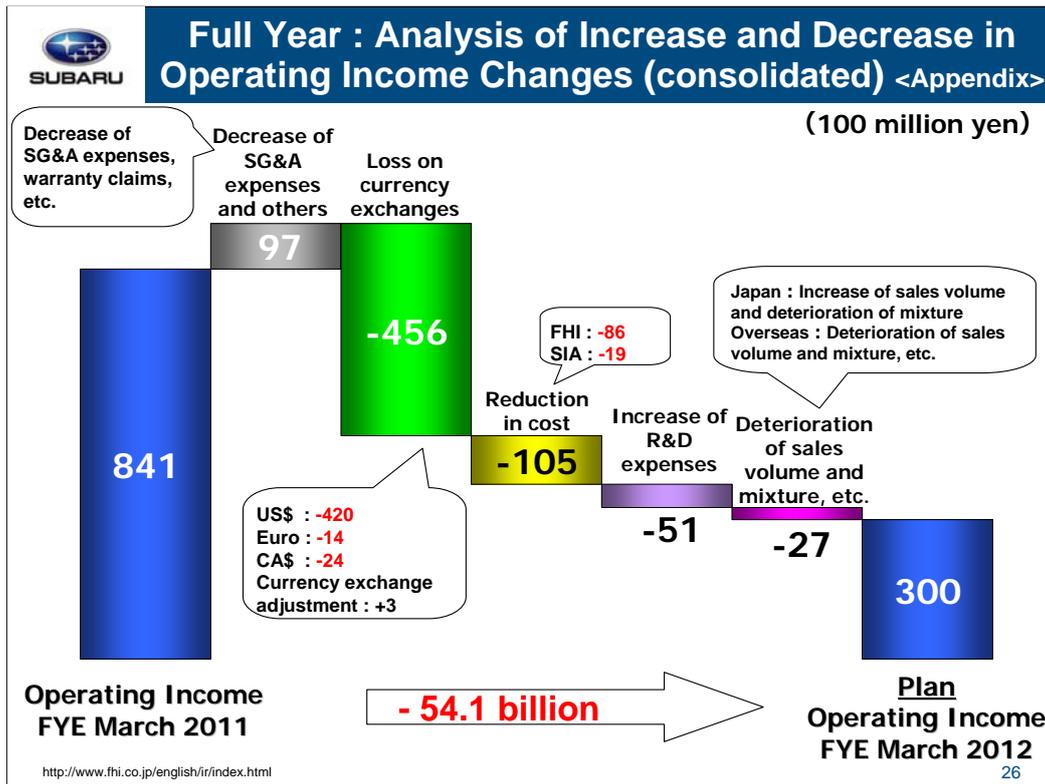
Net sales will decline 100.6 billion yen, or 6.4%, year on year to total 1,480 billion yen. We project a 76.9 billion yen foreign exchange loss due to the strong yen and a 27.6 billion yen loss due to an unfavorable sales mix despite a 3.9 billion yen gain at our three internal companies and other operations.

Operating income is projected to total 30.0 billion yen, down 54.1 billion yen, or 64.3%, year on year. Factors behind this decline include foreign exchange losses resulting from the strong yen, an unfavorable sales mix variance due to a decrease in sales volume, and increased R&D expenses which will all outweigh gains from reductions in SG&A expenses. We will look at these factors in further detail later on.

Ordinary income is projected to total 29.0 billion yen, down 53.2 billion yen, or 64.7%, year on year.

Earnings before income taxes and minority interests will fall 17.2 billion yen, or 27.2%, to reach 46.0 billion yen. We do not expect any major extraordinary gains or losses other than a gain from the sale of the Subaru Building and a loss from disaster posted during the first fiscal half.

Net income will amount to 36.0 billion yen, for a drop of 14.3 billion yen, or 28.5%, due to tax expenses related to our subsidiaries, etc.



Now let's look at the factors behind the projected year-on-year 54.1 billion yen decrease in operating income that will take us from 84.1 billion yen to 30.0 billion yen.

The primary reason for the increase in operating income will be

a gain of 9.7 billion yen due to reduced SG&A expenses. This gain can be broken down into the following three areas: The first is an overall gain of 0.1 billion yen in fixed manufacturing costs that will come from a loss of 0.6 billion yen at FHI and a gain of 0.7 billion yen at SIA. FHI will generate a gain of 3.2 billion yen due to cost cuts for suppliers' dies and a loss of 3.8 billion yen due to lower fixed processing costs. SIA will see a loss of 0.3 billion yen due to increased costs for suppliers' dies while reduced processing costs will lead to a gain of 1.0 billion yen. Next we expect to see an overall gain of 6.4 billion yen from reductions in SG&A expenses. This overall gain will include a gain of 4.1 billion yen at FHI, a gain of 0.3 billion yen at domestic dealers, a loss of 0.6 billion yen at SOA, a loss of 0.5 billion yen (6 million dollars) at our Canadian subsidiaries, and a gain of 3.1 billion yen from other operations. SOA will lose 1.2 billion yen due to advertising and SG&A expenses but gain 0.6 billion yen from the projected 100 dollar decrease in the per-unit cash-back rebate, which will bring this year's rebate figure down from last year's 1,000 dollars to 900 dollars.

Finally, the third factor includes a decrease in costs associated with warranty claims that will result in a gain of 3.2 billion yen.

The main factor that will lead to a decrease in operating income will be

a foreign exchange loss of 45.6 billion yen. This includes a loss of 42.0 billion yen due to an approximate 8 yen appreciation against the U.S. dollar, a loss of 1.4 billion yen due to an approximate 5 yen appreciation against the euro, and a loss of 2.4 billion yen due to an approximate 7 yen appreciation against the Canadian dollar. This figure also includes a gain of 0.2 billion yen due to foreign exchange adjustments for transactions between FHI and its overseas subsidiaries.

Despite efforts to lower material costs, we expect to see an overall loss of 10.5 billion yen. FHI will experience a loss of 8.6 billion yen while SIA will lose 1.9 billion yen. FHI is expected to generate a loss of 1.0 billion yen from implementing cost cutting measures and another loss of 7.6 billion yen due to increased materials costs and other adverse market factors. SIA is expected to generate a gain of 3.3 billion yen due to cost cuts and a loss of 5.2 billion yen related to rising material prices.

An increase in R&D expenses is expected to result in a loss of 5.1 billion yen.

Sales mix variances will lead to a loss of 2.7 billion yen. This loss can be broken down into the following three areas. First, we will see a loss of 0.5 billion yen in domestic operations. Next, a loss of 13.8 billion yen in overseas operations. We expect that the declined sales volumes in overseas markets that occurred in the wake of the earthquake will lead to a poorer sales volume and mix. Finally, there will be an estimated gain of 11.6 billion yen related to inventory adjustments.

These factors combined will bring operating income for the fiscal year ending March 2012 down 54.1 billion yen to total 30.0 billion yen.



## Operating Plans of Subsidiaries in U.S.

(million US\$)

<b>SOA</b>	<b>Actual Results FYE March 2011</b>	<b>Plan FYE March 2012</b>	<b>Increase/ Decrease</b>
Net Sales	\$6,758	\$6,900	+142
Operating Income	116	52	-64
Net Income	83	38	-45
Retail Sales (thousand units)	272.5	270.8	-1.7

<b>SIA</b>	<b>Actual Results FYE March 2011</b>	<b>Plan FYE March 2012</b>	<b>Increase/ Decrease</b>
Net Sales	\$3,748	\$3,844	+\$96
Operating Income	94	68	-26
Net Income	57	44	-13
Subaru Production (thousand units)	164.8	170.0	+5.2

<http://www.fhi.co.jp/english/ir/index.html>

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## Capex / Depreciation / R&D <Appendix>

(100 million yen)

	<b>Actual Results</b> 1st Half FYE 2011	<b>Actual Results</b> FYE 2011 (a)	<b>Actual Results</b> 1st Half FYE 2012	<b>Plan</b> FYE 2012 (b)	<b>Increase / Decrease</b> (b) – (a)
Capex	220	431	276	600	+169
Depreciation	240	498	254	550	+52
R&D	203	429	229	480	+51
Interest Bearing Debt	3,367	3,306	3,866	3,500	+194



## 2nd Half : Consolidated Automobile Sales Plan <Appendix>

(thousand units)

	<u>Actual Results</u> 2nd Half FYE March 2011	<u>Plan</u> 2nd Half FYE March 2012	Increase/ Decrease
Passenger Car	30.4	36.7	+6.3
Minicar	39.2	59.4	+20.2
<b>Domestic Total</b>	<b>69.6</b>	<b>96.1</b>	<b>+26.5</b>
U.S.	149.8	168.0	+18.2
Canada	13.1	12.5	-0.6
Russia	6.6	9.4	+2.8
Europe	23.6	22.8	-0.8
Australia	19.7	20.2	+0.5
China	30.4	36.2	+5.8
Others	12.9	13.3	+0.4
<b>Overseas Total</b>	<b>256.2</b>	<b>282.5</b>	<b>+26.3</b>
<b>Total</b>	<b>325.8</b>	<b>378.6</b>	<b>+52.8</b>

<http://www.fhi.co.jp/english/ir/index.html>

Canada figures are consolidated on the calendar year basis from Jul. to Dec.

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## 2nd Half : Consolidated Operating Plan

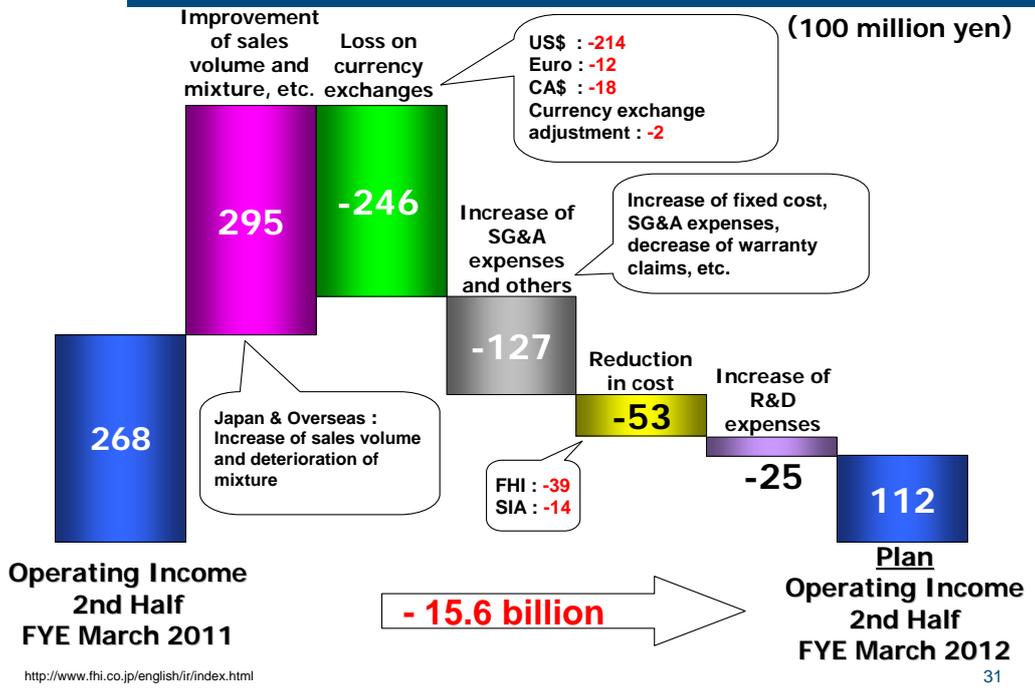
<Appendix>

(100 million yen)

	<b>Actual Results</b> 2nd Half FYE March 2011	<b>Plan</b> 2nd Half FYE March 2012	<b>Increase/ Decrease</b>
<b>Net Sales</b>	<b>7,766</b>	<b>8,250</b>	+484
Domestic	2,153	2,455	+301
Overseas	5,612	5,795	+183
<b>Operating Income</b>	<b>268</b>	<b>112</b>	<b>-155</b>
<b>Ordinary Income</b>	<b>234</b>	<b>74</b>	<b>-160</b>
<b>Income Before Income Taxes and Minority Interests</b>	<b>75</b>	<b>58</b>	<b>-17</b>
<b>Net Income</b>	<b>58</b>	<b>32</b>	<b>-25</b>
<b>FHI Exchange Rate</b>	¥83/US\$	¥77/US\$	<b>-¥6/US\$</b>



## 2nd Half : Analysis of Increase and Decrease in Operating Income Changes (consolidated) <Appendix>



## <Appendix> Difference from Previous Outlook within 1Q



## 1st Half : Consolidated Automobile Sales Plan vs. Actual Results <Appendix>

(thousand units)

	Plan 1st Half FYE March 2012	Actual Results 1st Half FYE March 2012	Increase/ Decrease
Passenger Car	33.3	35.9	+2.5
Minicar	37.1	36.7	-0.3
<b>Domestic Total</b>	<b>70.4</b>	<b>72.6</b>	<b>+2.2</b>
U.S.	111.0	113.5	+2.5
Canada	14.7	14.7	0
Russia	5.7	5.6	-0.1
Europe	14.9	14.6	-0.4
Australia	16.1	16.4	+0.3
China	17.4	18.9	+1.5
Others	9.3	9.7	+0.4
<b>Overseas Total</b>	<b>189.1</b>	<b>193.3</b>	<b>+4.2</b>
<b>Total</b>	<b>259.5</b>	<b>265.9</b>	<b>+6.4</b>

<http://www.fhi.co.jp/english/ir/index.html>

Canada figures are consolidated on the calendar year basis from Jan. to Jun.

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## 1st Half : Consolidated Statement of Income Plan vs. Actual Results <Appendix>

(100 million yen)

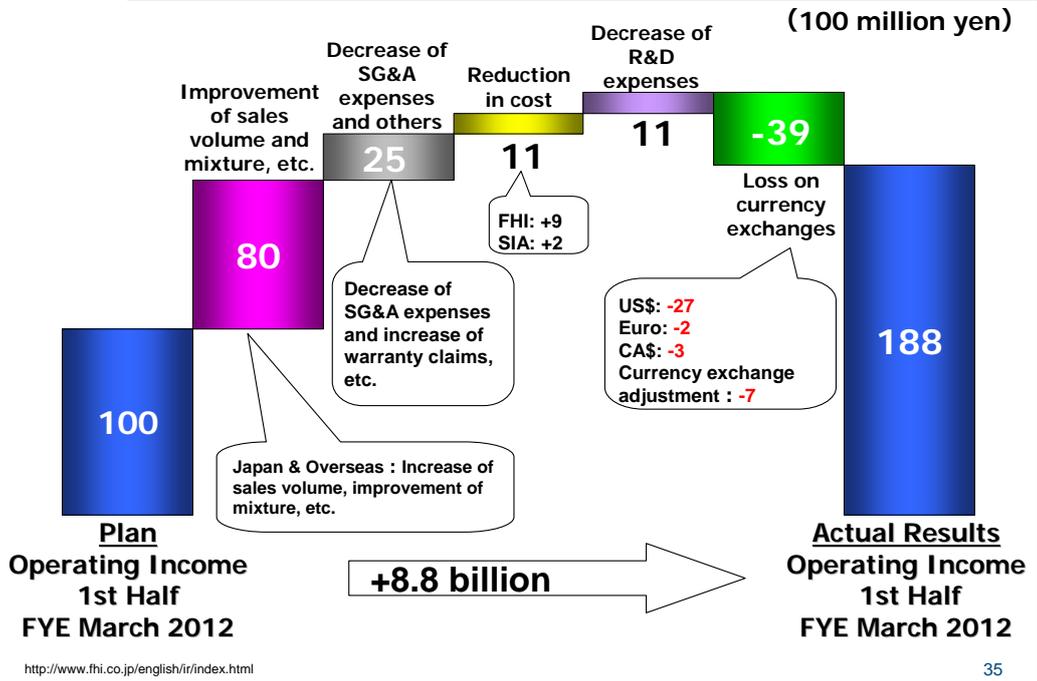
	<b>Plan</b> 1st Half FYE March 2012	<b>Actual Results</b> 1st Half FYE March 2012	<b>Increase/ Decrease</b>
<b>Net Sales</b>	<b>6,500</b>	<b>6,550</b>	+50
Domestic	2,105	2,245	+140
Overseas	4,395	4,305	-90
<b>Operating Income</b>	<b>100</b>	<b>188</b>	+88
<b>Ordinary Income</b>	<b>80</b>	<b>216</b>	+136
<b>Income Before Income Taxes and Minority Interests</b>	<b>270</b>	<b>402</b>	+132
<b>Net Income</b>	<b>230</b>	<b>328</b>	+98
<b>FHI Exchange Rate</b>	¥81/US\$	¥80/US\$	-¥1/US\$

<http://www.fhi.co.jp/english/ir/index.html>

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# 1st Half : Analysis of Increase and Decrease in Operating Income Changes Plan vs. Results <Appendix>





## Full Year : Consolidated Automobile Sales Previous Plan vs. Revised Plan <Appendix>

(thousand units)

	Previous Plan FYE March 2012	Revised Plan FYE March 2012	Increase/ Decrease
Passenger Car	70.7	72.6	+1.9
Minicar	93.2	96.1	+3.0
<b>Domestic Total</b>	<b>163.8</b>	<b>168.7</b>	<b>+4.9</b>
U.S.	274.3	281.6	+7.2
Canada	27.2	27.2	0
Russia	13.6	15.0	+1.4
Europe	37.8	37.4	-0.4
Australia	36.4	36.5	+0.1
China	54.9	55.1	+0.2
Others	23.8	23.1	-0.8
<b>Overseas Total</b>	<b>468.0</b>	<b>475.8</b>	<b>+7.8</b>
<b>Total</b>	<b>631.8</b>	<b>644.5</b>	<b>+12.7</b>

<http://www.fhi.co.jp/english/ir/index.html>

Canada figures are consolidated on the calendar year basis from Jan. to Dec.

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## Full Year : Consolidated Statement of Income Previous Plan vs. Revised Plan <Appendix>

(100 million yen)

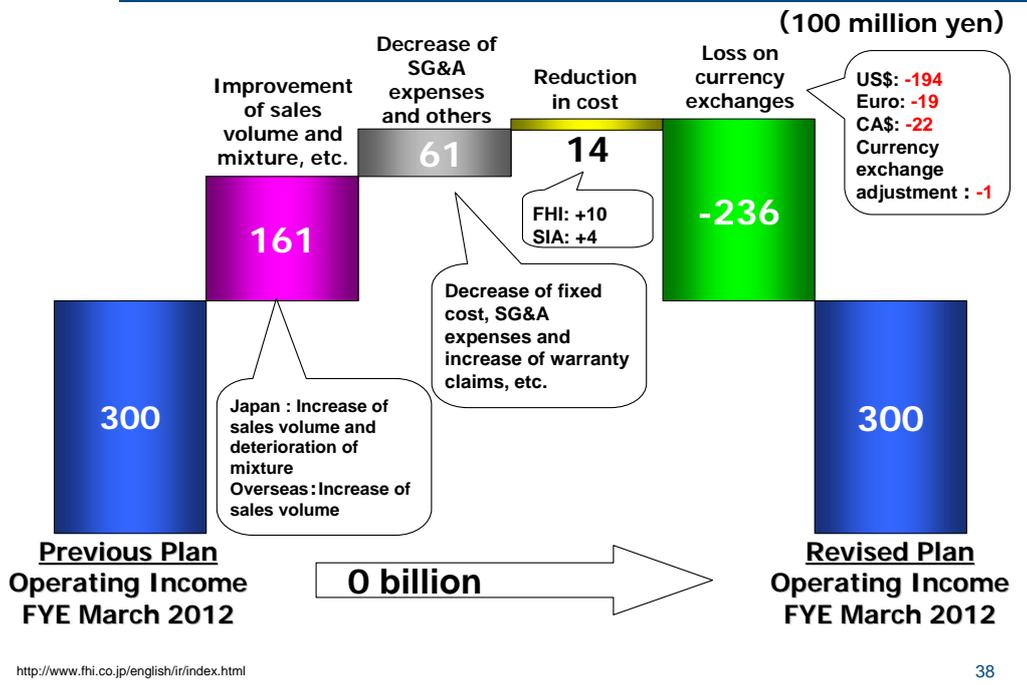
	<u>Previous Plan</u> FYE March 2012	<u>Revised Plan</u> FYE March 2012	Increase/ Decrease
<b>Net Sales</b>	<b>14,800</b>	<b>14,800</b>	0
Domestic	4,500	4,700	+200
Overseas	10,300	10,100	-200
<b>Operating Income</b>	<b>300</b>	<b>300</b>	0
<b>Ordinary Income</b>	<b>250</b>	<b>290</b>	+40
<b>Income Before Income Taxes and Minority Interests</b>	<b>430</b>	<b>460</b>	+30
<b>Net Income</b>	<b>350</b>	<b>360</b>	+10
<b>FHI Exchange Rate</b>	¥81/US\$	¥78/US\$	-¥3/US\$

<http://www.fhi.co.jp/english/ir/index.html>

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## Full Year : Analysis of Increase and Decrease in Operating Income Previous Plan vs. Revised Plan <Appendix>





*Thank you !*