

# FY2014 Consolidated Financial Results For the Year Ended March 31, 2014

(Japan GAAP)



May 9, 2014

Company Name : **Fuji Heavy Industries Ltd.** (Tokyo Stock Exchange First Section, Code No.: 7270)  
 URL : <http://www.fhi.co.jp/english/ir/>  
 Representative : Yasuyuki Yoshinaga, President and CEO  
 Contact for Inquiries : Kazunori Yamafuji, General Manager of Administration Department Phone +81-3-3347-2005  
 Scheduled date of annual meeting of stockholders : June 24, 2014 Scheduled date for dividend payment : June 25, 2014  
 Scheduled date of submitting Security Report : June 25, 2014  
 Annual earnings supplementary explanatory documents : Yes  
 Holding of annual financial results meeting : Yes (for investment analysts and institutional investors)

(All amounts have been rounded off to the nearest million yen, unless otherwise specified)

## 1. Performance in FY2014 (April 1, 2013 to March 31, 2014)

### (1) Consolidated Results of Operations (for twelve-month period)

(In Japanese yen rounded to million, except for per share figures, percentage figures indicate a change from the previous fiscal year / period)

	Net sales		Operating income		Ordinary income		Net income	
FY2014	2,408,129	25.9%	326,489	171.1%	314,437	212.5%	206,616	72.8%
FY2013	1,912,968	26.1%	120,411	173.9%	100,609	169.9%	119,588	211.0%

Note: Comprehensive income FY2013: 210,757 million yen (38.6%) FY2012: 152,009 million yen (241.8%)

	Net income per share, basic (Yen)	Net income per share, diluted (Yen)	Return on equity	Ratio of ordinary income (loss) to total assets	Ratio of operating income (loss) to sales
FY2014	264.76	—	30.4%	18.1%	13.6%
FY2013	153.23	—	22.9%	6.9%	6.3%

Reference: Equity income from affiliates FY2014: 320 million yen FY2013: 43 million yen

### (2) Consolidated Financial Position

(Unit: Millions of yen, except for per share figures)

	Total assets	Net assets	Shareholders' equity to total assets (%)	Net assets per share (Yen)
FY2014	1,888,363	770,071	40.5%	980.98
FY2013	1,577,454	596,813	37.7%	762.87

Reference: Shareholders' equity FY2014: 765,544 million yen FY2013: 595,365 million yen

### (3) Consolidated Cash Flows

(Unit: Millions of yen)

	Net cash provided by operating activities	Net cash provided by investment activities	Net cash provided by financing activities	Cash & cash equivalents at end of period
FY2014	313,024	(33,903)	(63,011)	557,870
FY2013	166,715	(71,370)	(60,766)	328,947

## 2. Dividends

	Cash dividends per share (yen)					Amount of dividends paid (Annual)	Dividend payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual			
FY 2013	—	5.00	—	10.00	15.00	11,713	9.8%	2.2%
FY 2014	—	20.00	—	33.00	53.00	41,382	20.0%	6.1%
FY 2015 (Forecast)		28.00		28.00	56.00		20.3%	

Note: Breakdown of the dividend as of FY2014 Year-end: Ordinary dividends 28yen Commemorative dividends 5yen

## 3. Projection of Consolidated Results for Fiscal Year 2014 (April 1, 2014 to March 31, 2014)

(In Japanese yen rounded to million, except for per share figures, percentage figures indicate a change from the previous fiscal year / period)

	Net sales		Operating income		Ordinary income		Net income		Net income per share, basic (Yen)
1st half	1,300,000	15.5%	160,000	6.2%	156,000	6.7%	101,000	1.2%	129.42
Full year	2,720,000	13.0%	340,000	4.1%	330,000	4.9%	215,000	4.1%	275.50

#### 4. Others

- (1) Changes of significant subsidiaries in fiscal year 2014 : No  
(Transfer of subsidiaries resulting in changes in the scope of consolidation)
- (2) Changes in accounting policies, procedures and methods of presentation for preparing the consolidated financial statements
- [1] Changes due to revisions of accounting standards : Yes  
[2] Changes due to other reasons : No  
[3] Changes of estimation due to accounting issues : No  
[4] Restatements : No
- (3) Number of outstanding shares (Common Stock)
- [1] Number of outstanding shares (including treasury stock) As of March 31,2014: 782,865,873 shares As of March 31,2013: 782,865,873 shares
- [2] Number of treasury stock As of March 31,2014: 2,477,430 shares As of March 31,2013: 2,435,448 shares
- [3] Average number of shares ( for twelve-month period ) FY2014: 780,401,864 shares FY2013: 780,452,063 shares

#### (Reference) Non-consolidated Financial Results Highlights

##### Performance in FY2014(April 1, 2013 to March 31, 2014)

##### (1)Non-consolidated Results of Operations (for twelve-month period)

(In Japanese yen rounded to million, except for per share figures, percentage figures indicate a change from the previous fiscal year / period)

	Net sales		Operating income		Ordinary income		Net income	
FY2014	1,689,639	25.7%	248,428	196.6%	252,323	221.2%	173,111	75.5%
FY2013	1,344,110	29.4%	83,760	—	78,566	873.2%	98,648	963.3%

	Net income per share, basic (Yen)	Net income per share, diluted (Yen)
FY2014	221.71	—
FY2013	126.33	—

##### (2) Non-consolidated Financial Position

	Total assets	Net assets	Shareholders' equity to total assets (%)	Net assets per share (Yen)
FY2014	1,354,411	628,021	46.4%	804.34
FY2013	1,157,447	496,290	42.9%	635.59

Reference: Shareholders' equity FY2014: 628,021 million yen FY2013: 496,290 million yen

##### \*The status of the implementation of the annual audit

This earnings report is exempt from audit procedure based upon of the Financial Instruments and Exchange Act. It is under the audit procedure process at the time of disclosure of this report.

##### \*Proper use of projection of operating results, and other information

The performance projections were based on the information available as of the date when this document was released. Therefore, actual results may differ considerably due to various factors that might occur in the future. Please refer to page 3 in the attachments for assumptions used for the performance projection and other notes.

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# 1. Operating Results

## (1) Analysis of Operating Results

### 1) Operating Results for the Current Period under Review

The Japanese economy in the period under review showed a moderate recovery against the backdrop of robust capital investment, improved export environment thanks to the correction of the strong yen, and increased personal consumption and industrial production associated with the demand rush ahead of the consumption tax rate increase. In the global economy, indications were for a solid rebound driven by developed countries despite the diminished growth momentum in the emerging countries.

In this environment, the FHI Group formulated its mid-term management plan “Motion-V (Five)” for the five years from fiscal year 2012 to 2016 and worked to implement the Group’s growth strategy for the automotive operations “Subaru” which is the core business of FHI.

In the period under review, efforts in product development, marketing activities, and quality improvement of dealerships in the U.S., a key market of FHI, proved successful in driving worldwide sales. Moreover, centered on the U.S. and Japan, Subaru sales increased, specifically sales of the Forester. Furthermore, a first at FHI, the Subaru XV Hybrid came to market as a hybrid car equipped with horizontally-opposed engine. The Subaru XV Hybrid stands out as “a hybrid that delivers fun-to-drive experience first-hand” without sacrifice of safety and driving performances, which have been the strengths of Subaru. Customer responses have been enthusiastic, underscoring the success of FHI’s steady efforts.

Based on the foregoing, consolidated results for the period under review were as follows.

Net sales increased ¥495.2 billion (25.9%) compared with the previous fiscal year to ¥2,408.1 billion, thanks to higher automobile unit sales and aided by the correction of the strong yen.

Regarding the profit, operating income increased ¥206.1 billion (171.1%) compared with the previous fiscal year to ¥326.5 billion, consistent with higher sales. Ordinary income increased ¥213.8 billion (212.5%) compared with the previous fiscal year to ¥314.4 billion. Net income increased ¥87.0 billion (72.8%) compared with the previous fiscal year to ¥206.6 billion, including an extraordinary income of ¥47.1 billion from the sale of the stock of Polaris Industries Inc. and an extraordinary loss of ¥29.6 billion from allowance for doubtful accounts for the case that a ruling of the Tokyo District Court is confirmed denying claims brought by FHI against the Government of Japan for the initial investment fees related to the combat helicopter AH-64D for the Japan Ministry of Defense.

### Results by Business Segment

#### (Automobile Division)

As to overall automobile demand in Japan in the period under review, compared with the previous fiscal year, passenger cars increased 5.9% and minicars increased 14.7%, thanks to new model introductions by automobile companies and the demand rush spurred by the consumption tax rate increase at the end of the fiscal year despite a backlash came after the eco-car subsidy program of a year earlier in the first half of the fiscal year. As a result, overall automobile unit sales in Japan increased 5.69 million units (an increase of 9.2% compared with the previous fiscal year).

Amid this overall demand trend, unit sales of Subaru passenger cars in Japan increased 13 thousand (11.9%) units compared with the previous fiscal year to 126 thousand units centered on models featuring the advanced driving assist system “EyeSight (ver. 2)” thanks to favorable sales of the Impreza continuing from the previous fiscal year and further contributions to unit sales throughout the fiscal year from sales of the Forester introduced two years ago.

Moreover, unit sales of minicars increased 5 thousand (10.1%) units compared with the previous fiscal year to 55 thousand units thanks to steady sales of the mini-passenger car Stella and contributions to unit sales throughout the fiscal year from sales of the Pleo Plus.

As a result, automobile unit sales in Japan increased 19 thousand (11.3%) units compared with the previous fiscal year to 182 thousand units.

Overseas, centered on North America, the all-new Forester and Subaru XV posted strong sales throughout the fiscal year.

As a result, overseas unit sales increased 82 thousand (14.6%) units compared with the previous fiscal year to 643 thousand units.

By region, sales in North America increased 88 thousand (22.4%) units from the previous fiscal year to 478 thousand units, sales in Europe including Russia decreased 14 thousand (23.0%) units from the previous fiscal year to 47 thousand units, sales in China decreased 5 thousand (10.7%) units from the previous fiscal year to 45 thousand units, sales in Australia increased 1 thousand (3.7%) units to from the previous fiscal year 40 thousand units, and sales in other areas increased 13 thousand (57.9%) units from the previous fiscal year to 34 thousand units.

Combined domestic and overseas unit sales therefore increased 101 thousand (13.9%) units compared with the previous fiscal year to a historical high of 825 thousand units. The net sales for the overall Automobile Division, adding in the effects from the correction of the strong yen, increased ¥467.7 billion (26.3%) compared with the previous fiscal year to ¥2,246.6 billion. Segment income also increased ¥198.0 billion (178.4%) compared with the previous fiscal year to ¥309.0 billion.

(Aerospace Division)

Sales of products to the Ministry of Defense saw net sales increase compared with the previous fiscal year thanks to higher sales of the transport aircraft C-2 and combat helicopter AH-64D.

Moreover, sales to the commercial sector increased compared with the previous fiscal year, aided by the correction of the strong yen relative to the year earlier and based on higher unit production of Boeing 777 and Boeing 787.

As a result, overall net sales increased ¥35.3 billion (39.6%) compared with the previous fiscal year to ¥124.4 billion. Segment income also increased ¥7.3 billion (107.5%) compared with the previous fiscal year to ¥14.1 billion.

(Industrial Products Division)

Net sales decreased ¥0.4 billion (1.2%) compared with the previous fiscal year to ¥29.8 billion as increased sales of general-purpose engines for pumps and civil engineering in Japan and general-purpose engines in North America and Asia could not offset the decline in sales of engines for leisure equipment to North America. Segment income also decreased ¥0.01 billion (1.3%) compared with the previous fiscal year to ¥0.6 billion.

(Other Businesses)

Net sales decreased ¥7.4 billion (50.4%) compared with the previous fiscal year to ¥7.3 billion, mainly due to the discontinuation of Eco Technology Company business, previously included in “Other Businesses”, effective March 31, 2013. Segment income increased ¥0.5 billion (29.7%) compared with the previous fiscal year to ¥2.1 billion.

2) Forecast for the Fiscal 2015

For the fiscal year ending March 2015, FHI plans to further expand sales in both Japanese market and overseas market centered on the North America, taking automobile unit sales to an all-time high. Based on this outlook, full-year consolidated net sales are projected to mark a historical high of ¥2,720.0 billion. Moreover, consolidated income, reflecting the effects of increased automobile unit sales and reductions in input cost in spite of a rise in experiment and research expenses and other expenses such as SG&A, is expected to post new historical records at all levels, with operating income of ¥340.0 billion, ordinary income of ¥330.0 billion, and net income of ¥215.0 billion.

The projections of full-year consolidated results are based on assumed foreign exchange rates of ¥100/US\$ (previously ¥100/US\$) and ¥135/EUR (previously ¥133/EUR).

(Consolidated forecast for the full fiscal year)

Net sales	¥2,720.0 billion	(up 13.0% year-on-year)
Operating income	¥340.0 billion	(up 4.1% year-on-year)
Ordinary income	¥330.0 billion	(up 4.9% year-on-year)
Net income	¥215.0 billion	(up 4.1% year-on-year)

## **(2) Analysis of Financial Results**

### **1) Assets, Liabilities, and Net Assets**

Total assets increased ¥310.9 billion compared with the end of the previous fiscal year to ¥1,888.4 billion. This was mainly due to a ¥233.4 billion increase in combined funds on hand comprised of cash, deposits, and short-term investment securities for short-term fund management, and a ¥57.4 billion increase in notes and accounts receivable-trade.

Liabilities increased ¥137.7 billion compared with the end of the previous fiscal year to ¥1,118.3 billion. This was mainly due to a ¥102.6 billion increase in income taxes payable and a combined ¥43.2 billion increase in notes and accounts payable-trade and electronically recorded obligations.

Net assets increased ¥173.3 billion compared with the end of the previous fiscal year to ¥770.1 billion. This was mainly due to a ¥182.6 billion increase in retained earning as the same amount of net income for the current fiscal year.

### **2) Cash Flow**

Cash and cash equivalents (hereinafter “Cash”) at the end of the period under review totaled ¥557.9 billion.

(Net cash provided by operating activities)

Net cash provided by operating activities was ¥313.0 billion (compared with ¥166.7 billion provided by operating activities in the previous fiscal year). This was mainly due to ¥328.9 billion in income before income taxes and ¥33.5 billion in income taxes paid.

(Net cash used in investment activities)

Net cash used in investment activities was ¥33.9 billion (compared with ¥71.4 billion used in investment activities in the previous fiscal year). This was mainly due to ¥65.8 billion in expenditures for the purchase of property, plant and equipment (net basis against proceeds from sales of property, plant and equipment) and ¥36.7 billion in proceeds from sales of investment securities (net basis against expenditures for the purchase of investment securities).

(Net cash used in financing activities)

Net cash used in financing activities was ¥63.0 billion (compared with ¥60.8 billion used in financing activities in the previous fiscal year). This was mainly due to ¥36.9 billion in repayment of long-term loans payable (net basis against proceeds from long-term loans payable) and ¥23.4 billion in expenditures for cash dividends paid.

## **(3) Basic Policy Regarding the Distribution of Profits**

FHI treats shareholder interests as a vital management issue and applies a results-linked concept that considers each fiscal year’s earnings, investment plans, business environments, is committed to sustained dividend payment.

It is proposed to distribute an ordinary year-end dividend of ¥28.0 per share for the current fiscal year, which is ¥8.0 higher than the previous projection, taking into account the business result for the current fiscal year, business developments that lie ahead and operating environments. It is further proposed to distribute an additional commemorative dividend of ¥5.0 per share on the occasion of the 60th founding anniversary of FHI, for a total year-end dividend of ¥33.0 per share. As a result, including the interim dividend of ¥20.0 per share already distributed, this raises the per-share dividend for the full fiscal year by ¥38.0 compared with the previous fiscal year to ¥53.0.

For the next fiscal year, dividends for the full fiscal year are projected to be increased by ¥3.0 compared with the current fiscal year to ¥56.0 per share (comprised of an interim dividend of ¥28.0 and a year-end dividend of ¥28.0).

## 2. Management Policies

### (1) Basic Management Policies

As there has been no significant change from the details announced in the Consolidated Financial Results for the Year Ended March 31, 2011 (released on May 10, 2011), the disclosure of this part is omitted.

The relevant consolidated financial results are available for viewing at the following URL.

(Fuji Heavy Industries company website)

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

(Tokyo Stock Exchange website (for the search of information on listed companies))

<http://www.tse.or.jp/tseHpFront/HPLCDS0101E.do?method=init&callJorEFlg=1>

### (2) Issues That Must Be Addressed

The FHI Group has been aiming to achieve its management philosophy of being “a compelling company with strong market presence”. Through efforts at implementing the 5-year mid-term management plan “Motion-V (Five)” established in July 2011, the Group has been strengthening its business platforms through selectivity and focus and working to create products that reflect the pursuit of high added-value in terms of “enjoyment and peace of mind”, distinct from competitors and available only from Subaru. As a result, the Group has been able in large part to attain already by fiscal year 2014 the main objectives raised by “Motion-V”.

However, rapid sales expansion has resulted in new issues, such as supply shortages and the provision of after-sales service, etc., underscoring the need to further strengthen business infrastructure.

The Group will in all of its business operations continue to make all-out efforts at resolving the following issues, based on the guiding principle entitled “Confidence in Motion”.

(Production capacity enhancement)

The Group plans for investments to strengthen capacity in fiscal year 2015 call for an increase in production capacity in Japan by 20 thousand units at the Gunma plant and in the U.S. by 30,000 units at Subaru of Indiana Automotive Inc. (SIA), for a total of 50 thousand units. Moreover, aiming to start the production of new models in fiscal year 2017, further capacity increases using existing lines will be initiated at SIA. Through these and other measures, every effort will be made to resolve the currently existing supply issues and deliver Subaru car to the customers around the world waiting for their car.

(Action in response to sales expansion)

In order to sustain the favorable performance seen thus far, the Group will work to further increase the number of Subaru fans centered on key markets U.S., Japan, and China. As to products, in Japan the Levorg will be introduced as a new model while in the U.S., as a start, the launch of the all-new Legacy and all-new Outback which are flagship models is planned. Moreover, to ensure that the many customers who have purchased a new Subaru car will continue to enjoy safe driving also in the future by becoming repeat purchasers, customer service will be further perfected including by the strengthening of service frameworks in the U.S. and Japan.

Based on these steps, plans for fiscal year 2015 are calling for worldwide unit sales of 916 thousand units, surpassing previous fiscal year’s all-time high, with global production of 910 thousand units.

(Aspiring to a new stage)

With the successful attainment of the major objectives of “Motion-V” ahead of schedule marking a milestone, and given the big changes taking place in the operating environment, the FHI Group has drawn up a new mid-term management vision dubbed “Prominence 2020” as the point of entry to a new era.

The shape that the FHI Group seeks to acquire by 2020 has been defined as “a company not big in size but a high quality company with distinctive strength”, a company that will aim to achieve overwhelming brand power strong enough to be rated “the number one for customer trust” and among the most profitable companies in the industry.

In order to realize this shape, the Group will take an approach to complying with future environmental regulations, increasing production capacity, and strengthening relationships with customers including upgrading service frameworks. Moreover, FHI will take specific action to create two major sources of support, firstly, “Enhancing the Subaru brand” to further promote high-added value business management, and secondly, “Building a strong business structure” to increase resilience against fluctuations in the business environment and ensure sustainable growth by bringing to bear the characteristics obtainable only through the distinctive operations of Subaru. Especially with regard to environment friendly automobiles, the Group will through cooperative agreements develop and market hybrid cars with distinct “Subaru”

characteristics by fusing the world's leading environmental technologies, and in this way work to meet customers' expectations.

(CSR activities)

As an objective of CSR activities, FHI aspires to be “a company which offers products and services contributing to solutions of social issues through its global business activities”, as well as “a company which values the relationship with a variety of stakeholders”, and to this end has been proactively promoting its CSR activities. FHI will continue to develop and market products with excellent environment and safety performances, promote voluntary environmental preservation activities, practice sound corporate governance, and engage in social contribution activities. Through these activities, FHI will aim to be a company that contributes to society and gains the appreciation and sympathy of all stakeholders.



### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheet

(Unit: Millions of yen)

	FY2013 (as of March 31, 2013)	FY2014 (as of March 31, 2014)
<b>ASSETS</b>		
<b>I Current assets</b>		
Cash and deposits	285,152	351,125
Notes and accounts receivable-trade	124,234	181,646
Lease investment assets	22,145	23,633
Short-term investment securities	66,370	233,766
Merchandise and finished goods	163,852	159,536
Work in process	50,498	51,659
Raw materials and supplies	35,217	33,008
Deferred tax assets	52,947	64,214
Short-term loans receivable	96,990	122,681
Other	47,579	53,375
Allowance for doubtful accounts	(951)	(862)
<b>Total current assets</b>	<b>944,033</b>	<b>1,273,781</b>
<b>II Noncurrent assets</b>		
<b>1. Property, plant and equipment</b>		
Buildings and structures, net	113,186	114,810
Machinery, equipment and vehicles, net	116,864	113,519
Land	173,012	175,808
Vehicles and equipment on operating leases, net	13,062	11,512
Construction in progress	14,232	24,116
Other, net	14,599	21,048
<b>Total property, plant and equipment</b>	<b>444,955</b>	<b>460,813</b>
<b>2. Intangible assets</b>		
Other	12,751	14,712
<b>Total intangible assets</b>	<b>12,751</b>	<b>14,712</b>
<b>3. Investments and other assets</b>		
Investment securities	93,054	76,788
Net defined benefit asset	—	1,222
Deferred tax assets	6,227	18,332
Other	80,425	76,312
Allowance for doubtful accounts	(3,991)	(33,597)
<b>Total investments and other assets</b>	<b>175,715</b>	<b>139,057</b>
<b>Total noncurrent assets</b>	<b>633,421</b>	<b>614,582</b>
<b>Total assets</b>	<b>1,577,454</b>	<b>1,888,363</b>

(Unit: Millions of yen)

	FY2013 (as of March 31, 2013)	FY2014 (as of March 31, 2014)
<b>LIABILITIES</b>		
<b>I Current liabilities</b>		
Notes and accounts payable-trade	242,743	279,926
Electronically recorded obligations-operating	61,595	67,637
Short-term loans payable	60,867	59,193
Current portion of long-term loans payable	45,197	42,557
Current portion of bonds	10	4,060
Income taxes payable	7,828	110,426
Accrued expenses	83,032	91,921
Provision for bonuses	17,865	20,446
Provision for product warranties	34,740	39,494
Provision for loss on construction contracts	918	1,032
Provision for loss on transfer of business	2,550	2,128
Provision for loss on litigation	369	—
Other	99,317	114,088
<b>Total current liabilities</b>	<b>657,031</b>	<b>832,908</b>
<b>II Noncurrent liabilities</b>		
Bonds payable	14,060	10,000
Long-term loans payable	187,023	153,844
Deferred tax liabilities	19,139	9,827
Provision for retirement benefits	34,917	—
Net defined benefit liability	—	22,852
Provision for directors' retirement benefits	457	504
Other	68,014	88,357
<b>Total noncurrent liabilities</b>	<b>323,610</b>	<b>285,384</b>
<b>Total liabilities</b>	<b>980,641</b>	<b>1,118,292</b>
<b>NET ASSETS</b>		
<b>I Shareholders' equity</b>		
Capital stock	153,795	153,795
Capital surplus	160,071	160,071
Retained earnings	301,357	483,910
Treasury stock	(1,292)	(1,395)
<b>Total shareholders' equity</b>	<b>613,931</b>	<b>796,381</b>
<b>II Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	27,882	10,629
Foreign currency translation adjustment	(46,448)	(26,661)
Remeasurements of defined benefit plans	—	(13,886)
Remeasurements of other postretirement benefits of foreign consolidated subsidiaries	—	(919)
<b>Total accumulated other comprehensive income</b>	<b>(18,566)</b>	<b>(30,837)</b>
Minority interests	1,448	4,527
<b>Total net assets</b>	<b>596,813</b>	<b>770,071</b>
<b>Total liabilities and net assets</b>	<b>1,577,454</b>	<b>1,888,363</b>

**(2) Consolidated Statements of (Comprehensive) Income****Consolidated Statements of Income (for twelve-month period)**

(Unit: Millions of yen)

	FY2013 (April 1, 2012 to March 31, 2013)	FY2014 (April 1, 2013 to March 31, 2014)
I Net sales	1,912,968	2,408,129
II Cost of sales	1,501,809	1,728,271
Gross profit	411,159	679,858
III Selling, general and administrative expenses	290,748	353,369
<b>Operating income</b>	<b>120,411</b>	<b>326,489</b>
IV Non-operating income		
Interest income	1,405	1,689
Dividends income	1,264	1,225
Equity in earnings of affiliates	43	320
Real estate rent	592	541
Gain on valuation of derivatives	—	7,414
Other	464	1,467
Total non-operating income	3,768	12,656
V Non-operating expenses		
Interest expenses	3,336	2,804
Foreign exchange losses	15,527	16,924
Loss on valuation of derivatives	1,714	—
Depreciation	977	1,024
Other	2,016	3,956
Total non-operating expenses	23,570	24,708
<b>Ordinary income</b>	<b>100,609</b>	<b>314,437</b>
VI Extraordinary income		
Gain on sales of noncurrent assets	1,015	712
Gain on sales of investment securities	551	47,333
State subsidy	1,738	—
Gain on sale of loans receivable	325	—
Other	1,359	976
Total extraordinary income	4,988	49,021
VII Extraordinary loss		
Loss on sales and retirement of noncurrent assets	2,926	3,408
Loss on reduction of noncurrent assets	1,738	—
Provision of allowance for doubtful accounts	—	29,624
Provision for loss on transfer of business	967	—
Other	6,884	1,561
Total extraordinary losses	12,515	34,593
Income before income taxes and minority interests	93,082	328,865
Income taxes-current	17,566	134,315
Income taxes-deferred	(44,216)	(13,435)
Total income taxes	(26,650)	120,880
Income before minority interest	119,732	207,985
Minority interests in income	144	1,369
<b>Net income</b>	<b>119,588</b>	<b>206,616</b>

**Consolidated Statements of Comprehensive Income (for twelve-month period)**

(Unit: Millions of yen)

	FY2013 (April 1, 2012 to March 31, 2013)	FY2014 (April 1, 2013 to March 31, 2014)
Income before minority interest	119,732	207,985
Other comprehensive income		
Valuation difference on available-for-sale securities	8,916	(17,253)
Foreign currency translation adjustment	23,284	19,855
Share of other comprehensive income of associates accounted for using equity method	77	170
Total other comprehensive income	<u>32,277</u>	<u>2,772</u>
<b>Comprehensive income</b>	<b><u>152,009</u></b>	<b><u>210,757</u></b>
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	151,865	209,150
Comprehensive income attributable to minority interests	144	1,607

### (3) Consolidated Statements of Changes in Net Assets

FY 2013 (April 1, 2012 to March 31, 2013)

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	153,795	160,071	188,538	(1,259)	501,145
Changes of items during the period					
Dividends from surplus	—	—	(7,418)	—	(7,418)
Net income	—	—	119,588	—	119,588
Purchase of treasury stock	—	—	—	(35)	(35)
Disposal of treasury stock	—	—	1	2	3
Other	—	—	648	—	648
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the period	—	—	112,819	(33)	112,786
Balance at the end of current period	153,795	160,071	301,357	(1,292)	613,931

	Accumulated other comprehensive income					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Remeasurements of other postretirement benefits of foreign consolidated subsidiaries	Total accumulated other comprehensive income		
Balance at the beginning of current period	18,966	(69,809)	—	—	(50,843)	1,305	451,607
Changes of items during the period							
Dividends from surplus	—	—	—	—	—	—	(7,418)
Net income	—	—	—	—	—	—	119,588
Purchase of treasury stock	—	—	—	—	—	—	(35)
Disposal of treasury stock	—	—	—	—	—	—	3
Other	—	—	—	—	—	—	648
Net changes of items other than shareholders' equity	8,916	23,361	—	—	32,277	143	32,420
Total changes of items during the period	8,916	23,361	—	—	32,277	143	145,206
Balance at the end of current period	27,882	(46,448)	—	—	(18,566)	1,448	596,813

FY 2014 (April 1, 2013 to March 31, 2014)

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	153,795	160,071	301,357	(1,292)	613,931
Changes of items during the period					
Dividends from surplus	—	—	(23,424)	—	(23,424)
Net income	—	—	206,616	—	206,616
Purchase of treasury stock	—	—	—	(103)	(103)
Disposal of treasury stock	—	0	—	0	0
Other	—	—	(639)	—	(639)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	0	182,553	(103)	182,450
Balance at the end of current period	153,795	160,071	483,910	(1,395)	796,381

	Accumulated other comprehensive income					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Remeasurements of other postretirement benefits of foreign consolidated subsidiaries	Total accumulated other comprehensive income		
Balance at the beginning of current period	27,882	(46,448)	—	—	(18,566)	1,448	596,813
Changes of items during the period							
Dividends from surplus	—	—	—	—	—	—	(23,424)
Net income	—	—	—	—	—	—	206,616
Purchase of treasury stock	—	—	—	—	—	—	(103)
Disposal of treasury stock	—	—	—	—	—	—	0
Other	—	—	—	—	—	—	(639)
Net changes of items other than shareholders' equity	(17,253)	19,787	(13,886)	(919)	(12,271)	3,079	(9,192)
Total changes of items during the period	(17,253)	19,787	(13,886)	(919)	(12,271)	3,079	173,258
Balance at the end of current period	10,629	(26,661)	(13,886)	(919)	(30,837)	4,527	770,071

**(4) Consolidated Statements of Cash Flows**

(Unit: Millions of yen)

	FY2013 (April 1, 2012 to March 31, 2013)	FY2014 (April 1, 2013 to March 31, 2014)
I Net cash provided by (used in) operating activities		
Income (loss) before income taxes	93,082	328,865
Depreciation and amortization	61,544	61,486
Impairment loss	145	35
Increase (decrease) in allowance for doubtful accounts	(55)	29,512
Increase (decrease) in provision for bonuses	1,344	2,391
Increase (decrease) in provision for product warranties	2,765	3,116
Increase (decrease) in provision for loss on construction contracts	(1,923)	114
Increase (decrease) in provision for retirement benefits	910	—
Increase (decrease) in net defined benefit liability	—	(17,692)
Increase (decrease) in provision for loss on litigation	369	(369)
Interest and dividends income	(2,669)	(2,914)
Interest expenses	3,336	2,804
Loss (gain) on valuation of derivatives	1,714	(7,414)
Equity in (earnings) losses of affiliates	(43)	(320)
Loss (gain) on sales and retirement of noncurrent assets	1,911	2,696
Loss (gain) on sales and valuation of investment securities	(348)	(47,149)
Decrease (increase) in notes and accounts receivable-trade	1,264	(49,129)
Decrease (increase) in inventories	(21,194)	16,095
Increase (decrease) in notes and accounts payable-trade	48,679	39,814
Decrease (increase) in lease investment assets	(280)	(1,488)
Decrease (increase) in operating loans receivable	(14,701)	(25,478)
Decrease (increase) in vehicles and equipment on operating leases	(2,528)	(400)
Increase (decrease) in deposits received	299	(2,240)
Other, net	8,728	13,963
Subtotal	182,349	346,298
Interest and dividends income received	2,694	2,936
Interest expenses paid	(3,417)	(2,742)
Income taxes paid	(14,911)	(33,468)
Net cash provided by (used in) operating activities	166,715	313,024

	FY2013 (April 1, 2012 to March 31, 2013)	FY2014 (April 1, 2013 to March 31, 2014)
II Net cash provided by (used in) investing activities		
Purchase of short-term investment securities	(9,760)	(12,408)
Proceeds from sales of short-term investment securities	5,166	19,237
Purchase of property, plant and equipment	(60,852)	(67,409)
Proceeds from sales of property, plant and equipment	1,965	1,643
Purchase of intangible assets	(4,377)	(5,446)
Purchase of investment securities	(14,503)	(28,687)
Proceeds from sales of investment securities	11,954	65,344
Payments of loans receivable	(94,273)	(95,589)
Collection of loans receivable	93,376	97,409
Other, net	(66)	(7,997)
Net cash provided by (used in) investing activities	<u>(71,370)</u>	<u>(33,903)</u>
III Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(28,655)	(2,893)
Proceeds from long-term loans payable	10,218	8,995
Repayments of long-term loans payable	(23,937)	(45,893)
Proceeds from issuance of bonds	10,000	—
Redemption of bonds	(20,010)	(10)
Cash dividends paid	(7,392)	(23,350)
Repayments of lease obligations	(955)	(1,036)
Proceeds from stock issuance to minority shareholders	—	1,280
Other, net	(35)	(104)
Net cash provided by (used in) financing activities	<u>(60,766)</u>	<u>(63,011)</u>
IV Effect of exchange rate change on cash and cash equivalents	14,964	12,691
V Net increase (decrease) in cash and cash equivalents	<u>49,543</u>	<u>228,801</u>
VI Cash and cash equivalents at beginning of period	<u>258,084</u>	<u>328,947</u>
VII Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	21,320	122
VIII Cash and cash equivalents at end of period	<u>328,947</u>	<u>557,870</u>



## (5) Notes to Consolidated Financial Statements

### (Notes on Premise of Going Concern)

Not Applicable

### (Fiscal Year Change of Consolidated Subsidiaries)

Until the fiscal year ended March 31, 2013, since the difference between the fiscal year-end of the parent company and that of 8 foreign consolidated subsidiaries was within three months, the operating results of those subsidiaries were consolidated by using the financial statements as of each subsidiary's respective fiscal year-end, and the necessary adjustments are made in consolidation to reflect any significant transactions from January 1 to March 31.

The accounting date for the fiscal year-end of Subaru Europe N.V./S.A and two consolidated subsidiaries was changed to March 31, 2014 in order to make the disclosures of the consolidated financial statements more meaningful by unifying the fiscal year.

Because of this change, the fiscal term of Subaru Europe N.V./S.A and two consolidated subsidiaries becomes 15 months period from January 1, 2013 to March 31, 2014.

### (Accounting Change)

(Application of the "Accounting standards for Retirement Benefits")

The "Accounting Standards for Retirement Benefits" and the "Guidance on the Accounting Standards for Retirement Benefits" are applied from this fiscal year. Consequently, the amount of retirement benefit obligations from which pension assets are deducted was recorded in net defined benefit liabilities. The unrecognized actuarial difference and unrecognized past service costs were also recorded in net defined benefit liabilities. In addition, in case that the amount of pension assets exceeds the amount of retirement benefit obligations, net defined benefit assets are recorded.

The application of the retirement benefits accounting standards, etc., is in accordance with the progressive treatment stipulated in Section 37 of the retirement benefits accounting standards, and at the end of the fiscal year, the amount of financial impact resulting from this recording was added to, or deducted from, remeasurements of defined benefit plans in accumulated other comprehensive income.

As a result, the net defined assets were recorded 1,222 million yen, and the net defined liabilities were recorded 22,852 million yen. Also, the accumulated other comprehensive income decreased by 13,886 million yen.

The amount of financial impact on per share information is stated in the Per Share Information section.

### (Consolidated Balance Sheet)

Accumulated depreciation on property, plant and equipment

	FY2013 (as of March 31, 2013)	FY2014 (as of March 31, 2014)
Accumulated depreciation on property, plant and equipment	786,734million yen	817,421million yen

## (Consolidated Statements of income)

### 1 Research and development cost included in general and administrative expenses and cost of sales

	FY2013 (April 1, 2012 to March 31, 2013)	FY2014 (April 1, 2013 to March 31, 2014)
Research and development cost	49,141million yen	60,092million yen

### 2 Extraordinary income

#### FY2013 (April 1, 2012 to March 31, 2013)

Extraordinary gain - Other includes 775 million yen that is mainly the reversal of extraordinary loss (loss on valuation of inventories) recorded in the prior period relating to the sale of inventories in the aerospace division. In addition, 436 million yen is mainly the exemption from debts relating to the development resulting from the dissolution of contract about a specific project in the Aerospace division.

#### FY2014 (April 1, 2013 to March 31, 2014)

Gain on sales of investment securities includes 47,118 million yen, the profit related to the sales of stock of Polaris Industries Inc. owned by FHI.

### 3 Extraordinary loss

#### FY2013 (April 1, 2012 to March 31, 2013)

Extraordinary loss - Other includes 2,463 million yen that is miscellaneous expenses related to the restructuring of Chinese sales system in the Automobile business, 2,099 million yen for disposal expenses of inventories related to the discontinuance of a specific project in Aerospace division and 1,054 million yen for the return of funds received for commissioned research and subsidies to the clean robot business in the prior period.

#### FY2014 (April 1, 2013 to March 31, 2014)

Allowances for doubtful accounts, the loss is associated with initial investment fees related to the AH-64D combat helicopter for the Japan Ministry of Defense as a precaution for the case that the ruling is upheld.

## **(Segment Information)**

### **1. Outline of business segment**

The business 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 places Automobile at the center of the whole businesses, and introduces an internal company system into Aerospace, Industrial products and 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 business segments consist of Automobile, Aerospace, Industrial products, and other which does not belong to any division.

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. Method of calculating sales and income(loss), identifiable assets, and other items by business segment reported**

Accounting method for business segment reported is almost the same as the accounting method to prepare for consolidated financial statements.

Segment income by business segment reported is calculated based on operating income.

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

3. Information on sales and income(loss) by business segment reported

FY 2013 (April 1, 2012 to March 31, 2013)

(Unit: Millions of yen)

	Business segment reported				Other *1	Total	Adjustment *2	Consolidated Statement of income *3
	Automobiles	Aerospace	Industrial Products	Sub- Total				
I . Net sales								
(1) Outside customers	1,778,966	89,148	30,148	1,898,262	14,706	1,912,968	—	1,912,968
(2) Inter-segment	3,168	—	22	3,190	13,941	17,131	(17,131)	—
Total sales	1,782,134	89,148	30,170	1,901,452	28,647	1,930,099	(17,131)	1,912,968
Segment income	110,974	6,819	640	118,433	1,618	120,051	360	120,411
Identifiable assets by business segment	1,292,856	179,755	67,951	1,540,562	56,728	1,597,290	(19,836)	1,577,454
II . Other items								
Depreciation	56,430	3,398	415	60,243	1,301	61,544	—	61,544
Investment to equity- method affiliates	242	361	912	1,515	—	1,515	—	1,515
Increase of property, plant and equipment and intangible assets	88,517	3,897	377	92,791	2,195	94,986	—	94,986

Notes: \*1. Other means the category which is not included into any business segment reported. It consists of garbage collection vehicles, specialized vehicles, real estate lease, etc.

\*2. Adjustment of segment income refers to elimination of intersegment transaction.

\*3. Segment income is adjusted on the operating income of the consolidated statements of income.

FY 2014 (April 1, 2013 to March 31, 2014)

(Unit: Millions of yen)

	Business segment reported				Other *1	Total	Adjustment *2	Consolidated Statement of income *3
	Automobiles	Aerospace	Industrial products	Sub- Total				
I . Net sales								
(1) Outside customers	2,246,624	124,436	29,776	2,400,836	7,293	2,408,129	—	2,408,129
(2) Inter-segment	3,261	—	567	3,828	14,642	18,470	(18,470)	—
Total sales	2,249,885	124,436	30,343	2,404,664	21,935	2,426,599	(18,470)	2,408,129
Segment income	308,973	14,148	632	323,753	2,099	325,852	637	326,489
Identifiable assets by business segment	1,639,760	182,123	29,692	1,851,575	53,533	1,905,108	(16,745)	1,888,363
II . Other items								
Depreciation	56,265	3,758	411	60,434	1,052	61,486	—	61,486
Investment to equity- method affiliates	6	—	520	526	—	526	—	526
Increase of property, plant and equipment and intangible assets	90,782	4,074	533	95,389	3,148	98,537	—	98,537

Notes: \*1. Other means the category which is not included into any business segment reported. It consists of real estate lease, etc.

\*2. Adjustment of segment income refers to elimination of intersegment transaction.

\*3. Segment income is adjusted on the operating income of the consolidated statements of income.

**(Per Share information)**

	FY2013 (April 1, 2012 to March 31, 2013)	FY2014 (April 1, 2013 to March 31, 2014)
Net assets per share (yen)	762.87	980.98
Net income per share, basic (yen)	153.23	264.76

Notes: 1. Not given as the Company has no potential shares with dilution effect.

2. As described in "Accounting Changes," the retirement benefits accounting standards, etc. are applied according to the progressive treatment stipulated in Section 37 of the retirement benefits accounting standards. As a result, net assets per share at the end of the fiscal year decreased by 17.79 yen.

3. The following shows the basis of calculating net income per share.

	FY2013 (April 1, 2012 to March 31, 2013)	FY2014 (April 1, 2013 to March 31, 2014)
Net assets per share		
Net income(millions of yen)	119,588	206,616
Monetary value not related to common shareholders (millions of yen)	—	—
Net income related to common stock (millions of yen)	119,588	206,616
Number of weighted average common shares outstanding during the fiscal year (Thousands of shares)	780,452	780,402

4. The following shows the basis of calculating net assets per share.

	FY2013 (as of March 31, 2013)	FY2014 (as of March 31, 2014)
Total amount of net assets (Millions of yen)	596,813	770,071
The amount deducted from total amount of net assets (Millions of yen)	1,448	4,527
(Held by Minority shareholders)	(1,448)	(4,527)
Net assets related to common stock (millions of yen)	595,365	765,544
Number of common stock used in the calculation of net assets per share (Thousands of share)	780,430	780,388

**(Subsequent event)**

Not Applicable

## 4. Non-consolidated Financial Statements

### (1) Non-consolidated Balance Sheet

(Unit: Millions of Yen)

	FY2013 (as of March 31, 2013)	FY2014 (as of March 31, 2014)
<b>ASSETS</b>		
<b>I Current assets</b>		
Cash and deposits	158,543	206,892
Accounts receivable-trade	168,022	217,065
Short-term investment securities	34,995	169,987
Merchandise and finished goods	49,593	26,086
Work in process	46,600	46,903
Raw materials and supplies	21,905	21,813
Advance payments-trade	1,311	1,350
Prepaid expenses	1,536	1,621
Deferred tax assets	25,247	23,099
Short-term loans receivable to subsidiaries and affiliates	83,721	87,768
Current portion of long-term loans receivable from subsidiaries and affiliates	200	16,200
Deposits paid	11,812	18,697
Accounts receivable-other	25,315	27,599
Other	9,227	10,372
Allowance for doubtful accounts	(8,287)	(4,193)
<b>Total current assets</b>	<b>629,740</b>	<b>871,259</b>
<b>II Noncurrent assets</b>		
<b>1. Property, plant and equipment</b>		
Buildings, net	48,833	47,632
Structures, net	4,948	4,949
Machinery and equipment, net	86,021	81,853
Vehicles, net	1,214	1,285
Tools, furniture and fixtures, net	4,148	5,996
Land	80,149	80,374
Construction in progress	6,771	9,192
Other	550	717
<b>Total property, plant and equipment</b>	<b>232,634</b>	<b>231,998</b>
<b>2. Intangible assets</b>		
Software	5,651	8,345
Other	2,039	1,591
<b>Total intangible assets</b>	<b>7,690</b>	<b>9,936</b>

(Unit: Millions of Yen)

	FY2013 (as of March 31, 2013)	FY2014 (as of March 31, 2014)
<b>3. Investments and other assets</b>		
Investment securities	59,637	30,038
Stocks of subsidiaries and affiliates	143,254	142,980
Investments in capital of subsidiaries and affiliates	1,468	1,498
Long-term loans receivable	3,525	3,455
Long-term loans receivable from subsidiaries and affiliates	36,546	43,976
Claims provable in bankruptcy, claims provable in rehabilitation and other	2,729	2,710
Prepaid pension cost	17,765	17,032
Long-term accounts receivable-other	23,954	29,624
Other	2,201	2,821
Allowance for doubtful accounts	(3,696)	(32,916)
Total investments and other assets	287,383	241,218
<b>Total noncurrent assets</b>	<b>527,707</b>	<b>483,152</b>
<b>Total assets</b>	<b>1,157,447</b>	<b>1,354,411</b>
<b>LIABILITIES</b>		
<b>I Current liabilities</b>		
Notes payable-trade	2,559	2,315
Accounts payable-trade	202,046	230,255
Electronically recorded obligations-operating	62,082	68,333
Current portion of long-term loans payable	38,675	37,697
Current portion of bonds	—	4,000
Lease obligations	505	475
Accounts payable-other	9,775	11,358
Accrued expenses	38,107	36,157
Income taxes payable	4,491	106,868
Advances received	21,887	26,796
Deposits received	955	1,126
Provision for bonuses	11,712	13,497
Provision for product warranties	10,780	11,291
Provision for loss on construction contracts	918	1,032
Provision for loss on transfer of business	2,550	2,128
Provision for loss on litigation	369	—
Asset retirement obligations	231	351
Other	22,244	8,675
<b>Total current liabilities</b>	<b>429,886</b>	<b>562,354</b>

(Unit: Millions of Yen)

	FY2013 (as of March 31, 2013)	FY2014 (as of March 31, 2014)
<b>II Noncurrent liabilities</b>		
Bonds payable	14,000	10,000
Long-term loans payable	174,625	143,728
Lease obligations	344	500
Deferred tax liabilities	15,223	1,310
Provision for retirement benefits	18,156	322
Deferred tax liabilities	303	241
Other	8,620	7,935
<b>Total noncurrent liabilities</b>	<b>231,271</b>	<b>164,036</b>
<b>Total liabilities</b>	<b>661,157</b>	<b>726,390</b>
<b>NET ASSETS</b>		
<b>I Shareholders' equity</b>		
Capital stock	153,795	153,795
Capital surplus		
Legal capital surplus	160,071	160,071
Other capital surplus	—	0
Total capital surplus	160,071	160,071
Retained earnings		
Legal retained earnings	7,901	7,901
Other retained earnings		
Reserve for reduction entry of land	813	921
General reserve	35,335	35,335
Retained earnings brought forward	112,859	262,438
Total retained earnings	156,908	306,595
Treasury stock	(1,257)	(1,360)
<b>Total shareholders' equity</b>	<b>469,517</b>	<b>619,101</b>
<b>II Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities	26,773	8,920
<b>Total valuation and translation adjustments</b>	<b>26,773</b>	<b>8,920</b>
<b>Total net assets</b>	<b>496,290</b>	<b>628,021</b>
<b>Total liabilities and net assets</b>	<b>1,157,447</b>	<b>1,354,411</b>



**(2) Non-consolidated Statements of Income (for twelve-month period)**

(Unit: Millions of Yen)

	FY2013 (April 1, 2012 to March 31, 2013)	FY2014 (April 1, 2013 to March 31, 2014)
I Net sales	1,344,110	1,689,639
II Cost of sales	1,122,506	1,285,344
Gross profit	221,604	404,295
III Selling, general and administrative expenses	137,844	155,867
<b>Operating income</b>	<b>83,760</b>	<b>248,428</b>
IV Non-operating income		
Interest income	835	736
Interest on securities	140	227
Dividends income	7,156	9,238
Real estate rent	2,741	3,037
Gain on valuation of derivatives	—	7,414
Other	1,742	2,046
Total non-operating income	12,614	22,698
V Non-operating expenses		
Interest expenses	2,354	1,940
Depreciation	932	976
Foreign exchange losses	10,341	11,513
Loss on valuation of derivatives	1,714	—
Other	2,467	4,374
Total non-operating expenses	17,808	18,803
<b>Ordinary income</b>	<b>78,566</b>	<b>252,323</b>
VI Extraordinary income		
Gain on sales of noncurrent assets	588	648
Gain on sales of investment securities	6	47,118
Reversal of allowance for doubtful accounts	874	4,655
State subsidy	1,725	—
Other	1,225	869
Total extraordinary income	4,418	53,290
VII Extraordinary loss		
Loss on sales and retirement of noncurrent assets	2,076	2,632
Impairment loss	6	—
Provision of allowance for doubtful accounts	—	29,659
Loss on reduction of noncurrent assets	1,725	—
Provision for loss on transfer of business	967	—
Other	5,857	1,506
Total extraordinary losses	10,631	33,797
Income before income taxes	72,353	271,816
Income taxes-current	617	100,687
Income taxes-deferred	(26,912)	(1,982)
Total income taxes	(26,295)	98,705
<b>Net income</b>	<b>98,648</b>	<b>173,111</b>

### (3) Non-consolidated Statements of Changes in Net Assets

FY 2013 (April 1, 2012 to March 31, 2013)

(Unit: Millions of Yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Capital reserve	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		
					Reserve for reduction entry of land	General reserve	Retained earnings brought forward	
Balance at the beginning of current period	153,795	160,071	—	160,071	7,901	749	35,335	21,692
Changes of items during the period								
Provision of reserve for reduction entry of land	—	—	—	—	—	64	—	(64)
Dividends from surplus	—	—	—	—	—	—	—	(7,418)
Net income	—	—	—	—	—	—	—	98,648
Purchase of treasury stock	—	—	—	—	—	—	—	—
Disposal of treasury stock	—	—	—	—	—	—	—	1
Net changes of items other than shareholders' equity	—	—	—	—	—	—	—	—
Total changes of items during the period	—	—	—	—	—	64	—	91,167
Balance at the end of current period	153,795	160,071	—	160,071	7,901	813	35,335	112,859

	Shareholders' equity			Valuation and translation adjustments		Total net assets
	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
	Total retained earnings					
Balance at the beginning of current period	65,677	(1,224)	378,319	18,132	18,132	396,451
Changes of items during the period						
Provision of reserve for reduction entry of land	—	—	—	—	—	—
Dividends from surplus	(7,418)	—	(7,418)	—	—	(7,418)
Net income	98,648	—	98,648	—	—	98,648
Purchase of treasury stock	—	(35)	(35)	—	—	(35)
Disposal of treasury stock	1	2	3	—	—	3
Net changes of items other than shareholders' equity	—	—	—	8,641	8,641	8,641
Total changes of items during the period	91,231	(33)	91,198	8,641	8,641	99,839
Balance at the end of current period	156,908	△1,257	469,517	26,773	26,773	496,290

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Capital reserve	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		
						Reserve for reduction entry of land	General reserve	Retained earnings brought forward
Balance at the beginning of current period	153,795	160,071	—	160,071	7,901	813	35,335	112,859
Changes of items during the period								
Provision of reserve for reduction entry of land	—	—	—	—	—	108	—	(108)
Dividends from surplus	—	—	—	—	—	—	—	(23,424)
Net income	—	—	—	—	—	—	—	173,111
Purchase of treasury stock	—	—	—	—	—	—	—	—
Disposal of treasury stock	—	—	0	0	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—	—	—	—
Total changes of items during the period	—	—	0	0	—	108	—	149,579
Balance at the end of current period	153,795	160,071	0	160,071	7,901	921	35,335	262,438

	Shareholders' equity			Valuation and translation adjustments		Total net assets
	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
	Total retained earnings					
Balance at the beginning of current period	156,908	(1,257)	469,517	26,773	26,773	496,290
Changes of items during the period						
Provision of reserve for reduction entry of land	—	—	—	—	—	—
Dividends from surplus	(23,424)	—	(23,424)	—	—	(23,424)
Net income	173,111	—	173,111	—	—	173,111
Purchase of treasury stock	—	(103)	(103)	—	—	(103)
Disposal of treasury stock	—	0	0	—	—	0
Net changes of items other than shareholders' equity	—	—	—	(17,853)	(17,853)	(17,853)
Total changes of items during the period	149,687	(103)	149,584	(17,853)	(17,853)	131,731
Balance at the end of current period	306,595	(1,360)	619,101	8,920	8,920	628,021

**< Reference for FYE2014 Consolidated Financial Results >**

(Yen in 100 Millions, Units in Thousands)

	RESULTS FYE2013 2012.4 - 2013.3	RESULTS FYE2014 2013.4.1 - 2014.3.31		FORECASTS FYE2015 2014.4.1 - 2015.3.31			
			Change	%	Change	%	
<b>Net sales</b>	19,130	24,081	4,952	25.9	27,200	3,119	13.0
Japan	6,718	6,721	2	0.0	7,032	312	4.6
Overseas	12,411	17,361	4,949	39.9	20,168	2,807	16.2
<b>Operating income</b>	1,204	3,265	2,061	171.1	3,400	135	4.1
Profit margin (%)	6.3	13.6			12.5		
<b>Ordinary income</b>	1,006	3,144	2,138	212.5	3,300	156	4.9
Profit margin (%)	5.3	13.1			12.1		
<b>Net income</b>	1,196	2,066	870	72.8	2,150	84	4.1
Profit margin (%)	6.3	8.6			7.9		
<b>Change Factors in Operating income</b>							
			Gain on currency exchange	1,702	Improvements on model mix, etc		920
			Improvements on model mix, etc	511	Cost reduction effort, etc		70
			Cost reduction effort, etc	197	Increase in SG&A exp, etc		(679)
			Increase in SG&A exp, etc	(240)	Increase in R&D exp		(139)
			Increase in R&D exp	(109)	Loss on currency exchange		(37)
<b>Exchange rates</b>	JPY/US\$ 82/US\$ JPY/EUR 106/EUR		100/US\$ 133/EUR		100/US\$ 135/EUR		
<b>Capital expenditures</b>	702	685			1,200		
<b>Depreciation and amortization</b>	559	549			660		
<b>R&amp;D expenses</b>	491	601			740		
<b>Interest bearing debts</b>	3,072	2,697			2,400		
<b>Performance description</b>			- Net sales and all profits increased for 2nd straight year. - Record high unit sales, net sales, and all profits.		- Net sales and all profits to increase for 3rd straight year. - Record high unit sales, net sales, and all profits.		
<b>Unit sales (Japan)</b>	163	182	18	11.3	195	13	7.3
Passenger Cars	113	126	13	11.9	144	18	13.9
Minicars	50	55	5	10.1	51	(4)	(7.8)
<b>Unit sales (Overseas)</b>	561	643	82	14.6	721	78	12.1
North America	390	478	88	22.4	531	53	11.0
Europe	61	47	(14)	(23.0)	60	13	26.6
China	50	45	(5)	(10.7)	57	12	27.8
Other	60	74	14	23.3	74	(0)	(0.2)
<b>Unit sales total</b>	724	825	101	13.9	916	91	11.0
<b>Production units total</b>	764	813	49	6.4	910	97	11.9
Japan	583	650	67	11.5	702	52	8.0
U.S.	181	164	(18)	(9.8)	209	45	27.7
<b>Net sales by business segment</b>							
Automobile	17,790	22,466	4,677	26.3			
Aerospace	891	1,244	353	39.6			
Industrial Products	301	298	(4)	(1.2)			
Other	147	73	(74)	(50.4)			
<b>Operating income by business segment</b>							
Automobile	1,110	3,090	1,980	178.4			
Aerospace	68	141	73	107.5			
Industrial Products	6	6	(0)	(1.3)			
Other	16	21	5	29.7			
Elimination & Corporate	4	6	3	76.9			

\* Exchange Rates are the rates used for FHI's non-consolidated sales recording.

\* Unit Sales include retail sales of Japanese consolidated dealers, wholesale sales of overseas consolidated distributors, and deliveries from FHI to non-consolidated distributors/dealers.

\* Domestic Production includes production of the 86/FR-S models for Toyota.

&lt; Forward-looking statements in this document are based on the information available at the time of the announcement and are subject to various risks and uncertainties that could cause actual results to vary materially. &gt;



## **FHI Announces Consolidated Financial Results for FYE2014**

Tokyo, May 9, 2014 - Fuji Heavy Industries Ltd. (FHI), the manufacturer of Subaru automobiles, today announced its consolidated financial results for the fiscal year ended March 31, 2014.

### **< FYE2014 Consolidated Results: Net Sales >**

With strong demand for the Forester and Impreza models, Subaru's overseas sales increased 14.6% to 643,000 units, led by the U.S. sales growth of 23.6% to 442,000 units. Japan sales posted an 11.3% increase to 182,000 units. In total, Subaru's global sales rose 13.9% to 825,000 units.

Due to the correction of yen appreciation, unit sales mix/volume improvements and other factors, FHI's consolidated net sales increased 25.9% to 2,408.1 billion yen.

### **< FYE2014 Consolidated Results: Profit and Loss >**

As increase in SG&A and R&D expenses was covered by the correction of yen appreciation, unit sales mix/volume improvements, cost reduction progress and other factors, operating income rose 171.1 % to 326.5 billion yen. Ordinary income grew 212.5% to 314.4 billion yen and net income rose 72.8% to 206.6 billion yen.

All-time fiscal year records were set for US, Canada, overseas and global unit sales as well as net sales and all profit figures.\*

In light of the full-year business results, FHI revises the year-end dividend per share to 33 yen from the previous forecast of 20 yen, an increase of 13 yen which includes a commemorative dividend of 5 yen to celebrate the 60th anniversary of the company's establishment. Combined with the interim dividend of 20 yen per share, the annual dividend for FYE2014 will be 53 yen per share, an increase of 38 yen from 15 yen of the previous year.

### **< FYE2015 Forecasts >**

Subaru's global vehicle sales are projected to reach 916,000 units led by further growth in North America and other overseas markets. As the vehicle sales growth and cost reduction progress are expected to cover increase in SG&A and R&D expenses, FHI forecasts net sales of 2,720 billion yen, operating income of 340 billion yen, ordinary income of 330 billion yen and net income of 215 billion yen. Global unit sales, net sales and all profit figures are projected to reach all-time highs in FHI history.\*

Currency rate assumptions: 100 yen/US\$, 135 yen/euro

\* Since fiscal year ended March 1986 - the year FHI started full-year consolidated financial reporting.

Forward-looking statements in this document including financial and other forecasts are based on the information available at the time of the announcement and are subject to various risks and uncertainties that could cause actual results to vary materially.