SUBARU

Annual Report 2011

For the year ended March 31, 2011

Confidence in Motion

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

Contents

Disclaimer Regarding Forward-Looking Statements

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

A MESSAGE TO OUR STAKEHOLDERS

IKUO MORI (L)
Representative Director of the Board, Chairman and CEO

YASUYUKI YOSHINAGA (R)
Representative Director of the Board, President and COO

Subaru successfully concluded its four-year, mid-term management plan that commenced in 2007. We achieved record-breaking consolidated unit sales, net sales and net income in fiscal 2011, ended March 31, 2011. We were able to surpass the final-year targets of consolidated operating income of ¥80.0 billion, an operating margin of 5% and ROA of 7%. During the course of the plan, the value of the yen exceeded every forecast and the global economy slumped in the wake of the Lehman Shock. Consequently, we were faced with a crisis, recording losses in fiscal 2009 for the first time in 15 years, which led to the decision not to pay dividends. Despite these extraordinary events, performance was driven by higher sales in the United States, China and other overseas markets following the development of globally oriented model designs for Subaru's mainstay Impreza, Forester and Legacy from 2007 onward.

During the final stage of the plan, the environment in which Subaru operates changed dramatically following the Great East Japan Earthquake. Yet, the direction outlined by the previous mid-term management plan was ultimately affirmed. FHI has decided that now is the right time to promote a new president. Simultaneously, FHI will introduce a new mid-term management plan, which starts from fiscal 2012, in line with the new Subaru and the guiding principle, *Confidence in Motion*.

Pursuing Greater

Integration

IKUO MORI
Representative
Director of the Board,
Chairman and CEO

"We met the final targets set in the previous mid-term management plan, with operating income exceeding ¥80.0 billion and an operating margin of 5.3%."

Achieving Our Targets in the Final Year of the Mid-Term Management Plan

In fiscal 2011, sales volume stood at 657 thousand units, net sales were ¥1,580.6 billion, operating income amounted to ¥84.1 billion and net income totaled ¥50.3 billion. Although the Great East Japan Earthquake caused us to fall one step short of full-year forecasts made during the third quarter financial account settlement, we recorded the highest ever unit sales, net sales and net income. At the same time, we met the final targets set in the previous mid-term management plan, with operating income exceeding ¥80.0 billion and an operating margin of 5.3%. Subaru automobile sales fell year on year due to the major impact of the discontinuation of the eco-car subsidy system and the disaster. However, overseas sales of Subaru's mainstay Legacy, Forester and Impreza remained favorable, leading to an increase in performance in all overseas markets compared with the previous fiscal year. For the first time ever, overseas net sales exceeded 70%.

The just-concluded mid-term management plan outlined five key initiatives. In spite of harsh operating conditions characterized by a major falloff in demand due to the strong yen and the Lehman Shock, these initiatives helped prove that the direction we took was ultimately correct.

As a result of the Great East Japan Earthquake, FHI recorded an extraordinary loss of ¥7.4 billion. This amount includes roughly ¥5.0 billion for fixed costs related to suspended operations. Approximately ¥2.5 billion was applied to the loss of inventories as well as the loss and the restoration of fixed assets. Reduced operations following the disaster had a major impact on operating income in fiscal 2011.

Increased Sales in the United States, Subaru's Most Important Market, Spurs Performance

Sales in the United States are the key reason we achieved the targets of the mid-term management plan. Sale volume in the United States increased from 217 thousand units in 2009 to 264 thousand units in 2010, reaching a market share of 2.2%. Surmounting 200 thousand units and achieving a market share of 2% were targets established when I became chief general manager of the Overseas Sales & Marketing Division in 2005. I could not, however, have predicted that unit sales would rise to this extent.

Looking back, our intention to increase overseas sales by focusing on the United States, our most important market, was outlined in the just concluded mid-term management plan. In 2007 and 2008, Subaru introduced the Impreza and Forester to the U.S. market with the aim of expanding global sales. Both became successive hits. Consequently, Subaru actually experienced increased sales despite the U.S. financial crisis that occurred half-way through the plan. This garnered much interest and stood in contrast to the major year-on-year drops in sales suffered by many competitors.

Taking advantage of this forward momentum, we decided to release the Legacy in 2009, sparking a dramatic leap in showroom traffic. Subaru took steps to adjust its automobile sizes to global standards while improving fuel economy. At the same time, the switch by customers from large-sized SUVs to Subaru automobiles led to an upswing in sales. In fiscal 2009, Subaru sold 17 thousand units following the introduction of the "cash for clunkers" incentive program, which encouraged the purchase of new automobiles. In contrast, trade-ins of Subaru vehicles under this program stood at only 173 units. This underscores my belief that the Subaru brand is increasing in popularity.

There are approximately 620 Subaru dealerships in the United States. During the course of the mid-term management plan, we increased quality in this area by upgrading systems that allow for more precise follow up with dealers while replacing nearly 40% of all dealers. Consequently, we have significantly bolstered dealer

Performance Overview

Billions of yen

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	(Forecast) FY2012
Automobiles Sales Volume (thousand units)	571	578	597	555	563	657	632
Net Sales	1,476.4	1,494.8	1,572.3	1,445.8	1,428.7	1,580.6	1,480.0
Operating Income (Loss)	58.3	47.9	45.7	(5.8)	27.4	84.1	30.0
Ordinary Income (Loss)	46.8	42.2	45.4	(4.6)	22.4	82.2	25.0
Net Income (Loss)	15.6	31.9	18.5	(69.9)	(16.5)	50.3	35.0
Capital Expenditures	56.2	59.6	56.3	58.0	56.1	43.1	60.0
Depreciation Expenses	57.5	58.9	65.5	65.1	57.1	49.8	55.0
R&D Expenses	46.9	50.7	52.0	42.8	37.2	42.9	48.0
Interest-Bearing Debt	374.1	343.9	304.5	381.7	367.6	330.6	370.0
Exchange Rate (¥/$, non-consolidated)	112	117	116	102	93	86	81
ROE	3.3	6.6	3.7	—	—	12.7	—
ROA*	4.6	3.9	3.9	—	2.4	7.1	—
Total Assets	1,348.4	1,316.0	1,296.4	1,165.4	1,231.4	1,188.3	—
Net Assets**	467.8	495.7	494.4	394.7	381.9	414.0	—

* ROA was calculated as "(operating income + interest and dividend income)/(average of assets at the beginning and end of the term)"
**Net Assets for the year ended March 2006 was the figure of total shareholders' equity.

morale and their management foundation. Amid a recovery in overall demand in the United States, if Subaru is able to maintain its current market share of 2%, it will attain its forecasted sales volume of 300 thousand units. At present, we face another crisis caused by a lack of inventory following the disaster in Japan. This crisis is fundamentally different from what we confronted following the Lehman collapse, but it is still unfortunate that we are unable to meet the current level of demand as a result of this event. For the foreseeable future, we aim to achieve sales of 300 thousand units and prevent our market share from falling. This is our number one goal.

Subaru's Survival Hinges on Rejuvenating Operations in Japan

At the start of the mid-term management plan four years ago, the domestic market was forecast to become increasingly severe. To achieve the plan, we clearly needed to focus on overseas sales. As a result, we decided to undertake global product planning. However, we could not forget about domestic profitability.

To survive and thrive amid harsh conditions characterized by shrinking domestic demand, Subaru promoted the direct control of wholly owned distributors in Japan.

"We aim to achieve sales of 300 thousand units in the United States and prevent our market share from falling. This is our number one goal."

REVIEW OF THE PREVIOUS MID-TERM MANAGEMENT PLAN (FISCAL 2008—2011)

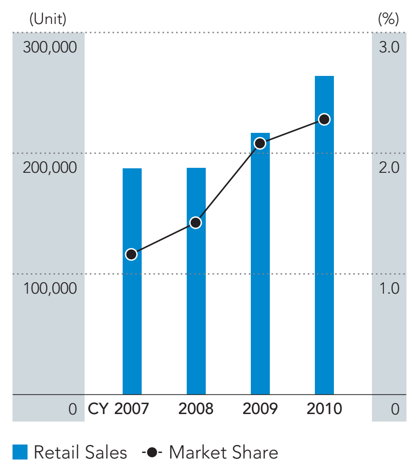
Targets VS Actual Results

	Actual Results FY2007	Targets of FY2011	Actual Results FY2011
Units of Sales (non-consolidated)	584 thousand	683 thousand	657 thousand
Operating Income	¥47.9 billion	¥80.0 billion	¥84.1 billion
Operating Income Margin	3.2%	5% or more	5.3%
¥/$ rate	117	110	86

Achievements

- Sharing the mind of "Customers come first" within group
- Globalization of products
- World's leading safety performance
- Expanding the sales in U.S., as most important market
- Reform of profit structure by leaning cost

Retail Sales in U.S.



In addition, Subaru decided to withdraw from the development and production of minicars. This was an emotional decision since these operations had always been at the core of the Company. Withdrawing from minicars has been the catalyst to reduce fixed costs, shift towards passenger cars and improve overall sales and services at our dealerships. All of these have improved profitability.

Half a year ahead of schedule, we established core distributors by consolidating the 46 dealerships nationwide into 23. A virtuous circle emerged as visible increases in income led to higher morale, which, in turn, translated to further improvements. In short, the domestic sales system has been completely overhauled, reducing the break-even-point from 300 thousand units to approximately 165 thousand units.

Progress Continues through FHI's Alliance with the Toyota Group

The alliance that we commenced with the Toyota Group in 2005 has made steady progress based on a policy of pursuing a win-win relationship for long-term competitive growth. During the mid-term management plan, this partnership specifically led to Subaru of Indiana Automotive, Inc. (SIA) commencing production of the Toyota Camry in 2007. SIA's manufacturing of 100 thousand units per year not only contributes to increased profits through the reduction of fixed costs but also has major benefits in terms of the exchange of production technology. Beyond this, the supply of new compact cars and minicars on an OEM basis is going almost according to plan. In addition, we are steadily completing joint development of front-engine, rear-wheel drive compact sports car with Toyota, which we aim to release in spring 2012.

Looking ahead, Subaru will maintain its distinctiveness while continuing the win-win relationship with Toyota.

Strengthening Production Capacity Is an Urgent Issue

During the implementation of the mid-term management plan, insufficient production capacity became an issue. Even during the 2008 financial crisis, sales regularly outpaced production. We were making investments to upgrade the production capacity of our existing facilities to keep pace with sales when the Great East Japan Earthquake struck. In light of damage sustained to certain production and R&D facilities, we were forced to immediately suspend operations. As a result of exhaustive efforts, it only took three days to restore production lines. However, we were unable to surpass record-breaking unit sales because of the significant impact that losing two thirds of our production had during March, a period when domestic demand is at its peak. For me, this was a regrettable first. In my 41 years working at Subaru I had never experienced a situation in which we were unable to sell vehicles because of diminished manufacturing capacity.

CLOSE UP
MARKETING THAT SUPPORTS ROBUST PERFORMANCE

Subaru's award-winning movie *The Car Parts*

In May 2011, the One Show advertising awards announced in New York that the Subaru brand movie *The Car Parts* won the silver medals in the Broadcast Design category in recognition of its design excellence.

In addition, the *Mediocrity* advertising campaign produced by Subaru of America, Inc. (SOA) was awarded a Webby Award in the automobile category and a gold medal at the International Automotive Advertising Awards. These distinctions call attention to outstanding marketing efforts that are increasing the value and recognition of the Subaru brand.

The One Show "Pencil" trophy

- The One Show award showcases excellence in advertising and ranks as one of the world's top three advertising awards along with the Cannes Lions International Advertising Festival and the Clio Awards. Each year a variety of work is judged by an international jury of advertising producers, making this a much sought-after prize worldwide.
- Referred to as the Academy Awards of the Internet, the Webby Awards is the leading international award honoring excellence on the Internet. Awards are determined based on votes cast by both web specialists and regular members of the online community.
- The International Automotive Advertising Awards was established in 1995 to showcase excellence in automotive advertising and marketing.

CLOSE UP

HIGHER-THAN-EXPECTED INSTALLATION RATES OF SUBARU'S "EyeSight" IN THE DOMESTIC LEGACY

Expected Installation Rates 30%

Actual Installation Rates 80%

Image of "EyeSight"

The "EyeSight" Mechanism

The EyeSight is equipped with two stereo cameras to maintain constant awareness of road conditions in front of the vehicle. This system functions in the same manner as the human eye. Images received by the stereo cameras are processed at ultrahigh speed by the specialized 3D-image processing engine to determine the distance, location and speed of objects. When a potential collision hazard is detected based on data sent mainly from sensors installed in the engine and Vehicle Dynamics Control (VDC), an alarm sounds to warn the driver and the brakes are activated. These functions help to avoid collisions as well as reduce collision damage.

External Recognition

- Received a prize at the Technology of the Year Awards (Sponsor: Automotive Researchers' & Journalists' Conference of Japan (RJC))
- Received a prize at the Japan Automotive Hall of Fame Association's (JAHFA) Car Technology of the Year Awards (Sponsor: JAHFA)

Despite our desire to restore full operations as soon as possible, we expect production in Japan to remain at 60% until the second quarter while SIA's operations are expected to be capped at 80%. We aim to return to full operations in October. Despite issues related to stable power supply, if component supplies are restored to normal levels, major automakers with high production capacity will be able to rapidly regain their losses. Being accustomed to operating at full capacity, Subaru must now deal with the critical challenge of catching up after operations are restored. To address this problem, we are currently directing business resources to bolster production capacity.

In light of increasing sales volume in the United States and emerging markets, expanding local production overseas is an urgent issue. In particular, we are accelerating initiatives in response to the Chinese market. Amid demand topping 18 million vehicles in China, Subaru sold 62 thousand units in the previous year. We believe China is a suitable market for Subaru automobiles, and we are investigating local production given the unmistakable sales opportunities the country offers. We aim to capture a 1% share of the Chinese market in the medium term with sales of 180 thousand units. Following China, the ASEAN region is another very attractive market. We are examining methods to undertake local production in careful consideration of numerous factors. In addition, the shift to local production will enable us to efficiently channel domestic production capacity towards the development of other emerging markets.

Unique Technology is the Essence of Subaru's Distinctive Driving Experience

We are not mass marketers. Through the provision of distinctive Subaru technology, customers recognize the value of our vehicles. Based on this, we are employing a strategy of offering products with relatively higher price points.

Our focus on safety is one aspect of manufacturing distinctively Subaru automobiles. Subaru is increasing "Active Safety" features by refining driving stability through our all-wheel drive and horizontally-opposed engines. Moreover, the superior features of Subaru's "Passive Safety" have been recognized globally, thanks to its excellent safety performance during collisions. We have taken safety to a higher level through "collision-free cars (pre-crash safety)" enabled by the use of Subaru's "EyeSight" Active Driving Assist System (version 2). At present, the installation rate of EyeSight (which is being optionally installed only in the domestic Legacy & Outback models) has reached 80%, far exceeding the initial projected rate of 30%. Customers who experience the collision avoidance and driver burden reduction functions of EyeSight, even just one time, view them as absolutely indispensable. EyeSight is gradually evolving as a unique technology that is playing a major role in defining the Subaru brand.

Regarding the all new Impreza, we are tirelessly pursuing the development of an automobile that customers will easily recognize in terms of value, attractiveness and safety.

In Conclusion

In light of the series of achievements brought about by our efforts to implement the mid-term management plan as well as the commencement of the new mid-term management plan, we have reached a critical stage. I consider this to be the best time to change president in order to further the major innovations being implemented under Subaru's new management system. As such, the entire organization must undergo constant innovation. To date, Subaru has repeatedly experienced both improvements and downturns in operations. Although the direction Subaru must take has not changed, it is the duty of management to develop a growth trajectory through new ideas and strategies that focus on taking advantage of favorable opportunities while refreshing top management. FHI's new president, Yasuyuki Yoshinaga, possesses a broad strategic viewpoint and most decidedly has the ability to realize the Company's goals. I have every confidence that he is the most suitable person to lead Subaru to further growth in the future.

During my five-year term as president of FHI, I carried out my duties with the goal of obtaining results. Although there is much left to accomplish, the direction we have taken has translated into tangible success. Looking ahead, President Yoshinaga will be in charge of the execution of all automobile operations as COO. In my capacity as CEO, I will oversee disaster countermeasures, develop guidelines for the internal Companies (excluding the Aerospace Company) and manage projects related to China.

I feel that Subaru is currently undergoing gradual change. It is our aim to work toward future breakthroughs by improving Subaru's dynamism under the guiding principle, *Confidence in Motion*. In the years ahead, please stay tuned for even greater achievements from Subaru.

Ikuo Mori
Representative Director of the Board,
Chairman and CEO

"I consider this to be the best time to change presidents in order to further the major innovations being implemented under Subaru's new management system."

MESSAGE FROM THE COO

YASUYUKI YOSHINAGA
Representative
Director of the Board,
President and COO

"Subaru will increase its corporate value and realize further growth through "Motion-V.""

Building on the Success of the Previous Mid-Term Management Plan to Achieve *Sustainable Progress*

Subaru's previous mid-term management plan began in fiscal 2008. Centered on the philosophy, *customers come first*, two of the initiatives outlined in the plan were: (1) provide a distinctive Subaru experience for drivers and passengers, and (2) increase sales globally. As a result, unit sales rose significantly in North America, China and other markets. At the same time, we were able to noticeably improve our profit structure by promoting the direct control of wholly owned distributors in Japan. These successes enabled Subaru to exceed its target with operating income of ¥84.1 billion despite a foreign currency exchange rate of ¥86 to the U.S. dollar, which greatly surpassed the ¥110 forecasted during the plan's formulation. In spite of major sales growth in the United States and China, various issues remain. These include unit sales that are still low compared with other automakers and the ongoing ineffectiveness of Subaru's initiatives in emerging markets. We recognize that the direction established in the previous mid-term management plan proved to be correct. With the launching of the new mid-term management plan "Motion-V," we will continue the initiatives promoted in the previous plan while pursuing *sustainable progress* in the years ahead. To this end, we must focus our energy on tackling outstanding issues with a healthy sense of urgency.

As we consolidate our market foothold over the five-year period established by the new mid-term management plan, we aim to achieve annual unit sales of one million units within the next 10 years. To this end, we established the new action guideline, *Confidence in Motion*. Since the release of the Subaru 360 in 1958, the Company has been building a relationship of trust with its customers by providing unique products that make use of its original technologies, including the horizontally-opposed engine and Symmetrical All Wheel Drive (AWD). The new plan forces us to once again reexamine this core aspect of Subaru in order to achieve greater growth in the future. The reason all employees perform their duties with a constant focus on providing products and services trusted by customers is due to the Subaru philosophy of *customers come first*. There is however a flipside: Taking on new challenges has never been one of Subaru's strengths. Amid constantly changing market conditions, we must accept new challenges to further strengthen the customer relationship, inspiring confidence through our commitment to "Engineering excellence."

Based on the *Confidence in Motion* action guideline, Subaru will increase its corporate value and realize further growth through the following three initiatives outlined in "Motion-V."

1. Provide a Distinctive Subaru Experience

The aim of "Motion-V" is to achieve Subaru's management vision of being "a compelling company with a strong market presence." Understanding the true meaning of this vision is more important now than when it was formulated 15 years ago.

As a niche manufacturer that possesses a 1% share of the global automobile market, the word "presence" is very important for Subaru. In spite of low unit sales, Subaru has remained in business for the past 60 years by maintaining a constant market presence. We continue to display our presence through a variety of initiatives that I will discuss below.

In order to create a unique market presence, we provide a distinctive Subaru experience for drivers and passengers by offering original value focusing on "Enjoyment and peace of mind." Subaru strives for drivability that incorporates not only sporty handling but also safety. To this end, we are pursuing superior driving performance and danger avoidance through our horizontally-opposed engine and Symmetrical AWD; maintaining top-level collision safety capabilities; gradually expanding the "EyeSight" Driving Assist System to overseas markets; and thoroughly improving all-around safety. Regarding our environmental responsiveness, we will gradually install the new horizontally-opposed engine and Lineartronic-CVT (Continuously Variable Transmission) with the goal of improving the fuel economy of all Subaru vehicles by approximately 30%. In 2013, Subaru is scheduled to launch its first hybrid vehicle, which will be equipped with a horizontally opposed engine. This release has been greatly anticipated by the market.

Starting with the U.S. market, Subaru will introduce the new model Impreza in 2011 as part of an effort to expand its product portfolio. This release is in line with our aim to provide a distinctive Subaru experience for drivers and passengers. During the period of the new mid-term management plan, one Subaru automobile brand per year will undergo a full model change. At the same time, we will proactively release new Subaru models. In 2011, Subaru will introduce the Subaru XV to the crossover segment, an area in which the Company excels. In 2012, we plan to launch the Subaru BRZ, a new front-engine, rear-wheel drive sports car jointly developed with Toyota as well as a new model in 2014.

As part of our efforts to provide a distinctive Subaru

Pursuing Specific Goals

experience for drivers and passengers, we will implement the market strategies and sales growth measures, discussed below, to prevail over the competition. We will also take steps to develop an appropriate level of production. Through these measures, we aim to surpass sales of one million units within a decade.

2. Accelerate Sales Expansion

It must be recognized that today's global automobile industry is growing. According to surveys conducted by various market research firms, the total sales volume of the automobile industry is expected to increase between 90 million and 100 million units in 2015. The ongoing need to display our presence in the growing global automobile market is vital to retaining our 1% share of the global market. As such, achieving the goal of one million units sold is not simply a matter of increasing sales volume but is also central to the promotion of *sustainable progress*, which reflects increases in overall demand.

The United States and China are the key markets for realizing this growth. For Subaru, it is critical to fully retain its share of the key U.S. market and avoid delays in its expansion into such emerging markets as China, which is growing rapidly. In fiscal 2016, the final year of the mid-term management plan, we aim to increase sales by 70 thousand to 380 thousand units in North America compared with fiscal 2011 and by 120 thousand to 180 thousand units in China. Combined with unit sales of 270 thousand in Japan, Europe and Australia as well as 70 thousand in other regions, Subaru anticipates sales volume to grow by 230 thousand to 900 thousand.

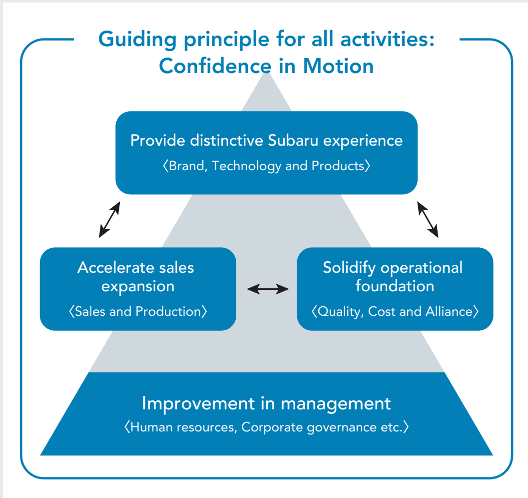
We intend to maintain a 2% share in the key U.S. market. Taking advantage of Subaru's strengths in the crossover segment (which it had a pioneering role in developing), we plan to increase unit sales of sedans, a high volume sales area. Consequently, much is expected of the new model Impreza.

Subaru's sales in China have grown remarkably. However, major obstacles remain regarding Subaru's

FIVE CHALLENGES OF MID-TERM MANAGEMENT PLAN "MOTION-V"

1. Guiding principle for all activities **"Confidence in Motion"**
2. With the basic philosophy of "customers come first," **"Provide distinctive Subaru experience"**
3. Strengthen sales force and the availability of automotive supply, **"Accelerate sales expansion"**
4. Overhaul of cost structure and promoting alliance with Toyota, **"Solidify operational foundation"**
5. Back up concrete approaches for business, **"Improvement in Management"**

Strategic Direction for Growth



efforts to penetrate the world's largest consumer market due to its low sales volume compared with total demand. To avoid getting submerged in the Chinese market, we aim to build a network of 250 dealerships by 2015, approximately twice the current number, and increase sales to 180 thousand units, triple the present amount. We are currently exploring the possibility of joint production in China, which is essential for realizing the aforementioned goals. By promoting local production in China, Subaru plans on increasing its overseas production ratio from 26% to about 40%.

3. Solidify Our Operational Foundation

The key to solidifying Subaru's operational foundation lies in product quality and cost improvement. Subaru addressed past difficulties related to its high cost structure in the previous mid-term management plan. "Motion-V" aims to reduce costs related to the new development of existing models by 20% and overall development investment by 30%. I believe that our efforts to thoroughly improve product quality and decrease costs will strengthen Subaru's operational capacity. In addition, Subaru will pursue greater mutual competitiveness over the long term through its business alliance with Toyota. Examples of our successes to date enabled by this alliance include Subaru of Indiana Automotive, Inc.'s (SIA) contracted manufacturing of the Toyota Camry and the supply of new compact cars and minicars from the Toyota Group on an OEM basis. Subaru is scheduled to release a new front-engine, rear-wheel drive sports car jointly developed with Toyota in 2012. Through these initiatives, Subaru is pursuing a win-win relationship with Toyota that will foster the future development of both companies.

The Outlook for Fiscal 2012

For fiscal 2012, Subaru projects decreases in net sales, operating income and net income of ¥1,480 billion, ¥30 billion and ¥35 billion, respectively. Despite efforts to recover lost production volume in the second half of fiscal 2012, the annual sales volume is expected to decline 25 thousand units year on year to 632 thousand units. This is attributable to the major impact of disaster-related production shortages in the first half that lowered sales volume by 79 thousand units compared with the previous fiscal year. To encourage future growth, we plan to invest in the production of new engines and CVTs as well as increase experiment- and research-related spending on new products. In addition, Subaru will concentrate its efforts on maintaining operating income of ¥30 billion in fiscal 2012 while steadily implementing the various initiatives established by "Motion-V."

Aiming to be "a compelling company with a strong market presence," all Subaru employees will work together to implement the initiatives outlined in the new plan. I look forward to your continued understanding and support in the years ahead.

Yasuyuki Yoshinaga
Representative Director of the Board,
President and COO

"According to *sustainable progress*, which reflects increases in overall demand, we aim to surpass sales of one million units within a decade."

We will **restore production volume to pre-disaster levels and develop a stable production system** by augmenting production capacity. Such actions will ensure the supply of **high-quality Subaru vehicles** to customers worldwide.

Masahiro Kasai

Corporate Senior Vice President
Chief General Manager
Subaru Manufacturing Div.

Achieving the Early Restoration of Operations Following the Disaster

Striking on March 11, 2011 at 2:46 p.m., the Great East Japan Earthquake began with a shudder and vertical shaking. Registering at a lower six on the seven-point Japanese seismic intensity scale, the earthquake then violently rocked sideways to such a degree that people were unable to stand. At the Gunma Plant, an evacuation order is automatically broadcast in the event that an earthquake exceeds magnitude four. Following predetermined procedures, all of the Gunma Plant's approximately 9,000 employees safely evacuated in around 30 minutes.

I was deeply relieved that the emergency evacuation drills we conduct on a daily basis proved to be effective. Given the uncertainty of the situation, however, we were fully focused on pressing issues, including the safety of employee families as well as the extent of damage to plant facilities and the supply chain. Immediately following the earthquake, we established an emergency response headquarters, cancelled the evacuation order after trained employees verified the safety of the plant, and made a concerted effort to determine the level of damage sustained.

In an effort to gain control of the situation, we decided to resume operations on March 14 and took steps to determine each department's responsibilities. To this end, we prepared a disaster response report. Fortunately, we were able to confirm that no one was seriously injured. By the end of the day, we verified the damage to the minicar production plant, the Oizumi Plant (which manufactures engine and transmissions), and other Subaru facilities. The status of the Yajima Plant, which produces passenger cars, was confirmed the following day. This delay was caused by a power outage that made it impossible to determine the safety of the painting station, which has no access to outside light.

At the same time, the purchasing division contacted each of Subaru's business partners to assess the status of

March 11 》

Issued evacuation order immediately after the Great East Japan Earthquake and confirmed zero employee injuries

March 12 》

Verified the safety of each plant and the extent of damage as well as undertook repairs

A car body shaken loose from an overhead clamp (Yajima Plant)

Fallen piping (Oizumi Plant)

March 14 》

Decided to suspend operations, despite repairs enabling plant test runs, based on the status of our suppliers and electric power supply employee injuries, along with damage to facilities and supply systems. In addition, we quickly secured the external resources needed for repairs and to restore operations.

All stations in the plant were visually checked by the evening of March 12. Thanks to the exhaustive efforts of 1,500 employees over March 12 and 13, we conducted test runs on March 14 and resumed operations on March 15, only a day later than planned.

New Challenges Posed by Scheduled Blackouts and Parts Supply Difficulties

The issue we faced immediately following the disaster was how to respond to planned blackouts implemented from March 13 by the Tokyo Electric Power Company. There were two major problems caused by these blackouts. First, any power disruption would be disastrous for the Oizumi Plant's heat treatment furnace, a production process that operates 20-hours per day without interruption. Second, power outages of just two to three hours require extra time to shut down and restart the plant's computers, greatly reducing production time. In response, the Yajima and Oizumi plants began using in-house power generation systems to supply electricity for the heat treatment process. In addition, these plants maintain electric generators to provide power to computer systems. Such measures have made it possible to avoid being affected by planned blackouts. We also shifted the operation of press and other energy-intensive processes to the evening.

Despite restoring operations faster than initially estimated, we were forced to subsequently suspend production and deliveries in response to problems arising from planned blackouts and delays in parts supply. Owing to tireless efforts to determine the status of partner business operations and secure parts, we commenced production of minicars on March 31 and passenger cars on April 6. However, the number of Subaru automobiles (including minicars) produced domestically in March plunged from 40,729 units in the previous month to 16,530 units, one third of that recorded for March 2010.

U.S.-based Subaru of Indiana Automotive, Inc. (SIA) had been maintaining full production capacity on the back of strong sales of the Legacy and Outback. In light of the disaster, however, our ability to supply SIA with CKD* components became very uncertain. In order to avoid a suspension of production in the United States,

Pursuing Stable Supply

March 23 »

Resumed production of parts for U.S.-based Subaru of Indiana Automotive, Inc. (SIA) in stages after securing supply

March 24 »

Resumed spare parts production in stages after securing supply

March 31 »

Resumed production of minicars in stages after securing supply

April 6 »

Resumed production of passenger cars in stages after securing supply we placed the highest priority on supplying components that had become difficult to procure. On March 23, the Oizumi Plant resumed production of engine components and transmissions to be sent to SIA.

Amid these circumstances, SIA had two choices. The first was to maintain production at the current level, which requires a two-shift work system. The second was to decrease production volume in order to prolong operations. However, if SIA chose to reduce production volume too drastically, it would be unable to return to normal levels, even after component supplies resumed. Given Subaru's limited production capacity, sharp drops in production volume are unsustainable. Consequently, SIA limited production to 70% by suspending all overtime and holiday work until supply lines in Japan were fully restored.

In response to parts supply issues within Subaru's supply chain, we have increased the number of supply routes, secured replacement parts and changed product designs. Thanks to these efforts, along with the help we provided suppliers to rapidly restore their operations, we have completely solved our supply chain problems.

*Completely knocked down or unassembled components

Developing Systems to Regain Lost Production Volume in the Second Half of Fiscal 2012

The mainstay Yajima Plant has a maximum production capacity of 400 thousand vehicles per year. By operating at full capacity, we were able to fill orders for 657 thousand finished units in fiscal 2011, the first time consolidated sales volume has ever exceeded 600 thousand units.

Following the Lehman collapse, however, we experienced difficulties caused by overstaffing. To avoid repeating this situation, we maintain staffing levels between upper and lower requirements based on Subaru's sales forecasts. As in the case of the previous fiscal year, when we experienced an increase in orders, we can maintain full production through overtime and holiday work. The staff at Subaru's plants consists of regular employees, temporary workers and personnel from other departments that assist in production when needed. We have made an effort to optimize human resources to address the rapidly changing circumstances currently confronting us by transferring personnel back to their original departments when necessary.

We were able to increase the production capacity of the Yajima Plant by approximately 5% to 420 thousand units per year. This was due to undertaking the emergency measures mentioned above, using the holiday periods in May and August to upgrade facilities and improving production speed.

To comply with new regulations for reducing power usage by 15% from July onward, we commenced weekend operations and implemented various electricity conservation measures. Moreover, we introduced additional in-house power generators in August. In combination with existing power generation equipment, we have been able to produce approximately 60% of the plant's power usage internally.

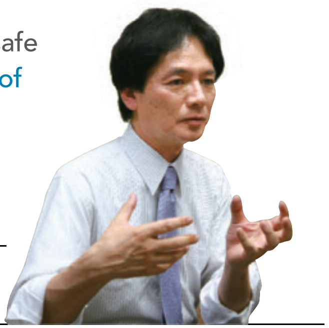
As a result of these initiatives, we expect the number of automobiles produced in the second half of fiscal 2012 to increase 34.6% to 288 thousand units. This projected rise in production will more than offset a forecasted year-on-year decrease of 28.6% to 175 thousand units in the first half and is a 0.9% rise compared with the previous full fiscal year. Continuing to enjoy the momentum created by favorable sales, SIA plans to boost production 1.5% year on year to 167 thousand units by producing 99 thousand units in the second half.

Delivering High-Quality Subaru Automobiles as Quickly as Possible

Issues still remain regarding our plans to rapidly shift to full production after power conservation directives are discontinued in late September. We are urgently securing the personnel needed to increase production. Since the end of June, we have accelerated efforts to recruit temporary workers, with plans to increase the staff from 1,100 to 1,500 employees.

In retrospect, I believe that our ability to rapidly bounce back from the damage to factories caused by the disaster underscores the success of the "multiple capabilities" concept promoted by Subaru. For a small automobile manufacturer like Subaru, being competitive globally depends on the versatility of each employee. For example, production line staff being able to repair equipment or maintenance staff who can make quality-related judgments. Through programs intended to pass along skills from experienced employees to new ones, it is a tradition at Subaru to cultivate personnel who possess a wide range of abilities. Owing to these initiatives, we were able to restore operations at all Subaru plants faster than expected. Quickly adapting to changing circumstances was a challenging but valuable experience. Our inability to meet the Company's supply obligations was the most difficult ordeal of all. This meant that we could not fill orders, forcing customers to wait before receiving their purchases. Overcoming this situation and restoring Subaru's impressive production capability without a doubt increases employee motivation. Supplying high-quality Subaru vehicles as soon as possible to car lovers worldwide is my greatest aspiration.

Taking on the challenge of producing enjoyable and safe automobiles is the source of Subaru's superior safety performance.



Yoshio Hirakawa

Corporate Vice President
Senior General Manager
Subaru Engineering Div.

The Development of Superior Products Underpins Subaru

Automobiles and airplanes are unique products because people physically get inside and operate them. This feature differentiates them from most products, which are operated from the outside, including cameras and televisions. Responding accurately to the will of the driver, an attractive feature of automobiles is their ability to magnify individual desires and abilities. Improperly used or in the event of an unexpected collision, automobiles can also be dangerous. Our customers select Subaru over dozens of automobile brands worldwide. We are committed to meeting customer demand through superior technologies, encompassing product planning, design and development. Where we encounter shortcomings, we will aggressively develop new technologies and incorporate them into our products. We are confident that such diligence is appreciated by our customers.

In our chosen technological field, "good enough" is never enough. The final product, namely automobiles, will change greatly depending on which features are enhanced. Our planning, design and development divisions share the development philosophy of offering customers reliability and driving pleasure by integrating our superior technologies. Subsequently, the manufacturing division undertakes operations with the determination to "realize whatever is necessary to bring enjoyment to customers." We work to achieve a distinctive Subaru experience by leveraging our organizational strengths. This involves open dialog and cooperation among the planning, design, development, manufacturing and sales divisions.

What Safety Means to Subaru

The essential function of automobiles is to safely, inexpensively and quickly transport people and objects. In addition to fulfilling this basic function, Subaru produces vehicles that are attractive because they conform to driver sensibilities and provide ideal handling. We believe the level of safety required for automobiles not only involves collision protection, but is also achieved by tailoring vehicle maneuverability to human senses. Maintaining comfortable driving conditions helps to realize optimal automobile safety. When a vehicle responds exactly as expected, this leads to greater driver safety and comfort as well as an enjoyable ride for passengers from start to finish. This is Subaru's concept of safety.

The Evolution of Safety at Subaru

Subaru seeks to produce automobiles with the ability to sense and avoid danger. This involves preventing vehicles from spinning due to sudden driver action; enabling vehicles to avoid anything darting out in front; and maintaining stable performance despite erratic driving. This is our fundamental approach to safety.

Building and maintaining trust with customers is the foremost mission of Subaru's engineering division. Especially since we increased the size of our main models in 2007 to meet global market expectations, customers are gradually recognizing the attractive new features of Subaru automobiles. They appreciate the way a Subaru effectively handles even in dangerous situations. By enhancing such features, the popularity of Subaru automobiles is taking a significant leap forward. At the same time, it is vital that we focus on developing this rapidly evolving technology. Beyond basic safety, these efforts involve the concept of "making drivers and passengers feel secure."

Safety That Reflects Actual Driving Conditions

The difference in driving conditions from one country to the next is an important aspect of safety. In Japan, automobiles, motorcycles, bicycles and pedestrians all share the same narrow roads. They all play a role in maintaining safety. From a global standpoint, the type of mixed traffic encountered in Japan, in which drivers must always pay attention to pedestrians, is unusual. In Scandinavian countries, drivers have to avoid deer darting into the road or sliding because of icy road conditions. In the United States, accidents involving two-ton trucks and passenger cars are common.

Subaru automobile bodies are built to avoid being crushed even in collision with large trucks. In contrast, we also apply our ingenuity to the development of car frames that absorb the energy generated by a collision in order avoid crushing smaller vehicles. North American customers in particular increasingly emphasize the protective features of industrial products, especially since the terrorist attacks of September 11, 2001. Subaru's brisk performance in North America reflects consumer support for our tireless efforts to create automobiles that are more secure.

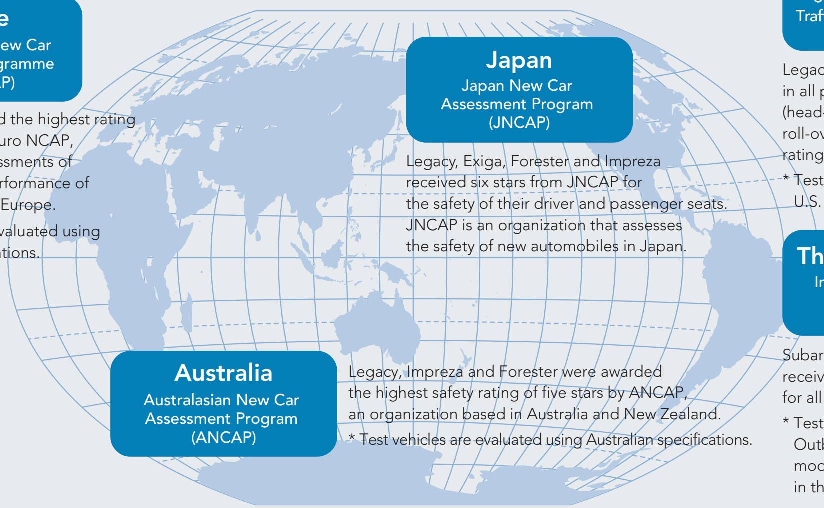
In order to understand what customers seek in terms of driving pleasure and safety, we conduct case studies prior to new product development. In addition, we undertake product development activities that enhance safety from the driver's perspective. Our product development efforts involve authentic consumer research using local vehicles driven under actual conditions to accurately determine consumer opinions.

Pursuing Unlimited Evolution

Subaru's constant pursuit of safety is at the core of Subaru's distinctiveness. In order to maintain customer safety through leading technologies, Subaru must continue evolving.

If driving pleasure and safety were incompatible, people would naturally focus on collision safety. Subaru has spent nearly 20 years developing the "EyeSight" Active Driving Assist System by focusing on the events leading up to a traffic accident. EyeSight incorporates pre-collision braking control that uses automatic brakes to avoid

THE SAFETY OF SUBARU VEHICLES IS RECOGNIZED WORLDWIDE



Europe
The European New Car Assessment Programme (Euro NCAP)

The Legacy garnered the highest rating of five stars by the Euro NCAP, which provides assessments of the overall safety performance of new vehicles sold in Europe.

* Test vehicles are evaluated using European specifications.

Japan
Japan New Car Assessment Program (JNCAP)

Legacy, Exiga, Forester and Impreza received six stars from JNCAP for the safety of their driver and passenger seats. JNCAP is an organization that assesses the safety of new automobiles in Japan.

The United States
U.S. National Highway Traffic Safety Administration (NHTSA)

Legacy was awarded five stars in all performance testing areas (head-on and side collisions, roll-over resistance), the highest safety rating given by the NHTSA.

* Test vehicles are evaluated using U.S. specifications.

The United States
Insurance Institute for Highway Safety (IIHS)

Subaru was the only automaker to receive the Top Safety Pick rating for all of its U.S. models from IIHS.

* Test vehicles consisted of the Legacy, Outback, Forester, Tribeca and Impreza models currently being sold in the United States.

Australia
Australasian New Car Assessment Program (ANCAP)

Legacy, Impreza and Forester were awarded the highest safety rating of five stars by ANCAP, an organization based in Australia and New Zealand.

* Test vehicles are evaluated using Australian specifications.

Safety ratings are based on standards specific to individual countries collisions; adaptive cruise control with all-speed range tracking functions to help maintain safe distance between vehicles; and a creep suspension and control system to guard against sudden acceleration due to driver error.

Subaru's development of the EyeSight system for mass-produced automobiles drew the attention of automotive organizations worldwide. Subaru began providing a diverse array of information to relevant overseas organizations over a decade ago, back when enhancing collision safety was one of its main goals. Through the EyeSight system, we will make every possible effort to communicate our thoughts on how to improve automobile safety. As part of such initiatives, we are providing vehicles for use in research conducted by the Insurance Institute for Highway Safety (IIHS) in the United States and the Thatcham Motor Insurance Repair Research Centre in the United Kingdom.

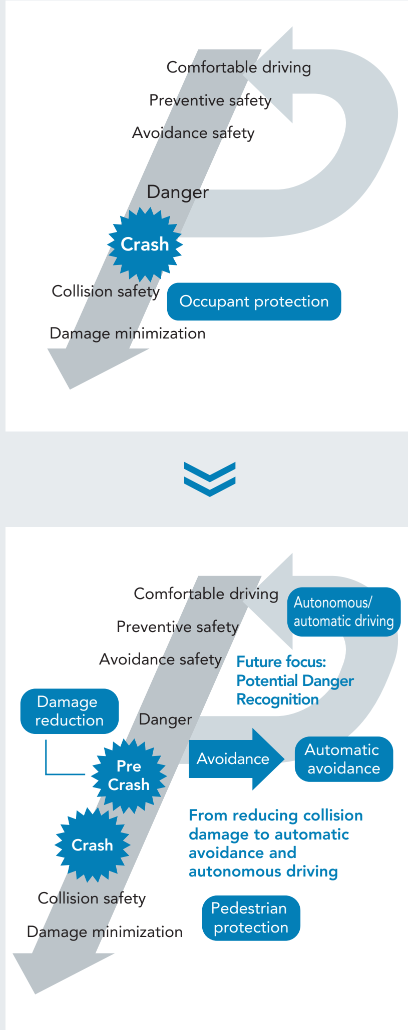
In the year since the launch of EyeSight, we have gained a great deal of insight regarding the changes in customer awareness of everyday safety. Subaru is investigating to what extent the EyeSight system meets the most pressing needs of customers.

Subaru ceaselessly works to perfect its safety technology. During the next development cycle, nearly 40% of conventional technology can be upgraded using computer-aided design. This minimizes the amount of investment as well as the number of employees and engineers required for such tasks. In turn, the savings can be invested to further the development of EyeSight and create new concepts for safe and secure products.

We will strive to develop EyeSight danger avoidance functions that are tailored to each customer. We will also enhance system intelligence through new input sensors that have the potential of surpassing the driver's five senses. We strongly believe that the number of loyal Subaru owners will increase with our efforts to further hone the secure features of Subaru vehicles while increasing comfort and pleasure for both drivers and passengers.

Pursuing Secure *Automobiles*

THE DIRECTION OF SUBARU'S SAFETY SYSTEM EVOLUTION (P CONSTRUCTION)



CORPORATE SOCIAL RESPONSIBILITY (CSR)

CSR Policy

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

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

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

CSR Management

One aspect of our long-term vision is the aim to be: "A compelling company with a strong market presence." As such, the new mid-term management plan establishes the CSR-related themes: "Being a company that contributes to the resolution of social issues through the provision of products and services" and "Being a company that values its relationship with various stakeholders." FHI aims to retain the trust of stakeholders and to improve FHI's corporate value.

CSR Activities

Eight themes underpin FHI's CSR activities: customers and products, employees, the environment, compliance, information disclosure, social contributions, procurement and corporate governance. Based on these themes, we undertake initiatives to help solve a variety of social issues.

ALL-AROUND SAFETY

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

Active Safety: Safe Driving Capabilities

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

Passive Safety: Collision Safety Capabilities

In the event of a collision, Subaru is continuing to pursue next-generation collision safety performance that will reduce injuries not only to drivers and passengers in Subaru automobiles, but to those in other vehicles and pedestrians as well. Consequently, Subaru automobiles have achieved the world's highest ratings in collision safety performance. (For more details, please refer to p. 18).

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

The "EyeSight" Active Driving Assist System was developed with the aim of providing the ultimate level of safety, referred to as "collision-free cars." Subaru's EyeSight (version 2) has been achieving high installation rates in Japan since release on the Legacy in May 2010. EyeSight (version 2) features such functions as pre-collision braking control that uses automatic brakes to avoid collisions; adaptive cruise control with all-speed-range tracking functions that helps to maintain a safe distance between vehicles; and a creep suspension and control system that guards against sudden acceleration due to driver error.

The Environment

Environmental Initiatives

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

Environmental Policy

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

Corporate Activities and Environmental Impacts

Subaru is a transportation manufacturer focusing on automobiles. Automobiles, which are a convenient and comfortable form of transportation, are now indispensable for living in a modern society. On the other hand, automobiles require limited global resources as materials and fuels. Consequently, they emit carbon dioxide (CO_2), which causes global warming, as well as other air pollutants. Profoundly aware of these two aspects of the automobile, Subaru is dedicated to developing next-generation environmental technologies to realize a beneficial coexistence between the global environment and automobiles that enable comfort, reliance and fun through Subaru's Distinctive Driving Experience. Such actions will contribute to the realization of an abundant automobile-based society.

Product Development Activities

Subaru aims to achieve compatibility between an automobile-based society and an abundant global environment.

- Subaru released Legacy, Outback, Impreza and Forester equipped with the world's first Boxer Diesel Engine in Europe beginning in 2008. Approximately half of Subaru automobiles sold in Europe now feature diesel engines.
- Subaru has been installing the new horizontally-opposed engine (which improves fuel economy by approximately 10%) in the Forester since 2010 and will gradually introduce this technology to other models.
- Eco Technologies Company is developing wind-power generation that makes full use of this renewable natural energy source.

Corporate Governance

Basic Approach to Corporate Governance

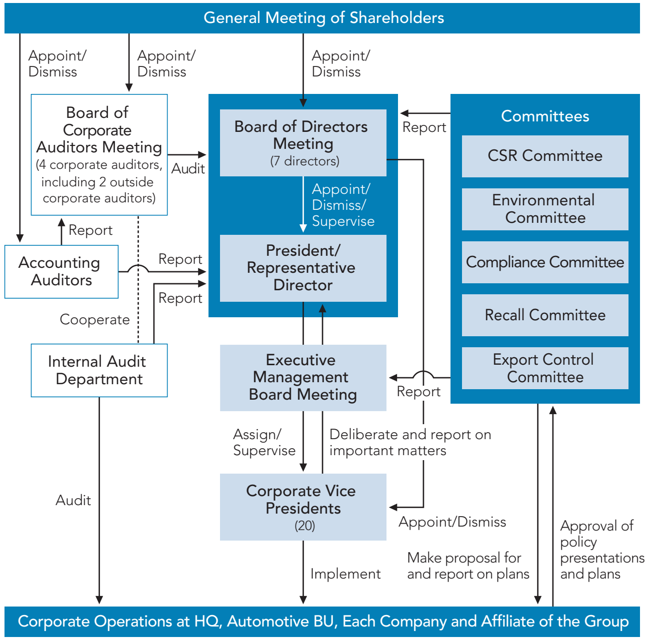
In line with its Corporate Philosophy, FHI views the strengthening of corporate governance as one of management's highest priorities, so that it can measure up to the trust and confidence placed in the Company by all of its shareholders, customers and other stakeholders. In the pursuit of more efficient management, FHI is working to clarify management and execution functions to enhance decision-making speed. To this end, the Executive Management Board was established to undertake deliberations regarding Companywide strategies and matters important to business execution. The results of these deliberations are reported to the Board of Directors. In addition to adopting the executive officer system, the Company has positioned the Automobile division as its core business and has introduced an internal company system—composed of the Aerospace, Industrial Products and Eco Technology divisions—to clarify management responsibilities and accelerate business execution.

Directors and Corporate Auditors

FHI's Board of Directors and Board of Corporate Auditors make decisions, monitor and conduct audits regarding matters that are important to business execution. The Board of Directors is comprised of seven directors. This includes an independent outside director who has been appointed to further augment the Company's corporate governance. The Board of Corporate Auditors is comprised of four corporate auditors, including two outside corporate auditors, who participate in Board of Directors' and Board of Corporate Auditors' meetings as well as attend other important company meetings. At the same time, corporate auditors provide appropriate advice and direction from a wide-ranging perspective.

The Company has appointed the outside director, Toshio Arima, who possesses considerable experience as an executive and has a high degree of expertise in the area of CSR. The Company has appointed the outside corporate auditor, Giichi Miyakawa, who is fully qualified for this position owing to his management experience and wealth of knowledge as an executive in the manufacturing industry, and his credentials and abilities to undertake audits in an objective manner. In light of their backgrounds and with no possibility of a conflict of interest arising with regular shareholders, Mr. Arima and Mr. Miyakawa have been appointed as independent directors under the Tokyo Stock Exchange (TSE) guidelines.

Corporate Governance System



Overview of Compensation for Directors and Corporate Auditors

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

In fiscal 2011, compensation for directors and corporate auditors was as follows:

Millions of yen

Classification	Number	Basic compensation		Total
		Fixed amount	Performance-based amount	
Directors	8	244	101	345
Corporate auditors	5	81	—	81
Outside corporate auditors (Included above)	2	32	—	32
Total	13	325	101	426

Note: This chart includes directors and corporate auditors who retired at the conclusion of the Ordinary General Meeting of Shareholders, held in June 2010.

Risk Management

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

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

Fundamental Emergency Response Policies

(1) Life and physical safety are of the utmost importance
(2) Minimize losses related to stakeholders and corporate value
(3) Consistently take actions that are honest, fair and transparent, especially during emergencies

MANAGEMENT (As of June 24, 2011)

Representative Director of the Board, Chairman and CEO

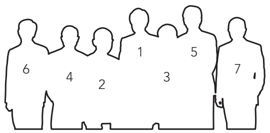
1. IKUO MORI

Representative Director of the Board, President and COO

2. YASUYUKI YOSHINAGA

Representative Director of the Board, Deputy President

3. JUN KONDO



Directors of the Board, Executive Vice Presidents

4. AKIRA MABUCHI

5. NAOTO MUTO

6. TOMOHIKO IKEDA

Outside Director of the Board

7. TOSHIO ARIMA [1]

Executive Vice Presidents

MITSURU TAKAHASHI (CFO)

SHUZO HAIMOTO

MITSURU TAKADA

Senior Vice Presidents

TAMAKI KAMOGAWA

HISASHI NAGANO

MOTOHISA MIYAWAKI

TAKESHI TACHIMORI

MASAHIRO KASAI

Vice Presidents

MOTOKIYO NOMURA

YASUO UENO

HIDETOSHI KOBAYASHI

YOSHIO HIRAKAWA

RYOICHI SHIMOKAWA

TATSUHIKO MUKAWA

YASUO KOSAKAI

TSUYOSHI NAKAI

YASUNOBU NOGAI

MASASHI TAKAHASHI

MASAMI IIDA

TOMOMI NAKAMURA

Standing Corporate Auditors

SHUNSUKE TAKAGI

HIROYUKI OIKAWA

NOBUSHIGE IMAI [2]

Corporate Auditor

GIICHI MIYAKAWA [3]

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

CONSOLIDATED TEN-YEAR FINANCIAL SUMMARY

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

										Millions of yen	Thousands of U.S. dollars*
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2011
For the Year:											
Net sales	¥1,362,493	¥1,372,337	¥1,439,451	¥1,446,491	¥1,476,368	¥1,494,817	¥1,572,346	¥1,445,790	¥1,428,690	¥1,580,563	$19,008,575
Cost of sales	992,950	1,011,582	1,085,716	1,107,718	1,125,293	1,142,674	1,217,662	1,164,564	1,152,763	1,241,427	14,929,970
Gross profit	369,543	360,755	353,735	338,773	351,075	352,143	354,684	281,226	275,927	339,136	4,078,605
Selling, general and administrative expenses	281,063	293,234	303,411	296,756	292,736	304,237	309,004	287,029	248,577	255,001	3,066,759
Operating income (loss)	88,480	67,521	50,324	42,017	58,339	47,906	45,680	(5,803)	27,350	84,135	1,011,846
Income (loss) before income taxes and minority interests	56,136	46,970	56,266	21,066	28,674	45,589	31,906	(21,517)	(443)	63,214	760,241
Net income (loss)	30,283	33,484	38,649	18,238	15,611	31,899	18,481	(69,933)	(16,450)	50,326	605,244
Comprehensive income	—	—	—	—	—	—	—	—	(13,416)	34,900	419,723
At Year-End:											
Net assets**	¥ 399,598	¥ 414,614	¥ 457,027	¥ 474,616	¥ 467,786	¥ 495,703	¥ 494,423	¥ 394,719	¥ 381,893	¥ 413,963	$ 4,978,509
Shareholders' equity	396,112	411,252	453,708	471,149	465,522	494,004	493,397	393,946	380,587	412,661	4,962,850
Total assets	1,269,558	1,344,072	1,349,727	1,357,459	1,348,400	1,316,041	1,296,388	1,165,431	1,231,367	1,188,324	14,291,329
Ratio of shareholder's equity to total assets (%)	31.2%	30.6%	33.6%	34.7%	34.5%	37.5%	38.1%	33.8%	30.9%	34.7%	
Per Share (in yen and U.S. dollars):											
Net income or net loss:											
Basic	¥40.74	¥44.84	¥50.62	¥23.27	¥20.66	¥44.46	¥25.73	¥(91.97)	¥(21.11)	¥64.56	$0.78
Diluted	38.83	42.91	49.66	23.27	20.66	44.44	25.73	—	—	—	—
Net assets	532.88	553.90	582.60	604.51	649.41	687.81	687.02	505.59	488.58	528.88	6.36
Other Information:											
Automobile inventory (thousand units):											
Japan	33.5	22.9	28.4	24.5	18.5	16.5	12.4	13.5	10.5	6.4	
United States	41.2	44.7	48.1	51.2	55.6	46.3	49.5	54.2	41.8	47.1	
Depreciation/amortization expenses	¥ 63,964	¥ 67,896	¥ 71,112	¥ 71,010	¥ 80,073	¥ 81,454	¥ 87,164	¥ 74,036	¥ 65,785	¥ 56,062	$ 674,227
Capital expenditures (addition to fixed assets)	118,376	119,423	128,026	147,759	119,289	126,329	118,869	95,153	89,077	67,378	810,319
R&D expenses	54,903	60,110	57,541	52,962	46,893	50,709	52,020	42,831	37,175	42,907	516,019
Number of shares issued (thousands of shares)***	746,506	746,521	782,865	782,865	782,865	782,865	782,865	782,865	782,865	782,865	
Number of shareholders***	33,094	35,584	34,704	34,558	46,367	42,920	44,484	40,839	39,223	34,240	
Number of employees***:											
Parent only	13,374	13,064	12,928	12,703	11,998	11,752	11,909	12,137	12,483	12,429	
Consolidated	26,483	27,478	27,296	26,989	26,115	25,598	26,404	27,659	27,586	27,296	

* U.S. dollar figures have been translated from yen, for convenience only, at the rate of ¥83.15 to US$1.00, the approximate rate of exchange at March 31, 2011.
** Prior year amounts have been reclassified to conform to the current year presentation.
*** As of March 31

The Fuji Heavy Industries Ltd. Group

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

On a consolidated settlement of accounts basis, FHI and 71 subsidiaries (no change year on year) as well as 9 equity-method affiliated companies (no change year-on-year) were included in the scope of the FHI Group's consolidation as of March 31, 2011, the end of fiscal 2011 ("the fiscal year under review").

Overview

Business Environment

During fiscal 2011, ended March 31, 2011, the global economy began to gradually recover primarily owing to increased exports on the back of improved economic conditions in the North America and economic growth in China. This was also due to the impact of a series of economic countermeasures implemented by individual countries.

Under these circumstances, the FHI Group took steps to achieve the targets established in its four-year, medium-term management plan, which concluded in fiscal 2011. To this end, the Group aggressively increased domestic and overseas sales activities focusing on automobiles as it promoted structural improvements. However, the environment in which the Group operates experienced a major setback as a result of the Great East Japan Earthquake, which occurred on March 11, 2011.

The damage incurred to Group production and other facilities during the disaster was relatively minor. Despite this, production and sales for March were severely impacted by the halting of component supplies from affected business partners and power shortages caused mainly by the accident at the Fukushima Daiichi Nuclear Power Plant.

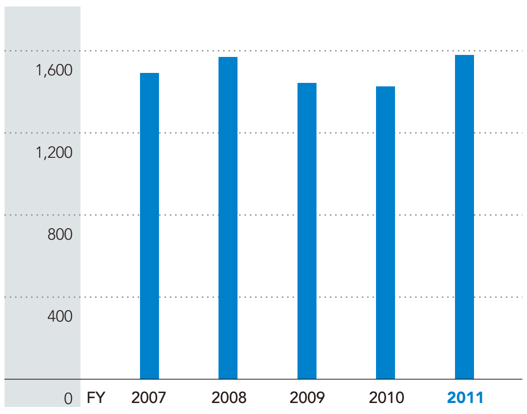
Performance Review

The above factors reflect the unforeseen changes that took place during the final month of the fiscal year under review. Nevertheless, the Group successfully achieved operating income of ¥80.0 billion, an operating income ratio of 5% and ROA of 7%, all of which were targets set for the final year of FHI's mid-term management plan. In addition, consolidated automobile unit sales, net sales and net income reached record high levels. Enabled by our focus on sales from a global perspective and our pursuit of a "Distinct Subaru Experience"—which is centered on the concept of "customers come first"—these results reaffirm that we have been moving in the right direction. Consolidated performance during the fiscal year under review was as follows.

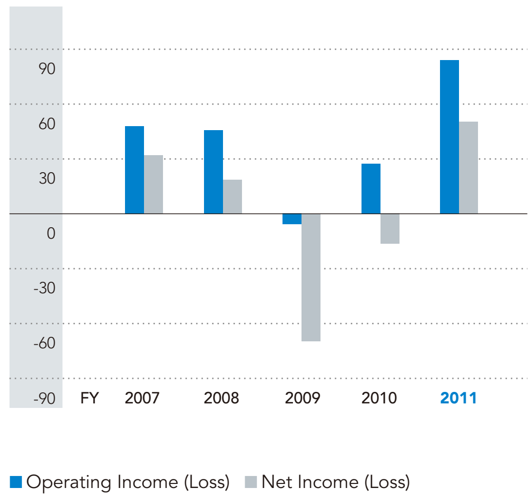
Sales increased in the Automobiles division, which recorded strong sales focusing on the North American and Chinese markets, and the Industrial Products division, which experienced a rise in sales of engines thanks to a recovery in demand. As a result, net sales in fiscal 2011 were ¥1,580.6 billion, up ¥151.9 billion, or 10.6%, compared with in the fiscal year ended March 31, 2010. This result occurred despite the negative impact of yen appreciation on foreign currency exchange rates. On a geographic basis, net sales in Japan decreased 10.3% to ¥467.3 billion compared with the previous fiscal year because of such factors as a fall in automobile sales following the conclusion of eco-car subsidies as well as the recent disaster. Overseas sales, however, rose 22.6% to ¥1,113.2 billion year on year owing to increased unit sales in every market, most notably North America and China. For the first time, overseas sales accounted for 70% of net sales.

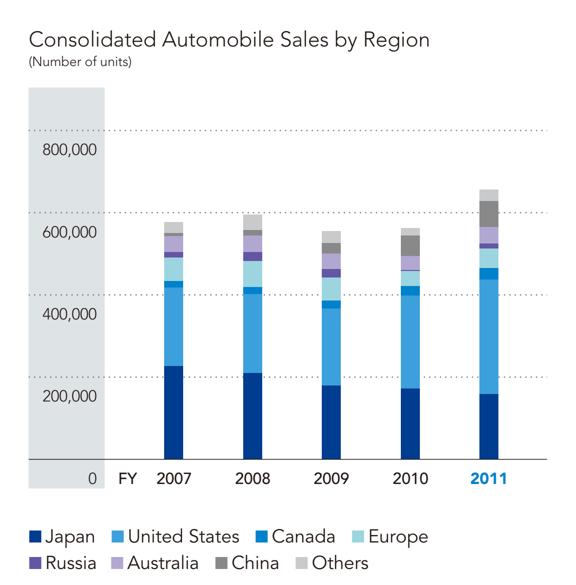
From a profit perspective, the FHI Group reported an operating income of ¥84.1 billion, representing a gain of ¥56.8 billion, or 207.6%, compared with the previous fiscal year. Despite the impact of strong yen and a rise in R&D expenses, the increase was the result of favorable overseas sales and efforts to reduce costs, including SG&A and other expenses. Net income totaled ¥50.3 billion, a positive turnaround of ¥66.8 billion from a net loss of ¥16.5 billion in

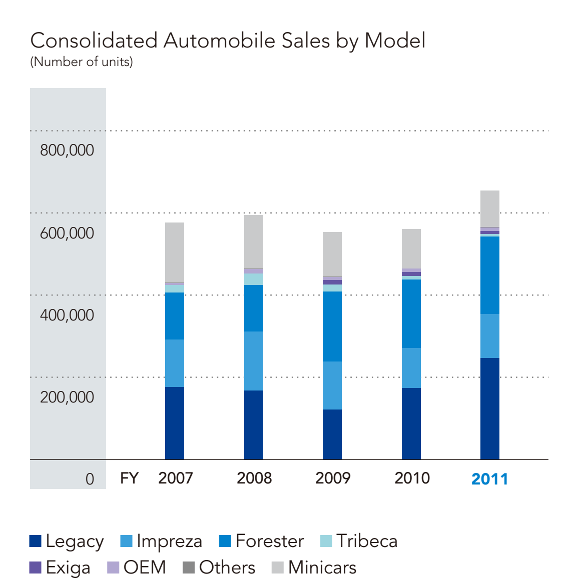
Net Sales
(Billions of yen)



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







Consolidated Automobile Sales

Number of units

	2007	2008	2009	2010	2011
Domestic Units:					
Legacy	43,951	31,079	20,415	28,862	22,673
Impreza	24,135	29,678	19,733	21,721	20,184
Forester	11,807	16,863	16,424	11,879	12,685
Exiga	—	—	11,126	10,789	7,859
OEM	—	—	2,034	1,523	4,430
Others	1,308	435	363	323	303
Subtotal	81,201	78,055	70,095	75,097	68,134
Minicars	145,610	130,635	108,694	96,175	89,971
Domestic Total	226,811	208,690	178,789	171,272	158,105
Overseas Units by Region:					
United States	190,276	192,760	188,240	227,028	278,959
Canada	16,247	17,587	18,873	22,828	28,059
Europe	58,475	63,373	56,764	37,340	48,244
Russia	12,929	22,622	20,711	1,563	11,320
Australia	38,136	40,210	36,716	34,992	41,150
China	7,454	12,621	26,184	48,938	62,412
Others	27,610	38,802	29,056	18,876	28,715
Subtotal	351,127	387,975	376,544	391,565	498,859
Overseas Units by Model:					
Legacy	133,720	137,829	102,106	146,099	225,388
Impreza	90,927	113,777	97,472	74,998	87,066
Forester	102,969	96,839	153,289	156,288	176,453
Tribeca	18,268	27,327	17,658	7,564	5,643
OEM	4,848	11,624	5,580	5,994	3,865
Others	395	579	439	622	444
Subtotal	351,127	387,975	376,544	391,565	498,859
Total	577,938	596,665	555,333	562,837	656,964

Non-Consolidated Automobile Sales

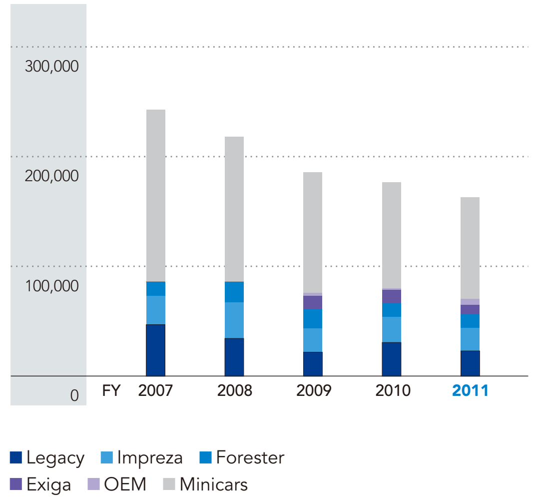
Number of units

	2007	2008	2009	2010	2011
Domestic Units:					
Legacy	47,176	34,634	22,059	30,927	23,212
Impreza	26,159	32,873	21,935	23,316	20,859
Forester	12,946	18,740	16,954	12,542	13,160
Exiga	—	—	12,787	11,893	8,150
OEM	—	—	2,651	1,575	5,313
Others	—	—	—	—	—
Subtotal	86,281	86,247	76,386	80,253	70,694
Minicars	157,453	132,872	110,043	97,230	92,752
Domestic Total	243,734	219,119	186,429	177,483	163,446
Export Units:					
Legacy	46,410	48,568	28,787	43,937	67,926
Impreza	92,782	119,000	99,688	69,386	83,921
Forester	99,637	98,602	164,960	159,463	174,541
Others	894	7,533	6,978	6,934	4,309
Export total	239,723	273,703	300,413	279,720	330,697
U.S. Retail Sales*:					
Legacy	84,442	78,428	66,878	86,330	131,873
Impreza	41,148	46,329	49,098	46,611	44,395
Forester	51,258	44,534	60,748	77,781	85,080
Baja	5,241	1,127	—	—	—
Tribeca	18,614	16,790	10,975	5,930	2,472
Total	200,703	187,208	187,699	216,652	263,820
CKD** Overseas	100,972	110,363	77,871	113,605	163,469
(SIA Portion)	100,972	110,363	77,871	113,605	163,469
SIA Production Units***					
Legacy	89,351	84,960	73,473	100,149	159,215
Tribeca	21,022	24,218	18,108	4,197	5,558

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

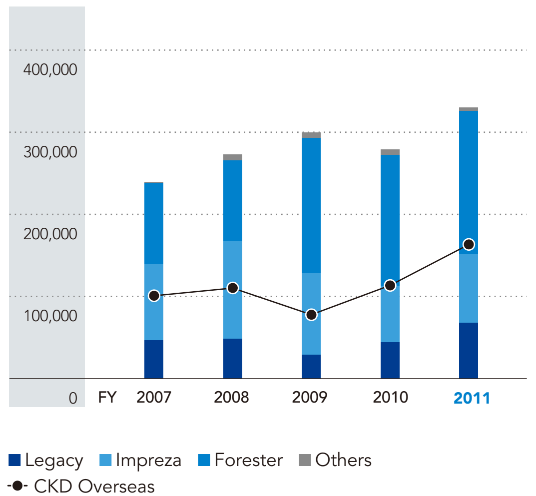
Non-Consolidated Domestic Automobile Sales by Model

(Number of units)



Non-Consolidated Automobile Export Units by Model

(Number of units)



the fiscal year ended March 31, 2010. This improvement occurred in spite of an extraordinary loss of ¥7.4 billion due to the disaster. (Please refer to "Cost of Sales, Expenses and Operating Income" [next page] for more details.)

Segment Information

Automobiles Division

In the fiscal year under review, sales volume for completed automobiles stood at the record high level of 657 thousand units, up 94 thousand units, or 16.7%, year on year in spite of the conclusion of eco-car subsidies in Japan and the impact of the Great East Japan Earthquake during the second half of fiscal 2011. This increase was attributable to ongoing strong sales of the Legacy, mainly in North America and China.

In Japan, sales volume during the first half of fiscal 2011 was favorable, exceeding that of the previous fiscal year. Factors contributing to this result include strengthening product capabilities by releasing Legacy models equipped with "EyeSight" Active Driving Assist System (version 2) and the minicar models Lucra and Pleo, as well as the positive contribution made by eco-car subsidies. During the second half, however, circumstances turned severe. Sales volume fell year on year despite ongoing efforts to improve products that included the release of Forester models equipped with the New-Generation Subaru Boxer Engine and the new compact car Trezia. This negative result was caused by the cessation of eco-car subsidies and the impact of the Great East Japan Earthquake.

As a result, the full-year sales volume of Subaru passenger cars in Japan fell 7 thousand units, or 9.3%, year on year to 68 thousand units, while the sales volume of minicars declined 6 units, or 6.5%, to 90 thousand units. Accordingly, domestic sales volume decreased 13 thousand units, or 7.7%, to 158 thousand units compared with the previous fiscal year.

Overseas, sales volume in the first half increased significantly compared with the corresponding period of the previous fiscal year owing to shipment adjustments undertaken within the market and favorable sales of such models as the Legacy and Forester in all regions, beginning with North America and China. Despite the impact of the disaster, the year-on-year rise in sales volume during the second half was spurred on by ongoing sales of the Legacy, particularly in North America. As a result, overseas sales volume jumped 107 thousand units, or 27.4%, to 499 thousand units compared with the previous fiscal year, reflecting record sales in the United States, Canada, China and Australia.

By region, units sold in the United States were up 52 thousand units, or 22.9%, to 279 thousand units, while unit sales in Canada increased 5 thousand units, or 22.9%, to 28 thousand units, thanks to continual robust sales of the Legacy and Forester. In China, sales volume grew 13 thousand units, or 27.5%, to 62 thousand units year on year owing to favorable sales of the Legacy. In Europe and Russia, sales volume improved 21 thousand units, or 53.1%, year on year to 60 thousand units. Year-on-year unit sales in Australia increased 6 thousand units, or 17.6%, to 41 thousand units, while sales volume in other regions were up 10 thousand units, or 52.1%, to 29 thousand units.

Consequently, net sales in the Automobile division rose ¥157.8 billion, or 12.2%, to ¥1,452.2 billion compared with the previous fiscal year despite the impact of the yen's appreciation in foreign currency exchange markets. This result was driven by strong sales in the overseas market. Segment income in the fiscal year ended March 31, 2011 jumped ¥58.7 billion, or 270.2%, year on year to ¥80.4 billion. This rise was primarily attributable to improved overseas unit sales as well as efforts to reduce costs, including SG&A and other expenses.

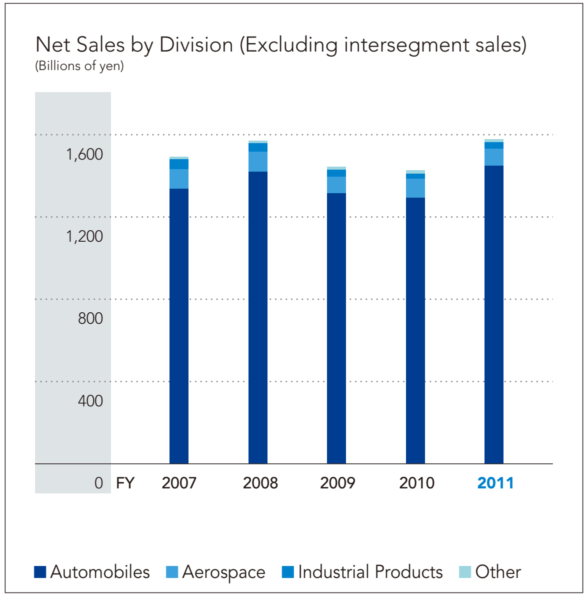
Aerospace Division

Net sales fell year on year due to decreased sales of such products as unmanned aircraft research systems produced for Japan's Ministry of Defense. In the commercial sector, however, net sales rose compared with the previous fiscal year thanks to an improvement in sales of the Boeing 787. The rise in commercial sales occurred in spite of decreased sales of the Boeing 777, caused by the impact of the strong yen on foreign currency exchange rates.

Based on these factors, net sales in the Aerospace division decreased ¥10.4 billion, or 11.2%, compared with the previous fiscal year, to ¥82.8 billion. Segment income declined ¥2.6 billion, or 53.1%, to ¥2.3 billion.

Industrial Products Division

In Japan, sales of engines primarily used in construction and electrical equipment increased thanks to an ongoing



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

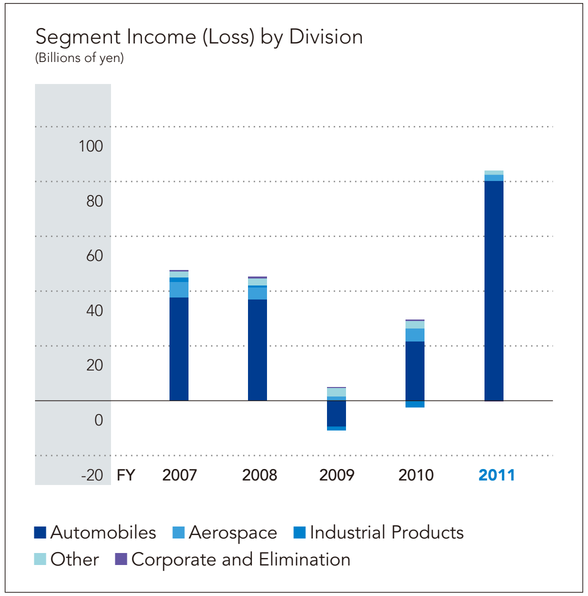
	2007	2008	2009	2010	2011
Automobiles	¥1,339.3	¥1,421.2	¥1,316.3	¥1,294.5	¥1,452.2
Aerospace	94.0	99.7	80.9	93.2	82.8
Industrial Products	49.7	40.7	34.9	23.9	30.1
Other	11.8	10.8	13.7	17.1	15.5
Total	¥1,494.8	¥1,572.3	¥1,445.8	¥1,428.7	¥1,580.6

recovery in demand starting in the beginning of 2011 as well as a bottoming out of market inventories. Overseas, engine sales volume grew considerably in all markets, particularly in North America, Europe (which includes Russia) and Middle Eastern countries.

As a result, net sales in the Industrial Products division increased ¥6.1 billion, or 25.7%, compared with the previous fiscal year, to ¥30.1 billion. Despite a ¥2.4 billion year-on-year improvement in segment income, the division reported an segment loss of ¥0.1 billion due to the impact of foreign currency exchange rates.

Other Division

The number of large-scale wind turbine generator system deliveries fell primarily due to a slump in overall demand. At the same time, unit sales of sanitation trucks decreased. As a result of these and other factors, net sales in the Other division dropped ¥1.6 billion, or 9.5%, compared with the previous fiscal year, to ¥15.5 billion, and segment income decreased ¥1.1 billion, or 42.9%, year on year, to ¥1.5 billion.



Segment Income (Loss) by Division — Billions of yen

	2007	2008	2009	2010	2011
Automobiles	¥37.8	¥37.1	¥(9.2)	¥21.7	¥80.4
Aerospace	5.7	4.4	1.6	4.8	2.3
Industrial Products	1.5	0.7	(1.6)	(2.4)	(0.1)
Other	2.3	2.5	3.1	2.6	1.5
Corporate and Elimination	0.6	0.9	0.3	0.7	0.1
Total	¥47.9	¥45.7	¥(5.8)	¥27.4	¥84.1

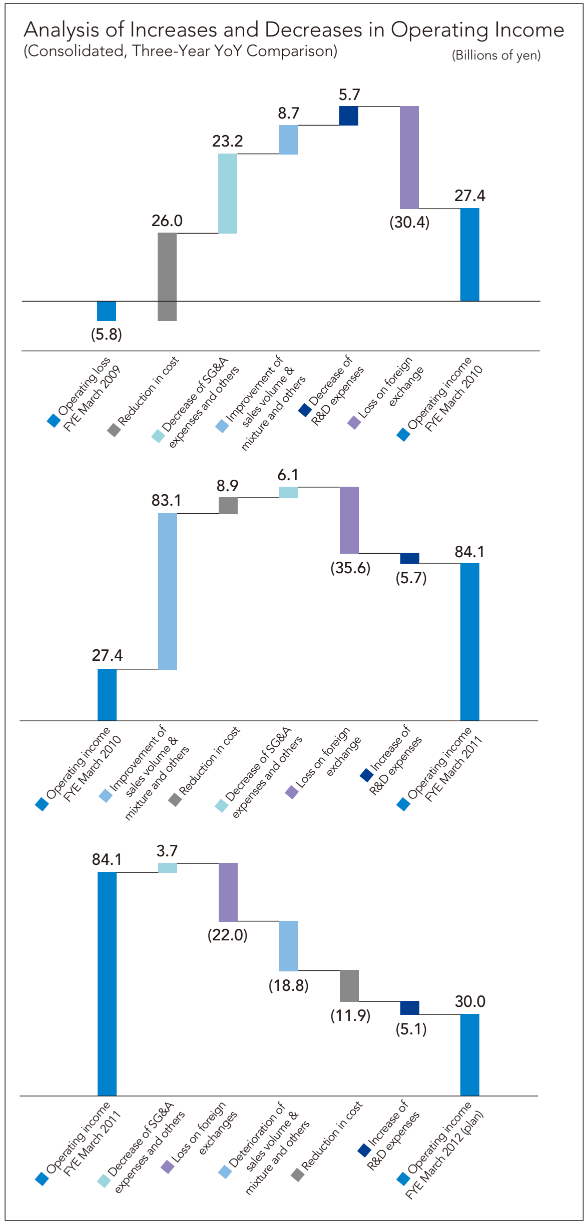
Cost of Sales, Expenses and Operating Income

Operating Income

Operating income, as mentioned previously, rose ¥56.8 billion year on year to ¥84.1 billion, despite decreases in income of ¥35.6 billion and ¥5.7 billion caused, respectively, by the appreciation of the yen in foreign currency exchange markets and R&D expenses for new model development and environment-friendly applications. This increase was primarily attributable to improved sales volume and mix contributing ¥83.1 billion, on the back of increased unit sales in all overseas markets, including the United States and China; a reduction in costs of ¥8.9 billion that offset an increase in raw material prices; and a ¥6.1 billion decline in SG&A and other expenses thanks to a fall in fixed manufacturing costs and expenses used to address customer complaints. Consequently, the operating margin increased 1.9% year on year to 5.3%.

Income before Income Taxes and Minority Interests, and Net Income

Non-operating and extraordinary expenses totaled ¥20.9 billion, a ¥6.9 billion decrease, year on year. This was mainly attributable to the FHI Group's financial revenue and expenditure (interest earned and dividends minus interest paid) and an increase in equity in earnings of affiliates. This result occurred despite the recording of such losses



as disaster-related expenses (including for repairs and fixed costs incurred during suspended operations following the Great East Japan Earthquake); loss on prior periods adjustment that includes provision for product warranties; and costs associated with the retirement and dismantling of facilities following the FHI's withdrawal from minicar production.

Taking into account the aforementioned factors, the FHI Group recorded income before income taxes and minority interests of ¥63.2 billion, a positive turnaround of ¥63.7 billion from a loss of ¥0.4 billion in fiscal 2010.

Net income for the fiscal period under review amounted to ¥50.3 billion. This was a ¥66.8 billion improvement compared with a loss of ¥16.5 billion recorded during the previous fiscal year.

Liquidity and Financing

Securing Liquidity

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

Interest-bearing debt as of the end of fiscal 2011 totaled ¥330.6 billion, ¥37.0 billion lower than the end of the previous fiscal year. As a result, the debt/equity ratio improved 0.17 of a point since March 31, 2010 to 0.80.

Financial Position

Total assets as of March 31, 2011 stood at ¥1,188.3 billion, a decline of ¥43.0 billion compared with the previous fiscal year-end.

Of this total, current assets stood at ¥610.3 billion, down ¥28.6 billion compared with March 31, 2010 despite a ¥43.1 billion increase in cash and deposits owing to higher sales. This result was primarily due to declines in inventories of ¥30.2 billion and notes and accounts receivable—trade of ¥26.7 billion, reflecting drops in production and sales following the disaster in March.

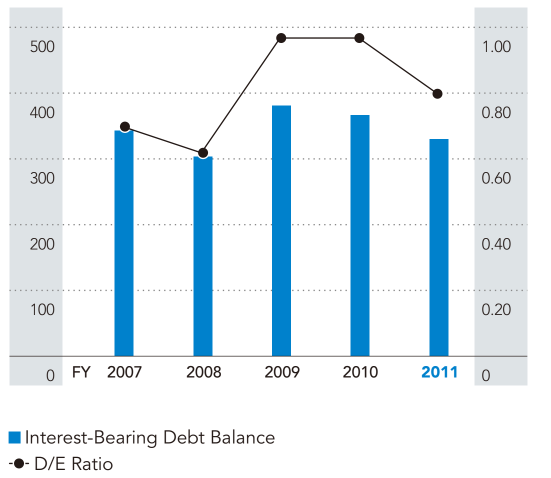
Total property, plant and equipment fell ¥14.5 billion year on year to ¥578.0 billion. This result was mainly attributable to the impact of high yen rates on foreign currency exchange rates.

Total liabilities were down ¥75.1 billion year on year, to ¥774.4 billion. The main factors for this were a ¥40.2 billion decline in notes and accounts payable—trade due to falling purchases in March following the disaster, and a ¥20.0 billion redemption of bonds.

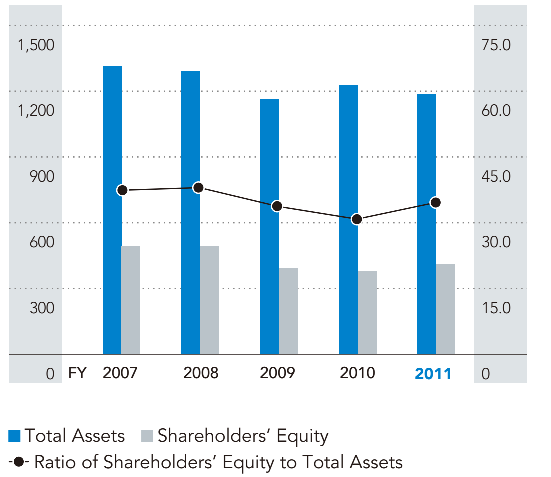
Interest-bearing debt amounted to ¥330.6 billion as of March 31, 2011, down ¥37.0 billion compared with the end of the previous fiscal year. This reflected the shift from short-term borrowings to long-term debt as well as the redemption of bonds.

Net assets totaled ¥414.0 billion, up ¥32.1 billion compared with the end of the previous fiscal year. This was primarily due to the rise in retained earnings of ¥46.8 billion due to posted net income. As a result, net assets per share as of the end of the fiscal year under review totaled ¥528.88, up ¥40.3 from ¥488.58 as of the year prior.

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



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



Cash Flows

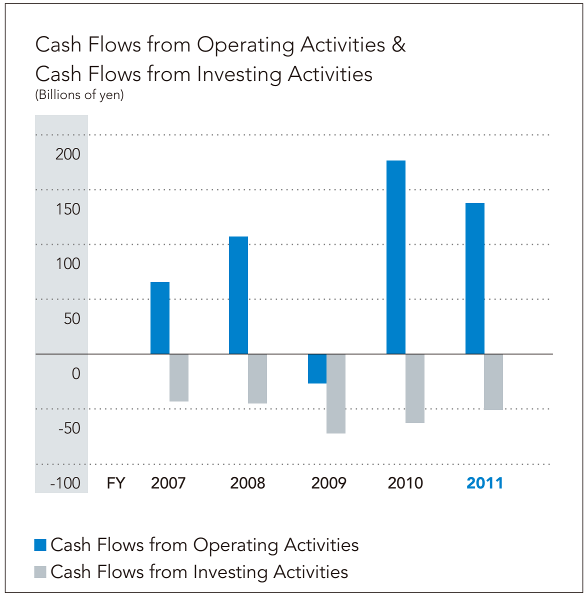
In the fiscal year under review, net cash provided by operating activities was ¥138.2 billion compared with ¥176.7 billion provided during the previous fiscal year. This mainly reflects decreases in depreciation and working capital that offset the rise in income before income taxes and minority interests.

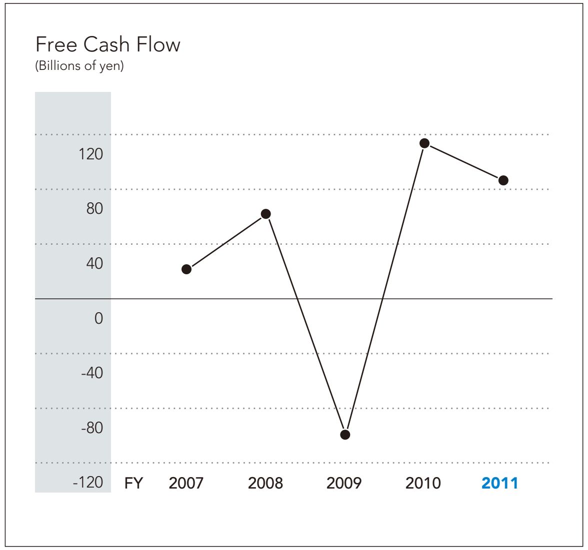
Net cash used in investing activities was ¥51.1 billion in fiscal 2011 compared with ¥62.7 billion used in the previous fiscal year. This decline was primarily due to reductions in cash outflows related to the acquisition of property, plant and equipment and increased income from the sale of investment securities.

As a result, free cash flow amounted to ¥87.1 billion, a decrease of ¥27.0 billion from ¥114.1 billion provided in the previous fiscal year.

Net cash used in financing activities totaled ¥39.4 billion in the fiscal year ended March 31, 2011 compared with net cash used in financing activities of ¥18.6 billion in fiscal 2010. This result was largely attributable to cash outflows related to the redemption of bonds.

Accounting for the aforementioned activities and the effect of translation adjustments, cash and cash equivalents as of the end of the fiscal year under review stood at ¥227.7 billion, up ¥36.2 billion year on year.





Research and Development Expenses

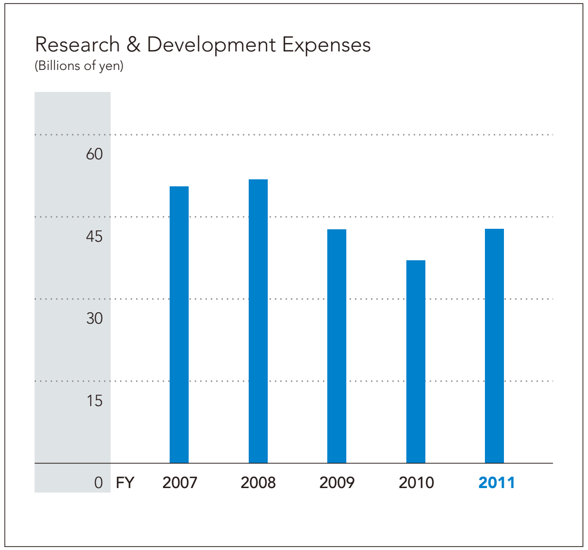
FHI invested in the development of the new Impreza and environment-friendly applications as temporary lull in new model development occurred in the previous fiscal year. Mainly as a result of these factors, R&D expenses increased ¥5.7 billion, or 15.4%, year on year, to ¥42.9 billion.

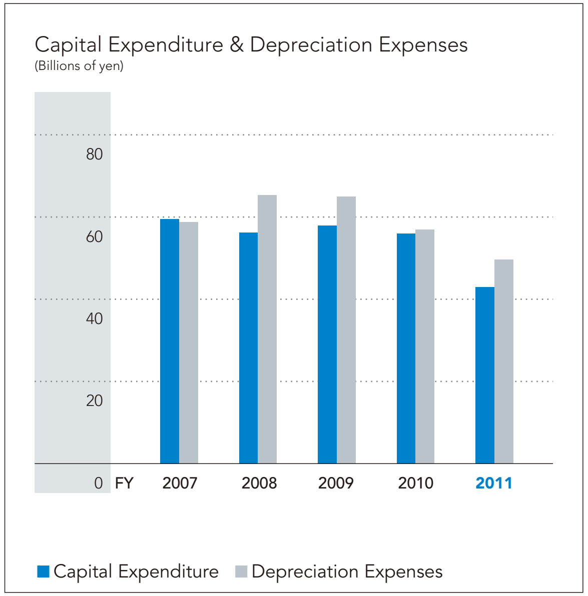
Capital Expenditures and Depreciation

Capital expenditures declined ¥13.1 billion, or 23.3%, compared with the previous fiscal year, to ¥43.1 billion despite such factors as an increase in production capacity at the Oizumi Plant in response to the introduction of new engine models. This decrease was primarily due to delays in certain areas in the aftermath of the disaster. Depreciation fell ¥7.3 billion, or 12.7%, year on year, to ¥49.8 billion.

Billions of yen

	2007	2008	2009	2010	2011
R&D Expenses	¥50.7	¥52.0	¥42.8	¥37.2	¥42.9
Capital Expenditures	59.6	56.3	58.0	56.1	43.1
Depreciation Expenses	58.9	65.5	65.1	57.1	49.8





Basic Policy Regarding the Distribution of Profits

FHI views the return of profits to shareholders as a key management priority, while taking into account yearly performance, investment plans, and operating conditions. FHI links profit distribution to performance, with a basic policy of maintaining ongoing distribution payments in conjunction with improvements in ROE. In order to ensure continual growth, we actively channel cash flow towards such essential areas as the development of products and environmentally friendly technologies, production capacity expansion and overseas business creation. At the same time, FHI works to achieve balanced financial strategies that prioritize investment efficiency and financial soundness.

In line with initial projections, interim and fiscal year-end dividends were each ¥4.50 per share, providing a total annual dividend of ¥9.00. In fiscal 2012, interim and fiscal year-end dividends are each scheduled to continue at ¥4.50 per share, for an annual dividend of ¥9.00.

Outlook

Despite indications of a recovery owing to expanding automobile demand in such emerging markets as China, economic conditions are forecast to remain uncertain due primarily to exchange rate fluctuations and high raw materials prices. In addition, power and component supply shortages, resulting from the Great East Japan Earthquake, are expected to affect FHI's production into early autumn.

Against this backdrop, the FHI Group is forecasting (as of July 2011) net sales of ¥1,480.0 billion in the fiscal year ending March 31, 2012. This represents a year-on-year decrease of 6.4%. On the earnings front, the Group's consolidated operating income is projected to drop 64.3%, compared with the fiscal year under review, to ¥30.0 billion. Net income is expected to decrease 30.4% to ¥35.0 billion. Based on forecasts for the next fiscal year, automobile production in the first half of fiscal 2012 is projected to decrease by over 25% year on year, while global unit sales are expected to fall 3.8% to 632 thousand units. Despite efforts to accelerate operations in the second half, we do not expected to offset these forecasted drops in production and sales, the cause of which is a decline in the number of automobiles produced following the disaster. Earnings are forecast to feel the impact of yen appreciation, higher raw materials prices and increases in future investment that includes capital expenditures and R&D expenses. These forecasts are based on average annual exchange rates of ¥81 to U.S. $1.00 and ¥115 to €1.

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

Mid- to Long-Term Management Strategies

FHI is undertaking its new mid-term management plan "Motion-V" between April 1, 2011 and March 31, 2016. The plan positions these five years to solidify the foundation of FHI's core Subaru automobile business in order to ensure further growth by achieving an annual sales volume of one million vehicles within the next ten years. Continuing on from our previous management plan, we have established the brand statement *Confidence in Motion* as a guiding principle based on our basic philosophy that *customers come first*. Following this guiding principle, we will realize the growth of the Subaru brand through the following three themes: 1. Provide distinctive Subaru experience; 2. Accelerate sales expansion; and 3. Solidify our operational foundation.

1. Provide distinctive Subaru experience

We aim to expand our base of Subaru fans by offering increased brand value. This will be achieved through distinct automobile manufacturing methods that are defined by the concepts of "Enjoyment and peace of mind." In particular, we are promoting product and technological development focusing on increased safety and environmental friendliness. We will:

- Pursue drivability and the avoidance of hazards
- Keep the highest ratings in collision safety performance
- Introduce the "EyeSight" Active Driving Assist System to all models in global markets
- Develop a new and light platform with high versatility
- Introduce hybrid cars to the Japanese market in 2013
- Introduce a turbocharged direct injection boxer engine compatible with high performance and environmental friendliness

2. Accelerate sales expansion

We intend to increase unit sales approximately 40% over a 5-year period by focusing on the key U.S. and Chinese markets. In addition, we will build a flexible production structure to accommodate unit sales and protect against currency exchange fluctuations. We will:

- Focus management resources on the U.S and China markets as key markets and substantially expand sales
- Begin production in China in order to expand production capacity and mitigate the sensitivity of foreign currencies
- Refurbish the Gunma Main Plant to produce passenger cars instead of minicars
- Expand the Oizumi Plant's production of the new-generation boxer engines that excel in environmental friendliness
- Begin assembly of KD units in Malaysia, thereby making inroads to the growing markets within the ASEAN Free Trade Area

3. Solidify our operational foundation

We will strive to overcome various risks and environmental changes in such areas as investment in environmental technological development, rising costs and currency rate fluctuations by integrating the effects of our cost reduction efforts and business alliances. We will:

- Achieve 20% cost reduction in new models, and continue 30 % reduction in development cost
- Promote procurement reform mainly by expanding LCC purchase
- Pursue a win-win relationship to boost the long-term competitiveness and development of FHI and Toyota, for example:
  - Sporty, compact RWD (front engine, rear-wheel drive) cars, jointly developed with Toyota, are scheduled for launch in spring 2012
  - All Subaru minicar lineups will be supplied by Daihatsu under an OEM agreement by spring 2012
  - Subaru of Indiana Automotive, Inc. will continue production of the Toyota Camry

Through the above initiatives, FHI aims to achieve by fiscal 2016, the final year of "Motion-V," consolidated operating income of ¥120.0 billion and a consolidated operating income ratio of 6% or more. The entire staff of FHI will work together to achieve the targets set by "Motion-V" and, in turn, realize further growth.

Forecast for Global Automobile Sales — Thousand units

	2011 (Results)	2012	Change
Japan:			
Passenger cars	68.1	70.7	2.5
Minicars	90.0	93.2	3.2
Subtotal	158.1	163.8	5.7
Overseas:			
United States	279.0	274.3	(4.6)
Canada	28.1	27.2	(0.9)
Europe	48.2	37.8	(10.5)
Russia	11.3	13.6	2.2
Australia	41.2	36.4	(4.7)
China	62.4	54.9	(7.5)
Other	28.7	23.8	(4.9)
Subtotal	498.9	468.0	(30.8)
Total	657.0	631.8	(25.1)

Principal Risks

Business risks faced by FHI with the potential to have significant impact on investor decisions are listed on FHI's website at http://www.fhi.co.jp/english/ir/

Consolidated Subsidiaries and Affiliates (As of March 31, 2011)

Japan

Fuji Machinery Co., Ltd. (100.0%)
Manufacture and sales of automobile parts and industrial product parts
http://www.fuji-machinery.co.jp/

Ichitan Co., Ltd. (100.0%)
Manufacture and sales of forged automobile/ industrial product parts
http://www.ichitan.co.jp/

Kiryu Industrial Co., Ltd. (97.5%)
Manufacture of Subaru specially equipped automobiles and distribution of Subaru automobile parts
http://www.kiryu-kougyo.co.jp/

Subaru Tecnica International Inc. (100.0%)
Management of SUBARU Motorsport Activities, Development and manufacture of competition parts, tuning parts and accessories for SUBARU cars
http://www.sti.co.jp/

Subaru Kohsan Co., Ltd. (100.0%)
Leasing of real estate, shopping mall management and travel agency operations
http://www.subaru-kohsan.co.jp/

Subaru Finance Co., Ltd. (100.0%)
Lease & credit facilities provider for Subaru automobiles, financing for FHI subsidized companies, lease for various facility equipment, rolling stock & FHI made garbage trucks and sales of insurance
http://www.subaru-finance.co.jp/

Yusoki Kogyo K.K. (100.0%)
Manufacture and sales for aircraft parts
http://www.yusoki.co.jp/

TOKYO SUBARU INC. (100.0%) and 32 other dealerships
Distribution, sales and services of Subaru automobiles
http://www.tokyo-subaru.co.jp/

Overseas

Subaru of America, Inc. (100.0%) and 10 subsidiaries
Subaru Plaza, 2235 Route 70 West, Cherry Hill, NJ 08002, U.S.A.
Phone: +1-856-488-8500
Fax: +1-856-488-0485
Distribution and sales of Subaru automobiles and parts
http://www.subaru.com

Fuji Heavy Industries U.S.A., Inc. (100.0%) and one subsidiary
c/o Subaru of America, Inc.
Subaru Plaza, 2235 Route 70 West, Cherry Hill, NJ 08002, U.S.A.
Phone: +1-856-488-8743
Fax: +1-856-488-8517
Engineering research of Subaru automobiles in North America Market

Subaru Research & Development, Inc.
3995 Research Park Drive, Ann Arbor, MI 48108, U.S.A.
Phone: +1-734-623-0075
Fax: +1-734-623-0076
Research and development of automobiles

Subaru of Indiana Automotive, Inc. (100.0%) and one subsidiary
5500 State Road 38 East, Lafayette, IN 47905, U.S.A.
Phone: +1-765-449-1111
Fax: +1-765-449-6952
Manufacture of Subaru automobiles and contracted manufacture of Toyota automobiles
http://www.subaru-sia.com/

Subaru Canada, Inc. (100.0%) and one subsidiary
560 Suffolk Court Mississauga, Ontario L5R 4J7, Canada
Phone: +1-905-568-4959
Fax: +1-905-568-8087
Distribution and sales of Subaru automobiles and parts
http://www.subaru.ca/

Subaru Europe N.V./S.A. (100.0%)
Leuvensesteenweg 555 B/8, 1930 Zaventem, Belgium
Phone: +32-2-714-0300
Fax: +32-2-725-7792
Distribution, sales and marketing of Subaru automobiles and parts

Subaru of China, Ltd. (100.0%)
Beijing Landmark Towers Office Building 2-1501, 8 North Dongsanhuan Road, Chaoyang District, Beijing 100004, China
Phone: +86-10-6590-0725
Fax: +86-10-6590-0729
Distribution, sales and marketing of Subaru automobiles and parts
http://www.subaru-china.cn/

INVESTOR INFORMATION (As of March 31, 2011)

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

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

Established
July 15, 1953

Paid-in Capital
¥153,795 million

Number of Shareholders
43,968

Number of Common Stock Issued
782,865,873

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

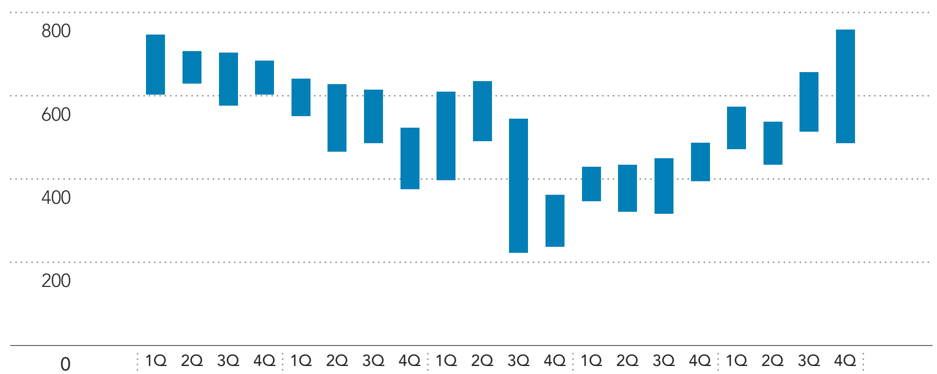
Major Shareholders
1. Toyota Motor Corporation
2. The Master Trust Bank of Japan, Ltd. (Trust account)
3. Japan Trustee Services Bank, Ltd. (Trust account)
4. Suzuki Motor Corporation
5. FHI's Client Stock Ownership
6. Mizuho Corporate Bank, Ltd.
7. Mizuho Bank, Ltd.
8. Sompo Japan Insurance Inc.
9. Nippon Life Insurance Company
10. Tokio Marine & Nichido Fire Insurance Co., Ltd.

Stock Exchange Listing
Tokyo Stock Exchange

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

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

Quarterly Common Stock Price Range (Tokyo Stock Exchange)



	FY2007	FY2008	FY2009	FY2010	FY2011
High	747	641	635	487	758
Low	577	376	223	317	435

IMPREZA

Developed under the concept of "Redefining Value, Redefining Class," the new Impreza pursues a uniquely agile and enjoyable driving experience. At the same time, the new Impreza features a more spacious and comfortable interior without increasing overall size. Subaru has also improved the environmental performance of the new Impreza through such innovations as the installation of the third generation Boxer engine and the new Lineartronic-CVT (Continuously Variable Transmission). As a result, the new Impreza has achieved leading fuel efficiency among AWD vehicles in the United States. Subaru plans to release the new Impreza in the United States in autumn 2011.

For the entire Annual Report including the financial statements, please visit FHI's website:
http://www.fhi.co.jp/english/ir/report/ar.html

Fuji Heavy Industries Ltd.

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

Consolidated Balance Sheets

FUJI HEAVY INDUSTRIES LTD. AND CONSOLIDATED SUBSIDIARIES
As of March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2011**	2010	**2011**
Current assets:			
Cash and deposits (Note 3 and 4)	**¥211,700**	¥168,643	**$2,546,001**
Notes and accounts receivable-trade (Note 4 and 6)	**76,810**	103,521	**$923,752**
Lease investment assets (Note 4 and 23)	**23,050**	27,788	**$277,210**
Short-term investment securities (Notes 3, 4 and 5)	**21,063**	12,458	**$253,313**
Merchandise and finished goods	**72,871**	101,351	**$876,380**
Work in process	**56,567**	59,596	**$680,301**
Raw materials and supplies	**36,974**	35,672	**$444,666**
Deferred tax assets (Note 11)	**13,754**	15,549	**$165,412**
Short-term loans receivable (Note 3 and 4)	**59,986**	75,780	**$721,419**
Other current assets	**39,396**	40,216	**$473,795**
Allowance for doubtful accounts	**(1,851)**	(1,686)	**($22,261)**
Total assets	**610,320**	638,888	**7,339,988**
Property, plant and equipment (Notes 6, 8 and 15)	**1,230,215**	1,241,606	**14,795,129**
Accumulated depreciation	**(765,211)**	(759,073)	**(9,202,778)**
Accumulated impairment loss	**(34,162)**	(33,006)	**(410,848)**
Total property, plant and equipment	**430,842**	449,527	**5,181,503**
Investments and other assets:			
Intangible assets	**12,040**	11,999	**144,799**
Investment securities (Note 4 and 5)	**62,595**	61,616	**752,796**
Investments in non-consolidated subsidiaries and affiliated companies	**12,894**	6,167	**155,069**
Deferred tax assets (Note 11)	**1,812**	5,742	**21,792**
Other assets (Note 32)	**61,832**	62,577	**743,620**
Allowance for doubtful accounts	**(4,011)**	(5,149)	**(48,238)**
Total investments and other assets	**147,162**	142,952	**1,769,838**
Total assets	**¥1,188,324**	¥1,231,367	**$14,291,329**

	Millions of yen		Thousands of U.S. dollars (Note 1)
LIABILITIES AND NET ASSETS	**2011**	2010	**2011**
Current liabilities:			
Notes and accounts payable-trade (Note 4)	**¥176,895**	¥217,051	**$2,127,420**
Short-term loans payable (Note 4 and 6)	**99,072**	142,121	**1,191,485**
Current portion of long-term debts (Note 4 and 6)	**40,912**	33,922	**492,026**
Accrued expenses (Note 4)	**60,876**	56,244	**732,123**
Provision for bonuses	**16,322**	15,348	**196,296**
Provision for product warranties	**27,172**	19,999	**326,783**
Accrued income taxes (Note 4 and 11)	**2,089**	2,873	**25,123**
Other current liabilities (Note 4, 6 and 11)	**57,365**	67,503	**689,898**
Total current liabilities	**480,703**	555,061	**5,781,154**
Long-term liabilities:			
Long-term debts (Note 4 and 6)	**190,642**	191,569	**2,292,748**
Accrued pension and severance liability (Note 10)	**33,707**	34,867	**405,376**
Deferred tax liabilities (Note 11)	**14,002**	13,541	**168,394**
Other long-term liabilities (Note 6)	**55,307**	54,436	**665,148**
Total long-term liabilities	**293,658**	294,413	**3,531,666**
Contingent liabilities (Note 25)			
Net assets: (Note 1 and 12)			
Shareholders' equity:			
Capital stock			
Authorized– 1,500,000,000 shares			
Issued — 782,865,873 shares	**153,795**	153,795	**1,849,609**
Capital surplus	**160,071**	160,071	**1,925,087**
Retained earnings	**156,948**	110,172	**1,887,529**
Less－treasury stock, at cost,	**(1,381)**	(2,173)	**(16,609)**
2011— 2,605,141 shares			
2010— 3,901,219 shares			
Total shareholders' equity	**469,433**	421,865	**5,645,616**
Accumulated other comprehensive income: *			
Valuation difference on available-for-sale securities	**11,567**	10,309	**139,110**
Foreign currency translation adjustment	**(68,339)**	(51,587)	**(821,876)**
Total accumulated other comprehensive income	**(56,772)**	(41,278)	**(682,766)**
Minority interests	**1,302**	1,306	**15,659**
Total net assets	**413,963**	381,893	**4,978,509**
Total liabilities and net assets	**¥1,188,324**	¥1,231,367	**$14,291,329**

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

*From the fiscal 2011, the Company has adopted "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No.25, June 30, 2010). The amounts of "Accumulated other comprehensive income" and "Total accumulated other comprehensive income" of the previous fiscal year states in the amounts of "Valuation and translation adjustments" and "Total valuation and translation adjustments".

Consolidated Statements of Income

FUJI HEAVY INDUSTRIES LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	**2011**
Net sales	**¥1,580,563**	¥1,428,690	**$19,008,575**
Cost of sales (Note 13)	**1,241,427**	1,152,763	**14,929,970**
Gross profit	**339,136**	275,927	**4,078,605**
Selling, general and administrative expenses (Note 2 and 14)	**255,001**	248,577	**3,066,759**
Operating income (loss)	**84,135**	27,350	**1,011,846**
Other income (expenses):			
Interest and dividend income	**1,945**	1,719	**23,391**
Interest expenses	**(4,522)**	(4,947)	**(54,384)**
Equity in earnings of affiliates	**2,619**	1,070	**31,497**
Real estate rent	**558**	573	**6,711**
Foreign exchange gains (losses)	**(1,010)**	98	**(12,147)**
Gain (loss) on valuation of derivatives	**573**	(165)	**6,891**
Gain (loss) on sales and retirement of noncurrent assets (Note 20)	**(662)**	(3,000)	**(7,962)**
Gain (loss) on sales of investment securities (Note 5)	**460**	20	**5,532**
Loss on valuation of investment securities (Note 5)	**(415)**	(520)	**(4,991)**
Reversal of allowance for doubtful accounts	**412**	283	**4,955**
Depreciation	**(1,162)**	(1,289)	**(13,975)**
Impairment loss (Note 8, 15 and 20)	**(1,457)**	(17,906)	**(17,523)**
Gain on sales of loans receivable	**881**	294	**10,595**
Loss on disaster (Note 16)	**(7,352)**	-	**(88,419)**
Loss on prior periods adjustment (Note 17)	**(6,110)**	-	**(73,482)**
Loss on adjustment for changes of accounting standard for asset retirement obligations (Note 2)	**(372)**	-	**(4,474)**
Loss on reconstruction of office building (Note 18)	**(657)**	-	**(7,901)**
Loss on abandonment of inventories (Note 19)	**-**	(1,191)	**-**
Other, net (Note 20 and 21)	**(4,650)**	(2,832)	**(55,919)**
	(20,921)	(27,793)	**(251,605)**
Income (loss) before income taxes and minority interests	**63,214**	(443)	**760,241**
Income taxes (Note 11):			
Current	**8,735**	10,504	**105,051**
Deferred	**4,064**	5,629	**48,876**
	12,799	16,133	**153,927**
Income (loss) before minority interests	**50,415**	(16,576)	**606,314**
Minority interests in income (loss)	**89**	(126)	**1,070**
Net income (loss)	**¥50,326**	(¥16,450)	**$605,244**

		Yen	U.S. dollars
Per share data (Note 2) :			
Net income (loss) —Basic	**¥64.56**	(¥21.11)	**$0.78**
—Diluted *****	**-**	-	**-**
Net assets	**528.88**	488.58	**6.36**
Cash dividends (Note 12)	**9.00**	0.00	**0.11**

The accompanying notes are an integral part of these statements.

*For the year ended March 31, 2011 diluted information is not presented because potentially dilutive securities do not exist.
For the year ended March 31, 2010 diluted information is not presented because potentially dilutive securities existed, but net loss is recorded.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	**2011**
Income (loss) before minority interests	**¥50,415**	**(¥16,576)**	**$606,314**
Other comprehensive income			
Valuation difference on available-for-sale securities	**1,254**	**7,314**	**15,081**
Foreign currency translation adjustment	**(16,397)**	**(4,163)**	**(197,198)**
Share of other comprehensive income of associates accounted for using equity method	**(372)**	**9**	**(4,474)**
Total other comprehensive income	**(15,515)**	**3,160**	**(186,591)**
Comprehensive income	**34,900**	**(13,416)**	**419,723**
(Comprehensive income attributable to)			
Comprehensive income attributable to owners of the parent	**34,832**	**(13,301)**	**418,906**
Comprehensive income attributable to minority interests	**¥68**	**(¥115)**	**$817**

Consolidated Statements of Changes in Net Assets

FUJI HEAVY INDUSTRIES LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	**2011**
Shareholders' equity			
Capital stock			
Balance at the end of previous period	**153,795**	153,795	**1,849,609**
Balance at the end of current period	**153,795**	153,795	**1,849,609**
Capital surplus			
Balance at the end of previous period	**160,071**	160,071	**1,925,087**
Balance at the end of current period	**160,071**	160,071	**1,925,087**
Retained earnings			
Balance at the end of previous period	**110,172**	126,593	**1,324,979**
Changes of items during the period			
Dividends from surplus	**(3,510)**	-	**(42,213)**
Net income (loss)	**50,326**	(16,450)	**605,244**
Disposal of treasury stock	**(109)**	(3)	**(1,311)**
Other	**69**	32	**830**
Total changes of items during the period	**46,776**	(16,421)	**562,550**
Balance at the end of current period	**156,948**	110,172	**1,887,529**
Treasury stock			
Balance at the end of previous period	**(2,173)**	(2,086)	**(26,134)**
Changes of items during the period			
Purchase of treasury stock	**(30)**	(93)	**(361)**
Disposal of treasury stock	**822**	6	**9,886**
Total changes of items during the period	**792**	(87)	**9,525**
Balance at the end of current period	**(1,381)**	(2,173)	**(16,609)**
Total shareholders' equity			
Balance at the end of previous period	**421,865**	438,373	**5,073,541**
Changes of items during the period			
Dividends from surplus	**(3,510)**	-	**(42,213)**
Net income (loss)	**50,326**	(16,450)	**605,244**
Purchase of treasury stock	**(30)**	(93)	**(361)**
Disposal of treasury stock	**713**	3	**8,575**
Other	**69**	32	**830**
Total changes of items during the period	**47,568**	(16,508)	**572,075**
Balance at the end of current period	**469,433**	421,865	**5,645,616**

Consolidated Statements of Changes in Net Assets

FUJI HEAVY INDUSTRIES LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	**2011**
Accumulated other comprehensive income *			
Valuation difference on available-for-sale securities			
Balance at the end of previous period	**10,309**	3,002	**123,981**
Changes of items during the period			
Net changes of items other than shareholders' equity	**1,258**	7,307	**15,129**
Total changes of items during the period	**1,258**	7,307	**15,129**
Balance at the end of current period	**11,567**	10,309	**139,110**
Foreign currency translation adjustment			
Balance at the end of previous period	**(51,587)**	(47,429)	**(620,409)**
Changes of items during the period			
Net changes of items other than shareholders' equity	**(16,752)**	(4,158)	**(201,467)**
Total changes of items during the period	**(16,752)**	(4,158)	**(201,467)**
Balance at the end of current period	**(68,339)**	(51,587)	**(821,876)**
Total accumulated other comprehensive income *			
Balance at the end of previous period	**(41,278)**	(44,427)	**(496,428)**
Changes of items during the period			
Net changes of items other than shareholders' equity	**(15,494)**	3,149	**(186,338)**
Total changes of items during the period	**(15,494)**	3,149	**(186,338)**
Balance at the end of current period	**(56,772)**	(41,278)	**(682,766)**
Minority interests			
Balance at the end of previous period	**1,306**	773	**15,707**
Changes of items during the period			
Net changes of items other than shareholders' equity	**(4)**	533	**(48)**
Total changes of items during the period	**(4)**	533	**(48)**
Balance at the end of current period	**1,302**	1,306	**15,659**
Total net assets			
Balance at the end of previous period	**381,893**	394,719	**4,592,820**
Changes of items during the period			
Dividends from surplus	**(3,510)**	-	**(42,213)**
Net income (loss)	**50,326**	(16,450)	**605,244**
Purchase of treasury stock	**(30)**	(93)	**(361)**
Disposal of treasury stock	**713**	3	**8,575**
Other	**69**	32	**830**
Net changes of items other than shareholders' equity	**(15,498)**	3,682	**(186,386)**
Total changes of items during the period	**32,070**	(12,826)	**385,689**
Balance at the end of current period	**413,963**	381,893	**4,978,509**

The accompanying notes are an integral part of these statements.

*From the fiscal 2011, the Company has adopted "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No.25, June 30, 2010). The amounts of "Aaccumulated other comprehensive income" and "Total accumulated other comprehensive income" of the previous fiscal year states in the amounts of "Valuation and translation adjustments" and "Total valuation and translation adjustments".

Consolidated Statements of Cash Flows

FUJI HEAVY INDUSTRIES LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	**2011**
Net cash provided by (used in) operating activities			
Income (loss) before income taxes and minority interests	**¥63,214**	(¥443)	**$760,241**
Depreciation and amortization	**56,062**	65,785	**674,227**
Impairment loss	**1,457**	17,906	**17,523**
Increase (decrease) in allowance for doubtful accounts	**(972)**	(630)	**(11,690)**
Increase (decrease) in provision for bonuses	**974**	1,168	**11,714**
Increase (decrease) in provision for product warranties	**8,618**	1,708	**103,644**
Increase (decrease) in provision for loss on construction contracts	**3,282**	639	**39,471**
Increase (decrease) in provision for retirement benefits	**(1,284)**	(2,292)	**(15,442)**
Interest and dividends income	**(1,945)**	(1,719)	**(23,391)**
Interest expenses	**4,522**	4,947	**54,384**
Loss (gain) on valuation of derivatives	**(573)**	165	**(6,891)**
Equity in (earnings) losses of affiliates	**(2,619)**	(1,070)	**(31,497)**
Loss (gain) on sales and retirement of noncurrent assets	**662**	3,000	**7,962**
Loss (gain) on sales and valuation of investment securities	**(45)**	500	**(541)**
Decrease (increase) in notes and accounts receivable-trade	**25,208**	(18,305)	**303,163**
Decrease (increase) in inventories	**18,677**	56,491	**224,618**
Increase (decrease) in notes and accounts payable-trade	**(37,633)**	67,557	**(452,592)**
Decrease (increase) in lease investment assets	**4,447**	(575)	**53,482**
Decrease (increase) in operating loans receivable	**1,465**	(12,154)	**17,619**
Decrease (increase) in vehicles and equipment on operating leases	**2,750**	(2,867)	**33,073**
Increase (decrease) in deposits received	**(7,906)**	3,293	**(95,081)**
Other	**12,544**	3,155	**150,857**
Sub total	**150,905**	186,259	**1,814,853**
Interest and dividends income received	**1,967**	1,722	**23,656**
Interest expenses paid	**(4,592)**	(5,203)	**(55,225)**
Income taxes paid	**(10,072)**	(6,044)	**(121,131)**
Net cash provided by (used in) operating activities	**138,208**	176,734	**1,662,153**
Net cash provided by (used in) investing activities			
Purchase of short-term investment securities	**(4,237)**	(703)	**(50,956)**
Proceeds from sales of short-term investment securities	**4,460**	1,055	**53,638**
Purchase of property, plant and equipment	**(44,729)**	(53,087)	**(537,931)**
Proceeds from sales of property, plant and equipment	**1,880**	2,390	**22,610**
Purchase of intangible assets	**(3,078)**	(2,894)	**(37,017)**
Purchase of investment securities	**(20,719)**	(15,050)	**(249,176)**
Proceeds from sales of investment securities	**16,722**	6,386	**201,106**
Payments of loans receivable	**(84,517)**	(59,057)	**(1,016,440)**
Collection of loans receivable	**84,848**	58,721	**1,020,421**
Other, net	**(1,739)**	(417)	**(20,915)**
Net cash provided by (used in) investing activities	**(51,109)**	(62,656)	**(614,660)**
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	**(43,034)**	(81,922)	**(517,547)**
Increase (decrease) in commercial papers	**-**	(24,000)	**-**
Proceeds from long-term loans payable	**68,828**	110,472	**827,757**
Repayment of long-term loans payable	**(40,721)**	(26,118)	**(489,729)**
Proceeds from issuance of bonds	**-**	4,100	**-**
Redemption of bonds	**(20,010)**	-	**(240,649)**
Proceeds from sales of treasury stock	**(3,498)**	-	**(42,069)**
Repayment of lease obligations	**(1,302)**	(960)	**(15,658)**
Other,net	**329**	(132)	**3,956**
Net cash provided by (used in) financing activities	**(39,408)**	(18,560)	**(473,939)**
Effect of exchange rate change on cash and cash equivalents	**(11,453)**	(816)	**(137,739)**
Net increase (decrease) in cash and cash equivalents	**36,238**	94,702	**435,815**
Cash and cash equivalents at beginning of period	**191,466**	96,515	**2,302,658**
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	**-**	249	**-**
Cash and cash equivalents at end of period (Note 3)	**¥227,704**	¥191,466	**$2,738,473**

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

FUJI HEAVY INDUSTRIES LTD. AND CONSOLIDATED SUBSIDIARIES

1. Basis of Presentation of the Financial Statements

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

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

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2011, which was ¥83.15 to U.S.$1. The convenience translation should not be construed as a representation that the Japanese yen amounts have been, could have been, or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies

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

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

The consolidated financial statements include the accounts of the Company and 71 subsidiaries in fiscal 2011 (71 subsidiaries in fiscal 2010).

In addition, 8 non-consolidated subsidiaries and one affiliated companies were accounted for by the equity method in fiscal 2011 and 2010.

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

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

[2] Short-Term Investment Securities and Investment Securities

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

[3] Inventories

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

[4] Property, Plant and Equipment (Excluding Leased Assets)

Property, plant and equipment are stated at cost. Significant renewals and additions are capitalized; ordinary maintenance, ordinary repairs, minor renewals and minor improvements are charged to the consolidated statements of income as incurred.

Depreciation of the property, plant and equipment of the Company and its consolidated domestic subsidiaries is principally computed by the declining-balance method, except for those buildings (excluding building improvements) acquired on or after April 1, 1998, for which the straight-line method is applied. Depreciation of the property, plant and equipment of consolidated foreign subsidiaries is computed by the straight-line method at rates based on the estimated useful lives of the assets according to their general class, type of construction, and use.

Estimated useful lives for depreciable assets are as follows:

(Fiscal 2011 and 2010)

Buildings and structures: 6–50 years

Machinery, equipment and vehicles: 2–15 years

[5] Intangible Assets (Excluding Leased Assets)

Computer software used internally by the Company and its consolidated subsidiaries is amortized by the straight-line method over the relevant economic useful lives of three or five years.

[6] Leased Assets

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

For leased assets under finance lease transactions in which the ownership is not transferred to the lessee: The leased assets are depreciated by the straight-line method over the leased period and the residual value is zero.

In addition, finance lease transactions in which the ownership is not transferred to the lessee on or before March 31, 2008 are recorded as regular rental transactions.

[7] Allowance for Doubtful Accounts

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

[8] Provision for Bonuses

Employee's bonus is recognized as expenses for the period in which it is incurred.

[9] Provision for Product Warranties

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

[10] Provision for Loss on Construction Contracts

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

[11] Accrued Pension and Severance Liability

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

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

Under the Japanese accounting standards for pension and severance benefits, accrued pension and severance liability for employees is provided based on the estimated amounts of projected pension and severance obligation and the fair value of plan assets at the end of the fiscal year. Prior service cost is being amortized by the straight-line method over a period (11-18 years) that is shorter than the average remaining service period of the eligible employees. Actuarial gains and losses are amortized from the following fiscal year by the straight-line method over a period (primarily 16 years for fiscal years 2011 and 2010) that is shorter than the average remaining service period of the eligible employees.

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

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

(Change in accounting policy)

(Fiscal 2010)

The Company has applied Partial Amendments to Accounting Standard for Retirement Benefits (Part3) (ASBJ Statement No.19, July 31, 2008) since the beginning of fiscal 2010.

Since accumulated actuarial loss is amortized from next fiscal year, this change resulted in no effect on operating income and loss before income taxes and minority interests.

Also, the amount of retirement benefit obligation which is accrued with this change is ¥1,447 million.

[12] Translation of Foreign Currency-Denominated Accounts

Under the Japanese accounting standards for foreign currency translation, monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at each balance sheet date with the resulting gain or loss included currently in the statement of income.

The assets and liabilities of foreign subsidiaries and affiliated companies are translated into Japanese yen at the exchange rates in effect at the balance sheet dates of the foreign subsidiaries and affiliated companies, except for common stock and capital surplus, which are translated at historical rates. Revenue and expense accounts are translated at the average exchange rates during the respective years. The resulting foreign currency translation adjustments are included in “Foreign currency translation adjustments” and “Minority interest” in the net assets section of the accompanying consolidated balance sheets.

[13] Revenue Recognition

The percentage-of-completion method of revenue from Aerospace division production has been applied to construction contracts for which certain elements were determinable with certainty at the end of fiscal year. (The percentage of completion is estimated with the proportion-of-cost method). The completed-contract method was applied to other works.

(Change in accounting policy)

(Fiscal 2010)

The Company previously used the percentage-of-completion method for accounting revenues associated with construction contracts with a contract amount of ¥5,000 million or more and a construction period of over one year, and other construction work was accounted for using the completed-contract method. Since the beginning of fiscal year 2010, in conjunction with adoption of the Accounting Standard for Construction Contracts (ASBJ Statement No.15, December 27, 2007) and its accompanying Guidance on Accounting Standard for Construction Contracts (ASBJ Guidance No.18, December 27, 2007), the percentage-of-completion method has been applied to construction contracts that were started during the fiscal year 2010, for which certain elements were determinable with certainty at the end of fiscal year 2010. (The percentage of completion is estimated with the proportion-of-cost method). The completed-contract method was applied to other works.

This change resulted in an increase in net sales of ¥2,361 million, an increase in operating income of ¥215 million and a decrease in loss before income taxes and minority interests of ¥215 million in the year ended March 31, 2010.

[14] Accounting for Lease Transactions

A part of domestic consolidated subsidiaries recognizes revenue for financial lease transactions on the effective date of each lease contract.

[15] Derivative Financial Instruments and Hedge Accounting

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

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

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

Financial Instrument	Transactions, assets and liabilities
Interest swaps	Borrowings

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

[16] Goodwill and Negative Goodwill

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

[17] Cash and Cash Equivalents

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

[18] Income Taxes

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

[19] Research and Development Expenses

Research and development costs are expensed as incurred and amounted to ¥42,907 million (US$ 516,019 thousand) and ¥37,175 million for fiscal years 2011 and 2010, respectively.

[20] Net Income per Share

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

[21] Reclassification and Restatement

Financial statements in fiscal 2010 have been reclassified to conform to the current year presentation. These reclassifications had no impact on previously reported results of operations or retained earnings.

[22] Other Changes in Accounting Policy

(Fiscal 2011)

Application of Accounting Standard for Asset Retirement Obligations

From the fiscal year 2011, the Company has adopted Accounting Standard for Asset Retirement Obligations (ASBJ Statement No.18, March 31, 2008) and Guidance on Accounting Standard for Asset Retirement Obligations (ASBJ Guidance No.21, March 31, 2008).
This impact of this adoption on profit and loss was insignificant.

Application of Accounting Standard for Business Combinations and others

From the fiscal year 2011, the Company has adopted Accounting Standard for Business Combinations (ASBJ Statement No.21, December 26, 2008), Accounting Standard for Consolidated Financial Statements (ASBJ Statement No.22, December 26, 2008), Partial amendments to Accounting Standard for Research and Development Costs (ASBJ Statement No.23, December 26, 2008), the Revised Accounting Standard for Business Divestitures (ASBJ Statement No.7, December 26, 2008), the Revised Accounting Standard for Equity Method of Accounting for Investments (ASBJ Statement No.16, December 26, 2008), and the Revised Guidance on Accounting Standard for Business

Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10, December 26, 2008).

3. Additional Cash Flow Information

Cash and cash equivalents as of March 31, 2011 and 2010, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Cash and deposits	**¥211,700**	¥168,643	**$2,546,001**
Short-term investment securities	**21,063**	12,458	**253,313**
Short-term loans receivable	**59,986**	75,780	**721,419**
	292,749	256,881	**3,520,733**
Less maturity over three months	**(65,045)**	(65,415)	**(782,260)**
Cash and cash equivalents	**¥227,704**	¥191,466	**$2,738,473**

(Fiscal 2011)

Non Cash transaction

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

This share exchange resulted in recognition of "Goodwill" of ¥280 million (US$ 3,367 thousand), and a decrease in "treasury stock" of ¥450 million (US$ 5,412 thousand).

4. Financial Instruments

The Company has applied "Accounting Standard for Financial Instruments and its Implementation Guidance (ASBJ Statement No.10, March 10, 2008)" and "Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No.19, March 10, 2008)" since the beginning of fiscal 2010.

(1) Summary of Financial Instruments Status

[1] Action Policy with Regard to Financial Instruments

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

[2] Details of Financial Instruments and Respective Risks

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

Notes and accounts payable-trade that are included in operating liabilities usually have a payment date of within one year. Furthermore, a certain portion of such liabilities involves foreign currency denominated transactions associated with the import of raw materials and is thus subject to exchange rate fluctuation risk,

although it is consistently less than accounts receivable balance of the same foreign currency. The FHI Group's liabilities associated with debt and bonds are set specifically for the acquisition of essential funds, mainly for capital expenditure, whose redemption dates come within 13 years after March 31, 2011 at the latest. A certain portion of said liabilities may have adjustable rates and are therefore subject to the risk of changes in interest rates, although in such cases derivative transactions (interest rate swap transactions) are used.
Derivative transactions are foreign exchange forward contracts to hedge against exchange rate fluctuations associated with accounts receivables and liabilities denominated in foreign currencies, and interest rate swap contracts with the objective of hedging against the risk of change in interest rates to be paid on loans. With regard to hedging instruments and hedged items, hedge policy, the method of evaluation of hedge effectiveness and other related items, please refer to "2-[15] Derivative Financial Instruments and Hedge Accounting".

[3] Risk Management System with Regard to Financial Instruments

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

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

(c) Management of Liquidity Risk (Risk of Becoming Unable to Make Payments by the Due Date) Associated with Funds Procurement
The Company secures liquidity at a level sufficient to satisfy its current needs through the use of commitment lines contracted with major banks in combination with cash and cash equivalents.

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

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

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

The consolidated balance sheet, the fair value and difference as of March 31, 2011 and 2010 were as follows:

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

(Fiscal 2011)

As of March 31, 2011

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

As of March 31, 2011

	Thousands of U.S. dollars		
	Consolidated balance sheet amounts	Fair Value	Difference
Cash and deposits	**$2,546,001**	**$2,546,001**	**-**
Notes and accounts receivable-trade	**923,752**		
Allowance for doubtful accounts (*1)	**(4,209)**		
	919,543	**919,543**	**-**
Lease investment assets	**277,210**		
Allowance for doubtful accounts (*1)	**(1,876)**		
	275,334	**295,370**	**20,036**
Short-term loans receivable	**721,419**		
Allowance for doubtful accounts (*1)	**(10,246)**		
	711,173	**723,067**	**11,894**
Short-term investment securities, Investment securities and Other securities	**754,215**	**754,215**	**-**
Total Assets	**5,206,266**	**5,238,196**	**31,930**
Notes and accounts payable-trade	**2,127,420**	**2,127,420**	**-**
Short-term loans payable	**1,191,485**	**1,191,485**	**-**
Current portion of long-term loans payable	**251,377**	**253,530**	**(2,153)**
Current portion of bonds	**240,649**	**241,251**	**(602)**
Accrued income taxes	**25,123**	**25,123**	**-**
Accrued expenses	**732,123**	**732,123**	**-**
Bonds payable	**289,597**	**294,672**	**(5,075)**
Long-term loans payable	**2,003,151**	**2,015,971**	**(12,820)**
Total Liabilities	**6,860,925**	**6,881,575**	**(20,650)**
Derivative transactions (*2)			
hedge accounting is not applied	**($15,707)**	**($15,707)**	**-**
hedge accounting is applied	**-**	**-**	**-**

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

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

Assets

Cash and deposits and Notes and accounts receivable-trade

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

Lease investment assets and Short-term loans receivable

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

Short-term investment securities and investment securities

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

Liabilities

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

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

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

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

Current portion of bonds and Bonds payable

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

Derivative transactions

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

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

Consolidated balance sheet amount as of March 31, 2011:

Other securities (available-for-sale securities)	Millions of yen	Thousands of U.S. dollars
Money management fund	**¥17,802**	**$214,095**
Unlisted stocks (excluding over-the-counter stocks)	**¥3,143**	**$37,799**

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

[3] Scheduled redemption of monetary assets and securities with maturity
As of March 31, 2011:

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

	Thousands of U.S. dollars			
	Within 1 Year	1 to 5 Years	5 to 10 Years	Over 10 years
Cash and deposits	$2,546,001	-	-	-
Notes and accounts receivable-trade	890,667	33,085	-	-
Lease investment assets	119,194	157,246	770	-
Short-term investment securities, Investment securities and Other securities				
Government and municipal bonds	13,854	34,324	13,301	24,883
Corporate bonds	25,364	76,548	15,262	5,171
Other	-	72	2,610	32,315
Short-term loans receivable	$274,372	$435,899	$11,148	-

4] Amount of repayment for long-term debt and other interest-bearing debt
As of March 31, 2011:

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

	Thousands of U.S. dollars			
	Within 1 Year	1 to 5 Years	5 to 10 Years	Over 10 years
Bonds payable	$240,649	$289,597	-	-
Long-term loans payable	251,377	1,750,740	242,177	10,234

(Fiscal 2010)

As of March 31, 2010

	Millions of yen		
	Consolidated balance sheet amounts (*1)	Fair Value (*1)	Difference
Cash and deposits	**¥168,643**	**¥168,643**	**-**
Notes and accounts receivable-trade	**103,521**	**103,521**	**-**
Lease investment assets	**27,788**	**26,040**	**(1,748)**
Short-term loans receivable	**75,780**	**75,844**	**64**
Short-term investment securities, Investment securities and Other securities	**58,132**	**58,132**	**-**
Notes and accounts payable-trade	**(217,051)**	**(217,051)**	**-**
Short-term loans payable	**(142,121)**	**(142,121)**	**-**
Current portion of long-term loans payable	**(13,912)**	**(13,912)**	**-**
Current portion of bonds	**(20,010)**	**(20,010)**	**-**
Accrued income taxes	**(2,873)**	**(2,873)**	**-**
Accrued expenses	**(56,244)**	**(56,244)**	**-**
Bonds payable	**(44,090)**	**(44,447)**	**(357)**
Long-term loans payable	**(147,479)**	**(146,994)**	**485**
Derivative transactions (*2)			
hedge accounting is not applied	**(¥1,879)**	**(¥1,879)**	**-**
hedge accounting is applied	**-**	**-**	**-**

*1. Liabilities are indicated in ( ).

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

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

Assets

Cash and deposits and Notes and accounts receivable-trade

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

Lease investment assets and Short-term loans receivable

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

Short-term investment securities and investment securities

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

Liabilities

Notes and accounts payable-trade, Short-term loans payable, Current portion of long-term loans payable, Current portion of bonds, Accrued income taxes and Accrued expenses

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

Bonds payable

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

Long-term loans payable

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

Derivative transactions

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

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

Consolidated balance sheet amount as of March 31, 2010:

Other securities (available-for-sale securities)	Millions of yen
Money management fund	**¥11,498**
Unlisted stocks (excluding over-the-counter stocks)	**¥4,444**

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

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

As of March 31, 2010:

	Millions of yen			
	Within 1 Year	1 to 5 Years	5 to 10 Years	Over 10 years
Cash and deposits	**¥168,643**	**-**	**-**	**-**
Notes and accounts receivable-trade	**99,867**	**3,654**	**-**	**-**
Lease investment assets	**8,756**	**18,777**	**255**	**-**
Short-term investment securities, Investment securities and Other securities				
Government and municipal bonds	**610**	**6,121**	**1,333**	**1,693**
Corporate bonds	**324**	**6,413**	**1,810**	**195**
Other	**26**	**217**	**92**	**1,476**
Short-term loans receivable	**¥36,713**	**¥39,001**	**¥66**	**-**

[4] Amount of repayment for long-term debt and other interest-bearing debt
As of March 31, 2010:

	Within 1 Year	1 to 5 Years	5 to 10 Years	Over 10 years
				Millions of yen
Bonds payable	**¥20,010**	**¥44,090**	**-**	**-**
Long-term loans payable	**13,912**	**136,349**	**10,265**	**865**

5. Short-Term Investment Securities and Investment Securities

Information on the value of short-term investment securities and investment securities as of March 31, 2011 and 2010 was as follows:

(Fiscal 2011)

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

As of March 31, 2011:

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

	Thousands of U.S. dollars		
	Book value	Acquisition cost	Difference
Book value exceeding acquisition cost:			
Equity securities	**$467,408**	**$230,800**	**$236,608**
Debt securities			
Government and municipal bonds	**55,971**	**54,756**	**1,215**
Corporate bonds	**106,386**	**103,187**	**3,199**
Other	**24,546**	**24,053**	**493**
Sub-total	**654,311**	**412,796**	**241,515**
Book value not exceeding acquisition cost:			
Equity securities	**43,091**	**50,908**	**(7,817)**
Debt securities			
Government and municipal bonds	**30,379**	**30,968**	**(589)**
Corporate bonds	**15,947**	**16,043**	**(96)**
Other	**10,487**	**10,680**	**(193)**
Sub-total	**99,904**	**108,599**	**(8,695)**
Total	**$754,215**	**$521,395**	**$232,820**

(2) Other securities (available-for-sale securities) sold during fiscal years 2011:
For the year ended March 31, 2011:

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

	Thousands of U.S. dollars		
	Sales amount	Total gains	Total losses
Equity securities	**$78,966**	**$4,221**	**$1,347**
Debt securities			
Government and municipal bonds	**133,217**	**2,682**	**637**
Corporate bonds	**32,435**	**914**	**24**
Other	**6,314**	**12**	**96**
Other	**479,399**	**-**	**193**
Total	**$730,331**	**$7,829**	**$2,297**

(3)The Company and its consolidated subsidiaries recognized ¥415 million (US$4,991 thousand) in loss on devaluation of securities for fiscal years 2011.
For the purpose of recording a loss on devaluation of securities, the Company and its consolidated subsidiaries consider all the securities whose fair market value has fallen below 50% of the acquisition cost to be permanently impaired, and record the relevant loss on devaluation. For securities whose fair market value has declined by between 30% and 50% in relation to their acquisition costs, the Company and its consolidated subsidiaries specifically consider the probability of recovery of the fair value and record a loss on devaluation to the amount deemed permanently impaired.

(Fiscal 2010)

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

As of March 31, 2010:

			Millions of yen
	Book value	Acquisition cost	Difference
Book value exceeding acquisition cost:			
Equity securities	**¥35,028**	**¥17,936**	**¥17,092**
Debt securities			
Government and municipal bonds	**6,350**	**6,223**	**127**
Corporate bonds	**7,960**	**7,618**	**342**
Other	**1,115**	**1,082**	**33**
Sub-total	**50,453**	**32,859**	**17,594**
Book value not exceeding acquisition cost:			
Equity securities	**2,791**	**3,087**	**(296)**
Debt securities			
Government and municipal bonds	**3,407**	**3,437**	**(30)**
Corporate bonds	**782**	**785**	**(3)**
Other	**699**	**710**	**(11)**
Sub-total	**7,679**	**8,019**	**(340)**
Total	**¥58,132**	**¥40,878**	**¥17,254**

(2) Other securities (available-for-sale securities) sold during fiscal years 2010:

For the year ended March 31, 2010:

			Millions of yen
	Sales amount	Total gains	Total losses
Equity securities	**¥1,320**	**¥106**	**¥106**
Debt securities			
Government and municipal bonds	**4,144**	**50**	**43**
Corporate bonds	**1,699**	**41**	**-**
Other	**195**	**5**	**6**
Other	**63,287**	**-**	**27**
Total	**¥70,645**	**¥202**	**¥182**

(3)The Company and its consolidated subsidiaries recognized ¥520 million in loss on devaluation of securities for fiscal years 2010.

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

6. Short-Term Borrowings and Long-Term Debts

Short-term borrowings as of March 31, 2011 and 2010, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Bank loans with average interest rate of 0.66 % and 0.97% per annum as of March 31, 2011 and 2010, respectively	**¥99,072**	¥142,121	**$1,191,485**

Long-term debts as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Loans principally from banks and insurance companies due through 2024 with average interest rate of 1.39% and 1.44% per annum as of March 31, 2011 and 2010, respectively	**¥187,464**	¥161,391	**$2,254,528**
Unsecured 0.68% bonds due June 18, 2010	**-**	20,000	**-**
Unsecured 0.93% bonds due March 31, 2011	**-**	10	**-**
Unsecured 1.31% bonds due April 28, 2011	**20,000**	20,000	**240,529**
Unsecured 0.93% bonds due March 30, 2012	**10**	10	**120**
Unsecured 2.01% bonds due May 31, 2012	**20,000**	20,000	**240,529**
Unsecured 0.93% bonds due March 29, 2013	**10**	10	**120**
Unsecured 0.93% bonds due March 31, 2014	**10**	10	**120**
Unsecured 1.62 % bonds due July 10, 2014	**4,000**	4,000	**48,106**
Unsecured 0.93% bonds due March 31, 2015	**60**	60	**722**
Subtotal	**231,554**	225,491	**2,784,774**
Less-Portion due within one year	**(40,912)**	(33,922)	**(492,026)**
Total	**¥190,642**	¥191,569	**$2,292,748**

Annual maturities of long-term loans payable and bonds payable as of March 31, 2011 were as follows:

	Millions of yen	Thousands of U.S. dollars
2012	¥40,912	$492,026
2013	41,450	498,497
2014	45,144	542,922
2015	41,683	501,299
2016	41,377	497,619
2017and thereafter	20,988	252,411
Total	¥231,554	$2,784,774

Lease obligations as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Lease obligations due within one year as of March 31, 2011and 2010	**¥674**	¥1,123	**$8,106**
Lease obligations due after one year as of March 31, 2011and 2010	**1,184**	720	**14,239**
Total	**¥1,858**	¥1,843	**$22,345**

Annual maturities of lease obligations as of March 31, 2011 were as follows:

	Millions of yen	Thousands of U.S. dollars
2012	**¥674**	**$8,106**
2013	**580**	**6,975**
2014	**316**	**3,800**
2015	**199**	**2,393**
2016	**73**	**878**
2017and thereafter	**16**	**193**
Total	**¥1,858**	**$22,345**

The following assets as of March 31, 2011 and 2010 were pledged as collateral for certain loans:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Notes and accounts receivable-trade	**¥110**	¥69	**$1,323**
Property, plant and equipment	**64,339**	65,584	**773,770**
Total	**¥64,449**	¥65,653	**$775,093**

For efficient procurement of operating fund, the group concludes the commitment-line contracts as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Total commitments	**¥105,273**	¥74,956	**$1,266,061**
Unused balance	**-**	-	**-**

7. Derivative transactions

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

The fair value information of derivative financial instruments as of March 31, 2011and 2010 was as follows:

Derivative transactions to which hedge accounting is not applied

(1) Foreign currency contracts:

As of March 31, 2011

	Millions of yen			Thousands of U.S. dollars		
	Notional Amount	Fair value	Valuation gain (loss)	Notional Amount	Fair value	Valuation gain (loss)
Foreign exchange forward contracts:						
Sell-						
U.S. dollar	**¥83,265**	**(¥625)**	**(¥625)**	**$1,001,383**	**($7,517)**	**($7,517)**
Euro	**8,913**	**(359)**	**(359)**	**107,192**	**(4,317)**	**(4,317)**
Canadian dollar	**11,921**	**(322)**	**(322)**	**143,367**	**(3,873)**	**(3,873)**

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

As of March 31, 2010

	Millions of yen		
	Notional Amount	Fair value	Valuation gain (loss)
Foreign exchange forward contracts:			
Sell-			
U.S. dollar	**¥61,590**	**(¥1,361)**	**(¥1,361)**
Euro	**8,899**	**58**	**58**
Canadian dollar	**13,184**	**(576)**	**(576)**
Australian dollar	**¥25**	**0**	**0**

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

Derivative transactions to which hedge accounting is applied

(1) Interest rate contracts:

As of March 31, 2011

Accounting treatment: Exception processing of interest rate swap

Hedge item: Long-term loans payable

	Millions of yen			Thousands of U.S. dollars		
	Notional Amount	Over 1 year	Fair value	Notional Amount	Over 1 year	Fair value
Interest rate swap contracts:						
Receive floating rate pay fixed rate	**¥36,060**	**¥34,735**	**(*)**	**$433,674**	**$417,739**	**(*)**

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

As of March 31, 2010
Accounting treatment: Exception processing of interest rate swap
Hedge item: Long-term loans payable

	Millions of yen		
	Notional Amount	Over 1 year	Fair value
Interest rate swap contracts:			
Receive floating rate pay fixed rate			
	¥36,945	**¥36,115**	**(*)**

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

8. Property, Plant and Equipment

Property, plant and equipment as of March 31, 2011and 2010 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Buildings and structures	**¥317,448**	¥318,236	**$3,817,775**
Machinery, equipment and vehicles	**454,663**	452,122	**5,467,986**
Vehicles and equipment on operating leases, net	**18,783**	27,207	**225,893**
Other	**226,816**	239,985	**2,727,793**
Subtotal	**1,017,710**	1,037,550	**12,239,447**
Accumulated depreciation	**(765,211)**	(759,073)	**(9,202,778)**
Accumulated impairment loss	**(34,162)**	(33,006)	**(410,848)**
Land	**191,111**	191,384	**2,298,388**
Construction in progress	**21,394**	12,672	**257,294**
Total	**¥430,842**	¥449,527	**$5,181,503**

9. Unexecuted Balance of Overdraft Facilities and Lending Commitments

The unexecuted balance of overdraft facilities and lending commitments at a consolidated subsidiary (Subaru Finance Co., Ltd.) as of March 31, 2011 and 2010 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Total overdraft facilities and lending commitments	**¥4,800**	¥5,010	**$57,727**
Less amounts currently executed	**666**	808	**8,010**
Unexecuted balance	**¥4,134**	¥4,202	**$49,717**

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

10. Pension and Severance Plans

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

As of March 31, 2011, the Company and 49 of its consolidated domestic subsidiaries, which add up to a total of 50 companies, have lump-sum retirement payment plans. Within the group, there are also six qualified retirement pension plans, 12 defined contribution plans, and six defined benefits pension plans. In addition, there are 12 single-employer employees' welfare pension funds subject to the provisions of Article 33 of "Practice Guidelines of Accounting for Retirement Benefits."

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

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

(1) Overall funded status of the multi-employer pension plan (mainly as of March 31, 2011)

	Millions of yen	Thousands of U.S. dollars
	2011	**2011**
Plan assets	**¥175,538**	**$2,111,100**
Projected benefit obligation	**211,358**	**2,541,888**
Funded status	**(¥35,820)**	**($430,788)**

(2) Contributions by the Company and its consolidated domestic subsidiaries as a percentage of total contributions to the multi-employer pension plan (mainly from April 1, 2010 to March 31, 2011): 10%

A reconciliation between the projected pension and severance obligation and accrued pension and severance liability as of March 31, 2011 and 2010, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
a. Projected pension and severance obligation	**¥100,917**	¥103,286	**$1,213,674**
b. Plan assets	**(50,676)**	(47,129)	**(609,453)**
c. Unfunded pension and severance obligations	**50,241**	56,157	**604,221**
d. Unamortized actuarial loss	**(21,971)**	(21,073)	**(264,233)**
e. Unamortized prior service cost	**(345)**	(269)	**(4,149)**
f. Net amount recorded in balance sheet	**27,925**	34,815	**335,839**
g. Prepaid pension cost	**(5,782)**	(52)	**(69,537)**
h. Accrued pension and severance liability	**¥33,707**	¥34,867	**$405,376**

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

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

Periodic pension and severance costs for the fiscal years 2011, and 2010, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
a. Service cost	**¥8,599**	¥8,541	**$103,416**
b. Interest cost	**1,791**	1,920	**21,539**
c. Expected return on plan assets	**(1,609)**	(1,440)	**(19,351)**
d. Amortization of actuarial gain/loss	**1,941**	1,976	**23,343**
e. Amortization of prior service cost	**51**	35	**614**
f. Pension and severance cost	**10,773**	11,032	**129,561**
g. Gain on transfer of the substitutional portion of the employee's pension fund	**(236)**	-	**(2,838)**
h. Total	**¥10,537**	¥11,032	**$126,723**

Notes:1. The above amounts do not include the social security taxes paid by employees.

2. The service cost of consolidated subsidiaries using the simplified method is included in the service cost above.

3. The service cost above includes required funding for the multi-employer pension plan amounting to ¥628 million (US$7,553 thousand) and ¥726 million for fiscal years 2011 and 2010, respectively, for which plan assets could not be allocated to each participating employer.

4. The service cost above includes contributions for the defined contribution plans of the Company and certain consolidated subsidiaries amounting to ¥2,473 million (US$29,741 thousand) and ¥2,184 million for fiscal years 2011 and 2010, respectively.

5. In addition to the pension and severance cost above, additional retirement payments amounting to ¥220 million (US$2,646 thousand) and ¥174 million were made for fiscal years 2011 and 2010, respectively. For fiscal years 2011 and 2010, the entire ¥220 million (US$2,646 thousand) of additional retirement payments and ¥174 million of additional retirement payments is included in cost of sales and selling, general and administrative expenses, respectively.

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

	2011	2010
a. Attribution of expected benefit obligation	The straight-line method	The straight-line method
b. Discount rate	1.4%–2.0%	1.4%–2.0%
c. Expected rate of return on plan assets	1.4%–3.5%	1.4%–4.0%
d. Amortization of actuarial gain/loss	Primarily 16 years (amortized by the straight-line method starting from the following fiscal year, over a period shorter than the average remaining service periods of the eligible employees)	Primarily 16 years (amortized by the straight-line method starting from the following fiscal year, over a period shorter than the average remaining service periods of the eligible employees)
e. Amortization of prior service cost	11 to 18 years	11 to 18 years

11. Income Taxes

The Company and its consolidated subsidiaries were subject to a number of taxes based on income, which in the aggregate resulted in a normal statutory income tax rate of approximately 40.5% for fiscal years 2011 and 2010.

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

	2011
Statutory income tax rate in Japan	40.5%
Increase (reduction) in taxes resulting from:	
Changes in valuation allowance and tax benefits realized from loss carry forwards	(17.1)
Adjustment to past corporate income taxes payable and corporate income taxes refundable	(0.2)
Equity in earnings of affiliates	(1.7)
Difference of applicable tax rate in subsidiaries	(1.5)
Other	0.2
Effective income tax rate	20.2%

For fiscal 2010, such reconciliation is not presented herein because the consolidated financial results recorded a net loss.

Significant components of the deferred tax assets and liabilities as of March 31, 2011 and 2010, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Deferred tax assets:			
Depreciation and amortization expenses	**¥13,568**	¥13,191	**$163,175**
Accrued expenses	**11,687**	8,836	**140,553**
Accrued pension and severance liabilities	**11,028**	13,847	**132,628**
Accrued warranty claims	**10,129**	7,324	**121,816**
Loss on devaluation of inventories	**9,148**	8,340	**110,018**
Accrued bonus	**6,561**	6,255	**78,906**
Long-term accounts payable, other	**4,472**	4,681	**53,782**
Allowance for doubtful accounts	**2,349**	2,882	**28,250**
Net operating loss carryforwards	**33,663**	53,878	**404,847**
Other	**10,024**	11,818	**120,553**
Total deferred tax assets	**112,629**	131,052	**1,354,528**
Valuation allowance	**(89,542)**	(101,750)	**(1,076,873)**
Total deferred tax assets, net of valuation allowance	**23,087**	29,302	**277,655**
Deferred tax liabilities:			
Net unrealized holding gains on investment securities	**(7,437)**	(6,648)	**(89,441)**
Depreciation and amortization expenses	**(7,266)**	(7,780)	**(87,384)**
Advanced depreciation reserve	**(510)**	(510)	**(6,133)**
Other	**(6,436)**	(6,614)	**(77,403)**
Total deferred tax liabilities	**(21,649)**	(21,552)	**(260,361)**
Net deferred tax assets	**¥1,438**	¥7,750	**$17,294**

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

		Millions of yen	Thousands of U.S. dollars
	2011	2010	**2011**
Current assets—Deferred tax assets	**¥13,754**	¥15,549	**$165,412**
Investments and other assets—Deferred tax assets	**1,812**	5,742	**21,792**
Current liabilities—Deferred tax liabilities			
(Other current liabilities)	**(126)**	(-)	**(1,516)**
Long-term liabilities—Deferred tax liabilities	**(14,002)**	(13,541)	**(168,394)**
Total net deferred tax assets	**¥1,438**	¥7,750	**$17,294**

12. Net Assets

The Japanese Corporate Law (the "Law") became effective on May 1, 2006, replacing the Japanese Commercial Code (the "Code"). The Law is generally applicable to events and transactions occurring after April 30, 2006, and for fiscal years ending after that date.

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

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

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

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

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

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

At the annual shareholders' meeting held on June 24, 2011, the shareholders approved cash dividends amounting to ¥3,513 million (US$42,249 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2011. Such appropriations are recognized in the period in which they are approved by the shareholders.

13. Ending Inventories

Book value of ending inventories is measured based on the lower of cost or market value.

Minus ¥627 million (US$7,541 thousand) and minus ¥836 million as "Loss on valuation of inventories" is included in "Cost of sales" for fiscal years 2011 and 2010, respectively. And ¥2,820 million (US$33,915 thousand) and minus ¥494 million as "Provision for loss on construction contracts" is included in "Cost of sales" for fiscal year 2011 and 2010, respectively.

14. Selling, General and Administrative Expenses

Selling, general and administrative expenses for fiscal years 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Freightage and packing expenses	**¥21,034**	¥17,439	**$252,965**
Advertising expenses	**37,491**	41,082	**450,884**
Sales incentives	**35,345**	32,995	**425,075**
Salaries and bonuses	**42,627**	44,723	**512,652**
Research and development expenses	**42,778**	37,041	**514,468**
Other	**75,726**	75,297	**910,715**
Total	**¥255,001**	¥248,577	**$3,066,759**

15. Impairment Loss on Property, Plant and Equipment

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

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

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

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

As a result, the Company and its consolidated subsidiaries recognized a total of ¥1,457million (US$17,523 thousand) in impairment loss.

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

	Millions of yen	Thousands of U.S. dollars
	2011	**2011**
Buildings and structures	**¥215**	**$2,586**
Land	**1,209**	**14,540**
Other	**33**	**397**
Total	**¥1,457**	**$17,523**

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

In the fiscal year ended March 31, 2010, the Company recorded an impairment loss with regard to the following asset groups:

Use	Location	Category
Production facility	Saitama Prefecture and Gunma Prefecture	Buildings and structures, Machinery, equipment and vehicles, land and other
Assets for dealership business	Tokyo, Gifu Prefecture and 7 other locations	Buildings and structures, land and other
Idle assets	Osaka Prefecture, Chiba Prefecture and 11 other locations	Buildings and structures, land and other

The assets on which impairment loss was recognized are grouped as follows: The production facilities are grouped by each business line ,the assets for dealership business are grouped by each dealership, and the idle assets are grouped on a property-by-property basis.

In automobiles businesses, the supply business of CVT (gearless transmission) unit for minicar significantly dropped after July, 2010,and the change that remarkably decreases recoverable amounts that can be collected is expected to take place. As a result, at the Company and its subsidiaries, production facilities were written down to their recoverable amounts.

Because industrial products company has continuously experienced profit loss on operating activities and it is predicted that future cash flow falls below book value of related facilities, the book value of those assets was written down to the their recoverable amounts.

A recoverable amount is determined by a value in use. A value in use is calculated based on future cash flows discounted principally at 7.58%.

As a part of the rationalization, the company is performing restructuring of dealership network in Japan gradually. At the Company and its subsidiaries, assets for dealership business were written down to their recoverable amounts.

As a result, the Company and its consolidated subsidiaries recognized a total of ¥17,906 million in impairment loss.

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

	Millions of yen
	2010
Buildings and structures	**¥4,700**
Machinery, equipment and vehicles	**3,694**
Land	**9,435**
Other	**77**
Total	**$17,906**

A recoverable amount is the higher of net realizable value or value in use. A net realizable value is determined based on the government-published land valuation index prices or values used for real estate tax purposes, less cost of disposal. A value in use is calculated based on future cash flows discounted principally at 7.58%.

16. Loss on disaster

The loss was caused by Great East Japan Earthquake.
The main contents were as follows;

	Millions of yen	Thousands of U.S. dollars
	2011	**2011**
Fixed costs by temporary suspension of production, etc	**¥4,669**	**$56,152**
Cost to restore damaged facilities	**966**	**11,618**
Loss on the damage on inventory and fixed assets	**883**	**10,619**
Loss on doubtful accounts for suppliers, etc.	**313**	**3,764**
Other	**521**	**6,266**
Total	**¥7,352**	**$88,419**

17. Loss on prior periods adjustment

The main contents were as follows.
The adjustment of provision for product warranties in prior years was recognised as a result of review of product warranty cost.

	Millions of yen	Thousands of U.S. dollars
	2011	**2011**
The adjustment of provision for product warranties in prior years	**¥4,763**	**$57,282**
The adjustment of cost of sales in prior years	**1,347**	**16,200**
Total	**¥6,110**	**$73,482**

18. Loss on reconstruction of office building

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

	Millions of yen	Thousands of U.S. dollars
	2011	**2011**
Estimation of demolition costs	**¥334**	**$4,017**
Non-recurring depreciation	**323**	**3,884**
Total	**¥657**	**$7,901**

19. Loss on Abandonment of Inventories

(Fiscal 2010)

The Company conducted a business field review in the industrial products segment in fiscal 2010. As a result, the Company abandoned obsolete inventories and recorded a loss of ¥1,191 million in fiscal 2010.

20. Loss on Sales and Retirement of Noncurrent Assets and Other

(Fiscal 2010)

After assessing the severe business environment for domestic distributors, such as the sluggish automobile market caused by a business slowdown, and the response to sophisticated and diversified customer needs, the Company has determined that it was necessary to quickly implement regional business activities while simultaneously establishing a rational management system. Therefore, the transition from Subaru distributors to the integrated system was performed sequentially from October, 2008. As a part of the rationalization,the Company is performing a gradual restructuring of the dealership network in Japan.

Furthermore, regarding dealerships that the Company had closed (or, had decided to close) by the end of fiscal 2010, it recorded loss in the fiscal year under review as follows:

	Millions of yen
	2010
Loss on sales and retirement of noncurrent assets	**¥902**
Impairment loss	**3,639**
Other	**815**
Total	**¥5,356**

21.Other Loss

The Company is going to terminate the production of minicar in FY2012. Other loss includes ¥2,422 million (US$29,128 thousand), the cost of retirement and demolition, etc of facilities related to the termination.

22. Stock Option Plans

(Fiscal 2011)

1. Descriptions, volume, and movement of stock options

(1) Descriptions of stock option plans

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

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

(2) Volume and movement of stock options

The stock options outstanding in the fiscal year 2011 are summarized as follows:
[1] The number of stock options (shown as the equivalent number of common stock)

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

[2] Price information of stock options

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

(Fiscal 2010)

1. Descriptions, volume, and movement of stock options

(1) Descriptions of stock option plans

	Fiscal 2002 Stock option plan	Fiscal 2004 Stock option plan
Position and number of grantees	Directors, Executive Officers, Corporate Auditors and employees: 303	Directors, Executive Officers, Corporate Auditors and employees: 320
Class and number of stock (shares)	Common Stock 1,029,000	Common Stock 1,917,000
Date of grant	September 9, 2002	September 6, 2004
Vesting conditions	Directors, Executive Officers, Corporate Auditors and employees who are enrolled at the date the subscription rights are granted. Should an employee under 50 years of age retire by voluntary termination, the employee's right to exercise his/her claim will expire.	Directors, Executive Officers, Corporate Auditors and employees who are enrolled at the date the subscription rights are granted. Should an employee under 50 years of age retire by voluntary termination, the employee's right to exercise his/her claim will expire.
Required service period	From September 9, 2002, to July 31, 2004	From September 6, 2004, to July 31, 2006
Exercise period	From August 1, 2004, to July 31, 2009	From August 1, 2006, to July 31, 2011

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

(2) Volume and movement of stock options

The stock options outstanding in the fiscal year 2010 are summarized as follows:

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

	Fiscal 2002 Stock option plan	Fiscal 2004 Stock option plan
Nonexercisable stock options (shares):		
At the end of the fiscal year 2009	-	-
Stock options granted	-	-
Forfeitures	-	-
Conversion to exercisable stock options	-	-
Stock options outstanding	-	-
Exercisable stock options (shares):		
At the end of the fiscal year 2009	734,000	1,863,000
Conversion from nonexercisable stock options	-	-
Stock options exercised	-	-
Forfeitures	734,000	-
Stock options outstanding	-	1,863,000

[2] Price information of stock options

	Fiscal 2002 Stock option	Fiscal 2004 Stock option
Exercise price (Yen)	¥498,000	¥594,000
Average market price of the stock at the time of exercise (Yen)	-	-
Fair value (date of grant) (Yen)	-	-

23. Finance Leases

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

Information as Lessee

(1) Transfer of title through finance lease transaction

[1] Leased assets

Mainly implements of production in the automotive business

[2] Depreciation method for leased assets

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

(2) Finance leases which do not transfer ownership title

[1] Leased assets

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

[2] Depreciation method for leased assets

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

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

[1] Pro forma information of such leases as of March 31, 2011 and 2010, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Machinery, equipment and vehicles	**¥284**	¥334	**$3,416**
Other tangible assets	**760**	1,426	**9,139**
Intangible assets	**31**	141	**373**
Total	**1,075**	1,901	**12,928**
Accumulated depreciation/amortization	**(810)**	(1,261)	**(9,741)**
Net	**¥265**	¥640	**$3,187**

[2] The future minimum lease/rent payments, excluding the portion of interest thereon, as of March 31, 2011 and 2010, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Finance leases:			
Due within one year	**¥168**	¥345	**$2,020**
Due after one year	**114**	322	**1,371**
Total	**¥282**	¥667	**$3,391**

[3] Pro forma information related to finance leases for fiscal years 2011 and 2010 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Lease payment	**¥347**	¥456	**$4,173**
Depreciation and amortization expenses	**328**	420	**3,945**
Interest expense portion	**¥10**	¥20	**$120**

Information as Lessor

(1) The details of lease investment assets as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Obligation of lease fee receivable	**¥28,028**	¥29,568	**$337,078**
Estimated residual value	**280**	303	**3,367**
Interest expense portion	**(5,258)**	(2,083)	**(63,235)**
Lease investment assets	**¥23,050**	¥27,788	**$277,210**

(2) Lease revenue related to lease investment assets

Amounts of collections on lease receivable after the fiscal year ended March 31, 2011 and 2010, were as follows;

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Within 1 year	**¥9,120**	¥9,650	**$109,681**
1 to 2 years	**7,438**	7,290	**89,453**
2 to 3 years	**5,588**	5,913	**67,204**
3 to 4 years	**3,742**	4,100	**45,003**
4 to 5 years	**1,972**	2,370	**23,716**
Over 5 years	**¥168**	¥245	**$2,021**

24. Operating Lease

Information as Lessee

The future minimum lease/rent payments, excluding the portion of interest thereon, as of March 31, 2011 and 2010, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Operating leases:			
Due within one year	**¥1,135**	¥1,233	**$13,650**
Due after one year	**5,346**	4,839	**64,293**
Total	**¥6,481**	¥6,072	**$77,943**

Information as Lessor

The future minimum lease/rent payments receivable, excluding the portion of interest thereon, as of March 31, 2011 and 2010, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Operating leases:			
Due within one year	**¥1,122**	¥1,682	**$13,494**
Due after one year	**300**	276	**3,608**
Total	**¥1,422**	¥1,958	**$17,102**

25. Contingent Liabilities

Contingent liabilities as of March 31, 2011 and 2010, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
As guarantor of third-party indebtedness from financial institutions	**¥31,943**	¥32,330	**$384,161**

26. The Amount of Discount of Export Bill

The amount of discount of export bill as of March 31, 2011 and 2010, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
The amount of discount of export bill	**¥9,102**	¥19,637	**$109,465**

27. Property for Transfer Balance to Special Purpose Company

Property for transfer balance to special purpose company as of March 31, 2011 and 2010, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Property for transfer balance to special purpose company (loan claims of Automobiles and account receivable-trade of Aerospace)	**¥51,512**	¥43,788	**$619,507**

28. Segment Information

(Additional Information)

From the fiscal 2011, the Company has adopted "Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No.17, March 27, 2009) and Implementation Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No.20, March 21, 2008).

(1)General information about reportable segments

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

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

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

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

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

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

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

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

(3)Information on sales, profit or loss, assets and other items by reportable segments for the fiscal years ended March 31, 2011 and 2010 was summarized as follows

		Millions of yen	Thousands of U.S. dollars
Net Sales:	**2011**	2010	**2011**
Automobiles			
Outside customers	**¥1,452,207**	¥1,294,451	**$17,464,907**
Inter-segment	**2,520**	2,304	**30,307**
Sub-total	**1,454,727**	1,296,755	**17,495,214**
Aerospace			
Outside customers	**82,817**	93,216	**995,995**
Inter-segment	**-**	-	**-**
Sub-total	**82,817**	93,216	**995,995**
Industrial products			
Outside customers	**30,061**	23,913	**361,527**
Inter-segment	**39**	63	**469**
Sub-total	**30,100**	23,976	**361,996**
Other (*1)			
Outside customers	**15,478**	17,110	**186,146**
Inter-segment	**13,207**	12,678	**158,833**
Sub-total	**28,685**	29,788	**344,979**
Total	**1,596,329**	1,443,735	**19,198,184**
Adjustment (*2)	**(15,766)**	(15,045)	**(189,609)**
Consolidated total (*3)	**¥1,580,563**	¥1,428,690	**$19,008,575**

		Millions of yen	Thousands of U.S. dollars
Segment profit or Loss:	**2011**	2010	**2011**
Automobiles	**¥80,387**	¥21,716	**$966,771**
Aerospace	**2,256**	4,812	**27,132**
Industrial products	**(52)**	(2,437)	**(625)**
Other (*1)	**1,463**	2,560	**17,595**
Total	**84,054**	26,651	**1,010,873**
Adjustment (*2)	**81**	699	**973**
Consolidated total (*3)	**¥84,135**	¥27,350	**$1,011,846**

		Millions of yen	Thousands of U.S. dollars
Segment assets:	**2011**	2010	**2011**
Automobiles	**¥944,046**	¥989,462	**$11,353,530**
Aerospace	**162,704**	166,492	**1,956,753**
Industrial products	**41,515**	31,591	**499,278**
Other (*1)	**71,562**	77,895	**860,637**
Total	**1,219,827**	1,265,440	**14,670,198**
Adjustment (*2)	**(31,503)**	(34,073)	**(378,869)**
Consolidated total (*3)	**¥1,188,324**	¥1,231,367	**$14,291,329**

Other Items:	2011	Millions of yen 2010	Thousands of U.S. dollars 2011
Depreciation and amortization:			
Automobiles	**¥51,004**	¥59,155	**$613,397**
Aerospace	**2,380**	3,709	**28,623**
Industrial products	**660**	1,228	**7,937**
Other (*1)	**2,018**	1,693	**24,270**
Total	**56,062**	65,785	**674,227**
Adjustment (*2)	**-**	-	**-**
Consolidated total (*3)	**¥56,062**	¥65,785	**$674,227**
Investment to equity-method affiliates:			
Automobiles	**¥4,849**	¥2,641	**$58,316**
Aerospace	**230**	231	**2,766**
Industrial products	**890**	875	**10,704**
Other (*1)	**394**	388	**4,738**
Total	**6,363**	4,135	**76,524**
Adjustment (*2)	**-**	-	**-**
Consolidated total (*3)	**¥6,363**	¥4,135	**$76,524**
Increase of property, plant and equipment and intangible fixed assets:			
Automobiles	**¥64,591**	¥84,085	**$776,801**
Aerospace	**1,918**	1,347	**23,067**
Industrial products	**215**	433	**2,586**
Other (*1)	**654**	3,212	**7,865**
Total	**67,378**	89,077	**810,319**
Adjustment (*2)	**-**	-	**-**
Consolidated total (*3)	**¥67,378**	¥89,077	**$810,319**

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

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

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

Related Information

(1)Products and services information

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

(2)Information about geographic areas

[1]Sales for the fiscal years ended March 31, 2011 and 2010 was summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Sales: (*1)			
Japan	**¥467,323**	¥520,836	**$5,620,241**
North America	**725,775**	622,126	**8,728,503**
[United States] (*2)	**[654,402]**	[565,545]	**[7,870,138]**
Europe	**126,321**	84,474	**1,519,194**
Asia	**138,854**	101,470	**1,669,922**
Other	**122,290**	99,784	**1,470,715**
Consolidated total	**¥1,580,563**	¥1,428,690	**$19,008,575**

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

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

[2]Property, plant and equipment for the fiscal years ended March 31, 2011 and 2010 was summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Property, plant and equipment: (*1)			
Japan	**¥379,717**	¥381,987	**$4,566,651**
North America	**50,990**	67,414	**613,229**
[United States] (*2)	**[50,234]**	[66,553]	**[604,137]**
Europe	**135**	126	**1,623**
Asia	**-**	-	**-**
Other	**-**	-	**-**
Consolidated total	**¥430,842**	¥449,527	**$5,181,503**

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

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

[3]Major customers Information

Information about major customers is not shown because outside sales for major customers accounted for less 10% of operating revenue on the consolidated statements of income for the fiscal years ended March 31, 2011 and 2010.

Information on Impairment Loss in Fixed Assets by Reportable segments

Impairment loss in fixed assets by reportable segments for the fiscal years ended March 31, 2011 and 2010 was summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Impairment loss in fixed assets:			
Automobiles	**¥1,431**	¥7,389	**$17,210**
Aerospace	**-**	-	**-**
Industrial products	**26**	10,517	**313**
Other	**-**	-	**-**
Total	**1,457**	17,906	**17,523**
Adjustment	**-**	-	**-**
Total	**¥1,457**	¥17,906	**$17,523**

Information on Amortization of Goodwill and Unamortized Balance by Reportable segments

Information on amortization of goodwill and unamortized balance by reportable segments for the fiscal years ended March 31, 2011 and 2010 was summarized as follows:

(1)Goodwill

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Amount written off of current period:			
Automobiles	**¥350**	¥322	**$4,209**
Aerospace	**-**	-	**-**
Industrial products	**-**	-	**-**
Other (*1)	**3**	4	**36**
Total	**353**	326	**4,245**
Corporate and elimination	**-**	-	**-**
Total	**¥353**	¥326	**$4,245**
Balance at the end of current period:			
Automobiles	**¥2,773**	¥3,134	**$33,349**
Aerospace	**-**	-	**-**
Industrial products	**-**	-	**-**
Other (*1)	**1**	4	**12**
Total	**2,774**	3,138	**33,361**
Corporate and elimination	**-**	-	**-**
Total	**¥2,774**	¥3,138	**$33,361**

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

(2)Negative Goodwill

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Amount written off of current period:			
Automobiles	**¥206**	¥205	**$2,477**
Aerospace	**-**	-	**-**
Industrial products	**-**	-	**-**
Other	**-**	-	**-**
Total	**206**	205	**2,477**
Corporate and elimination	**-**	-	**-**
Total	**¥206**	¥205	**$2,477**
Balance at the end of current period:			
Automobiles	**-**	¥206	**-**
Aerospace	**-**	-	**-**
Industrial products	**-**	-	**-**
Other	**-**	-	**-**
Total	**-**	206	**-**
Corporate and elimination	**-**	-	**-**
Total	**-**	¥206	**-**

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

Information on Negative Goodwill by Reportable segments

Information on negative goodwill by reportable segments for the fiscal years ended March 31, 2011 and 2010 was no significant items to be reported.

(Fiscal 2010)

Information by business segment

The Company and its consolidated subsidiaries operate principally in four business segments: automobiles, aerospace, industrial products and other business fields (including eco-related equipment).

A summary of net sales, operating income, assets, depreciation and amortization expenses and capital expenditures by business segment for fiscal years 2010 was shown below:

	Millions of yen
Net Sales:	2010
Automobiles	
Outside customers	¥1,294,451
Inter-segment	2,304
Sub-total	1,296,755
Aerospace	
Outside customers	93,216
Inter-segment	-
Sub-total	93,216
Industrial products	
Outside customers	23,913
Inter-segment	63
Sub-total	23,976
Other	
Outside customers	17,110
Inter-segment	12,678
Sub-total	29,788
Total	1,443,735
Corporate and elimination	(15,045)
Consolidated total	¥1,428,690

	Millions of yen
Operating Income or Loss:	2010
Operating income:	
Automobiles	¥21,716
Aerospace	4,812
Industrial products	(2,437)
Other	2,560
Total	26,651
Corporate and elimination	699
Consolidated total	¥27,350

Assets:	Millions of yen 2010
Total assets:	
Automobiles	¥989,462
Aerospace	166,492
Industrial products	31,591
Other	77,895
Total	1,265,440
Corporate and elimination	(34,073)
Consolidated total	¥1,231,367

Other Significant Items:	Millions of yen 2010
Depreciation and amortization expenses:	
Automobiles	¥59,155
Aerospace	3,709
Industrial products	1,228
Other	1,693
Total	65,785
Corporate and elimination	-
Consolidated total	¥65,785
Impairment loss on property, plant and equipment:	
Automobiles	¥7,389
Aerospace	-
Industrial products	10,517
Other	-
Total	17,906
Corporate and elimination	-
Consolidated total	¥17,906
Capital expenditures for segment assets:	
Automobiles	¥84,085
Aerospace	1,347
Industrial products	433
Other	3,212
Total	89,077
Corporate and elimination	-
Consolidated total	¥89,077

Notes:1. Definition of business segments

Business segments are defined based on their product line and market.

2. Main products by each business segment

Business segments' main products:

Automobiles: Legacy, Impreza, Forester, Exiga,Tribeca, Stella, R1, R2, Pleo, Samber

Industrial products; Robin engines, power generators, pumps

Aerospace: Aircraft, parts of space-related devices

Other: Garbage collection vehicles, specialized vehicles, real estate lease

3. All operating costs and expenses are allocated to each business segment.
4. All figures in corporate and elimination represent elimination.
5. Changes in accounting policies:

(Fiscal 2010)

Change in accounting standard for construction revenue and cost
As described in "2-[13] Revenue Recognition", since fiscal 2010, the Company and its domestic consolidated subsidiaries have applied "the Accounting Standard for Construction Contracts (ASBJ Statement No.15, December 27, 2007) " and its accompanying "Guidance on Accounting Standard for Construction Contracts (ASBJ Guidance No.18, December 27, 2007) ", the percentage-of-completion method was applied to construction contracts that were started during the fiscal 2010, for which certain elements were determinable with certainty at the end of fiscal 2010. (The percentage of completion is estimated with the proportion-of-cost method). The completed-contract method was applied to other works.

This change resulted in an increase in sales of ¥2,361 million and increase in operating income of ¥215 million in "Aerospace", compared with corresponding amounts calculated under method used in previous year.

Information by Geographic Area

A summary of net sales, operating income and assets by geographic area for fiscal years 2010 was shown below:

	Millions of yen
Net Sales:	2010
Japan—	
Outside customers	¥815,812
Inter-segment	293,948
Sub-total	1,109,760
North America—	
Outside customers	577,409
Inter-segment	2,232
Sub-total	579,641
Other—	
Outside customers	35,469
Inter-segment	557
Sub-total	36,026
Total	1,725,427
Corporate and elimination	(296,737)
Consolidated total	¥1,428,690

Operating Income or Loss:	Millions of yen 2010
Operating income:	
Japan	¥1,844
North America	32,057
Other	95
Total	33,996
Corporate and elimination	(6,646)
Consolidated total	27,350

Assets:	Millions of yen 2010
Assets:	
Japan	¥910,841
North America	338,721
Other	18,518
Total	1,268,080
Corporate and elimination	(36,713)
Consolidated total	¥1,231,367

Notes:1. Geographic areas are based on geographical proximity.

2. Principal countries or districts in each geographic area:
   North America: United States and Canada
   Other: Europe
3. All operating costs and expenses are allocated to each segment.
4. All figures in corporate and elimination represent elimination.
5. Changes in accounting policies:

(Fiscal 2010)

Change in accounting standard for construction revenue and cost

As described in "2-[13] Revenue Recognition", since fiscal 2010, the Company and its domestic consolidated subsidiaries have applied the "Accounting Standard for Construction Contracts (ASBJ Statement No.15, December 27, 2007)" and its accompanying "Guidance on Accounting Standard for Construction Contracts (ASBJ Guidance No.18, December 27, 2007)" therefore, the percentage-of-completion method was applied to construction contracts that were started during the fiscal 2010, for which certain elements were determinable with certainty at the end of fiscal 2010. (The percentage of completion is estimated with the proportion-of-cost method). The completed-contract method was applied to other work.

This change resulted in an increase in sales of ¥2,361 million and increase in operating income of ¥215 million in "Japan", compared with corresponding amounts calculated under method used in previous year.

Overseas Sales

Overseas sales for the fiscal years ended March 31, 2010 was summarized as follows:

	Millions of yen	
	2010	
Overseas sales:		
North America	¥622,126	43.5%
Europe	84,474	5.9%
Asia	101,470	7.1%
Other	99,784	7.0%
Total	907,854	63.5%
Consolidated net sales	¥1,428,690	100%

Notes:1. Geographic areas are based on geographical proximity.

2. Principal countries or districts in each geographic area:

North America: United States and Canada

Europe: Germany, Switzerland, the United Kingdom and Russia

Asia: China

Other: Australia

3. Overseas sales are sales outside of Japan by the Company and its consolidated subsidiaries.

29. Fair Value of Investment and Rental Property

(Fiscal 2011)

[1] Summary of investment and rental property

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

[2] Investment and rental property consolidated balance sheet amounts, principal changes during fiscal 2011, fair value at the end of fiscal 2011 and calculation method of applicable fair value

As of March 31, 2011

	Millions of yen			
	Consolidated balance sheet amounts			**Fair value as of March 31, 2011**
	As of March 31, 2010	Changes in the fiscal year 2011	**As of March 31, 2011**	
Investment and rental property	¥29,838	¥4,310	**¥34,148**	**¥47,877**
Properties that include ones used as investment and rental property	¥13,534	¥1,177	**¥14,711**	**¥40,416**

As of March 31, 2011

	Thousands of U.S. dollars			
	Consolidated balance sheet amounts			**Fair value as of March 31, 2011**
	As of March 31, 2010	Changes in the fiscal year 2011	**As of March 31, 2011**	
Investment and rental property	$358,845	$51,834	**$410,679**	**$575,791**
Properties that include ones used as investment and rental property	$162,766	$14,155	**$176,921**	**$486,061**

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

2. Among changes in the amount of investment, rental property and properties that includes ones partly used as investment and rental property during the fiscal 2011, principal increases were properties acquisitions etc, which amounted to ¥9,113 million (US$109,597 thousand), and principal decreases were depreciation and impairment loss, which amounted to ¥1,321 million (US$15,887 thousand) and ¥846 million (US$10,174 thousand), respectively.

3. Fair value at the end of the fiscal year of Shinjuku Subaru building is the amount estimated by based sale value. Fair value of a part of main investment and rental property is the amount estimated by based value of real-estate appraiser, and fair value of a part of other investment and rental property is the amount estimated by the Company based principally on land assessment value.

[3] Profit and loss concerning investment and rental property

Profit and loss in fiscal 2011 concerning investment and rental property and properties that include ones used as investment and rental property were as follows:

As of March 31, 2011

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

As of March 31, 2011

	Thousands of U.S. dollars			
	Rental income	Rental expenses	Change	Other profit and loss
Investment and rental property	**$36,741**	**$26,446**	**$10,295**	**($4,065)**
Properties that include ones properties used as investment and rental property	**$21,527**	**$13,217**	**$8,310**	**($8,046)**

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

2. Other profit and loss include in gain on sale and impairment loss.

(Fiscal 2010)

(Additional Information)

From fiscal 2010, the Company has applied “Accounting Standard for Disclosures about Fair Value of Investment and Rental Property” (The Accounting Standards Board of Japan (ASBJ) No. 20, November 28, 2008) and “Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property” (The Accounting Standards Board of Japan (ASBJ Guidance) No. 23, November 28, 2008).

[1] Summary of investment and rental property

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

[2] Investment and rental property consolidated balance sheet amounts, principal changes during fiscal 2010, fair value at the end of fiscal 2010 and calculation method of applicable fair value

As of March 31, 2010

				Millions of yen
	Consolidated balance sheet amounts			**Fair value as of March 31, 2010**
	As of March 31, 2009	Changes in the fiscal year 2010	**As of March 31, 2010**	
Investment and rental property	¥30,982	(¥1,144)	**¥29,838**	**¥30,834**
Properties that include ones used as investment and rental property	¥13,707	(¥173)	**¥13,534**	**¥33,561**

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

2. Among changes in the amount of investment, rental property and properties that includes ones partly used as investment and rental property during the fiscal 2010, principal increases were properties acquisitions, which amounted to ¥653 million, and principal decreases were depreciation and impairment loss, which amounted to ¥966 million and ¥526 million, respectively.

3. Fair value at the end of the fiscal year is the amount estimated by the Company based principally on land assessment value.

[3] Profit and loss concerning investment and rental property

Profit and loss in fiscal 2010 concerning investment and rental property and properties that include ones used as investment and rental property were as follows:

As of March 31, 2010

				Millions of yen
	Rental income	Rental expenses	Change	Other profit and loss
Investment and rental property	**¥3,297**	**¥2,275**	**¥1,022**	**(¥474)**
Properties that include ones used as investment and rental property	**¥1,685**	**¥978**	**¥707**	**¥0**

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

2. Other profit and loss include in impairment loss.

30. Additional information

(Fiscal 2010)

Notification with Respect to the Execution of an Agreement Regarding a Share Exchange through which Ichitan Co., Ltd. will become a Wholly Owned Subsidiary of the Company

The Company and Ichitan Co., Ltd. ("Ichitan") resolved, at their respective meetings of the Board of Directors held on March 31, 2010, to conduct a share exchange (the "Share Exchange") through which Ichitan will become a wholly owned subsidiary of the Company and entered into an agreement concerning the Share Exchange (the "Share Exchange Agreement").

The effective date of the Share Exchange(the "Effective Date") was August 1, 2010, after Ichitan obtains approval for the Share Exchange Agreement at the ordinary general meeting of its shareholders scheduled to be held on June 29, 2010. The Company implemented the Share Exchange without obtaining approval for the Share Exchange Agreement at a general meeting of its shareholders in accordance with "simplified share exchange" (kan-i kabushiki kokan) procedures pursuant to Article 796, Paragraph 3 of the Companies Act of Japan. In addition, prior to August 1, 2010, the scheduled Effective Date of the Share Exchange, the shares of common stock of Ichitan were delisted from Osaka Securities Exchange Co., Ltd. on July 28, 2010 (the final day on which the shares of common stock of Ichitan were traded on Osaka Securities Exchange Co., Ltd. was July.

31.Subsequent Event

(fiscal 2011)

Sellout of noncurrent asset

The Company resolved, at the Board of Directors held on August 30, 2010, to sell Shinjuku Subaru Building(building and land) co-owned by the Company and Subaru Kosan Co., Ltd., wholly owned subsidiary of the Company, to Odakyu Electric Railway Co., Ltd. and entered into the sales agreement for the purposes of reorganizing and enhancing its function of headquarter and utilizing its assets effectively.

The transfer of ownership of Shinjuku Subaru Building was completed on April 28, 2011.

The Company will recognise ¥25,000 million (US$300,661 thousand) of gain on sales of noncurrent assets as other income in FY2012.

32.Other

On January 15, 2010, the Company filed a lawsuit with the Tokyo District Court against the Government of Japan for the payment [totaling ¥35,124 million (US$ 422,417 thousand)] of uncollected initial investment fees (amount paid for customization to the Japanese specifications) for the manufacture of the AH-64D combat helicopters for the Japan Ministry of Defense.

The payment [totaling ¥23,954 million (US$ 288,082 thousand)] of uncollected initial investment fees the Company paid was included in "Other assets" of "Inventments and other assets".

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

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of FUJI HEAVY INDUSTRIES LTD. and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income, comprehensive income, changes in net assets and cash flows for the years then ended expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of FUJI HEAVY INDUSTRIES LTD.and subsidiaries as of March 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011.are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

Tokyo, Japan
June 27, 2011