SUBARU

Annual Report 2013

For the year ended March 31, 2013

Confidence in Motion

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

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

Consolidated Financial and Non-Financial Highlights

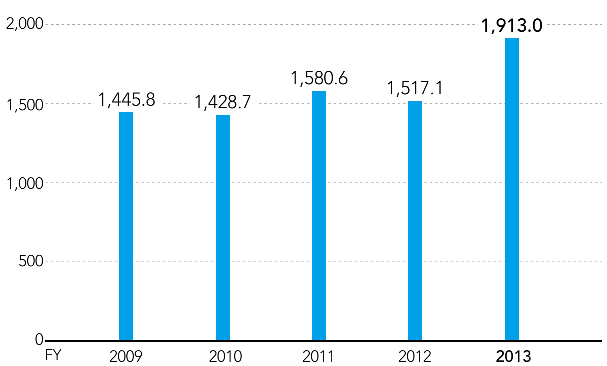
FUJI HEAVY INDUSTRIES LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31

(Billions of yen)

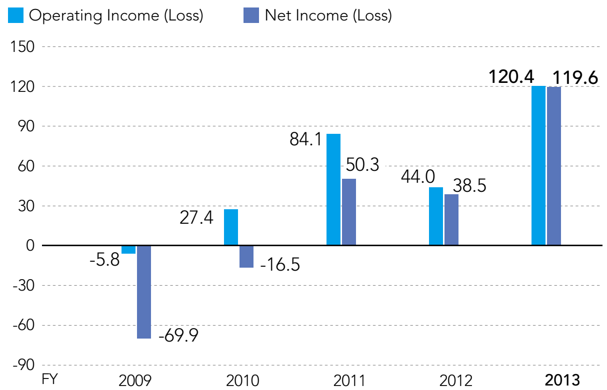
	2009	2010	2011	2012	2013
For the Year:					
Net sales	¥1,445.8	¥1,428.7	¥1,580.6	¥1,517.1	**¥1,913.0**
Operating income (loss)	(5.8)	27.4	84.1	44.0	**120.4**
Net income (loss)	(69.9)	(16.5)	50.3	38.5	**119.6**
Capital expenditures	58.0	56.1	43.1	54.3	**70.2**
Depreciation expenses	65.1	57.1	49.8	53.7	**55.9**
R&D expenses	42.8	37.2	42.9	48.1	**49.1**
Automobiles sales volume (thousand units)	55.5	56.3	65.7	64.0	**72.4**
Exchange rate (¥/$, non-consolidated)	10.2	9.3	8.6	7.9	**8.2**
At Year-End:					
Total assets	1,165.4	1,231.4	1,188.3	1,352.5	**1,577.5**
Net assets	394.7	381.9	414.0	451.6	**596.8**
Interest-bearing debt	381.7	367.6	330.6	341.0	**307.2**
Number of employees	2,765.9	2,758.6	2,729.6	2,712.3	**2,750.9**
Financial Ratios:					
ROE (%)	-	-	1.27	0.89	**2.29**
ROA[1] (%):	-	0.23	0.70	0.35	**0.82**

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

Net Sales (Billions of yen)



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



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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.

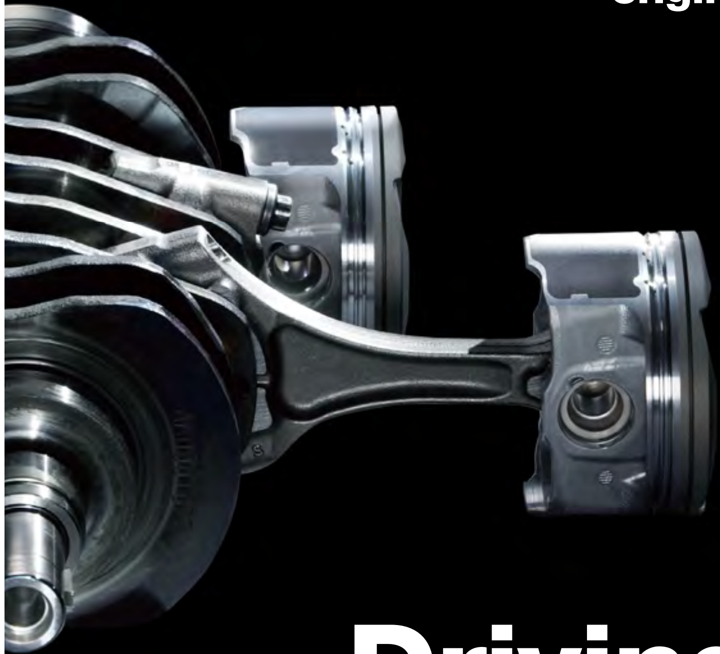
Reliable + Exciting Driving

At Subaru, our mission is to develop unique automobiles and provide our customers with driving enjoyment and peace of mind. For this reason, we create highly original technologies that provide not only a feeling of stability and dependability but also outstanding driving excitement.

Horizontally-Opposed SUBARU BOXER engine

Smooth rotation that cancels out vibrations + lightweight, compact, low-center-of-gravity design = driving enjoyment

With pistons arrayed to the right and left, the layout of Subaru's horizontally-opposed engine is certainly distinctive. This basic structure supports highly balanced rotation, a low level of vibration, and a lightweight, compact design with a low center of gravity. These advantages then contribute to the outstanding stability, handling, and crash safety of Subaru automobiles. In sum, the horizontally-opposed engine is a core technology in our pursuit of driving enjoyment.



Symmetrical All-Wheel Drive

Excellent stability, all-conditions capability, and superior weight balance help realize reliable driving and enhanced peace of mind

In Symmetrical All-Wheel Drive, the horizontally-opposed engine and other powertrain components are arranged in a symmetrical layout around the propeller shaft and form a straight line down the center of the vehicle. This system takes the high driving stability and all-conditions capability of AWD to the next level with superior weight balance, providing the outstanding dynamic performance of Subaru automobiles. Symmetrical All-Wheel Drive is a concentration of advanced technologies that reveals our passion for driving and uncompromising approach to safety.

Driving excitement

A driving experience we designed to be thrilling

In addition to crossover models, Subaru is renowned for sports models like the SUBARU BRZ next-generation sports car. Its newly designed chassis layout brings out the performance characteristics of the horizontally-opposed engine, while the packaging features an extremely low center of gravity. With its turbo-charged horizontally-opposed engine, the Subaru WRX combines high power with an AWD system. A Subaru's driving performance is truly unique: the automobile offers total driving control to the driver with all four wheels firmly gripping the road. Our goal is always to take driving performance and excitement to the absolute limit.

SUBARU ALL-AROUND SAFETY

Since we first began crafting automobiles, safety has been a critical theme. Subaru automobiles don't only offer outstanding safety performance in the event of an accident. Our safety technologies help prevent accidents from happening in the first place. For example, we design our automobiles to be easy and intuitive to drive and to help lessen driver fatigue on long trips. To us, safety means designing automobiles that anyone can drive with peace of mind.

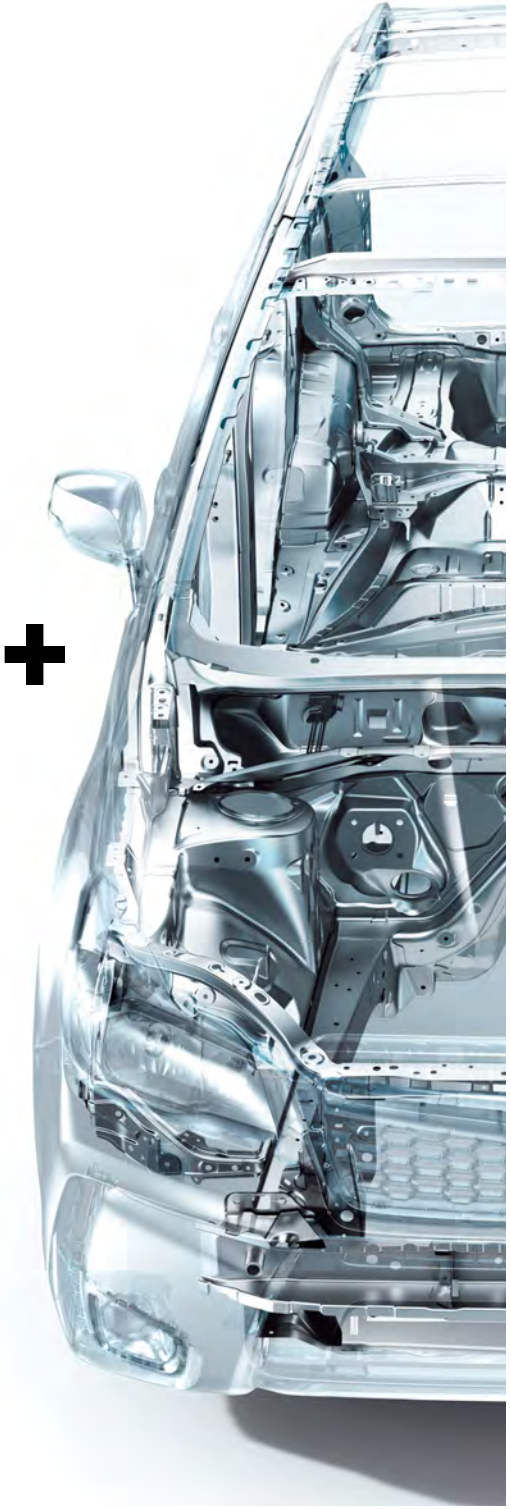
Primary safety
Designing cars to help avoid hazards

Our concept of "primary safety" means enhancing safety at the level of design. We constantly ask ourselves, "What do automobiles need to help prevent accidents from happening in the first place?" To help drivers avoid fatigue and focus on driving with peace of mind, we design our models to offer a superior field of view, and we pay close attention to the design of the instrument panel and seats.

Active safety
Enhancing safety by maximizing driving performance

Achieving excellence in the fundamental functions of the automobile is a key part of our advanced safety performance. Core technologies like the horizontally-opposed engine and Symmetrical All-Wheel Drive support superior overall performance, which in turn helps drivers handle a wide range of driving environments and weather conditions with peace of mind.

Primary + Active + Pre-Crash + Passive Safety



Pre-crash safety
Anticipating hazards to support safer driving

Eliminating accidents completely is the ultimate goal of any automaker. Subaru has been a pioneer in the area of pre-crash safety, in which the goal is to anticipate hazards and thereby lessen the severity of accidents. One of our latest pre-crash safety successes is the "EyeSight" Driving Assist System (Version 2), which continuously monitors traffic with a stereo camera system mounted by the rearview mirror. This advanced system has received praise in Japan and other countries where it has been implemented.

Passive safety
Protecting occupants and pedestrians in the event of an accident

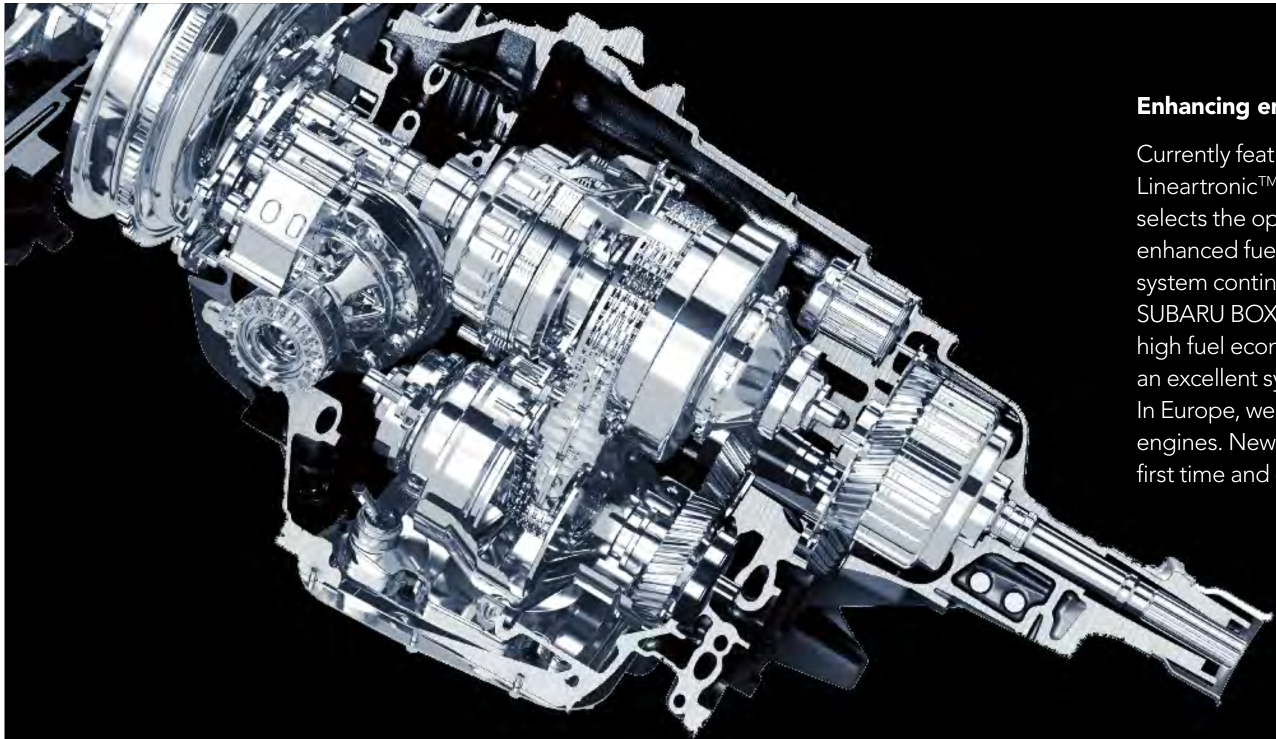
A key responsibility of an automaker is designing automobiles to protect occupants from crash forces in the event of an accident. Developing automobiles that help ensure the safety of occupants and pedestrians alike, Subaru has earned top ratings in crash tests performed around the world. Subaru's own ring-shaped reinforcement frame enhances automobile body crash safety, and we've designed an engine layout that helps prevent the engine from imparting crash forces to the occupants. In our unique approach to maximizing safety performance, we take every element of the automobile into consideration.

Environmental Friendliness

Combining environmental friendliness with driving enjoyment

Subaru seeks always to combine environmental friendliness with enjoyable driving. To accomplish this goal, we engage in a wide variety of initiatives, including the development of highly efficient engines and transmissions and advanced devices that help drivers reduce fuel consumption. Our horizontally-opposed gasoline engine is a key part of our first hybrid system. We are also marketing the world's first horizontally-opposed diesel engine.* Going forward, we will continue to develop and refine environmentally responsible technologies that also realize driving enjoyment in the Subaru tradition.

*First in world among mass-produced passenger cars



Enhancing engine and transmission efficiency for reduced fuel consumption

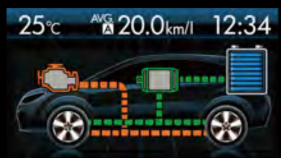
Currently featured on all of our main models, our Lineartronic™ CVT (Continuously Variable Transmission) selects the optimum gear ratio at all times, resulting in greatly enhanced fuel economy. Lightweight and compact, this system continues to evolve. It serves as the perfect complement to our third-generation SUBARU BOXER engine, which offers excellent balance between driving performance and high fuel economy. Together, they compose the ideal powertrain for our main models and an excellent system for further efficiency advances going forward.
In Europe, we offer a lineup of models featuring our unique horizontally-opposed diesel engines. New in 2013, the Subaru Outback Diesel features the Lineartronic™ CVT for the first time and caters to a wide range of customer needs.

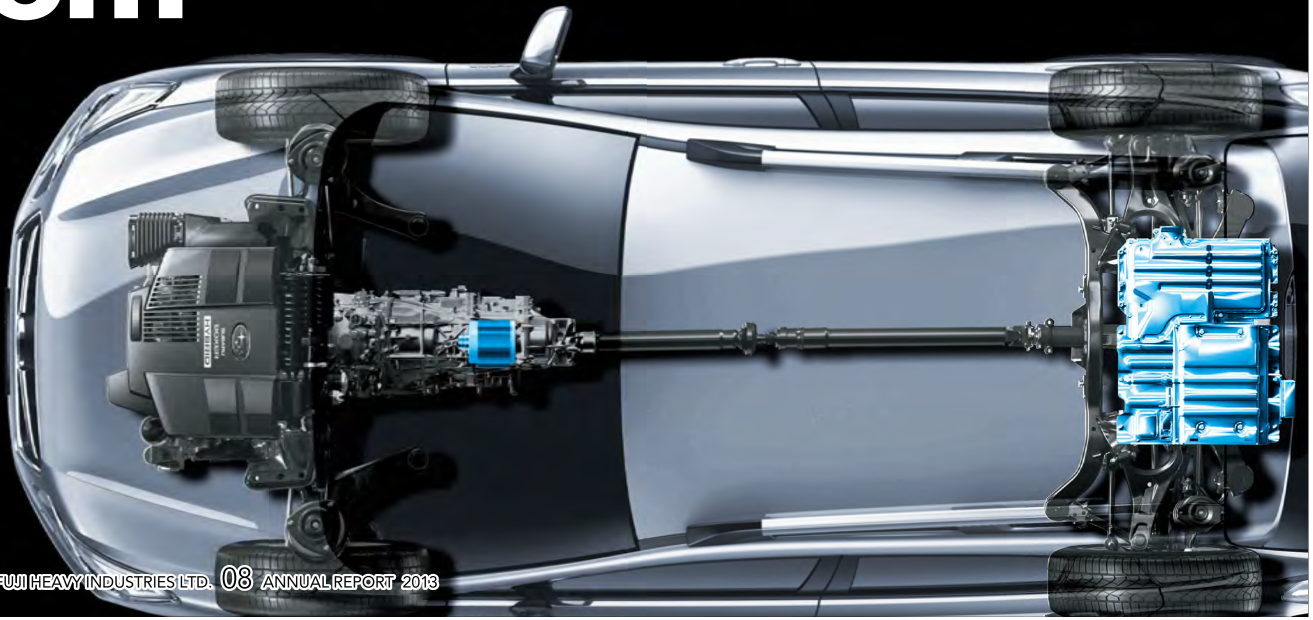
Lineartronic

Hybrid System

A fun-to-drive crossover hybrid from Subaru

In 2013, we introduced the SUBARU XV Hybrid, our first hybrid. With one of our core technologies, the horizontally-opposed engine, at the heart of its advanced hybrid system, this world-class hybrid crossover model offers sporty driving at its finest while delivering outstanding fuel economy. Developing an original hybrid is just one of our many initiatives that anticipate the coming era of vehicle electrification.





With our unique automotive engineering and high-value-added products, we will steadily increase our presence in the world market.

In fiscal 2013 on a consolidated basis, Subaru sold 724,000 automobiles and achieved net sales of ¥1,913.0 billion, operating income of ¥120.4 billion, and net income of ¥119.6 billion. Each of these figures was the highest in our company's history, and we attribute this success to the following factors: 1 We introduced new automobiles worthy of the Subaru tradition that offer our customers driving enjoyment and peace of mind. 2 We increased automobile sales, especially in the United States, our most important market. 3 We achieved a high operating rate at our production sites. 4 We further reduced costs. 5 And finally, the Japanese yen's appreciation was corrected during the fiscal year.

I am pleased to report that our automobiles are continuing to sell well in fiscal 2014, and we are forecasting consolidated automobile unit sales, net sales, and operating income that each set a new Subaru record for the second year in a row.

Based on comprehensive consideration of our business results and the economic environment, we paid shareholders a dividend of ¥15 per share for fiscal 2013, ¥6 higher than for fiscal 2012. Moreover, we are forecasting a dividend payment of ¥20 per share for fiscal 2014, ¥5 per share higher than for fiscal 2013. All of us at Subaru are working together as one to achieve new growth and fulfill the expectations of our shareholders.
I would like to thank all of our stakeholders for your continued support and feedback in the new fiscal year.

Yasuyuki Yoshinaga

Representative Director of the Board,
President and CEO

Q Sales of Subaru automobiles continue to be excellent. What do you think is the reason for this trend?

A I think people are really appreciating our unique and distinctive products, which offer our customers driving enjoyment and peace of mind.

The activities of our whole Subaru team, including both employees and suppliers, have received a fantastic response on the part of our customers, which in turn has led to our favorable business results.

For an automaker with a 1% global share to win in the marketplace and survive, it must offer customers high-value-added automobiles that are differentiated from those of its competitors. For Subaru, the value-adding factors are driving enjoyment and peace of mind. We were originally an airplane manufacturer, and we continue to serve the aerospace industry today. This factor is a very big part of our originality as a company. From our previous incarnation as an airplane manufacturer, we have inherited our uncompromising approach to safety and peace of mind. In turn, this approach has produced our horizontally-opposed engine, Symmetrical AWD (All-Wheel Drive), top-level crash safety, and now our "EyeSight" Driving Assist System. These advances allow us to offer a combination of driving enjoyment and peace of mind that is unique to Subaru.

Third-party testing in the United States has resulted in the highest crash test ratings possible for our vehicles—another factor that has helped us achieve our current excellent sales results in America.

In February 2012, Subaru discontinued the development and production of mini vehicles. The reason is that, in order for a smaller automaker like Subaru to survive, it needs to focus its limited corporate resources on its core competencies. For Subaru, that meant concentrating on passenger vehicles. We have thus been applying to passenger vehicles the human and financial resources we used to develop mini vehicles. As a result, we have been able to introduce extremely original automobiles like the SUBARU XV and SUBARU BRZ, which have received a fantastic response in the marketplace. By focusing our corporate resources in this way, we've been able to offer high-value-added products and service, which in turn have led to the excellent sales we are currently enjoying.

Q What kind of results are you forecasting for fiscal 2014?

A We are expecting our consolidated net sales and operating income to be the highest in Subaru history for the second year running.

For fiscal 2014 on a consolidated basis, we are forecasting automobile sales of 752,000 units, net sales of ¥2,080.0 billion, operating income of ¥198.0 billion, and net income of ¥121.0 billion. For the second year in a row, we expect automobile unit sales, net sales, and operating income to be the highest in Subaru history.

In terms of current sales trends, the SUBARU XV is selling very well. We totally redesigned the Forester at the end of 2012, and it too has been very well received by the market, especially in North America. I think these positive factors will contribute to our business results throughout the fiscal year.

According to our "Motion-V" mid-term management plan, we intend to sell 850,000 automobiles in fiscal 2016, which is the final year of the plan. The plan further specifies that 380,000 units out of that total will be sold in the United States. Yet in our near-term plan for fiscal 2014, we are already forecasting automobile sales in United States of 385,000 units, putting us two years ahead of the mid-term schedule.

Q How is the correction of Japanese yen's appreciation affecting Subaru?

A It is having a positive effect on profitability, which we will feed back into increased capacity and R&D.

In fiscal 2013, the exchange rate was ¥82 to the US dollar, and we are using a figure of ¥92 to the US dollar for fiscal 2014. The correction of yen appreciation since the beginning of 2013 has indeed been positive for our overseas sales and overall profitability. Going forward, however, Subaru needs to be profitable even when the yen is on the rise, and we are focused on increasing the strength of our company without dependence on any particular exchange rate scenario.

We are going to invest the additional profit the weaker yen has brought us into increased production capacity and R&D so as to grow the company further. We will also invest in enhancing our workplace environments and in other initiatives that make our group stronger as a whole.

Q What is Subaru doing to increase production capacity?

A We are making an all-out effort to increase production and supply of Subaru automobiles in the US.

Thus far, in our initiatives to increase sales, we have achieved our best results in the US market. For this reason, going forward, we need to fortify our operations in the US so as to delight our customers there. Although our automobiles continue to sell well in the US, we have had insufficient inventory of certain models, causing our dealers and customers to wait. To address this issue, when we announced our results for fiscal 2013, we also announced that we would be increasing production capacity at Subaru of Indiana Automotive, Inc. (SIA). We plan to raise capacity there from the current figure of 170,000 units per year to 200,000 in fiscal 2015 and 300,000 in fiscal 2017. Since a high percentage of our customers are in the US, we intend to increase capacity at our local production site in order to supply automobiles in a more timely manner. We also think that this production capacity increase will create an environment for Subaru local dealers that allows them to invest in their businesses with a sense of assurance.

Moreover, since the end of 2012, we have been partnering with a Malaysian company to assemble automobiles locally from complete knock-down (CKD)* kits. Because the ASEAN countries have a high tariff on automobile imports, there is a limit to the business we can develop there based on exports from Japan. Going forward, however, the ASEAN population and therefore its automobile market are expected to grow. Currently, we are producing on a small scale there, just 5,000 units per year. But if we move steadily ahead, I think that local production will contribute to sales growth in the ASEAN region, and we intend to proceed with a long-term perspective.

*Complete knock-down kits contain all major parts, making possible importation and local assembly and sales of finished vehicles.

Q What markets do you see as promising for the future?

A The American Sun Belt, China, and Russia are among several markets that we plan to develop further.

There are several frontier markets that have had a lot of hidden growth potential, and the one for which we have the highest expectations is the Sun Belt region of the United States. Thanks to our increased sales in recent years in the US, we have grown our market share in the country from 1.2% in 2007 to 2.3% in 2012. But the region that has led the sales increase is the Snow Belt, where we have a market share of over 3%, whereas our market share in the Sun Belt is currently around 1%. Our brand recognition in the US also continues to increase, so I think we have considerable room for growth in the Sun Belt.

A second important market is China. Beyond the fact that it's the largest automobile market in the world, recognition of our unique products is increasing there, and we are building a very positive brand image. In fiscal 2013, our automobile sales in China totaled just 50,000 units, but we plan to sell 100,000 units there in fiscal 2016 per our current mid-term management plan.

We also see Russia as a market with upside sales potential. It's a large market with yearly automobile sales of around 3 million units. The country gets plenty of snowfall, making it the ideal driving environment to promote AWD, a core feature of Subaru automobiles.

At the same time, we don't intend to build markets just to increase unit sales volume. Rather, our plan is to focus on markets in which we can strategically leverage the added value and differentiating features of our automobiles and grow our business.

Q What is Subaru's product strategy going forward?

A Since we are currently enjoying strong sales, it's important that we take on new challenges.

We are dedicated to offering unique products that combine safety and peace of mind with driving pleasure. In fiscal 2013, we redesigned the Forester and introduced two new models, the SUBARU XV and the SUBARU BRZ. All of these models are currently selling very well.

The fact that customers are responding so favorably to our new products puts additional pressure on the Subaru engineers who are developing future products. The scariest possibility to me, however, is our engineers fearing failure and therefore developing automobiles based on past successes and keeping the concepts of current models intact. The practice of retaining model concepts makes new models hard to distinguish from their predecessors and reduces their competitiveness with automobiles from other companies. In order for a small-scale automaker like Subaru to compete with the big companies in the marketplace, it's essential for us to take on new challenges in automobile development that competitors are not addressing. For this reason, these days when I talk to our PGMs (Project General Managers), who are responsible for development, I encourage them not to play defense and tell them to take on challenges without fear of failure.

Q To achieve these goals, what kinds of initiatives is Subaru undertaking in development?

A Subaru engineers responsible for development are listening directly to the voice of the customer and applying what they learn to developing new vehicles.

As compared to the development functions of competitors, Subaru's is smaller and less divided into specialized units. Thus, each of our engineers participates in a wider range of development activities. In fact, we have the reputation of having more engineers than any other company with such a comprehensive understanding of automotive technologies. Having to cover so much territory is certainly a tough part of being an engineer at Subaru. Nevertheless, even as we keep an eye on costs, we've established an environment in which engineers are free to research what interests them. And having the engineers in each section understand the entire automobile while participating in development is a distinguishing feature of our approach to developing automobiles.

Our PGMs are the people who guide our engineers and lead our new product development projects. A recent trend has taken off among our PGMs of listening directly to the opinions of our customers and feeding that information back into new automobile development. For example, one of our PGMs has been visiting the homes of Subaru owners in the United States and listening to what they think about our automobiles and what they want to see in the future.

Of course, until now we've listened to the voice of the customer via our dealers, analyzed the findings of market research companies, and applied all this information to new automobile development. But when it comes to determining the direction of new automobile development, since the PGMs are the ones responsible for new ideas, I think their direct exploration of customer opinions and reactions is an extremely effective initiative.

Q What kinds of challenges is Subaru taking on in the area of technology?

A We have introduced the first Subaru hybrid, which offers not only high fuel economy but an outstanding driving experience.

We've achieved impressive results by proactively developing such new technologies as the "EyeSight" Driving Assist System, a new horizontally-opposed engine, a new CVT, and a new direct-injection turbo engine. At the same time, we're also proactively developing new technologies to compete in the new era of vehicle electrification.

The first achievement of our electromotive technologies is our first hybrid vehicle, the SUBARU XV Hybrid, which we launched in the Japanese market in June 2013. We plan to launch this model in the US market late fall 2013. This model features a new Subaru-developed hybrid system based on our original powertrain structure, which includes a horizontally-opposed engine and Symmetrical AWD. Since Subaru is the last automaker to introduce a hybrid vehicle, we couldn't expect customers to choose our hybrid if it had only a conventional hybrid system. For this reason, we designed the system not merely to offer high fuel economy but also to provide motor assist that enhances acceleration performance in the low speed range. The result is a hybrid vehicle that offers outstanding driving enjoyment in the Subaru tradition.

In order to take the Subaru tradition to the next stage in the era of vehicle electrification, we plan to strengthen further our R&D function. Fully expressing our uniqueness in both electromotive and gasoline engine vehicles will help Subaru grow even more.

Q Please talk more about Subaru's management policies going forward.

A **We aim to achieve steady growth as an automaker with a unique presence in the market.**

If we can make steady progress on our initiatives this fiscal year, then it is possible we will achieve the profit objectives of our mid-term management plan two years ahead of schedule. To accomplish this, we at Subaru are currently engaged in a discussion about our initiatives going forward. Part of this discussion deals with what direction we should pursue not just to achieve numerical targets but also to make Subaru an even more appealing company overall. Since we are currently close to achieving our goal of selling 850,000 vehicles per year worldwide, it is only natural to set an even higher objective and pursue a strategy for growth. At the same time, when we consider our position in the global automotive industry, our first priority is not quantitative growth based on expanding unit sales. Rather, a more pressing goal of management is enhancing profitability via qualitative growth, in which we develop automobiles that appeal to customers in ways the competition can't match.

Reflecting upon the significance of our existence as an automaker, we will determine the direction we need to take and share that vector throughout our group. Further, as we continue to focus corporate resources on our core competencies, we will introduce new products differentiated with added value unique to Subaru while further expanding the supply of our products in our main markets.

We will continue to develop unique Subaru products and provide our customers with driving enjoyment and peace of mind. And we will achieve solid growth, aiming to be an appealing and high-presence company in the world.

Yasuyuki Yoshinaga

Representative Director of the Board,
President and CEO

The Subaru Production Strategy

Empowered by Management

Gunma and SIA gear up for global sales of over 1 million vehicles per year.

To produce over 1 million vehicles per year, we are becoming even more flexible and efficient.

With a view to achieving our long-term objective of selling more than 1 million vehicles per year, we are currently reorganizing our global production system. In addition to proactively investing to increase production in North America, the largest market for Subaru automobiles, we are refining our production processes and operational efficiency at our facilities in Japan. Through these initiatives, we are ramping up production while taking cost-performance to the next level.

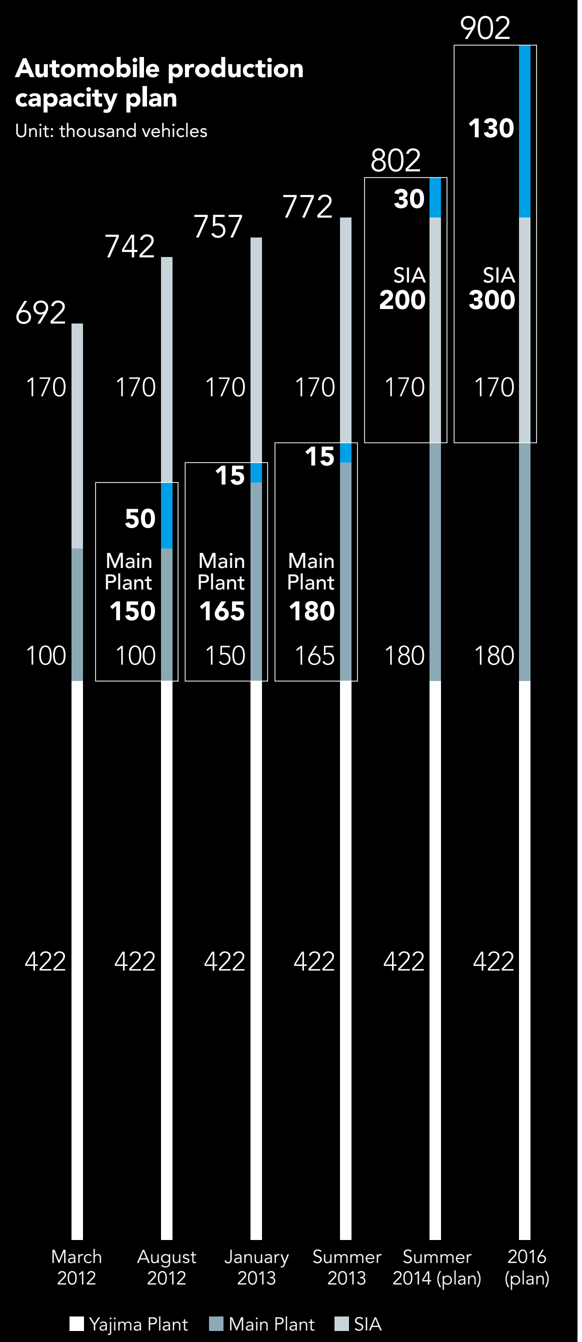
Commenced in 2011, Subaru's "Motion-V" mid-term management plan set forth the objective of achieving annual automotive sales volume of more than 1 million units within 10 years to support long-term, sustainable corporate growth. Since then, we have pursued a sales strategy with a strong focus on our core competencies and have supported this strategy by reorganizing our global production system. Due to changes in circumstances, we determined that one goal of the plan, beginning local production in China, would be difficult to achieve during the period of the mid-term plan. To compensate, we have been working to increase production at our existing plants in Japan while further fortifying our production system in our most important market, North America, where sales results continue to exceed plan.

We plan to increase yearly automobile output at Subaru of Indiana Automotive, Inc. (SIA) from the current 170,000 units to 200,000 units by the end of fiscal 2015, and to 300,000 units by the end of fiscal 2017. In addition, we plan for SIA to begin producing the Impreza, which continues to sell extremely well.

At our Gunma Manufacturing Division in Japan, we have achieved incremental increases in production capacity by refining production processes, while our "bridge production" initiative has allowed us to produce multiple models on multiple production lines, optimizing our output of each in response to demand. Through these efforts, we are maximizing efficiency and increasing production at our current facilities while holding investment in new facilities to a minimum. Based on this strategy, we will raise our yearly production capacity of passenger vehicles in Japan from 422,000 units in FY2012 to 602,000 units by summer 2013.

To achieve our goal of selling more than 1 million vehicles globally per year, we are raising our production capacity by practicing optimal management of facilities and human resources at each production site.

Automobile production capacity plan
Unit: thousand vehicles



Leading Subaru production since 1960, Gunma is implementing new initiatives to enhance efficiency.

Ever since its previous incarnation as an airplane manufacturer, Subaru has maintained the same stringent philosophy of designing and producing vehicles, which includes the following three goals: pursuing the ultimate in Subaru vehicle performance; condensed, lean packaging; and top-level safety in all driving environments. Established in 1960, our Gunma Manufacturing Division has faithfully put these principles into practice and served as the heart of our global automobile production for more than a half-century.

The Gunma Manufacturing Division comprises the Main Plant and Yajima Plant, which assemble finished automobiles; the Oizumi Plant, which produces automobile engines and transmissions; and other facilities. While carrying on the tradition of technology and expertise we have built since the foundation of our company, the Gunma Manufacturing Division strives always to produce vehicles that truly delight our customers, delivering them in as timely a manner as possible. Moreover, the Division aims to be the best in the world in the areas of product quality, manufacturing efficiency, environmental responsibility, and worker well-being.

In Japan

To deliver highest-quality vehicles in a timely manner, we will continue to improve and enhance our production lines and technologies.

Automobile production per year in units

Figures correct as of March 31, 2013

583,000 units

After discontinuing mini vehicle production, we are focusing on value-added passenger vehicles.

To focus corporate resources on manufacturing passenger vehicles that offer even more value than mini vehicles, we discontinued the design and production of mini vehicles in February 2012. To this end, we have transformed our Main Plant from our main mini vehicle production site to a passenger vehicle assembly plant. This plant now produces the SUBARU BRZ/Toyota 86/Scion FR-S, a model that we co-developed with Toyota Motor Corporation.

In August 2012, we began our "bridge production" initiative at the Main and Yajima Plants, which allows us to produce the Subaru Impreza and SUBARU XV at both sites. Thanks to this new production system, we can rapidly and flexibly adjust the proportion of the two models we produce at each plant in response to changing circumstances. Plus, in our "stepwise expansion" initiative, we have refined our production processes on a continuous basis, thereby expanding automobile production in Japan to 583,000 units per year as of March 31, 2013—a 24.6 percent increase over the previous year. While we focus our corporate resources on capital investments that support our core competencies, our employees are working hard to raise production capacity to deliver Subaru automobiles to our customers as quickly as possible.

Initiative No. 1: **Stepwise expansion**

We efficiently expand production capacity with minimal investment.

From an early date, we have been engaged in refining our production processes to raise production capacity step by step while minimizing new investment in facilities and equipment. An automobile production line includes many separate production processes, including pressing, welding, painting, and final assembly. Differences in capacity between the various machines used in production cause bottlenecks. In this unique stepwise expansion initiative, we thoroughly analyze these bottlenecks and improve processes with small investments in precisely tailored solutions. As a result, we can increase capacity incrementally across the entire production line. As one example of this method, we have gradually increased production by increasing the number of welding robots and optimizing their configuration. Through making continuous improvements of this kind, we are realizing a highly efficient production system while holding new investment to a minimum.

Annual passenger vehicle production capacity

February 2012

422,000 units ▶▶

2012 reorganization of production lines at Gunma Manufacturing Division

March

Production begins of SUBARU BRZ/Toyota 86

May

Updated Legacy launched

August

Bridge production begins of Subaru Impreza and SUBARU XV at both the Main and Yajima Plants

November

All-new Forester launched

Summer 2013

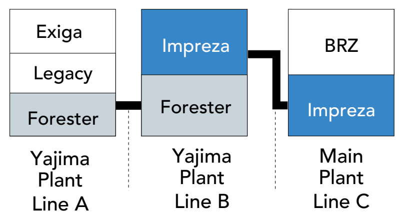
▶▶ 602,000 units

Initiative No. 2: **Bridge production**

The Main and Yajima Plants coordinate to meet changing demand rapidly and flexibly.

When a company produces as small a number of vehicles as Subaru does, it is crucial to fulfill the actual demand for each model as precisely and rapidly as possible. We call our method of achieving this goal "bridge production," in which two or more production lines are able to produce multiple models. Each line flexibly changes its output of each model in order to meet demand in real time. In the Gunma Manufacturing Division, the Yajima Plant was the first to implement bridge production. Then in August 2012, after the Main Plant switched from mini vehicle to passenger vehicle production, it joined the Yajima Plant in a two-plant bridge production system. Both plants are able to produce the Subaru Impreza and the SUBARU XV, adjusting the number they produce of each model as needed. This system helps produce a level utilization rate of the lines at both plants while making Subaru able to respond to changing demand flexibly and rapidly.

Bridge production at Main and Yajima Plants

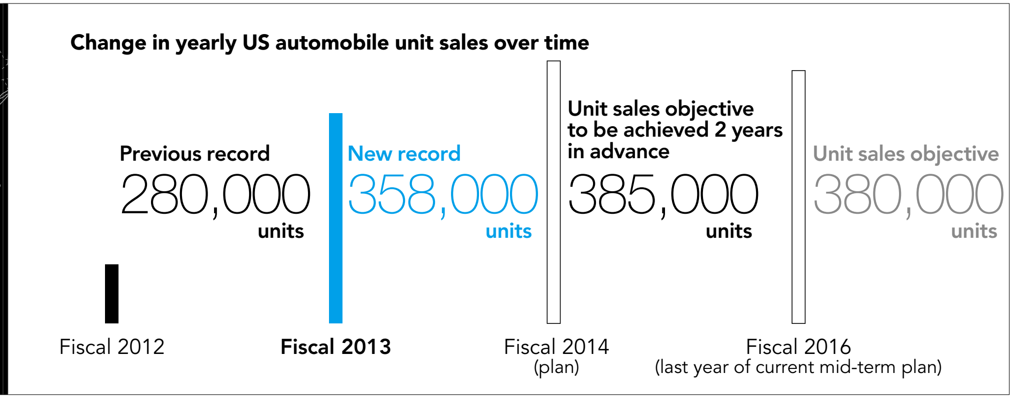


Bridge production of the Impreza and Forester models serves as a kind of control valve, allowing the lines to respond flexibly to demand for each model and maximize the utilization of production capacity.

Unique Subaru engineering and products continue to earn new customers in America.

The United States is currently the biggest market for Subaru, representing about 50% of our worldwide sales volume. We've earned the support of American customers through our unique engineering and automobiles, which offer exceptional crash safety, utility, and driving performance. In addition, we've responded directly to the needs of the US market by introducing larger models and built a strong network of dealers, resulting in robust sales growth.

Subaru of Indiana Automotive, Inc. (SIA), our US automobile production plant, has also been crucial to the growth of our business in the US market. While coordinating with the Gunma Manufacturing Division, the heart of our global production system, SIA serves as the sole production site of the Tribeca, Legacy and Outback models which are especially popular in the US. Producing locally lets us reduce the risk we incur from fluctuating exchange rates. More importantly, we can fulfill continuously growing local demand by producing and supplying automobiles in a timely manner, thereby realizing sustainable sales growth in the US.



We're increasing capacity at SIA, which has been our foundation for growth in the US.

When SIA became a full Subaru subsidiary in January 2003, we began a new initiative to enhance its productivity and increase the level of coordination between it and Subaru of America, Inc. (SOA), our US sales and marketing subsidiary. As a result, we were able to expand our production capacity in the US significantly. Moreover, we began consignment production of the Toyota Camry at SIA in April 2007, further stabilizing our operating rate at this location.

In 2010, building on robust US sales, we invested in equipment for several main production processes, including those related to painting, and interior and exterior finishing. We also replaced outdated systems, taking overall production capacity at SIA to the next level. This initiative put us in position to increase output of two popular models, the Legacy and the Outback. By investing in equipment as needed and implementing our "stepwise expansion" method of enhancing efficiency, we are increasing production capacity at SIA on a continuous basis and giving full support to our healthy sales in the US market.

The Subaru Production Strategy

With a $400M investment, we plan to take SIA production capacity to 300k units/year in fiscal 2017.

In the United States, automobile sales in recent years have exceeded our projections, resulting in insufficient inventory on a regular basis. In Japan as well, our passenger vehicles sold extremely well in fiscal 2013, and we were unable to increase production in Japan enough to ease the lack of supply in the US market.

To address the insufficient supply of Subaru automobiles in the US, we are further expanding production at SIA. First, by increasing and improving equipment on our current production lines, we plan to increase production capacity to 200,000 units per year by the end of fiscal 2015. Then, we plan to take production capacity to 300,000 units per year by the end of fiscal 2017 at a total investment of approximately $400 million. As part of our production expansion, we will begin production at SIA of the Impreza, a model that is extremely popular in the US. In addition, we plan to implement at SIA "bridge production", our method of producing multiple models on multiple production lines, which has been a success in Japan. Through initiatives like these, we plan to increase production capacity in the United States on a continuous basis going forward.

Plan to increase SIA production capacity

By end of fiscal 2015

Subaru vehicle production capacity at SIA 200 k units/year

200 k units/year Subaru vehicle line

100 k units/year OEM vehicle line

$400M investment in SIA production capacity

Current line expansion	$ 160M
Bridge production implementation	$ 40M
New painting facility	$ 200M

By end of fiscal 2017

Subaru vehicle production capacity at SIA 300 k units/year

200 k units/year Subaru vehicle line

100 k units/year, 100 k units/year Subaru + OEM vehicle line

To grow our business in the US, we are developing an autonomous US workforce.

To achieve its major production capacity expansion objectives for fiscal 2017 and begin producing new models, SIA is proactively expanding its workforce with a plan for 900 new hires in total. Concurrently, SIA is fortifying its employee training programs and other human resources initiatives. As one example, SIA sends engineers to Japan to participate in a new automobile development project from the beginning. The engineers are then able to leverage this real-world experience when they launch production of a new vehicle back home. Further, they each gain deeper ownership of Subaru's unique approach to manufacturing automobiles. Ultimately, this initiative helps SIA develop outstanding and autonomous human resources that contribute to enhanced productivity and product quality.

At an early date, SIA achieved certification in the internationally recognized management systems ISO 9001 (quality management), ISO 14001 (environmental management), and ISO 50001 (energy management). All employees participate in these systems, applying their principles and methods throughout the company and thereby contributing to enhanced efficiency and sustainable environmental management.

CSR at Subaru

The 8 CSR Action Items

Customers and Products
Provide society useful and optimally safe products and services that earn customers' satisfaction and confidence.

Employees
Respect the diversity, individuality, and personality of employees and ensure that work environments are as safe and comfortable as possible.

Environment
Address environmental issues proactively in recognition of their importance for all mankind.

Compliance
Respect laws and moral standards; engage in fair, transparent, and free competition; and conduct business equitably. Honor confidentiality, carefully protecting and managing data, particularly personal information.

Information Disclosure
Communicate transparently with stockholders and other stakeholders, disclosing corporate information proactively and fairly.

Social Contribution
Maintain proactive social action programs as a good corporate citizen.

Procurement
Conduct procurement appropriately and work with suppliers to promote corporate social responsibility.

Corporate Governance
Make it a key responsibility of management to ensure that appropriate CSR policies are adopted throughout the corporate group, and undertake appropriate initiatives to address any emergencies that may arise.

Subject and Period of CSR Report

- The report covers Group companies in Japan and overseas with a focus on Fuji Heavy Industries Ltd.
- The report covers performance for the period of fiscal 2013 (April 2012 to March 2013) and a number of activities before and up to the release of the report.
- The departments, titles, etc., of the people introduced in this report are correct as of the time of writing.

Communicating with Customers

Putting Customers First with the Subaru Declaration

In October 2011, Subaru issued the Subaru Declaration, which specified the goal of being chosen by customers for "Enjoyment and Peace of Mind" and the attitude and actions needed to achieve this goal. Sharing the same goal, our dealers have also posted their own Subaru Declarations and are engaging in initiatives to implement them.

Subaru Declaration

- We aim to be No. 1 by being the automobile brand that offers customers "Enjoyment and Peace of Mind."
- All Subaru employees will present "Enjoyment and Peace of Mind" as brand values to customers and offer them the highest level of service.

Revised Customer Satisfaction Survey Criteria

To realize the Subaru Declaration, which we issued as part of the fiscal 2012 mid-term management plan, we have revised our Subaru Customer Satisfaction Survey criteria. To the survey criterion "level of satisfaction," which measures customers' assessment of the service provided by dealers, we have added "level of trust," which measures customers' future expectations based on the quality of service they have experienced. We will use survey results to help us provide the "Enjoyment and Peace of Mind" expressed in the Subaru Declaration while building relationships with customers that encourage them to continue choosing us over the long term.

Results of External Customer Satisfaction Survey

In the second Japanese Customer Service Index (JCSI) survey conducted by Service Productivity & Innovation for Growth (SPRING) in fiscal 2013, Subaru achieved the No. 2 ranking in the automobile industry for customer satisfaction with dealers.

CS Activities Focused on Subaru Dealers in Japan

With the goal of building the Subaru brand through continuous enhancement of CS, we offer support and promotional services to Subaru dealers in Japan. We implement our own customer satisfaction surveys to learn how customers view our products, product quality, sales service, after-sales service and other topics. We use the results of these surveys to provide feedback to our dealers and the Subaru departments that support them.

Developing Dealer Employees in Japan

As part of our efforts to continuously enhance CS, the Subaru Academy provides support to dealers in Japan based on the principles of the Subaru Declaration. Through education services and general guidance, the Subaru Academy helps dealers develop employees and create workplace environments in which HR development initiatives can be successful.

International CS Initiatives

With the goal of achieving uniformly high after-sales service around the world and helping Subaru customers drive with peace of mind, the Subaru Customer Center works with importers around the world to help them and their dealers enhance their educational systems and overall structures. Through initiatives like the Service Advisor Development Program and After-Sales Service CS No. 1 Committee, we are building a corporate structure that can deliver customers service that meets their needs while ensuring that our importers and dealers worldwide offer service worthy of Subaru.

Fiscal 2013 Initiatives

- Educational
  We developed STEP (Subaru Technician Education Program), which provides technical education to our overseas service technicians.
- Structural
  With the goal of working closely with our importers worldwide to raise CS, we established the After-Sales Service CS No. 1 Committee, which met twice last year.

Making Vehicles Safer

Philosophy of Making Vehicles Safer

We craft each Subaru vehicle so that anyone at any time can enjoy driving it with comfort and peace of mind. Essential to this vision is the pursuit of safety performance at the highest level. In fact, our first priority is to make our vehicles as safe as possible in all driving conditions. To this end, we develop advanced vehicle safety technologies in the following categories:

Active safety: Core capabilities that support driver awareness and responsiveness, thereby helping to prevent accidents.

Pre-crash safety: Technologies that help prevent accidents from happening and reduce damage when they do happen.

Passive safety: Technologies that help minimize damage in the event of an accident.

Fiscal 2013 Automobile Assessment Results

In fiscal 2013, the Impreza and Legacy both won the Japan New Car Assessment Program (JNCAP)[1] Five Star Award[2] under its new overall evaluation of safety performance. For the Legacy, this was its second consecutive year to win the award. Overseas, all models in the Subaru lineup sold in the U.S. were selected as 2013 Top Safety Picks[3] by the Insurance Institute for Highway Safety (IIHS). In addition, as a result of their performance in the small overlap frontal collision test newly introduced by the IIHS, the Legacy and Outback received a 2013 Top Safety Pick Plus[4] award, the highest rating currently established by the IIHS.

Additionally, the Forester received Euro New Car Assessment Program (Euro NCAP)'s[5] highest safety rating of five stars in 2012, while the Forester and SUBARU BRZ received the highest rating of five stars by the Australasian New Car Assessment Program (ANCAP)[6].

1 A program in which the Ministry of Land, Infrastructure, Transport and Tourism and the National Agency for Automotive Safety & Victims' Aid (NASVA) jointly assess vehicle safety performance and disclose the results to the public.
2 To earn five stars, a vehicle must attain a minimum 170 points in the new overall safety performance rating, fulfilling level 4 or better in the full-wrap frontal collision test, offset frontal collision test, side collision test, neck injury protection performance test in a rear collision, pedestrian head protection performance test, and pedestrian leg protection performance test.
3 A car safety performance index. To be listed, a vehicle must achieve "good" ratings in moderate overlap frontal crash and side crash tests, a rollover test, and evaluations of seat/head restraints for protection against neck injuries in rear impacts.
4 To receive a Top Safety Pick Plus award, a vehicle must attain four "good" and one "acceptable" ratings or better in moderate overlap frontal crash and side crash tests, evaluations of seat/head restraints for protection against neck injuries in rear impacts, a rollover test and small overlap frontal crash test.
5 Car safety assessment program conducted since 1997 by an independent body comprising transport authorities and vehicle-related organizations in European countries.
6 Car safety assessment program conducted since 1993 by an independent body comprising transport authorities and vehicle-related organizations in Australia and New Zealand.

JNCAP

- Impreza received JNCAP Five Star Award 2012.
- Legacy received JNCAP Five Star Award 2012.

IIHS

- All 2012 model year Subaru cars received 2013 Top Safety Pick.
- 2013 model year Legacy and Outback (manufactured after Aug. 2012) received 2013 Top Safety Pick Plus.

Euro NCAP

- Forester awarded five stars in 2012 rating.

ANCAP

- Forester awarded five stars.
- SUBARU BRZ awarded five stars.

Occupational Health and Safety

Philosophy of Occupational Health and Safety

In line with the Subaru Corporate Philosophy, we consider occupational health and safety to be a critical responsibility of management. Our Health and Safety Philosophy is, "We make health and safety the first priority in all of our work." Based on this philosophy, all managers and employees work to ensure health and safety in their workplaces while continuously striving to make the working environment more pleasant and comfortable for all.

Health and Safety Philosophy
"We make health and safety the first priority in all of our work."

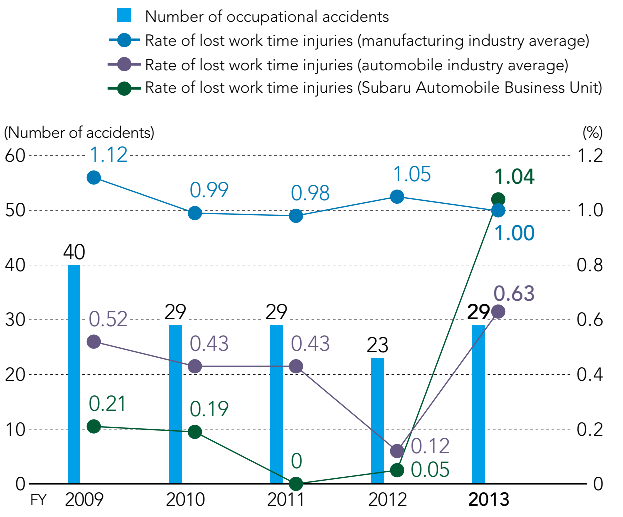
Basic Policy of Health and Safety

Aiming for zero incidents of occupational accidents, traffic accidents, diseases, and fire disasters, all employees recognize the importance of health and safety; strive to improve equipment, environments, and work methods; and raise the level of management and awareness in order to create safe and comfortable workplaces.

Aiming for Zero Industrial Accidents

At the start of each fiscal year, each Subaru business site conducts a Health and Safety Kickoff Meeting that aims to raise awareness about industrial accidents, road safety, and health management. With the ultimate goal of zero industrial accidents for the year, the general manager of each site talks to workplace leaders about the health and safety policies and initiatives for the fiscal year. All Subaru sites strive to continuously improve their health and safety management systems and risk assessment activities so as to prevent industrial accidents and raise the overall level of health and safety in the workplace.

Occurrence of Industrial Accidents and Rate of Lost-Worktime Injuries



In fiscal 2013, 29 industrial accidents occurred at Subaru workplaces; 1.04% of these accidents caused the victim to take time off from work, a higher than average rate. In fiscal 2014, with the goal of achieving zero industrial accidents and consequently reducing to zero the rate of accidents that result in lost work time, we are working to raise awareness of occupational safety and our initiatives to enhance it.

Work-Life Balance Initiatives

Work-Life Balance Philosophy

We believe that supporting work-life balance helps employees express their abilities at the highest level, and we therefore strive to create a work environment that allows employees to raise children and take care of family members in need. We believe that for employees to feel fulfilled and empowered in their work, they need to be able to enjoy family and community activities while choosing the values and lifestyles that are right for them. For this reason, we support work-life balance through a variety of initiatives.

Diversity Initiatives

Promoting Diversity

For our company to continue offering customers value not found in competing products, each Subaru employee needs to be able express his or her abilities as an individual with unique values. For this reason, Subaru values differences in gender, nationality, culture, and lifestyles of employees and strives to create workplace environments in which everyone finds it easy to work.

Supporting Employees with Disabilities

At Subaru, we strive to create workplace environments in which people with disabilities can truly shine. To achieve this goal, we leverage the ideas and opinions of our employees with disabilities and their family members. As of March 31, 2013, Subaru employed 162 persons with disabilities, mainly in manufacturing work. The percentage of employees with disabilities for fiscal 2013 was 1.62%, which was below the legally mandated rate of 1.8%. We are working to hire more people with disabilities and make our workplace environments even more conducive to their employment.

In Subaru workplaces, we set the height of automatic door switches and work stations at a level that is convenient for those using wheelchairs.

Global Human Resources Initiatives

At our Gunma Manufacturing Division, we welcome employees from Brazil, Peru, China, and many other countries. Even people whose conversational Japanese is advanced may have difficulty with complex instructions about manufacturing processes or specialized vocabulary. For this reason, we produce manuals in a wide variety of languages and offer interpretation services as needed. We also provide Japanese employees opportunities to receive language training and engage in extended training programs overseas, helping them enhance their communication with people from other countries and understand cultures different from their own.

Manual in Portuguese

Universal Design Initiatives

With the goal of establishing more comfortable workplaces, we systematically plan continuous workplace improvements in the areas of work environment, work methods, and environmentally responsible facilities, among others. We practice universal design in our facilities, aiming to make break areas, toilets, smoking areas, and cafeterias as barrier-free as possible.

Barrier-free entrance

Human Resource Development (HRD) Initiatives

HRD Philosophy

We offer a variety of training programs to help each employee create a vision of his or her future self and make proactive efforts to realize this vision.

Among our level-based training programs, the Startup Program helps all employees who have risen to a higher level adapt to their new responsibilities and focuses on logical problem solving. With the goal of helping employees obtain and enhance business skills, we also offer training programs for each type of position within the company. As a new initiative for fiscal 2013, we established a program to help employees attend business school. With a view to accelerating our global HRD, we also established programs to facilitate foreign language acquisition and training in companies overseas.

HRD Philosophy

We seek to realize the Subaru human resources ideal of highly engaged and autonomous employees by helping employees develop the ability to identify and solve problems themselves.

Subaru Technical School

We opened the Subaru Technical School (STS) in 2005 with the goal of training young technicians to become future leaders. By transmitting to the next generation technical expertise and work methods that are tailored to all skill levels and reflect the highest standards of safety and excellence, STS is helping to ensure the high quality of Subaru products going forward.

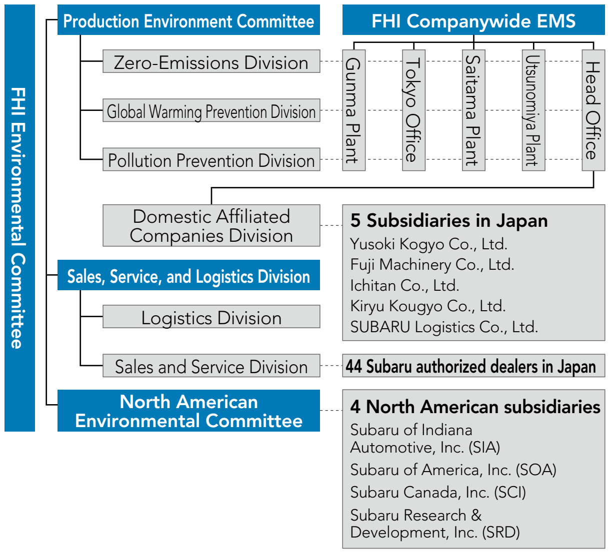
Machining training at STS

Environmental Management

Organization

Established to implement the Environmental Policy and Voluntary Environmental Plan, Subaru's environmental management organization comprises two main entities that cross corporate divisions: the Companywide Environmental Management System (EMS) and the Environmental Committee. Serving as the head of the Companywide EMS and the chairperson of the Environmental Committee, the director responsible for environmental issues conducts environmental reviews twice a year. We proactively implement environmental protection activities, comprehensively managing our progress and continuously revising the direction of future efforts.

Environmental Management Organization



Summary of 5th Voluntary Environmental Plan (Fiscal 2013 to Fiscal 2017)

Subaru has established the 5th Voluntary Environmental Plan for the period fiscal 2013 to fiscal 2017. Based on our Environmental Policy, we have set even higher environmental protection targets while adding new environmental measures to ensure compliance with laws and regulations and to foster cooperation on environmental issues within the automobile industry. Based on this plan, we will contribute to society through our products, striving always to produce even greener products at green plants and offices and delivering them to customers via green logistics and green dealers. Our entire Group shares this plan and works together to ameliorate and eliminate environmental problems on a continuous basis.

5th Voluntary Plan

Global Warming Countermeasures

- Launched hybrid cars in the Japanese market in 2013

- Improved fuel economy by 30% vs. previous models
- Introduced horizontally-opposed direct injection turbo engine
- Introduced Eco Driving Assist Devices
- Made horizontally-opposed diesel engine compliant with Euro 6
- Fully met fuel economy and greenhouse gas standards worldwide
- Implemented CO_2 emissions reduction initiatives in plants in Japan and overseas

Resource Recycling

- Continued collection of used bumpers
- Maintained zero waste emissions from production sites in Japan
- Designed new vehicles to be highly recyclable, aiming for 95% recycling rate by 2015

Pollution Prevention and Reduction of Hazardous Chemical Usage

- Added models achieving emissions 75% lower than 2005 government requirements
- Reduced volatile organic compounds (VOCs) and substances on the Pollutant Release and Transfer Register (PRTR)
- Developed technologies to enhance fuel economy, improve and reduce emissions, and reduce noise
- Complied with laws and regulations in each region (e.g. EU directives)
- Continued initiative to reduce to zero environmental accidents or claims that exceed legal standards in each country

Environmental Management

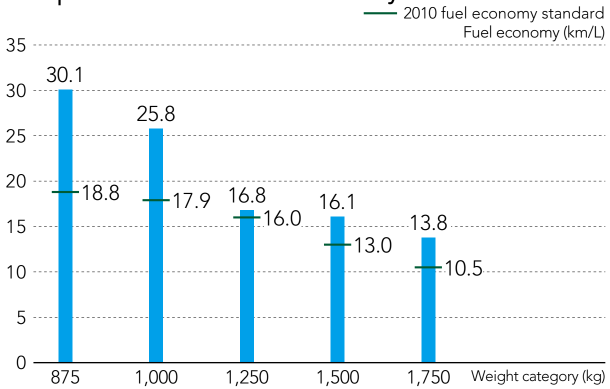
- Expanded development and implementation of advanced safe driving assist systems (e.g., EyeSight Version 2)
- Expanded implementation of Supplier CSR Guidelines to business partners of Aerospace and Industrial Products Company
- Promoted Group-wide ISO 14001 certification, including affiliates
- Publicly disclosed wide range of environmental information
- Supported maintenance of Eco Action 21 certification by dealers in Japan
- Publicly disclosed Life Cycle Assessment (LCA) data
- Implemented greening initiatives that respected biodiversity

Environmentally Responsible Automobiles

Compliance with Government Fuel Economy Standards

Japan : 2010 fuel economy standards met in all weight categories

Compliance with 2010 fuel economy standards



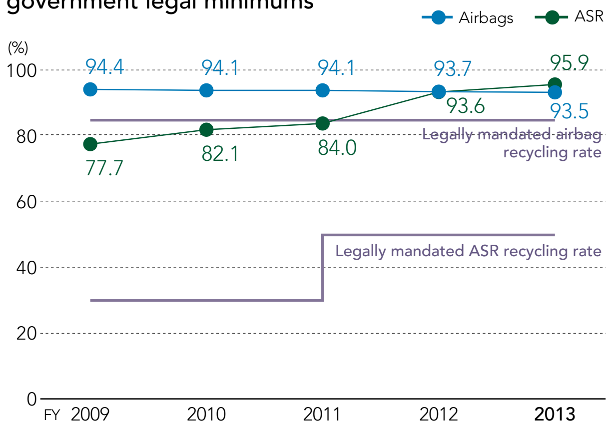
US : 2012 model year vehicles fully compliant with CAFE (corporate average fuel economy) and GHG (greenhouse gas) standards

Automobile Recycling

Processing End-of-Life Vehicles

Taking effect in 2005, End-of-Life Vehicle Recycling Law requires automobile manufacturers to take possession of and appropriately process all automobile shredder residue (ASR), air conditioning refrigerant gases, and airbags. In fiscal 2013, our ASR recycling rate was 95.9%, much higher than the legal minimum of 50%, and we logged another year of sending zero ASR waste to landfills, which we first achieved in May 2011. Our airbag recycling rate of 93.5% also exceeded the legal minimum of 85%, and we took possession of and appropriately processed all refrigerant gasses from end-of-life Subaru vehicles.

Subaru ASR and airbag recycle rates vs. Japanese government legal minimums



Legally mandated recycling rates	ASR: (FY2006–FY2010) (FY2011–FY2015) (FY2016–)	Airbags: 85%

Global Initiatives

Global Environmental Initiatives

The member companies of the North American Environmental Committee (NAEC) are the Subaru Group's four manufacturing and sales subsidiary companies in North America—SIA, SOA, SCI, and SRD—which have a relatively high environmental impact among our overseas subsidiaries. With the goal of promoting efficient and streamlined environmental activities, the committee discusses the results of successful initiatives and shares best practices with member companies.

In fiscal 2013, the NAEC held meetings in June and November. NAEC member companies reported on their CSR and environmental activities and learned about environmental initiatives in Japan, helping to share environmental information across the Subaru Group.

All Subaru companies in North America received certification in the ISO 14001 environmental management system by the end of 2005. Through educational programs, training, on-site legal compliance programs, internal audits, and other measures, they strive proactively to minimize pollution and environmental impact. In May 2012, SIA became the first automobile manufacturing plant in the US to achieve ISO 50001 energy management system certification. Since SIA was also the first automobile manufacturing plant in the US to achieve ISO 9001 quality management system certification and ISO 14001 certification, the company's ISO 50001 certification further signifies its industry leadership in the area of environmental responsibility.

Celebrating ISO certification at SIA

Compliance with Laws and Regulations

Compliance Philosophy

Compilance Philosophy

Subaru views compliance to be a key responsibility of management and firmly believes that only through companywide implementation of compliance can our business have a strong foundation. Subaru strives to engage in fair and just corporate activities that comply with laws and regulations, our own internal rules, and the standards of society.

Corporate Code of Conduct and Conduct Guidelines

Subaru has established a Corporate Code of Conduct and Conduct Guidelines as standards to help ensure compliance with laws and regulations. They are explained in detail in the Compliance Manual, which is given to all Subaru executives and employees to help them maintain compliance in their daily actions.

Compliance System and Administration

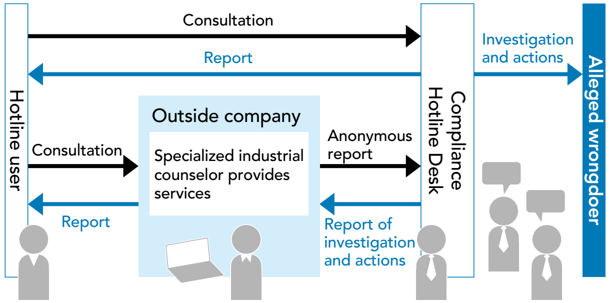
Compliance System/Organization and Administration

A companywide committee established to promote corporate compliance, the Compliance Committee conducts deliberations and discussions, renders determinations, and encourages the exchange of information on key compliance issues. Every year, each department plans its own compliance program, continuously and autonomously implementing compliance initiatives.

Compliance Hotline

In addition to discussing with their supervisors any compliance issues they encounter, Subaru Group company employees have the option of using the Compliance Hotline and reporting issues directly to the Hotline Desk located within Subaru. After receiving information via mail, telephone, or email, employees assigned to the Hotline Desk research situations and take appropriate actions based on Subaru's internal rules. The names and departments of those making reports are kept strictly confidential to prevent reprisals. Since April 2008, a company external to the Subaru Group has provided services to the Hotline Desk, allowing the Compliance Hotline to extend its hours and helping to ensure the confidentiality of the names and departments of those making reports. The result has been greater ease of use for all employees making use of the hotline.

Compliance Hotline (flow from consultation to solution)



Personal Information Protection Initiatives

To comply with the Personal Information Protection Act, Subaru has reviewed its internal systems and rules and publicly disclosed its privacy policy. Since Subaru dealers in Japan handle a wide range of customer information, we have reviewed each dealer's compliance with Subaru rules and created a Personal Information Protection Handbook for Subaru Dealers. In this way, we are working to ensure that all Subaru employees understand the importance of protecting personal information.

Information Disclosure

Information Disclosure Philosophy

By disclosing information about our corporate strategy and activities in a fair, proper, and timely manner, we seek to increase the transparency of management and increase the understanding of Subaru on the part of our stakeholders, thereby building with them a relationship of trust.

Information Disclosure on Our Website

Our website includes an Investor Relations section that provides up-to-date IR information. We also distribute the latest financial reports and other IR-related information by email to those who register. Currently more than 900 people take advantage of this free email service. We also provide an Investor Relations site designed specifically for smartphone access.

Private Investor Briefings

Subaru holds private investor briefings to provide easy-to-understand information on a range of topics, from company history to recent business results. In addition, we hold Q&A sessions to help investors gain a deeper understanding of our company and its activities.

Plant Tours for Shareholders

We hold plant tours for shareholders to allow them to experience our actual production workplaces and gain a deeper understanding of our production policies and activities. We also hold Q&A sessions after the tours to facilitate communication between our executives and shareholders and to receive our shareholders' valuable opinions and insights, which we feed back into our continuous improvement efforts.

Shareholder tour of Yajima Plant

Social Contribution

Donating Vehicles for Earthquake Relief in Ya'an, Sichuan Province, China

After a severe earthquake struck Sichuan Province on April 20, 2013, Subaru of China, Ltd. donated five Forester automobiles to five government entities in Ya'an, a city hit especially hard by the disaster: the Bifengxia Panda Base, the Lushan County Forestry Bureau, the Lushan County Education Bureau, the Tianquan County Sanitation Bureau, and the Tianquan County Agriculture Bureau. These entities are using the vehicles in a variety of relief projects, such as repairing and constructing housing, fortifying the structures of schools and other buildings, transporting victims, and delivering medicine and other relief supplies.

Donated Forester automobiles

Subaru Visitor Center

First open to the public on July 15, 2003, the Subaru Visitor Center welcomes people who visit the Yajima Plant for tours of the facility and other reasons. Inside, visitors can view historic Subaru models and cars that set world records, as well as learn more about Subaru's unique technologies and environmental initiatives. The Center also receives many classes of grade school students who tour the Yajima Plant to learn more about automobile manufacturing in connection with the Japanese government's new curriculum guidelines. In fiscal 2013, a total of 94,676 people visited the Center.

Subaru Visitor Center

Students tour Yajima Plant

Establishing Mutually Beneficial Relationships with Business Partners

Procurement Policy

In keeping with our Corporate Philosophy, Subaru strives to procure parts, materials, and equipment that offer excellent quality, environmental performance, and cost performance. To realize this goal, it is necessary for us to establish relationships with our business partners based on equality, trust, mutual benefit, and dedication to continuous improvement.

Promoting Fair Trade

Subaru strictly observes the Antimonopoly Act, the Act against Delay in Payment of Subcontract Proceeds, Etc., to Subcontractors, and other laws and regulations related to procurement. We are also engaged in fair trade programs in support of the Fair Trade Guidelines for the Automotive Industry issued by the Ministry of Economy, Trade and Industry in June 2007. As part of these efforts, we offer a hotline for business partners in our supply chain to call in should they have any questions or concerns about Subaru's fair trade practices.

CSR Initiatives in Procurement

In the past, the procurement departments of the Subaru Automobile Business, Aerospace Company, and Industrial Products Company participated in the Procurement Environmental Committee, which strived to solve environmental issues that arose in the area of procurement. In fiscal 2012, the committee changed its name to the Procurement Committee and expanded its mission to include both environmental and CSR issues. The policy of the Procurement Committee is to facilitate fair procurement practices and encourage CSR at suppliers, thereby helping to ensure fair trade with business partners and cooperative CSR-based procurement throughout the Subaru supply chain.

Application to Suppliers of the Subaru Supplier CSR Guideline

- Fiscal 2012: Automobile Business suppliers
- Fiscal 2013: Industrial Products Company suppliers
- Fiscal 2014: Aerospace Company suppliers (planned)

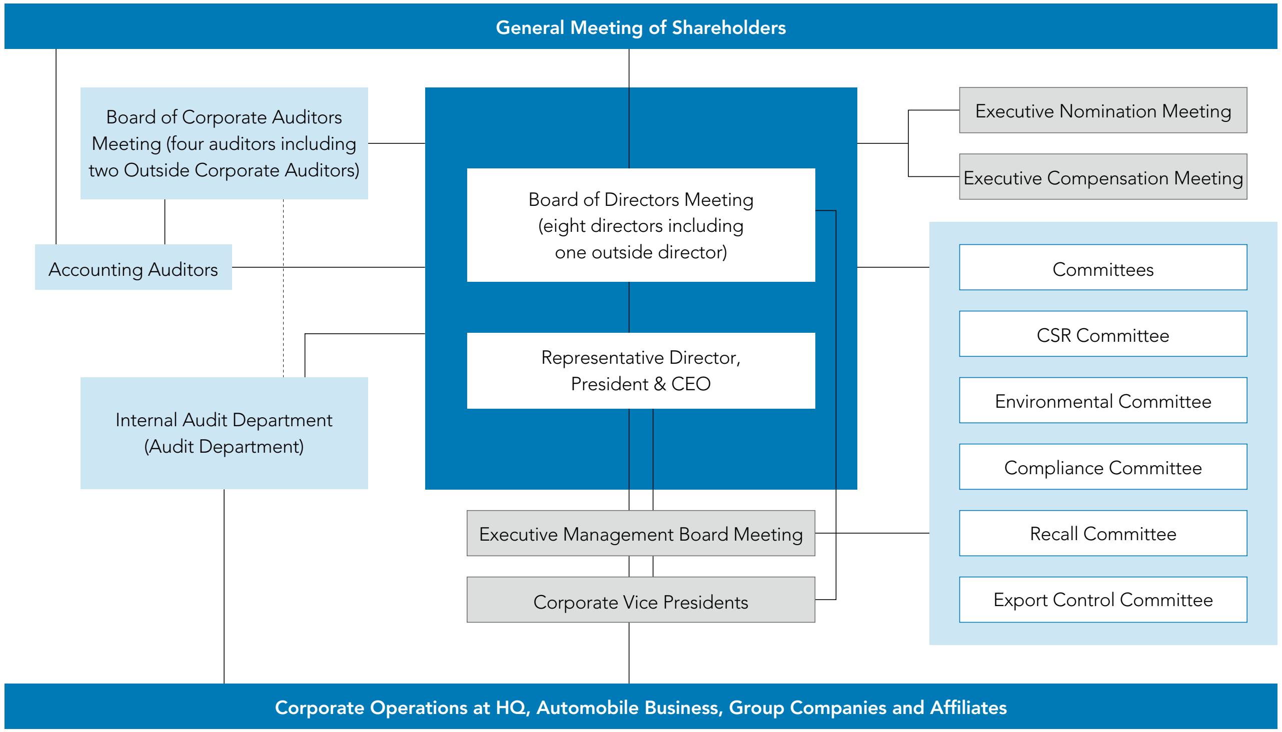
Corporate Governance System

Since June 1999, Subaru has employed an executive officer system that clarifies the managerial responsibilities of executives in each division. In June 2003, we reduced the term of directors and executive officers from two years to one. Moreover, since June 2004, based on a decision of the Board of Directors, the Executive Nomination Meeting is responsible for the selection of corporate officer candidates, and the Executive Compensation Meeting is responsible for evaluating the performance and determining the compensation of executives.

Board of Directors and Board of Corporate Auditors

The Board of Directors determines important policies and strategies and monitors their execution and company operations, while individual corporate auditors and the Board of Corporate Auditors audit the performance of directors. Currently, the Board of Directors is composed of eight directors, including an independent outside director who serves to further strengthen Subaru's corporate governance. The Board of Corporate Auditors is composed of four corporate auditors, including two outside corporate auditors. Corporate auditors participate in the meetings of the Board of Directors, the Board of Corporate Auditors, the Executive Management Board, and other important company meetings. Corporate auditors provide appropriate advice and direction from a wide perspective while conducting audits relating to proceedings conducted by business sites, subsidiaries, and the Internal Audit Department. In addition, with the goal of increasing the transparency of Subaru management, corporate auditors disclose information in a fair and timely manner.

Corporate Governance System



Internal Controls System

Internal controls are an indispensable mechanism for achieving corporate objectives, and management is responsible for establishing them and maintaining their effectiveness and efficiency. At Subaru, the Corporate Planning Department (which plays a central role in the common functions of each business) and other companywide departments maintain close links with other departments and companies to enhance risk management. In addition, the Audit Department performs planned audits of each department and Group company. To support internal controls, Subaru has created a system and organization to ensure compliance, which is the foundation of risk management.

Further, in compliance with the Standards for Management Assessment and Audit Concerning Internal Control Over Financial Reporting issued by the Business Accounting Deliberation Council of the Financial Services

Agency on February 15, 2007, we work to continuously strengthen the internal controls system of the entire Group so as to achieve the following:

1. Effective and efficient operations
2. Reliable financial reporting
3. Compliance with laws and regulations in all business activities
4. Safeguarding of assets

Executive Compensation

As approved by the Ordinary General Meeting of Shareholders in June 2006, the total amount of yearly compensation paid to directors and corporate auditors is limited to ¥600 million and ¥100 million, respectively. The compensation paid to directors must be approved by the Board of Directors and is divided into a fixed amount (based on position, the business environment, and other factors) and a performance-based amount (based on consolidated ordinary income for the fiscal year under review, the business environment, and other factors). In fiscal 2013, compensation for directors and corporate auditors was as follows:

(Millions of yen)

Classification	Number	Basic compensation: Fixed amount	Basic compensation: Performance-based amount	Total
Directors (excluding outside directors)	7	237	108	345
Corporate auditors (excluding outside corporate auditors)	2	51	-	51
Outside executive officers	5	45	-	45
Total	14	333	108	441

Note: This table includes one director and two corporate auditors who retired by the end of the fiscal year. As of March 31, 2013, the Company maintains eight directors (including one outside director) and four corporate auditors (including two outside corporate auditors).

Risk Management

We define risk as uncertain elements with the potential for negative impact on our business operations. While there are many types of risk, we call those risks that are particularly dangerous to our business operations and that we cannot handle through regular decision-making channels “crisis-level risks” and categorize them as follows: natural disaster, accident, internal human factors, external human factors, social factors (domestic, overseas), and compliance. We have created manuals for dealing with each type of emergency, which delineate what communication channels are to be used once a risk is recognized, how to form crisis management headquarters, and other methods to follow to respond optimally to the situation.

Location-Specific Business Continuity Plans (BCPs)

With the goal of minimizing any reduction of service to customers and preventing loss of market share and corporate value, we have created a BCP for each Subaru location to maintain business operations or restore them as quickly as possible in the event of an emergency. Should our resources (employees, physical assets, monetary assets) be affected by an emergency, we will leverage our remaining resources to minimize the shutdown of priority operations and restore all operations to their original state as quickly as possible. We have also established an Emergency Response Policy, in accordance with which we strive to maintain operations in the event of an emergency.

Emergency Response Policy

- Give first priority to people’s survival and physical safety.
- Minimize loss of stakeholder interests and corporate value.
- Act always with honesty, fairness, and transparency, even in an emergency.

Director of the Board

Yasuyuki Yoshinaga

Representative Director of the Board
President & CEO

April 1977 Joined the Company
April 2005 Corporate Vice President, Senior General Manager of Strategy Development Division, and General Manager of Corporate Planning Department
June 2006 Corporate Vice President and Chief General Manager of Strategy Development Division
April 2007 Corporate Vice President, Chief General Manager of Subaru Japan Sales & Marketing Division, and General Manager of Sales Promotion Department
June 2007 Corporate Senior Vice President and Chief General Manager of Subaru Japan Sales & Marketing Division
June 2009 Director of the Board and Corporate Executive Vice President
June 2011 Representative Director of the Board, President & CEO

Jun Kondo

Representative Director of the Board
Deputy President

April 1976 Joined the Company
June 2003 Corporate Vice President, Chief General Manager of Subaru Manufacturing Division, and Chief General Manager of Gunma Plant
May 2004 Corporate Vice President, Chief General Manager of Subaru Cost Planning & Management Division, and General Manager of Cost Planning Department
June 2004 Corporate Senior Vice President and Chief General Manager of Subaru Cost Planning & Management Division
June 2006 Corporate Senior Vice President, Chief General Manager of Subaru Cost Planning & Management Division, and Senior General Manager of Subaru Purchasing Division
April 2007 Corporate Senior Vice President, Chief General Manager of Strategy Development Division, and Chief General Manager of Subaru Cost Planning & Management Division
June 2008 Director of the Board and Corporate Executive Vice President
June 2011 Representative Director of the Board and Deputy President

Akira Mabuchi

Director of the Board
Corporate Executive Vice President

April 1979 Joined the Company
April 2005 Corporate Vice President, Senior General Manager of Subaru Engineering Division, and General Manager of Engineering Administration Department
June 2007 Corporate Senior Vice President and Chief General Manager of Subaru Engineering Division
April 2009 Corporate Senior Vice President and Chief General Manager of Strategy Development Division
June 2010 Director of the Board and Corporate Executive Vice President

Naoto Muto

Director of the Board
Corporate Executive Vice President

April 1977 Joined the Company
April 2005 Corporate Vice President, Senior General Manager of Subaru Product & Portfolio Planning Division, and General Manager of Subaru Product & Portfolio Planning Division
June 2006 Corporate Vice President and Chief General Manager of Subaru Product & Portfolio Planning Division
June 2007 Corporate Senior Vice President and Chief General Manager of Subaru Product & Portfolio Planning Division
April 2009 Corporate Senior Vice President and Chief General Manager of Subaru Purchasing Division
June 2010 Corporate Executive Vice President and Chief General Manager of Subaru Purchasing Division
June 2011 Director of the Board and Corporate Executive Vice President

Tomohiko Ikeda

Director of the Board
Corporate Executive Vice President

April 1977 Joined the Company
June 2006 Corporate Vice President and Chief General Manager of Subaru Overseas Division
April 2007 Corporate Vice President, Chief General Manager of Subaru Overseas Division 1, and Chairman, President & CEO of Subaru of America, Inc.
April 2009 Corporate Senior Vice President and General Manager of Human Resources Department
June 2011 Director of the Board and Corporate Executive Vice President

Mitsuru Takahashi

Director of the Board
Corporate Executive Vice President

April 1978 Joined the Company
June 2006 Corporate Vice President and General Manager of Finance & Accounting Department
April 2009 Corporate Senior Vice President, CFO, and General Manager of Finance & Accounting Department
April 2010 Corporate Senior Vice President, CFO, General Manager of Finance & Accounting Department, and President of Eco Technologies Company
June 2010 Corporate Executive Vice President, CFO, General Manager of Finance & Accounting Department, and. President of Eco Technologies Company
April 2011 Corporate Executive Vice President, CFO, and President of Eco Technologies Company
June 2012 Director of the Board, Corporate Executive Vice President, CFO, and President

Takeshi Tachimori

Director of the Board
Corporate Executive Vice President

April 1977 Joined the Company
June 2006 Corporate Vice President and Senior General Manager of Subaru Product & Portfolio Planning Division
April 2009 Corporate Vice President, Chief General Manager of Subaru Product & Portfolio Planning Division, and President of Subaru Tecnica International Inc.
April 2010 Corporate Senior Vice President and Chief General Manager of Subaru Product & Portfolio Planning Division
April 2011 Corporate Senior Vice President and Chairman, President & CEO of Subaru of America, Inc.
June 2011 Corporate Senior Vice President; Chairman, President & CEO of Subaru of America, Inc.; and Chief General Manager of Subaru Overseas Sales & Marketing Division 1
April 2013 Corporate Executive Vice President, Chairman & CEO of Subaru of America, Inc., and Chief General Manager of Subaru Overseas Sales & Marketing Division 1
June 2013 Director of the Board and Corporate Executive Vice President

Toshio Arima

Outside Director

June 2011 Outside Director

Executive Officers

Corporate Executive Vice President	Shuzo Haimoto
	Mitsuru Takada
	Hisashi Nagano
Corporate Senior Vice President	Tamaki Kamogawa
	Masahiro Kasai
	Hidetoshi Kobayashi
	Yoshio Hirakawa
	Tatsuhiko Mukawa
	Yasuo Kosakai
Corporate Vice President	Tsuyoshi Nakai
	Yasunobu Nogai
	Masashi Takahashi
	Masami Iida
	Tomomi Nakamura
	Toshio Masuda
	Kazuo Hosoya
	Masaki Okawara
	Satoshi Maeda
	Hiromi Tsutsumi
	Shoichiro Tozuka
	Toshiaki Okada

Auditors

Standing Corporate Auditor	Nobushige Imai
	Masakazu Kimura
	Norio Saito
Corporate Auditor	Takatoshi Yamamoto

Outside Directors

The Company has appointed Toshio Arima to the position of outside director. Possessing considerable experience as an executive and a high degree of expertise in the area of CSR, Mr. Arima offers sound advice to and ensures the independent monitoring of the Board of Directors and other bodies. The Company has appointed Nobushige Imai to the position of outside auditor. Mr. Imai is fully qualified for this position owing to the wealth of management experience and knowledge he acquired as an executive in the financial industry, and he has the character and ability needed to undertake audits in an objective manner. In addition, the Company has appointed Takatoshi Yamamoto to the position of outside auditor. Mr. Yamamoto is fully qualified for this position owing to the wealth of knowledge of corporate activities he gained as a securities analyst and the corporate management experience he gained as an executive in the manufacturing industry. Further, since they possess exemplary backgrounds and no conflict with the interests of ordinary shareholders can be foreseen, the Company has appointed Mr. Arima and Mr. Yamamoto as independent directors under Tokyo Stock Exchange (TSE) regulations.

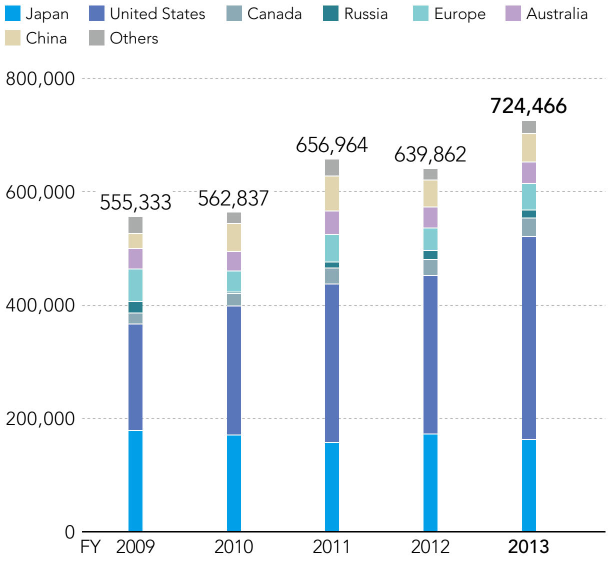
Consolidated Ten-Year Financial Summary FUJI HEAVY INDUSTRIES LTD. AND CONSOLIDATED SUBSIDIARIES Years ended March 31

	2004	2005	2006	2007	2008	2009	2010	2011	2012	(Millions of yen) 2013	(Thousands of U.S. dollars) 2013
For the Year:											
Net sales	¥ 1,439,451	¥ 1,446,491	¥ 1,476,368	¥ 1,494,817	¥ 1,572,346	¥ 1,445,790	¥ 1,428,690	¥ 1,580,563	¥ 1,517,105	**¥1,912,968**	**$ 20,352,889**
Cost of sales	1,085,716	1,107,718	1,125,293	1,142,674	1,217,662	1,164,564	1,152,763	1,241,427	1,222,419	**1,501,809**	**15,978,392**
Gross profit	353,735	338,773	351,075	352,143	354,684	281,226	275,927	339,136	294,686	**411,159**	**4,374,497**
Selling, general and administrative expenses	303,411	296,756	292,736	304,237	309,004	287,029	248,577	255,001	250,727	**290,748**	**3,093,393**
Operating income (loss)	50,324	42,017	58,339	47,906	45,680	(5,803)	27,350	84,135	43,959	**120,411**	**1,281,104**
Income (loss) before income taxes and minority interests	56,266	21,066	28,674	45,589	31,906	(21,517)	(443)	63,214	52,879	**93,082**	**990,339**
Net income (loss)	38,649	18,238	15,611	31,899	18,481	(69,933)	(16,450)	50,326	38,453	**119,588**	**1,272,348**
Comprehensive income	-	-	-	-	-	-	(13,416)	34,900	44,474	**152,009**	**1,617,289**
At Year-End:											
Net assets[2]	¥ 457,027	¥ 474,616	¥ 467,786	¥ 495,703	¥ 494,423	¥ 394,719	¥ 381,893	¥ 413,963	¥ 451,607	**¥ 596,813**	**$ 6,349,750**
Shareholders' equity	453,708	471,149	465,522	494,004	493,397	393,946	380,587	412,661	450,302	**595,365**	**6,334,344**
Total assets	1,349,727	1,357,459	1,348,400	1,316,041	1,296,388	1,165,431	1,231,367	1,188,324	1,352,532	**1,577,454**	**16,783,211**
Ratio of shareholders' equity to total assets (%)	33.6%	34.7%	34.5%	37.5%	38.1%	33.8%	30.9%	34.7%	33.3%	**37.7%**	
Per Share: (in yen and U.S. Dollars)											
Net income (loss):											
Basic	¥ 50.62	¥ 23.27	¥ 20.66	¥ 44.46	¥ 25.73	¥ (91.97)	¥ (21.11)	¥ 64.56	¥ 49.27	**¥ 153.23**	**$ 1.63**
Diluted	49.66	23.27	20.66	44.44	25.73	-	-	-	-	**-**	**-**
Net assets	582.60	604.51	649.41	687.81	687.02	505.59	488.58	528.88	576.97	**762.87**	**8.12**
Other Information:											
Depreciation/amortization	¥ 71,112	¥ 71,010	¥ 80,073	¥ 81,454	¥ 87,164	¥ 74,036	¥ 65,785	¥ 56,062	¥ 58,611	**¥ 61,544**	**$ 654,793**
Capital expenditures (addition to fixed assets)	128,026	147,759	119,289	126,329	118,869	95,153	89,077	67,378	67,035	**94,986**	**1,010,597**
Research and development expenses	57,541	52,962	46,893	50,709	52,020	42,831	37,175	42,907	48,115	**49,141**	**522,832**
Number of shares issued (thousands of shares)[3]	782,865	782,865	782,865	782,865	782,865	782,865	782,865	782,865	782,865	**782,865**	
Number of shareholders[3]	34,704	34,558	46,367	42,920	44,484	40,839	39,223	34,240	33,139	**28,890**	
Number of employees[3]:											
Parent only	12,928	12,703	11,998	11,752	11,909	12,137	12,483	12,429	12,359	**12,717**	
Consolidated	27,296	26,989	26,115	25,598	26,404	27,659	27,586	27,296	27,123	**27,509**	

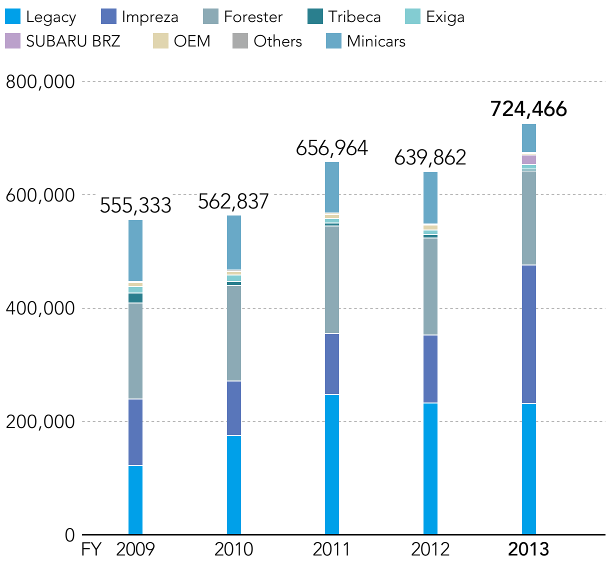
Notes:
1. U.S. dollar figures have been translated from yen, for convenience only, at the rate of ¥93.99 to US$1.00, the approximate rate of exchange at March 31, 2013.
2. Prior year amounts have been reclassified to conform to the current year presentation.
3. As of March 31

Five-Year Automobile Sales Years ended March 31

Consolidated Automobile Sales by Region (Number of units)



Consolidated Automobile Sales by Model (Number of units)



Consolidated automobile sales (Number of units)

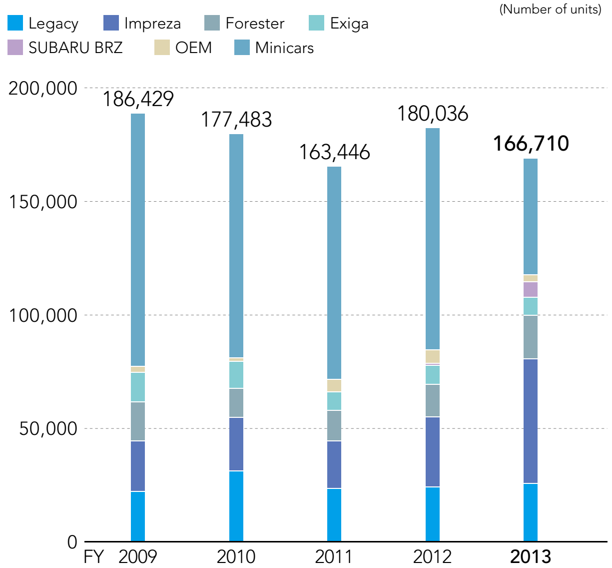
	2009	2010	2011	2012	2013
Domestic Units:					
Legacy	20,415	28,862	22,673	22,812	**24,207**
Impreza	19,733	21,721	20,184	29,122	**53,250**
Forester	16,424	11,879	12,685	13,803	**18,044**
Exiga	11,126	10,789	7,859	8,020	**7,392**
SUBARU BRZ	-	-	-	249	**6,711**
OEM	2,034	1,523	4,430	5,844	**2,778**
Others	363	323	303	303	**368**
Passenger cars	70,095	75,097	68,134	80,153	**112,750**
Minicars	108,694	96,175	89,971	92,189	**50,372**
Domestic total	178,789	171,272	158,105	172,342	**163,122**
Overseas units by region:					
U.S.	188,240	227,028	278,959	280,356	**357,569**
Canada	18,873	22,828	28,059	28,239	**32,644**
Russia	20,711	1,563	11,320	15,860	**14,719**
Europe	56,764	37,340	48,244	39,075	**46,382**
Australia	36,716	34,992	41,150	36,928	**38,120**
China	26,184	48,938	62,412	48,323	**50,185**
Others	29,056	18,876	28,715	18,739	**21,725**
Overseas total	376,544	391,565	498,859	467,520	**561,344**
Overseas units by model:					
Legacy	102,106	146,099	225,388	210,194	**207,460**
Impreza	97,472	74,998	87,066	90,149	**190,864**
Forester	153,289	156,288	176,453	157,833	**147,679**
Tribeca	17,658	7,564	5,643	5,702	**4,243**
SUBARU BRZ	-	-	-	38	**10,100**
OEM	5,580	5,994	3,865	3,372	**591**
Others	439	622	444	232	**407**
Overseas total	376,544	391,565	498,859	467,520	**561,344**
Grand total	555,333	562,837	656,964	639,862	**724,466**

Non-consolidated automobile sales (Number of units)

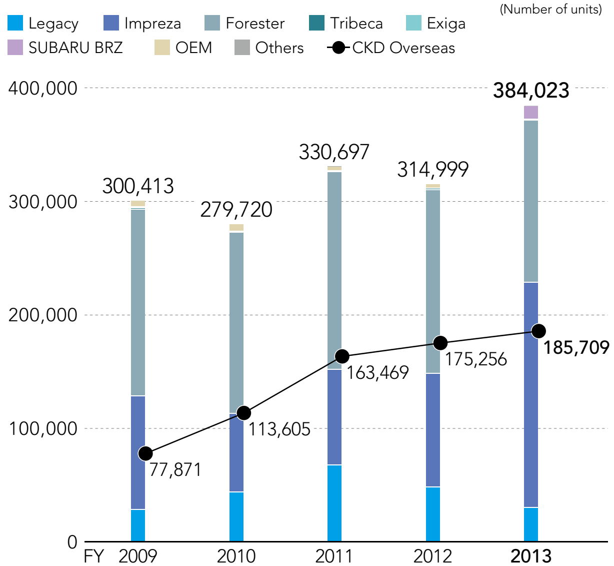
	2009	2010	2011	2012	**2013**
Legacy	22,059	30,927	23,212	23,968	**25,424**
Impreza	21,935	23,316	20,859	30,566	**54,306**
Forester	16,954	12,542	13,160	13,990	**18,951**
Exiga	12,787	11,893	8,150	8,477	**7,845**
SUBARU BRZ	-	-	-	585	**6,850**
OEM	2,651	1,575	5,313	5,993	**2,953**
Passenger cars	76,386	80,253	70,694	83,579	**116,329**
Minicars	110,043	97,230	92,752	96,457	**50,381**
Domestic total	186,429	177,483	163,446	180,036	**166,710**
Legacy	28,787	43,937	67,926	48,304	**30,559**
Impreza	99,688	69,386	83,921	100,350	**198,232**
Forester	164,960	159,463	174,541	162,199	**142,745**
Tribeca	1,227	318	-	331	**222**
Exiga	328	526	374	232	**407**
SUBARU BRZ	-	-	-	211	**11,542**
OEM	5,312	5,994	3,865	3,372	**316**
Others	111	96	70	-	**-**
Export total	300,413	279,720	330,697	314,999	**384,023**
U.S. retail sales[1]					
Legacy	66,878	86,330	131,873	146,806	**164,680**
Impreza	49,098	46,611	44,395	41,196	**89,195**
Forester	60,748	77,781	85,080	76,196	**76,347**
Tribeca	10,975	5,930	2,472	2,791	**2,075**
SUBARU BRZ	-	-	-	-	**4,144**
U.S. total	187,699	216,652	263,820	266,989	**336,441**
CKD[2] overseas	77,871	113,605	163,469	175,256	**185,709**
(SIA protion)	77,871	113,605	163,469	175,256	**183,729**
SIA Production Units[3]					
Legacy	73,473	100,149	159,215	164,968	**177,471**
Tribeca	18,108	4,197	5,558	5,661	**3,713**

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

Non-Consolidated Domestic Automobile Sales by Model



Non-Consolidated Automobile Export Units by Model



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 73 subsidiaries (a year-on-year increase of three) as well as 6 equity-method affiliated companies (a year-on-year decrease of three) were included in the scope of the FHI Group's consolidation as of March 31, 2013, the end of fiscal 2013 ("the fiscal year under review").

Overview

Business Environment

During fiscal 2013, the economic circumstances surrounding the FHI Group displayed signs of a gradual recovery, despite remaining risks swayed by overseas economic trends. Specifically, the government's economic stimulus measures since the end of last year, as well as monetary policy measures, brought a correction of the excessive strength of the yen from historical levels with indications of an improving export environment.

In the automotive industry, annual unit sales in Japan recouped the 5-million-unit level, thanks in part to the effects of the eco-car subsidy program. With regard to overseas automobile units sales, overall automobile demand in the United States, the most important market of FHI, exhibited a recovery trend. Moderate growth also continued in China, which remains the global No. 1 in terms of scale.

In this environment, the FHI Group added further measures to its five-year mid-term management plan "Motion-V (Five)" (fiscal 2012–fiscal 2016), announced in July 2011. These measures corresponded to shifts in the operating environment since the plan's drafting, such as sales expansion beyond the plan's target, centered on North America, and the lagging implementation of local production in China. Moreover, in May 2012 the Group announced measures to uphold the plan's earnings targets while aiming to implement its growth strategies for Subaru.

In the year under review, to much acclaim from customers, FHI launched sales of the SUBARU XV and the all-new Forester, both brand-strategy products. Moreover, among other successful results of diligent marketing efforts, models featuring the advanced driving assist system "EyeSight (ver. 2)" launched in May 2010 marked sales of 100 thousand units in Japan as of the end of March 2013.

Furthermore, to resolve waiting times prior to delivery to customers, steps were taken to increase capacity at the Japan-based plant for completed automobiles as well as the engine and transmission plant.

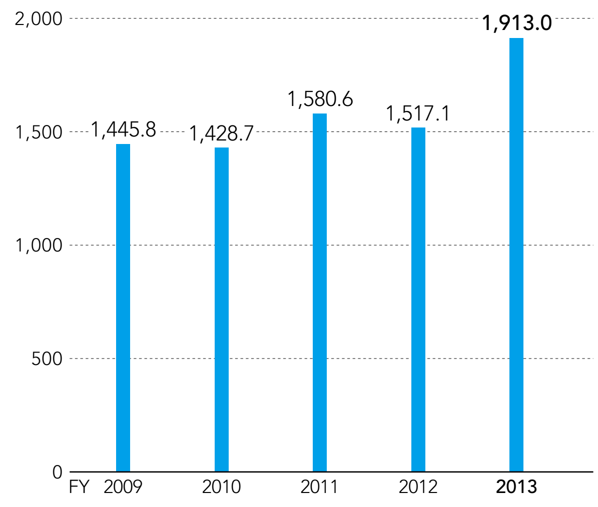
Performance Review

In light of the above factors, in fiscal 2013 the FHI Group recorded historically high levels of net sales and in all income categories. Operating performance was affected by such factors as our introduction of characteristically "Subaru" products; the expansion of unit sales, centered on the U.S. market; high levels of operation at manufacturing plants; progress on efforts to reduce cost of sales; and correction of the strong yen. Consolidated performance during the fiscal year under review was as follows.

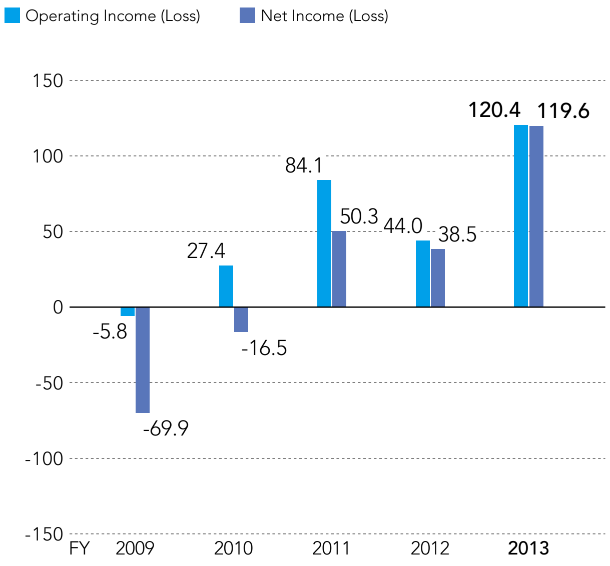
Net sales amounted to ¥1,913.0 billion, up ¥395.9 billion year on year, or 26.1%, owing to such factors as higher automobile unit sales, centered on the United States.

Operating income came to ¥120.4 billion, an increase of ¥76.5 billion, or 173.9%, compared with the previous fiscal

Net Sales (Billions of yen)



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



year, reflecting an increase in new automobile unit sales and progress on reducing cost of sales. Net income was up ¥81.1 billion, or 211.0%, from the previous fiscal year, to ¥119.6 billion, including ¥44.2 billion in deferred income taxes recognized based on prospects that taxable income will continue to be generated, based on the results of a review of the potential recoverability of deferred tax assets conducted in the light of the latest favorable trends in business performance.

Cost of Sales, Expenses and Operating Income

Operating Income

Operating income, as mentioned above, rose ¥76.5 billion year on year to ¥120.4 billion. This substantial increase compared with the preceding fiscal year was primarily due to improvements in the sales mix, accounting for ¥81.7 billion, owing to the increase in automobile unit sales in the Japanese and North American markets; ¥31.5 billion in progress on the cost reduction; and ¥29.3 billion in exchange rate differences stemming from correction from the strong yen, despite a ¥65.0 increase in overhead costs associated with the rise in automobile unit sales and a ¥1.0 billion increase in experimentation and research expenses. Consequently, the operating margin increased from 2.9% in the previous year to 6.3%.

Income before Income Taxes and Minority Interests, and Net Income

Income before income taxes and minority interests rose ¥40.2 billion, or 76.0%, compared with the previous fiscal year, to ¥93.1 billion, due to the rise in operating income and despite the absence of ¥26.1 billion in extraordinary income recorded in the previous fiscal year from the sale of FHI's head office building.

Net income for the fiscal year under review was up ¥81.1 billion, or 211.0%, from the previous fiscal year, to ¥119.6 billion, including ¥44.2 billion in deferred income taxes recognized based on prospects that taxable income will continue to be generated, based on the results of a review of the potential recoverability of deferred tax assets conducted in the light of the latest favorable trends in business performance.

Segment Information

Automobiles Division

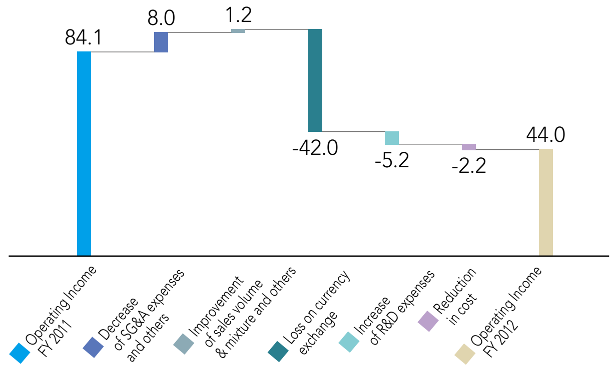
In the fiscal year under review, sales volume for completed vehicles stood at 724 thousand units, up 85 thousand units, or 13.2%, year on year and amounting to a record high. This increase occurred as a result of a rise in unit sales of the Impreza across all markets and favorable sales of the SUBARU BRZ, introduced at the end of the preceding fiscal year.

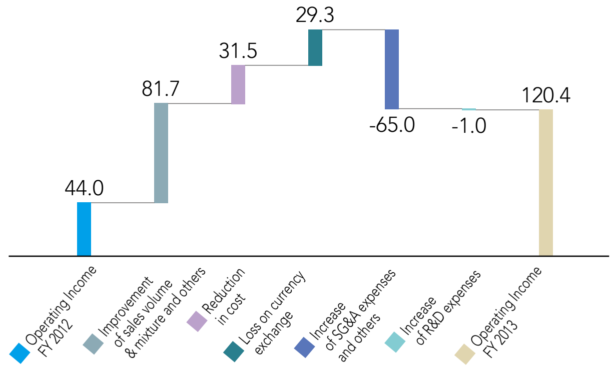
In Japan, unit sales of Subaru passenger cars in Japan rose 33 thousand units, or 40.7%, compared with the previous fiscal year, to 113 thousand units, exceeding 100 thousand units for the first time since fiscal 2005. These results were due to strong sales of the Impreza throughout the fiscal year and contributions from sales of new models, specifically the SUBARU XV and the all-new Forester, as well as sales of the Legacy and the SUBARU BRZ.

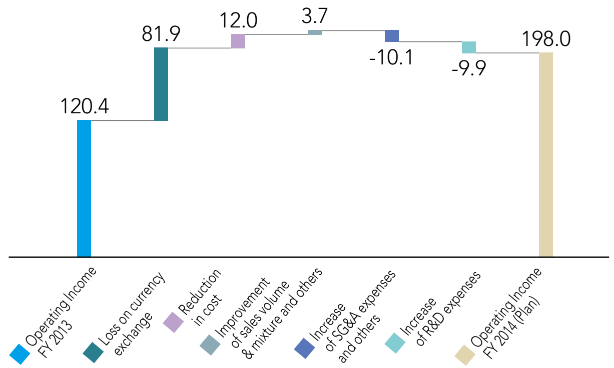
On the other hand, unit sales of mini vehicles were down 42 thousand units, or 45.4%, from the previous fiscal year, to 50 thousand units. This situation was due to a drop in sales of mini vehicles for commercial use, although unit sales of mini-passenger cars were robust, helped by new model introductions.

As a result, automobile unit sales in Japan decreased 9 thousand units, or 5.3%, compared with the preceding fiscal term, to 163 thousand units.

Analysis of Increases and Decreases in Operating Income (Consolidated, Three-Year YoY Comparison) (Billions of yen)







Overseas unit sales surpassed the previous year's level on an all-markets basis thanks to the sustained strong performance of the Impreza, SUBARU BRZ and the SUBARU XV, centered on North America. As a result, total overseas unit sales increased 94 thousand units, or 20.1%, from the preceding fiscal year, to 561 thousand units.

By region, units sold in North America increased 82 thousand units, or 26.4%, to 390 thousand units. This was owing to strong sales of the Legacy and Impreza, as well as to the market's positive evaluation of the SUBARU XV and the SUBARU BRZ, which were introduced during the year. In China, sales volume rose 2 thousand units, or 3.9% year on year, to 50 thousand units, despite the negative impact on sales of anti-Japanese demonstrations in the second half of the year. In Europe and Russia, sales volume grew 6 thousand units, or 11.2% year on year, to 61 thousand units. Also, year-on-year unit sales in Australia rose 1 thousand units, or 3.2%, to 38 thousand units, while sales volume in other regions was up 3 thousand units, or 15.9%, to 22 thousand units.

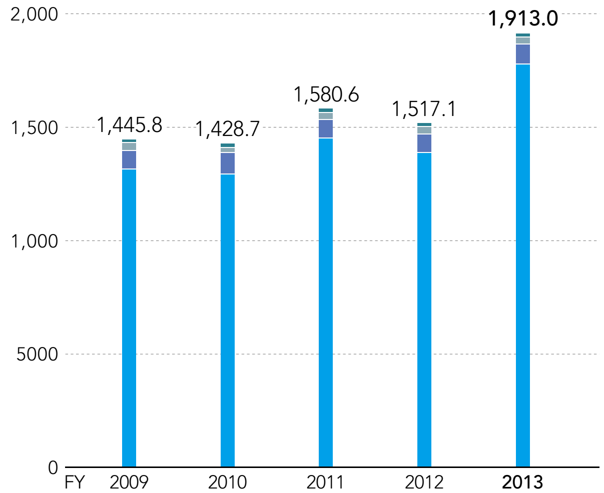
Consequently, net sales in the Automobiles division increased ¥389.9 billion, or 28.1%, year on year, to ¥1,779.0 billion. In addition to the rise in new automobile unit sales, factors contributing to this positive performance included an improved sales mix at Subaru of America, Inc., FHI's U.S. sales subsidiary, and dealerships in Japan, as well as the consolidation of some overseas sales companies to reinforce our sales frameworks. Segment income in the fiscal year ended March 31, 2013, surged ¥71.6 billion, or 181.7% year on year, stemming from higher automobile unit sales, to ¥111.0 billion despite higher factory overheads and selling, general and administrative expenses, owing to an improved sales mix, the foreign exchange effects of yen correction, and progress in lowering cost of sales.

Aerospace Division

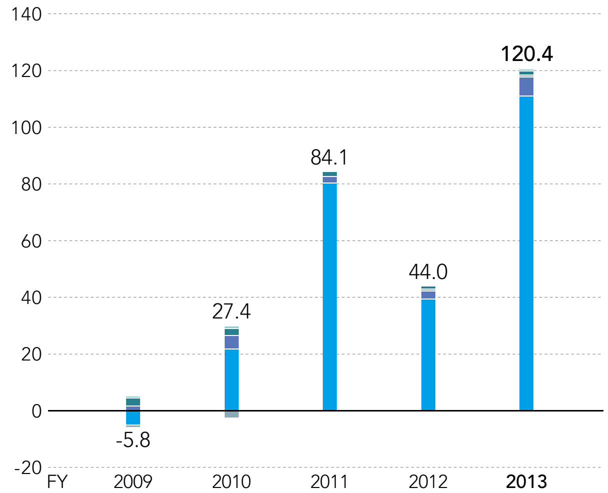
Sales of products to the Ministry of Defense, despite higher sales after the commencement of mass production of transport aircraft C-2, declined from the previous fiscal year due to reduced sales of the multi-purpose helicopter UH-1J.

On the other hand, sales to the commercial sector increased over the previous fiscal year thanks in part to the correction of the strong yen and higher sales of Boeing 777 and Boeing 787.

Net Sales by Segment (Billions of yen)



Operating Income by Segment (Billions of yen)



Net Sales by Segment (Billions of yen)

	2009	2010	2011	2012	2013
Automobile	¥1,316.3	¥1,294.5	¥1,452.2	¥1,389.1	¥1,779.0
Aerospace	80.9	93.2	82.8	80.3	89.1
Industrial Products	34.9	23.9	30.1	33.6	30.1
Other	13.7	17.1	15.5	14.2	14.7
Total	¥1,445.8	¥1,428.7	¥1,580.6	¥1,517.1	¥1,913.0

Operating Income by Segment (Billions of yen)

	2009	2010	2011	2012	2013
Automobile	¥(9.2)	¥21.7	¥80.4	¥39.4	¥111.0
Aerospace	1.6	4.8	2.3	2.9	6.8
Industrial Products	(1.6)	(2.4)	(0.1)	0.5	0.6
Other	3.1	2.6	1.5	1.0	1.6
Elimination and Corporate	0.3	0.7	0.1	0.2	0.4
Total	¥(5.8)	¥27.4	¥84.1	¥44.0	¥120.4

Based on these factors, net sales in the Aerospace division increased ¥8.9 billion, or 11.1%, compared with the previous fiscal year to ¥89.1 billion. In addition, segment income increased ¥3.9 billion, or 136.6%, year on year to ¥6.8 billion.

Industrial Products Division

Net sales in the Industrial Products division were down ¥3.5 billion, or 10.3%, from the previous fiscal year, to ¥30.1 billion, despite gains in sales of agricultural machinery in Japan and power generators in Middle East, due to lower sales of engines and electric power generators in Japan amid waning reconstruction demand following the Great East Japan Earthquake as well as lower sales of engines and pumps for overseas markets. Segment income was up ¥0.1 billion, or 27.2%, over the previous fiscal year, to ¥0.6 billion, owing to such factors as improvements in the sales mix.

Other Division

Although the divestiture of the sanitation truck business to ShinMaywa Industries, Ltd., caused unit sales of sanitation truck Fuji Mighty to fall below the previous year's level, net sales in this division were up ¥0.5 billion, or 3.8%, from the previous fiscal year, to ¥14.7 billion, due to the divestiture of wind power generation system operations to Hitachi, Ltd., among other factors, Segment income was up ¥0.6 billion, or 57.2%, from the previous fiscal year, to ¥1.6 billion.

Liquidity and Financing

Financial Position

Total assets as of March 31, 2013 stood at ¥1,577.5 billion, an increase of ¥224.9 billion compared with the previous fiscal year-end.

Of this total, current assets stood at ¥944.0 billion, up ¥181.5 billion compared with March 31, 2012. This result was primarily due to rises in inventories and cash and deposits in step with higher unit output, and an increase in assets from overseas sales subsidiaries newly included in the scope of consolidation.

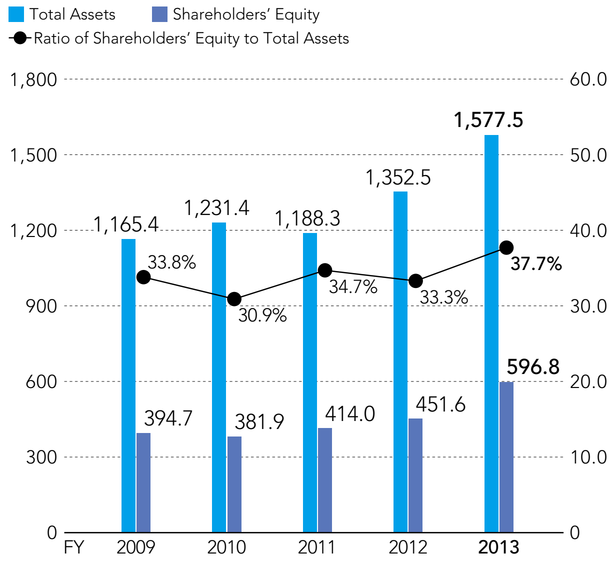
Total property, plant and equipment rose ¥43.4 billion year on year to ¥633.4 billion. This expansion was mainly attributable to an increase in machinery, equipment and vehicles in line with augmented production capacity, as well as a rise in investment securities and other items.

Total liabilities were up ¥79.7 billion year on year, to ¥980.6 billion. The main factor behind this increase was a rise in notes and accounts payable–trade, consistent with the growth in unit production, despite a decrease in interest-bearing debt.

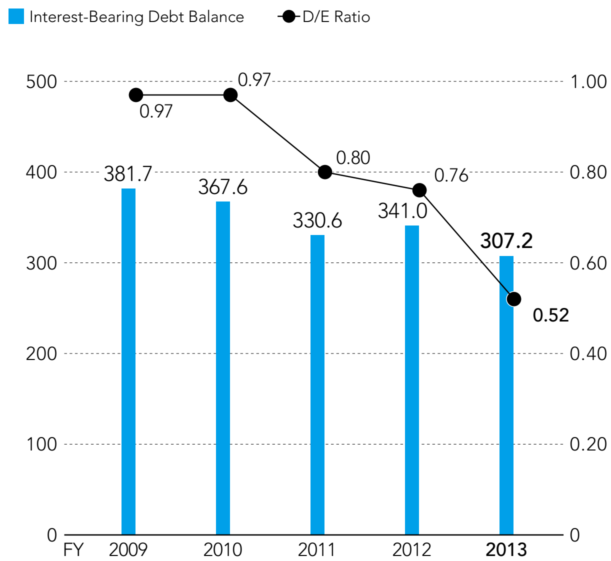
Interest-bearing debt amounted to ¥307.2 billion as of March 31, 2013, down ¥33.8 billion compared with the end of the previous fiscal year. This reflected efforts to reduce this figure, including a ¥20.0 billion decrease in bonds due to redemption, despite a ¥10.0 billion bond issuance in June 2012. The debt/equity ratio improved 0.24 of a point from March 31, 2012, to 0.52, due to an increase in retained earnings and efforts to reduce interest-bearing debt, among other factors.

Net assets totaled ¥596.8 billion, up ¥145.2 billion compared with the end of the previous fiscal year. This was primarily due to an increase in retained earnings of ¥112.8 billion, reflecting the recording of net income in fiscal 2012. As a result, net assets per share as of the end of the fiscal year under review totaled ¥762.87, up ¥185.90 from ¥576.97 as of the year prior.

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



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



Cash Flows

In the fiscal year under review, net cash provided by operating activities was ¥166.7 billion compared with ¥54.9 billion in the previous fiscal year. This result was mainly due to higher sales, production and levels of operation.

Net cash used in investing activities was ¥71.4 billion in fiscal 2013 compared with ¥26.6 billion used in the previous fiscal year. This figure primarily reflects production capacity increases at the Main Plant and Oizumi Plant, and the previous year's gain on the sale of the Subaru Building. As a result, free cash flow amounted to ¥95.3 billion, an increase of ¥67.1 billion from ¥28.3 billion provided in the previous fiscal year.

Net cash used in financing activities totaled ¥60.8 billion in the fiscal year ended March 31, 2013, compared with ¥2.6 billion provided by these activities in the preceding fiscal year. The reason for this change is that although the Group increased borrowings in the preceding fiscal year to respond in the aftermath of the Great East Japan Earthquake, we worked to reduce interest-bearing debt during the fiscal year under review. 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 ¥328.9 billion, up ¥70.9 billion year on year.

Securing Liquidity

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

Research and Development Expenses

During the year, FHI invested in R&D related to the Forester, which was redesigned, and the introduction of other new vehicles. In addition, R&D expenses went toward the development of a hybrid system for the SUBARU XV Hybrid, which launched in 2013, and other environment-friendly technologies. Mainly as a result of these factors, R&D expenses increased ¥1.0 billion, or 2.1%, year on year, to ¥49.1 billion.

Capital Expenditures and Depreciation

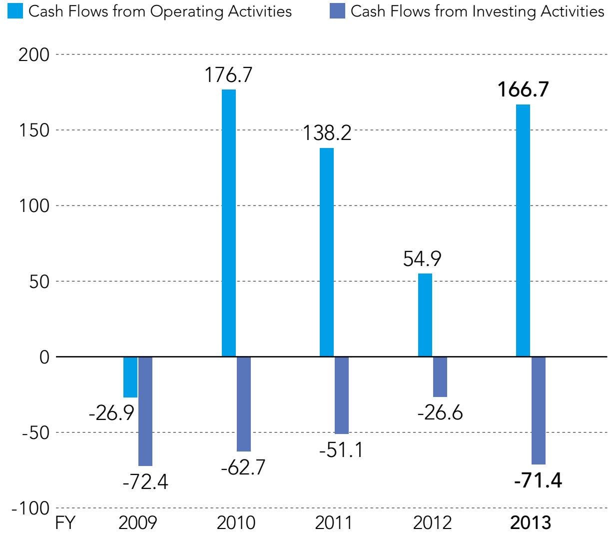
Capital expenditures increased ¥15.9 billion, or 29.3%, compared with the previous fiscal year, to ¥70.2 billion due to such factors as augmenting production capacity at the Gunma Main Plant, in line with the start of bridge production with the Yajima Plant. Depreciation increased ¥2.2 billion, or 4.0%, year on year, to ¥55.9 billion.

Basic Policy Regarding the Distribution of Profits

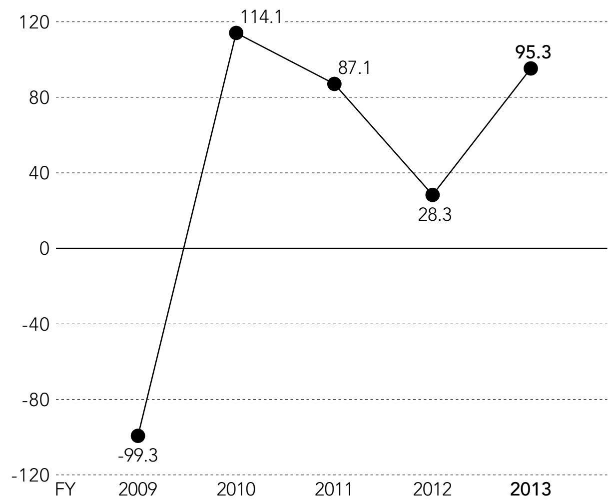
FHI views the return of profits to shareholders as a critical task for management. With a view to improving ROE and based on maintaining continual dividend payments, we apply a results-linked approach that takes into consideration such factors as earnings, investment plans, operating conditions and dividend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

Taking into account business results for the fiscal year under review as well as future business developments, operating environments and other factors, FHI distributed an interim dividend of ¥5.00 per share and a year-end dividend of ¥10.00 per share, for an annual dividend of ¥15.00 per share. We plan to increase this level for the upcoming fiscal year, to an annual dividend of ¥20.00 per share (comprising interim and year-end dividends of ¥10.00 per share).

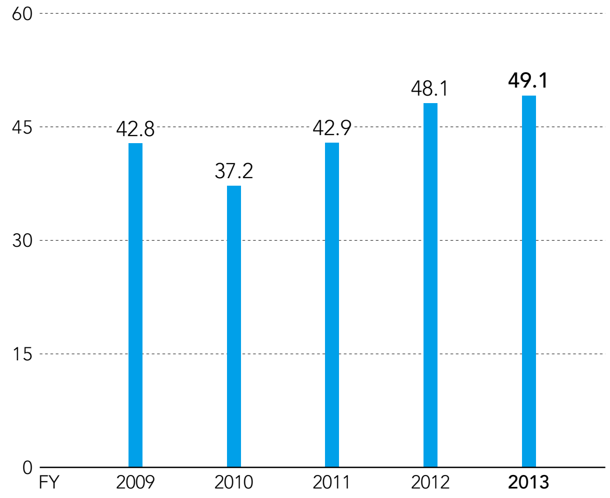
Cash Flows from Operating Activities & Cash Flows from Investing Activities (Billions of yen)



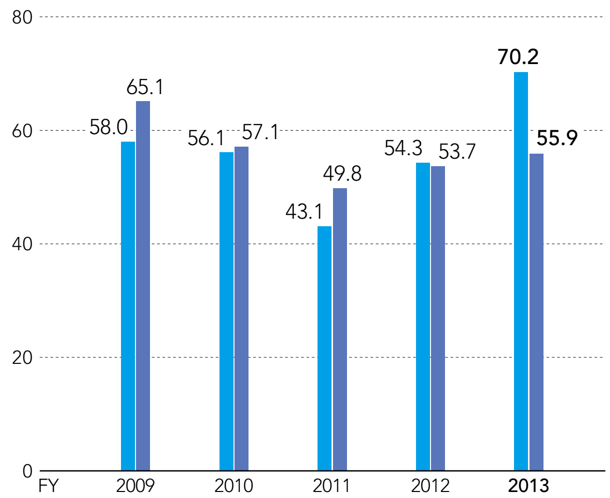
Free Cash Flow (Billions of yen)



Research and Development Expenses (Billions of yen)



Capital Expenditures, Depreciation Expenses (Billions of yen)



Outlook

Regarding the consolidated results forecast for the fiscal year ending March 31, 2014, in the Japanese market we expect unit sales to decrease over time due to aging of the Legacy, as well as for the Impreza, which was redesigned a year ago. In overseas markets, however, we anticipate an increase in sales centering on North America. Consequently, during the upcoming fiscal year we forecast another record-high figure for automobile unit sales of 752 thousand units, up 27 thousand units, or 3.7%, from fiscal 2013.

As a result, consolidated net sales for fiscal 2014 are projected (as of July 2013) to rise ¥167.0 billion, or 8.7%, from the fiscal year under review, to ¥2,080.0 billion. Turning to profits, operating income is expected to rise ¥77.6 billion, or 64.4%, to ¥198.0 billion, owing the exchange rate effects of a yen correction, the impact of lower cost of sales and an improved sales mix resulting from an increase in automobile unit sales. We forecast net income of ¥121.0 billion, up ¥1.4 billion, or 1.2%, owing to the reallocation of deferred tax assets in the preceding fiscal year.

These forecasts are based on average annual exchange rates of ¥92 to U.S. $1 (previously ¥82 to U.S. $1) and ¥122 to €1 (previously ¥106 to €1).

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

Forecast for Consolidated Results (Billions of yen)

	2013(Results)	2014	Change
Net sales	1,913.0	2,080.0	167.0
Japan	671.8	608.1	(63.8)
Overseas	1,241.1	1,471.9	230.8
Operating income	120.4	198.0	77.6
Income before income taxes and minority interest	93.1	186.0	92.9
Net income	119.6	121.0	1.4
Exchange rate (in yen)			
¥/$	82	92	10
¥/€	106	122	16

Forecast for Global Automobile Sales (Thousand units)

	2013(Results)	2014	Change
Japan:			
Passenger cars	112.8	101.6	(11.1)
Minicars	50.4	53.9	3.5
Subtotal	163.1	155.5	(7.6)
Overseas:			
United States	357.6	384.9	27.3
Canada	32.6	35.5	2.9
Russia	14.7	12.6	(2.1)
Europe	46.4	41.8	(4.6)
Australia	38.1	42.5	4.4
China	50.2	51.2	1.0
Other	21.7	27.6	5.9
Subtotal	561.3	596.0	34.7
Total	724.5	751.5	27.0

Business Risks

Operational and other risks that could significantly influence the decisions of investors and impact the Company's financial status are set out below. Based on information available to the FHI Group as of June 24, 2013, the enumerated risks include forward-looking statements, but do not encompass every possible risk posed to the FHI Group. As such, there are other risk factors which could influence investors and their decisions.

(1) Economic Trends

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

(2) Currency Exchange Rate Fluctuations

The FHI Group's ratio of overseas net sales stood at 64.9% in the fiscal year ended March 31, 2013. The Group's consolidated financial statements, which are presented in Japanese yen, are affected by translation of overseas net sales, operating income and assets from local currencies, particularly U.S. dollars, into yen. Accordingly, in the event that discrepancies arise between projected exchange rates in full-year forecasts and actual rates at the time of account settlement, the Group's business performance and financial position may be adversely affected when the yen appreciates or positively affected when the yen depreciates.

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

(3) Dependence on Certain Businesses

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

(4) Changes in Market Appraisal

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

(5) Dependence on Suppliers for Raw Materials and Components

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

(6) Protection of Intellectual Property

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

(7) Product Defects

The FHI Group places the highest priority on the safety of the products it develops, manufactures and sells. However, completely avoiding defects and recalls regarding all products and services is impossible.

The substantial costs associated with a major recall could significantly affect the Group's business performance and financial position. In addition, although the Group purchases product liability insurance, the risk of incomplete coverage exists.

(8) Retirement Benefit Obligations

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

(9) Environmental and Other Legal Regulations

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

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

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

Corporate Data (As of March 31, 2013)

Company Name
Fuji Heavy Industries Ltd.

Established
July 15, 1953

Paid-in Capital
¥153,795 million

Number of Employees
12,717(consolidated: 27,509)

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

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

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

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

Principal Consolidated Subsidiaries and Affiliates

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

Stock Information (As of March 31, 2013)

Common Stock Authorized
1,500,000,000 shares

Common Stock Issued
782,865,873 shares

Number of Shareholders
38,638

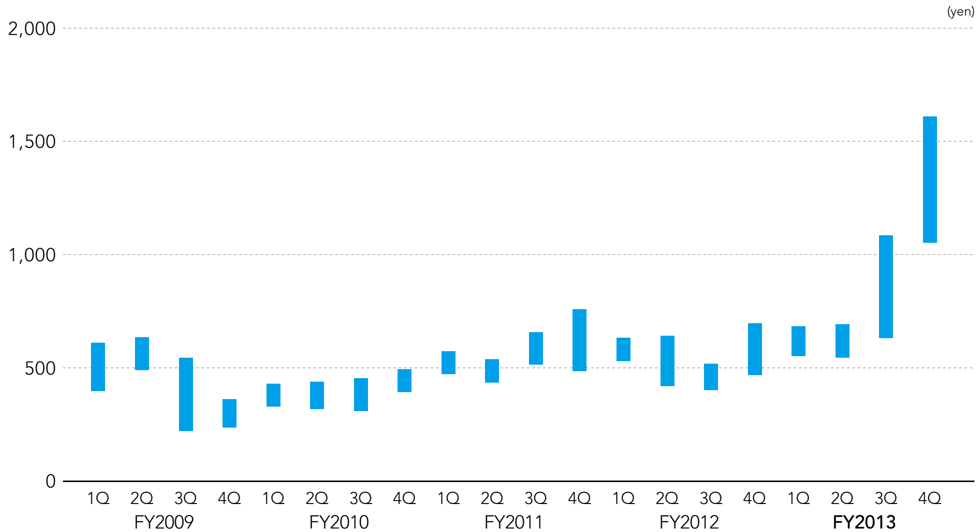
Stock Exchange Listing
Tokyo Stock Exchange

Transfer Agent
Mizuho Trust & Banking Co., Ltd.
2-1, Yaesu 1-chome, Chuo-ku, Tokyo
103-0028, Japan

Major Shareholders

Name	Number of Shares Held (in thousands)	Percentage of Total Shares
Toyota Motor Corporation	129,000	16.48
The Master Trust Bank of Japan, Ltd. (Trust account)	39,541	5.05
Japan Trustee Services Bank, Ltd. (Trust account)	33,527	4.28
Suzuki Motor Corporation	13,690	1.75
SSBT OD05 OMNIBUS ACCOUNT - TREATY CLIENTS	13,386	1.71
FHI's Client Stock Ownership	12,528	1.60
Mizuho Corporate Bank, Ltd.	12,361	1.58
Mizuho Bank, Ltd.	12,017	1.54
Nippon Life Insurance Company	11,191	1.43
BBH/BLACKROCK GLOBAL ALL OCATION FUND, INC.	10,511	1.34

Quarterly Common Stock Price Range (Tokyo Stock Exchange)



	FY2009	FY2010	FY2011	FY2012	FY2013
High	493	758	697	635	1,609
Low	311	435	402	223	545

SUBARU

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, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2013**	2012	**2013**
Current assets:			
Cash and deposits (Note 4 and 5)	**¥285,152**	¥237,614	**$3,033,855**
Notes and accounts receivable-trade (Note 5)	**124,234**	117,062	**1,321,779**
Lease investment assets (Note 5 and 19)	**22,145**	21,865	**235,610**
Short-term investment securities (Notes 4, 5 and 6)	**66,370**	31,635	**706,139**
Merchandise and finished goods	**163,852**	121,686	**1,743,292**
Work in process	**50,498**	56,143	**537,270**
Raw materials and supplies	**35,217**	33,715	**374,689**
Deferred tax assets (Note 12)	**52,947**	17,399	**563,326**
Short-term loans receivable (Note 5)	**96,990**	78,788	**1,031,918**
Other current assets	**47,579**	48,019	**506,212**
Allowance for doubtful accounts	**(951)**	(1,395)	**(10,118)**
Total current assets	**944,033**	762,531	**10,043,972**
Property, plant and equipment (Notes 7 and 9)	**1,260,592**	1,225,559	**13,411,980**
Accumulated depreciation	**(786,734)**	(769,274)	**(8,370,401)**
Accumulated impairment loss	**(28,903)**	(30,194)	**(307,511)**
Total property, plant and equipment	**444,955**	426,091	**4,734,068**
Investments and other assets:			
Intangible assets	**12,751**	11,818	**135,663**
Investment securities (Note 5 and 6)	**91,271**	72,794	**971,071**
Investments in non-consolidated subsidiaries and affiliated companies	**4,552**	12,830	**48,431**
Deferred tax assets (Note 12)	**6,227**	1,873	**66,252**
Other assets (Note 28)	**77,656**	68,179	**826,216**
Allowance for doubtful accounts	**(3,991)**	(3,584)	**(42,462)**
Total investments and other assets	**188,466**	163,910	**2,005,171**
Total assets	**¥1,577,454**	¥1,352,532	**$16,783,211**

	Millions of yen		Thousands of U.S. dollars (Note 1)
LIABILITIES AND NET ASSETS	**2013**	2012	**2013**
Current liabilities:			
Notes and accounts payable-trade (Note 5)	**¥242,743**	¥251,043	**$2,582,647**
Electronically recorded obligations-operating (Note 5)	**¥61,595**	-	**$655,336**
Short-term loans payable (Note 5 and 7)	**60,867**	71,040	**647,590**
Current portion of long-term debts (Note 5 and 7)	**45,207**	43,796	**480,977**
Accrued expenses (Note 5)	**83,032**	69,437	**883,413**
Provision for bonuses	**17,865**	16,478	**190,073**
Provision for product warranties	**34,740**	28,861	**369,614**
Accrued income taxes (Note 5 and 12)	**7,828**	4,600	**83,285**
Other current liabilities (Note 5, 7 and 12)	**103,154**	76,380	**1,097,501**
Total current liabilities	**657,031**	561,635	**6,990,436**
Long-term liabilities:			
Long-term debts (Note 5 and 7)	**201,083**	226,144	**2,139,408**
Accrued pension and severance liability (Note 11)	**34,917**	33,950	**371,497**
Deferred tax liabilities (Note 12)	**19,139**	22,740	**203,628**
Other long-term liabilities (Note 7)	**68,471**	56,456	**728,492**
Total long-term liabilities	**323,610**	339,290	**3,443,025**
Contingent liabilities (Note 21)			
Net assets: (Note 13)			
Shareholders' equity:			
Capital stock			
Authorized– 1,500,000,000 shares			
Issued — 782,865,873 shares	**153,795**	153,795	**1,636,291**
Capital surplus	**160,071**	160,071	**1,703,064**
Retained earnings	**301,357**	188,538	**3,206,267**
Less－treasury stock, at cost,	**(1,292)**	(1,259)	**(13,746)**
2013— 2,435,448 shares			
2012— 2,406,736 shares			
Total shareholders’ equity	**613,931**	501,145	**6,531,876**
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	**27,882**	18,966	**296,649**
Foreign currency translation adjustment	**(46,448)**	(69,809)	**(494,180)**
Total accumulated other comprehensive income	**(18,566)**	(50,843)	**(197,532)**
Minority interests	**1,448**	1,305	**15,406**
Total net assets	**596,813**	451,607	**6,349,750**
Total liabilities and net assets	**¥1,577,454**	¥1,352,532	**$16,783,211**

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

Consolidated Statements of Income

FUJI HEAVY INDUSTRIES LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Net sales (Note 2)	**¥1,912,968**	¥1,517,105	**$20,352,889**
Cost of sales (Note 14)	**1,501,809**	1,222,419	**15,978,392**
Gross profit	**411,159**	294,686	**4,374,497**
Selling, general and administrative expenses (Note 2 and 15)	**290,748**	250,727	**3,093,393**
Operating income (loss)	**120,411**	43,959	**1,281,104**
Other income (expenses):			
Interest and dividend income	**2,669**	2,092	**28,397**
Interest expenses	**(3,336)**	(3,780)	**(35,493)**
Equity in earnings of affiliates	**43**	817	**457**
Real estate rent	**592**	530	**6,299**
Foreign exchange gains (losses)	**(15,527)**	2,290	**(165,198)**
Gain (loss) on valuation of derivatives	**(1,714)**	(5,116)	**(18,236)**
Gain (loss) on sales and retirement of noncurrent assets	**(1,911)**	26,807	**(20,332)**
Gain (loss) on sales of investment securities (Note 6)	**409**	687	**4,352**
Loss on valuation of investment securities (Note 6)	**(61)**	(403)	**(649)**
Depreciation	**(977)**	(1,171)	**(10,395)**
Impairment loss (Note 9)	**(145)**	(63)	**(1,543)**
Gain on sales of loans receivable	**325**	-	**3,458**
Loss on disaster (Note 16)	**-**	(7,257)	**-**
Provision for loss on transfer of business (Note 17)	**(967)**	(4,177)	**(10,288)**
Other, net (Note 18)	**(6,729)**	(2,336)	**(71,594)**
	(27,329)	8,920	**(290,765)**
Income (loss) before income taxes and minority interests	**93,082**	52,879	**990,339**
Income taxes (Note 12):			
Current	**17,566**	12,078	**186,892**
Deferred	**(44,216)**	2,251	**(470,433)**
	(26,650)	14,329	**(283,541)**
Income (loss) before minority interests	**119,732**	38,550	**1,273,880**
Minority interests in income (loss)	**144**	97	**1,532**
Net income (loss)	**¥119,588**	¥38,453	**$1,272,348**

	Yen		U.S. dollars
Per share data (Note 2) :			
Net income (loss) —Basic	**¥153.23**	¥49.27	**$1.63**
—Diluted *	**-**	-	**-**
Net assets	**762.87**	576.97	**8.12**
Cash dividends (Note 13)	**15.00**	9.00	**0.16**

The accompanying notes are an integral part of these statements.

*For the year ended March 31, 2013 and 2012 diluted information is not presented because potentially dilutive securities do not exist.

Consolidated Statements of Comprehensive Income

FUJI HEAVY INDUSTRIES LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Income (loss) before minority interests	**¥119,732**	¥38,550	**$1,273,880**
Other comprehensive income (Note 3)			
Valuation difference on available-for-sale securities	**8,916**	7,399	**94,861**
Foreign currency translation adjustment	**23,284**	(1,464)	**247,729**
Share of other comprehensive income of associates accounted for using equity method	**77**	(11)	**819**
Total other comprehensive income	**32,277**	5,924	**343,409**
Comprehensive income	**152,009**	44,474	**1,617,289**
(Comprehensive income attributable to)			
Comprehensive income attributable to owners of the parent	**151,865**	44,382	**1,615,757**
Comprehensive income attributable to minority interests	**¥144**	¥92	**$1,532**

Consolidated Statements of Changes in Net Assets

FUJI HEAVY INDUSTRIES LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Shareholders' equity			
Capital stock			
Balance at the beginning of current period	**¥153,795**	¥153,795	**$1,636,291**
Balance at the end of current period	**153,795**	153,795	**1,636,291**
Capital surplus			
Balance at the beginning of current period	**160,071**	160,071	**1,703,064**
Balance at the end of current period	**160,071**	160,071	**1,703,064**
Retained earnings			
Balance at the beginning of current period	**188,538**	156,948	**2,005,937**
Changes of items during the period			
Dividends from surplus	**(7,418)**	(7,027)	**(78,923)**
Net income (loss)	**119,588**	38,453	**1,272,348**
Disposal of treasury stock	**1**	(4)	**11**
Change of scope of consolidation	**-**	171	**-**
Other	**648**	(3)	**6,894**
Total changes of items during the period	**112,819**	31,590	**1,200,330**
Balance at the end of current period	**301,357**	188,538	**3,206,267**
Treasury stock			
Balance at the beginning of current period	**(1,259)**	(1,381)	**(13,395)**
Changes of items during the period			
Purchase of treasury stock	**(35)**	(7)	**(372)**
Disposal of treasury stock	**2**	129	**21**
Total changes of items during the period	**(33)**	122	**(351)**
Balance at the end of current period	**(1,292)**	(1,259)	**(13,746)**
Total shareholders' equity			
Balance at the beginning of current period	**501,145**	469,433	**5,331,897**
Changes of items during the period			
Dividends from surplus	**(7,418)**	(7,027)	**(78,923)**
Net income (loss)	**119,588**	38,453	**1,272,348**
Purchase of treasury stock	**(35)**	(7)	**(372)**
Disposal of treasury stock	**3**	125	**32**
Change of scope of consolidation	**-**	171	**-**
Other	**648**	(3)	**6,894**
Total changes of items during the period	**112,786**	31,712	**1,199,979**
Balance at the end of current period	**¥613,931**	¥501,145	**$6,531,876**

Consolidated Statements of Changes in Net Assets

FUJI HEAVY INDUSTRIES LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities			
Balance at the beginning of current period	**¥18,966**	¥11,567	**$201,788**
Changes of items during the period			
Net changes of items other than shareholders' equity	**8,916**	7,399	**94,861**
Total changes of items during the period	**8,916**	7,399	**94,861**
Balance at the end of current period	**27,882**	18,966	**296,649**
Foreign currency translation adjustment			
Balance at the beginning of current period	**(69,809)**	(68,339)	**(742,728)**
Changes of items during the period			
Net changes of items other than shareholders' equity	**23,361**	(1,470)	**248,548**
Total changes of items during the period	**23,361**	(1,470)	**248,548**
Balance at the end of current period	**(46,448)**	(69,809)	**(494,180)**
Total accumulated other comprehensive income			
Balance at the beginning of current period	**(50,843)**	(56,772)	**(540,941)**
Changes of items during the period			
Net changes of items other than shareholders' equity	**32,277**	5,929	**343,408**
Total changes of items during the period	**32,277**	5,929	**343,408**
Balance at the end of current period	**(18,566)**	(50,843)	**(197,533)**
Minority interests			
Balance at the beginning of current period	**1,305**	1,302	**13,885**
Changes of items during the period			
Net changes of items other than shareholders' equity	**143**	3	**1,521**
Total changes of items during the period	**143**	3	**1,521**
Balance at the end of current period	**1,448**	1,305	**15,406**
Total net assets			
Balance at the beginning of current period	**451,607**	413,963	**4,804,841**
Changes of items during the period			
Dividends from surplus	**(7,418)**	(7,027)	**(78,923)**
Net income (loss)	**119,588**	38,453	**1,272,348**
Purchase of treasury stock	**(35)**	(7)	**(372)**
Disposal of treasury stock	**3**	125	**32**
Change of scope of consolidation	**-**	171	**-**
Other	**648**	(3)	**6,894**
Net changes of items other than shareholders' equity	**32,420**	5,932	**344,930**
Total changes of items during the period	**145,206**	37,644	**1,544,909**
Balance at the end of current period	**¥596,813**	¥451,607	**$6,349,750**

Consolidated Statements of Cash Flows

FUJI HEAVY INDUSTRIES LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Net cash provided by (used in) operating activities			
Income (loss) before income taxes and minority interests	**¥93,082**	¥52,879	**$990,339**
Depreciation and amortization	**61,544**	58,611	**654,793**
Impairment loss	**145**	63	**1,543**
Increase (decrease) in allowance for doubtful accounts	**(55)**	(883)	**(585)**
Increase (decrease) in provision for bonuses	**1,344**	150	**14,299**
Increase (decrease) in provision for product warranties	**2,765**	1,658	**29,418**
Increase (decrease) in provision for loss on construction contracts	**(1,923)**	(1,840)	**(20,460)**
Increase (decrease) in provision for retirement benefits	**910**	147	**9,682**
Increase (decrease) in provision for loss on litigation	**369**	-	**3,926**
Interest and dividends income	**(2,669)**	(2,092)	**(28,397)**
Interest expenses	**3,336**	3,780	**35,493**
Loss (gain) on valuation of derivatives	**1,714**	5,116	**18,236**
Equity in (earnings) losses of affiliates	**(43)**	(817)	**(457)**
Loss (gain) on sales and retirement of noncurrent assets	**1,911**	(26,807)	**20,332**
Loss (gain) on sales and valuation of investment securities	**(348)**	(284)	**(3,703)**
Decrease (increase) in notes and accounts receivable-trade	**1,264**	(40,602)	**13,448**
Decrease (increase) in inventories	**(21,194)**	(49,033)	**(225,492)**
Increase (decrease) in notes and accounts payable-trade	**48,679**	74,197	**517,917**
Decrease (increase) in lease investment assets	**(280)**	1,185	**(2,979)**
Decrease (increase) in operating loans receivable	**(14,701)**	(16,077)	**(156,410)**
Decrease (increase) in vehicles and equipment on operating leases	**(2,528)**	(1,842)	**(26,896)**
Increase (decrease) in deposits received	**299**	4,258	**3,181**
Other	**8,728**	5,685	**92,861**
Sub total	**182,349**	67,452	**1,940,089**
Interest and dividends income received	**2,694**	2,277	**28,663**
Interest expenses paid	**(3,417)**	(3,671)	**(36,355)**
Income taxes paid	**(14,911)**	(11,193)	**(158,645)**
Net cash provided by (used in) operating activities	**166,715**	54,865	**1,773,752**
Net cash provided by (used in) investing activities			
Purchase of short-term investment securities	**(9,760)**	(5,202)	**(103,841)**
Proceeds from sales of short-term investment securities	**5,166**	3,315	**54,963**
Purchase of property, plant and equipment	**(60,852)**	(49,059)	**(647,431)**
Proceeds from sales of property, plant and equipment	**1,965**	36,370	**20,906**
Purchase of intangible assets	**(4,377)**	(3,204)	**(46,569)**
Purchase of investment securities	**(14,503)**	(16,370)	**(154,304)**
Proceeds from sales of investment securities	**11,954**	13,854	**127,184**
Payments of loans receivable	**(94,273)**	(92,710)	**(1,003,011)**
Collection of loans receivable	**93,376**	88,361	**993,467**
Other, net	**(66)**	(1,957)	**(702)**
Net cash provided by (used in) investing activities	**(71,370)**	(26,602)	**(759,338)**
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	**(28,655)**	(28,033)	**(304,873)**
Proceeds from long-term loans payable	**10,218**	79,585	**108,714**
Repayment of long-term loans payable	**(23,937)**	(21,268)	**(254,676)**
Proceeds from issuance of bonds	**10,000**	-	**106,394**
Redemption of bonds	**(20,010)**	(20,010)	**(212,895)**
Cash dividends paid	**(7,392)**	(7,027)	**(78,647)**
Repayment of lease obligations	**(955)**	(774)	**(10,161)**
Other,net	**(35)**	113	**(372)**
Net cash provided by (used in) financing activities	**(60,766)**	2,586	**(646,516)**
Effect of exchange rate change on cash and cash equivalents	**14,964**	(332)	**159,208**
Net increase (decrease) in cash and cash equivalents	**49,543**	30,517	**527,109**
Cash and cash equivalents at beginning of period	**258,084**	227,704	**2,745,867**
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	**21,320**	(137)	**226,833**
Cash and cash equivalents at end of period (Note 4)	**¥328,947**	¥258,084	**$3,499,809**

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

FUJI HEAVY INDUSTRIES LTD. AND CONSOLIDATED SUBSIDIARIES

1. Basis of Presentation of the Financial Statements

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

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

The translations of the Japanese yen amounts into U.S. dollars in the accompanying consolidated financial statements are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2013, which was ¥93.99 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 eight 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 73 subsidiaries in fiscal 2013 (70 subsidiaries in fiscal 2012).

In addition, five non-consolidated subsidiaries and one affiliated company were accounted for by the equity method in fiscal 2013; eight non-consolidated subsidiaries and one affiliated company were accounted for by the equity method in fiscal 2012.

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

[3] Inventories

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

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

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

Depreciation of the property, plant and equipment of the Company and its consolidated domestic subsidiaries is principally computed by the declining-balance method, except for those buildings (excluding building improvements) acquired on or after April 1, 1998, for which the straight-line method is applied.

Depreciation of the property, plant and equipment of consolidated foreign subsidiaries is computed by the straight-line method at rates based on the estimated useful lives of the assets according to their general class, type of construction, and use.

Estimated useful lives for depreciable assets are as follows:

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

[5] Intangible Assets (Excluding Leased Assets)

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

[6] Leased Assets

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

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

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

[7] Allowance for Doubtful Accounts

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

[8] Provision for Bonuses

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

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

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

[11] Provision for Loss on Transfer of Business
The Company provides for losses on transfer of an important business and these losses are reasonably estimated at the end of the fiscal year.

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

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

Under the Japanese accounting standards for pension and severance benefits, accrued pension and severance liability for employees is provided based on the estimated amounts of projected pension and severance obligation and the fair value of plan assets at the end of the fiscal year. Prior service cost is being amortized by the straight-line method over a period (10-18 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 2013 and 2012) that is shorter than the average remaining service period of the eligible employees.

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

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

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

currency translation adjustments are included in "Foreign currency translation adjustments" and "Minority interest" in the net assets section of the accompanying consolidated balance sheets.

[14] Revenue Recognition

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

[15] Accounting for Lease Transactions

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

[16] Derivative Financial Instruments and Hedge Accounting

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

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

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

Financial Instrument	Transactions, assets and liabilities
Interest swaps	Borrowings

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

[17] Goodwill

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

[18] Cash and Cash Equivalents

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

[19] Income Taxes

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

[20] Research and Development Expenses

Research and development costs are expensed as incurred and amounted to ¥49,141 million (US$ 522,832 thousand) and ¥48,115 million for fiscal years 2013 and 2012, respectively.

[21] Net Income per Share

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

[22] Reclassification and Restatement

Financial statements in fiscal 2012 have been reclassified to conform to the current year presentation. These reclassifications had no impact on previously reported results of operations or retained earnings.

[23] Other Changes in Accounting Policy

(Changes in accounting policies for items that are difficult to distinguish from changes in accounting estimates)

Since the fiscal year 2013, the Company and domestic consolidated subsidiaries have changed their depreciation method for fixed assets acquired on or after April 1, 2012 in accordance with the enacted revisions to the Corporate Tax Law and related tax regulations.

Due to this change, operating income increased by 1,835 million yen (US$ 19,523 thousand) and ordinary income and income before income tax and minority interests increased by 1,839 million yen (US$ 19,566 thousand) comparing to the previous method, respectively.

(Unapplied accounting standards)

"Accounting Standard for Retirement Benefits" (Accounting Standard Board of Japan ("ASBJ") Statement No. 26, May 17, 2012)

"Guidance on Accounting Standard for Retirement Benefits" (ASBJ Statement No. 25, May 17, 2012)

(a) Outline

These accounting standard and guidance have been revised in light of improving financial reporting and trend toward international convergence, mainly on (i) changes in accounting methods for unrecognized net actuarial gains or losses and unrecognized prior service cost, as well as enhancement of disclosure items; and (ii) changes of calculation methods for projected benefit obligation and service cost.

(b) Scheduled Date of Application

The Company intends to apply (i) to consolidated financial statements as of the end of the fiscal year beginning on April 1, 2013, and to apply (ii) from the fiscal year beginning on April 1, 2014.

(c) Effects of application of this accounting standard

Effects of application of these accounting standard and guidance are currently under consideration.

3. Reclassification adjustments and income tax in other comprehensive income

Amounts reclassified to net income (loss) in fiscal 2013 and 2012, which were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Valuation difference on available-for-sale securities			
Increase during the year	**¥13,203**	¥9,580	**$140,472**
Reclassification adjustments	**392**	321	**4,171**
Sub-total, before tax	**13,595**	9,901	**144,643**
Tax (expense) or benefit	**(4,679)**	(2,502)	**(49,782)**
Sub-total, net of tax	**8,916**	7,399	**94,861**
Foreign currency translation adjustment			
Increase(decrease) during the year	**23,284**	(1,381)	**247,729**
Reclassification adjustments	**-**	(83)	**-**
Sub-total, before tax	**23,384**	(1,464)	**247,729**
Tax (expense) or benefit	**-**	-	**-**
Sub-total, net of tax	**23,284**	(1,464)	**247,729**
Share of other comprehensive income of associates accounted for using equity method			
Increase(decrease) during the year	**77**	(11)	**819**
Total other comprehensive income	**¥32,277**	¥5,924	**$343,409**

4. Additional Cash Flow Information

Cash and cash equivalents as of March 31, 2013 and 2012, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Cash and deposits	**¥285,152**	¥237,614	**$3,033,855**
Short-term investment securities	**66,370**	31,635	**706,139**
	351,522	269,249	**3,739,994**
Less maturity over three months	**(22,575)**	(11,165)	**(240,185)**
Cash and cash equivalents	**¥328,947**	¥258,084	**$3,499,809**

5. Financial Instruments

(1) Summary of Financial Instruments Status

[1] Action Policy with Regard to Financial Instruments

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

[2] Details of Financial Instruments and Respective Risks

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

Notes and accounts payable-trade that are included in operating liabilities usually have a payment date of within one year. Furthermore, a certain portion of such liabilities involves foreign currency denominated transactions associated with the import of raw materials and is thus subject to exchange rate fluctuation risk, although it is consistently less than accounts receivable balance of the same foreign currency. The FHI Group’s liabilities associated with debt and bonds are set specifically for the acquisition of essential funds, mainly for capital expenditure, whose redemption dates come within 11 years after March 31, 2013 at the latest. A certain portion of said liabilities may have valuable rates and are therefore subject to the risk of changes in interest rates, although in such cases derivative transactions (interest rate swap transactions) are used.

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

[3] Risk Management System with Regard to Financial Instruments

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

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

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

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

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

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

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

Fair value includes the fair market value of financial instruments and, in the event market-based prices are not available, prices that are calculated based on the underlying assumptions under the appropriate valuation model. 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 amounts, the fair value and difference as of March 31, 2013 and 2012 were as follows:

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

As of March 31, 2013

	Millions of yen		
	Consolidated balance sheet amounts	Fair Value	Difference
Cash and deposits	**¥285,152**	**¥285,152**	**¥-**
Notes and accounts receivable-trade	**124,234**		
Allowance for doubtful accounts (*1)	**(165)**		
	124,069	**124,069**	**-**
Lease investment assets	**22,145**		
Allowance for doubtful accounts (*1)	**(26)**		
	22,119	**25,340**	**3,221**
Short-term loans receivable	**96,990**		
Allowance for doubtful accounts (*1)	**(586)**		
	96,404	**97,614**	**1,210**
Short-term investment securities, Investment securities and Other securities	**102,796**	**102,796**	**-**
Total Assets	**630,540**	**634,971**	**4,431**
Notes and accounts payable-trade	**242,743**	**242,743**	**-**
Electronically recorded obligations-operating	**61,595**	**61,595**	**-**
Short-term loans payable	**60,867**	**60,867**	**-**
Current portion of long-term loans payable	**45,197**	**45,424**	**(227)**
Current portion of bonds	**10**	**10**	**-**
Accrued income taxes	**7,828**	**7,828**	**-**
Accrued expenses	**83,032**	**83,032**	**-**
Bonds payable	**14,060**	**14,165**	**(105)**
Long-term loans payable	**187,023**	**188,393**	**(1,370)**
Total Liabilities	**702,355**	**704,057**	**(1,702)**
Derivative transactions (*2)			
hedge accounting is not applied	**(8,136)**	**(8,136)**	**-**
hedge accounting is applied	**¥-**	**¥-**	**¥-**

As of March 31, 2013

	Thousands of U.S. dollars		
	Consolidated balance sheet amounts	Fair Value	Difference
Cash and deposits	**$3,033,855**	**$3,033,855**	**$-**
Notes and accounts receivable-trade	**1,321,779**		
Allowance for doubtful accounts (*1)	**(1,756)**		
	1,320,023	**1,320,023**	**-**
Lease investment assets	**235,610**		
Allowance for doubtful accounts (*1)	**(277)**		
	235,334	**269,603**	**34,269**
Short-term loans receivable	**1,031,917**		
Allowance for doubtful accounts (*1)	**(6,235)**		
	1,025,683	**1,038,557**	**12,874**
Short-term investment securities, Investment securities and Other securities	**1,093,691**	**1,093,691**	**-**
Total Assets	**6,708,586**	**6,755,729**	**47,143**
Notes and accounts payable-trade	**2,582,647**	**2,582,647**	**-**
Electronically recorded obligations-operating	**655,336**	**655,336**	**-**
Short-term loans payable	**647,590**	**647,590**	**-**
Current portion of long-term loans payable	**480,871**	**483,285**	**(2,414)**
Current portion of bonds	**106**	**106**	**-**
Accrued income taxes	**83,285**	**83,285**	**-**
Accrued expenses	**883,413**	**883,413**	**-**
Bonds payable	**149,590**	**150,708**	**(1,118)**
Long-term loans payable	**1,989,818**	**2,004,394**	**(14,576)**
Total Liabilities	**7,472,656**	**7,490,764**	**(18,108)**
Derivative transactions (*2)			
hedge accounting is not applied	**(86,562)**	**(86,562)**	**-**
hedge accounting is applied	**$-**	**$-**	**$-**

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

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

As of March 31, 2012

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

*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.

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

Consolidated balance sheet amount as of March 31, 2013 and 2012:

Other securities (available-for-sale securities)	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Commercial paper	**¥34,995**	¥-	**$372,327**
Money management fund	**15,432**	23,940	**164,188**
Unlisted stocks (excluding over-the-counter stocks)	**4,088**	3,759	**43,494**
Other	**¥329**	¥-	**$3,500**

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

[3] Scheduled redemption of monetary assets and securities with maturity
As of March 31, 2013:

	Millions of yen			
	Within 1 Year	1 to 5 Years	5 to 10 Years	Over 10 years
Cash and deposits	**¥285,152**	**¥-**	**¥-**	**¥-**
Notes and accounts receivable-trade	**118,173**	**6,061**	**-**	**-**
Lease investment assets	**7,052**	**14,959**	**134**	**-**
Short-term investment securities, Investment securities and Other securities				
Government and municipal bonds	**12,688**	**5,585**	**1,138**	**3,204**
Corporate bonds	**2,692**	**7,127**	**1,675**	**187**
Other	**35,559**	**37**	**179**	**2,260**
Short-term loans receivable	**¥35,605**	**¥59,510**	**¥1,875**	**¥-**

As of March 31, 2013:

	Thousands of U.S. dollars			
	Within 1 Year	1 to 5 Years	5 to 10 Years	Over 10 years
Cash and deposits	**$3,033,855**	**$-**	**$-**	**$-**
Notes and accounts receivable-trade	**1,257,293**	**64,486**	**-**	**-**
Lease investment assets	**75,029**	**159,155**	**1,426**	**-**
Short-term investment securities, Investment securities and Other securities				
Government and municipal bonds	**134,993**	**59,421**	**12,108**	**34,089**
Corporate bonds	**28,641**	**75,827**	**17,821**	**1,990**
Other	**378,327**	**394**	**1,904**	**24,045**
Short-term loans receivable	**$378,817**	**$633,152**	**$19,949**	**$-**

As of March 31, 2012:

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

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

As of March 31, 2013:

	Millions of yen			
	Within 1 Year	1 to 5 Years	5 to 10 Years	Over 10 years
Short-term loans payable	**¥60,867**	**¥-**	**¥-**	**¥-**
Bonds payable	**10**	**14,060**	**-**	**-**
Long-term loans payable	**45,197**	**158,656**	**28,123**	**244**

As of March 31, 2013:

	Thousands of U.S. dollars			
	Within 1 Year	1 to 5 Years	5 to 10 Years	Over 10 years
Short-term loans payable	**$647,590**	**$-**	**$-**	**$-**
Bonds payable	**106**	**149,590**	**-**	**-**
Long-term loans payable	**$480,870**	**$1,688,010**	**$299,213**	**$2,596**

As of March 31, 2012:

	Millions of yen			
	Within 1 Year	1 to 5 Years	5 to 10 Years	Over 10 years
Short-term loans payable	¥71,040	¥-	¥-	¥-
Bonds payable	20,010	4,070	-	-
Long-term loans payable	¥23,786	¥154,378	¥67,149	¥547

6. Short-Term Investment Securities and Investment Securities

Information on the value of short-term investment securities and investment securities as of March 31, 2013 and 2012 was as follows:

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

As of March 31, 2013:

	Millions of yen		
	Book value	Acquisition cost	Difference
Book value exceeding acquisition cost:			
Equity securities	**¥64,760**	**¥22,206**	**¥42,554**
Debt securities			
Government and municipal bonds	**17,478**	**17,131**	**347**
Corporate bonds	**9,886**	**9,565**	**321**
Other	**1,992**	**1,918**	**74**
Sub-total	**94,116**	**50,820**	**43,296**
Book value not exceeding acquisition cost:			
Equity securities	**607**	**669**	**(62)**
Debt securities			
Government and municipal bonds	**4,812**	**4,864**	**(52)**
Corporate bonds	**2,210**	**2,226**	**(16)**
Other	**1,051**	**1,054**	**(3)**
Sub-total	**8,680**	**8,813**	**(133)**
Total	**¥102,796**	**¥59,633**	**¥43,163**

As of March 31, 2013:

	Thousands of U.S. dollars		
	Book value	Acquisition cost	Difference
Book value exceeding acquisition cost:			
Equity securities	**$689,009**	**$236,259**	**$452,750**
Debt securities			
Government and municipal bonds	**185,956**	**182,264**	**3,692**
Corporate bonds	**105,181**	**101,766**	**3,415**
Other	**21,194**	**20,406**	**788**
Sub-total	**1,001,340**	**540,695**	**460,645**
Book value not exceeding acquisition cost:			
Equity securities	**6,458**	**7,118**	**(660)**
Debt securities			
Government and municipal bonds	**51,197**	**51,750**	**(553)**
Corporate bonds	**23,513**	**23,683**	**(170)**
Other	**11,182**	**11,215**	**(33)**
Sub-total	**92,350**	**93,766**	**(1,416)**
Total	**$1,093,690**	**$634,461**	**$459,229**

As of March 31, 2012:

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

(2) Other securities (available-for-sale securities) sold during fiscal years 2013 and 2012:

For the year ended March 31, 2013:

			Millions of yen
	Sales amount	Total gains	Total losses
Equity securities	**¥3,615**	**¥363**	**¥100**
Debt securities			
Government and municipal bonds	**8,998**	**123**	**22**
Corporate bonds	**3,251**	**58**	**6**
Other	**1,249**	**2**	**13**
Other	**7**	**8**	**1**
Total	**¥17,120**	**¥554**	**¥142**

For the year ended March 31, 2013:

			Thousands of U.S. dollars
	Sales amount	Total gains	Total losses
Equity securities	**$38,462**	**$3,862**	**$1,064**
Debt securities			
Government and municipal bonds	**95,734**	**1,309**	**234**
Corporate bonds	**34,589**	**617**	**64**
Other	**13,289**	**21**	**138**
Other	**74**	**85**	**11**
Total	**$182,148**	**$5,894**	**$1,511**

For the year ended March 31, 2012:

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

(3)The Company and its consolidated subsidiaries recognized ¥61 million (US$649 thousand) and ¥403 million in loss on devaluation of securities for fiscal years 2013 and 2012, respectively.

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

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

Short-term loans payable as of March 31, 2013 and 2012, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Bank loans with average interest rate of 0.47% and 0.55% per annum as of March 31, 2013 and 2012, respectively	**¥60,867**	¥71,040	**$647,590**

Long-term debts as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Loans principally from banks and insurance companies due through 2024 with average interest rate of 1.05% and 1.08% per annum as of March 31, 2013 and 2012, respectively	**¥232,220**	¥245,860	**$2,470,689**
Unsecured 2.01% bonds due May 31, 2012	**-**	20,000	**-**
Unsecured 0.93% bonds due March 29, 2013	**-**	10	**-**
Unsecured 0.93% bonds due March 31, 2014	**10**	10	**106**
Unsecured 1.62% bonds due July 10, 2014	**4,000**	4,000	**42,558**
Unsecured 0.93% bonds due March 31, 2015	**60**	60	**638**
Unsecured 0.71% bonds due June 13, 2016	**10,000**	-	**106,394**
Subtotal	**246,290**	269,940	**2,620,385**
Less-Portion due within one year	**(45,207)**	(43,796)	**(480,977)**
Total	**¥201,083**	¥226,144	**$2,139,408**

Annual maturities of long-term debts as of March 31, 2013 were as follows:

	Millions of yen	Thousands of U.S. dollars
2014	¥45,207	$480,977
2015	46,112	490,605
2016	44,154	469,773
2017	41,488	441,409
2018	40,962	435,812
2019 and thereafter	28,367	301,809
Total	¥246,290	$2,620,385

Lease obligations as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Lease obligations due within one year as of March 31, 2013 and 2012	**¥905**	¥751	**$9,629**
Lease obligations due after one year as of March 31, 2013 and 2012	**1,019**	962	**10,842**
Total	**¥1,924**	¥1,713	**$20,471**

Annual maturities of lease obligations as of March 31, 2013 were as follows:

	Millions of yen	Thousands of U.S. dollars
2014	**¥905**	**$9,629**
2015	**520**	**5,533**
2016	**265**	**2,819**
2017	**167**	**1,777**
2018	**59**	**628**
2019 and thereafter	**8**	**85**
Total	**¥1,924**	**$20,471**

The following assets as of March 31, 2013 and 2012 were pledged as collateral for certain loans:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Property, plant and equipment	**¥55,185**	¥60,025	**$587,137**
Total	**¥55,185**	¥60,025	**$587,137**

To raise working capital efficiently, the FHI Group has entered into the commitment-line contracts. The maximum amount that can be made available under these contracts is ¥108,899 million (US$1,158,623 thousand) as of March 31, 2013. At the end of the fiscal year under review, there were no borrowings under the commitment line.

8. Derivative transactions

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

The fair value information of derivative financial instruments as of March 31, 2013 and 2012 was as follows:

Derivative transactions to which hedge accounting is not applied

(1) Foreign currency contracts:

As of March 31, 2013

	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	**¥166,010**	**(¥7,083)**	**(¥7,083)**	**$1,766,252**	**($75,359)**	**($75,359)**
Euro	**15,480**	**(448)**	**(448)**	**164,698**	**(4,766)**	**(4,766)**
Canadian dollar	**17,977**	**(605)**	**(605)**	**191,265**	**(6,437)**	**(6,437)**

As of March 31, 2012

	Millions of yen		
	Notional Amount	Fair value	Valuation gain (loss)
Foreign exchange forward contracts:			
Sell-			
U.S. dollar	¥146,534	(¥5,400)	(¥5,400)
Euro	7,809	(382)	(382)
Canadian dollar	15,651	(640)	(640)

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

Derivative transactions to which hedge accounting is applied

(1) Interest rate contracts:

Accounting treatment: Exception processing of interest rate swap

Hedge item: Long-term loans payable

As of March 31, 2013

	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	**¥26,610**	**¥22,395**	**(*)**	**$283,115**	**$238,270**	**(*)**

As of March 31, 2012

	Millions of yen		
	Notional Amount	Over 1 year	Fair value
Interest rate swap contracts:			
Receive floating rate pay fixed rate			
	¥34,735	**¥24,610**	**(*)**

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.

9. Property, Plant and Equipment

Property, plant and equipment as of March 31, 2013 and 2012 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Buildings and structures	**¥320,042**	¥315,725	**$3,405,064**
Machinery, equipment and vehicles	**479,312**	468,702	**5,099,606**
Vehicles and equipment on operating leases, net	**17,140**	18,209	**182,360**
Other	**244,580**	226,624	**2,602,192**
Subtotal	**1,061,074**	1,029,260	**11,289,222**
Accumulated depreciation	**(786,734)**	(769,274)	**(8,370,401)**
Accumulated impairment loss	**(28,903)**	(30,194)	**(307,511)**
Land	**185,286**	184,276	**1,971,338**
Construction in progress	**14,232**	12,023	**151,420**
Total	**¥444,955**	¥426,091	**$4,734,068**

10. Unexecuted Balance of Overdraft Facilities and Lending Commitments

The unexecuted balance of overdraft facilities and lending commitments at a consolidated subsidiary (Subaru Finance Co., Ltd.) as of March 31, 2013 and 2012 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Total overdraft facilities and lending commitments	**¥4,730**	¥4,430	**$50,325**
Less amounts currently executed	**694**	512	**7,384**
Unexecuted balance	**¥4,036**	¥3,918	**$42,941**

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

11. Pension and Severance Plans

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

As of March 31, 2013, the Company and 50 of its consolidated domestic subsidiaries, which add up to a total of 51 companies, have lump-sum retirement payment plans. Within the FHI Group, there are also 20 defined contribution plans, and five defined benefits pension plans. In addition, there are seven 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, 2013)

	Millions of yen	Thousands of U.S. dollars
	2013	**2013**
Plan assets	**¥154,421**	**$1,642,951**
Projected benefit obligation	**182,882**	**1,945,760**
Funded status	**(¥28,461)**	**($302,809)**

(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, 2012 to March 31, 2013): 17%

A reconciliation between the projected pension and severance obligation and accrued pension and severance liability as of March 31, 2013 and 2012, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
a. Projected pension and severance obligation	**¥107,266**	¥102,523	**$1,141,249**
b. Plan assets	**(66,879)**	(57,166)	**(711,554)**
c. Unfunded pension and severance obligations	**40,387**	45,357	**429,695**
d. Unamortized actuarial loss	**(22,867)**	(23,213)	**(243,292)**
e. Unamortized prior service cost	**(445)**	(302)	**(4,735)**
f. Net amount recorded in balance sheet	**17,075**	21,842	**181,668**
g. Prepaid pension cost	**(17,842)**	(12,108)	**(189,829)**
h. Accrued pension and severance liability	**¥34,917**	¥33,950	**$371,497**

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 fiscal years 2013, and 2012, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
a. Service cost	**¥9,592**	¥9,166	**$102,054**
b. Interest cost	**1,504**	1,577	**16,002**
c. Expected return on plan assets	**(1,446)**	(1,718)	**(15,385)**
d. Amortization of actuarial gain/loss	**2,291**	2,115	**24,375**
e. Amortization of prior service cost	**43**	60	**457**
f. Pension and severance cost	**11,984**	11,150	**127,503**
g. Gain/loss on transfer of the substitutional portion of the employee's pension fund	**81**	(327)	**862**
h. Total	**¥12,065**	¥10,823	**$128,365**

Notes:1. The above amounts do not include the welfare pension funds paid by employees.

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

3. The service cost above includes required funding for the multi-employer pension plan amounting to ¥573 million (US$6,096 thousand) and ¥506 million for fiscal years 2013 and 2012, 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 ¥3,086 million (US$32,883 thousand) and ¥2,604 million for fiscal years 2013 and 2012, respectively.

5. In addition to the pension and severance cost above, additional retirement payments amounting to ¥156 million (US$1,660 thousand) and ¥189 million were made for fiscal years 2013 and 2012, respectively. For fiscal years 2013 and 2012, the entire ¥156 million (US$1,660 thousand) of additional retirement payments and ¥189 million of additional retirement payments are included in cost of sales and selling, general and administrative expenses, respectively. Also, other loss includes ¥366 million (US$ 3,894 thousand), which is paid as additional contribution when some consolidated domestic subsidiaries withdraw from the multi-employer pension plan.

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

	2013	2012
a. Attribution of expected benefit obligation	The straight-line method	The straight-line method
b. Discount rate	0.5%–1.3%	1.0%–1.8%
c. Expected rate of return on plan assets	1.4%–3.5%	1.4%–3.5%
d. Amortization of actuarial gain/loss	Primarily 16 years (amortized by the straight-line method starting from the following fiscal year, over a period shorter than the average remaining service periods of the eligible employees)	Primarily 16 years (amortized by the straight-line method starting from the following fiscal year, over a period shorter than the average remaining service periods of the eligible employees)
e. Amortization of prior service cost	10 to 18 years	11 to 18 years

12. Income Taxes

The Company and its consolidated subsidiaries were subject to a number of taxes based on income, which in the aggregate resulted in a normal statutory income tax rate of approximately 37.8% and 40.5% for fiscal years 2013 and 2012, respectively.

A reconciliation of the statutory income tax rates in Japan to the Company's effective income tax rates for fiscal years 2013 and 2012 are as follows:

	2013	2012
Statutory income tax rate in Japan	**37.8%**	40.5%
Increase (reduction) in taxes resulting from:		
Deduction of research and development expense	**(2.1)**	-
Entertainment expenses not qualifying for deduction	**1.3**	0.4
Changes in valuation allowance and tax benefits realized from loss carry forwards	**(62.6)**	(11.0)
Adjustment to past corporate income taxes payable and corporate income taxes refundable	**(0.2)**	(0.2)
Equity in earnings of affiliates	**(0.0)**	(0.6)
Difference of applicable tax rate in subsidiaries	**(0.2)**	(1.1)
Adjustment of deferred tax assets in the end of fiscal year 2012 by change of the tax amount	**-**	(1.4)
Other	**(2.6)**	0.5
Effective income tax rate	**(28.6%)**	27.1%

Significant components of the deferred tax assets and liabilities as of March 31, 2013 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Deferred tax assets:			
Accrued expenses	**¥15,734**	¥12,452	**$167,401**
Provision for product warranties	**12,470**	10,341	**132,674**
Accrued pension and severance liabilities	**12,222**	11,942	**130,035**
Depreciation and amortization expenses	**10,557**	11,143	**112,320**
Long-term accounts payable-other	**6,908**	5,681	**73,497**
Provision for bonuses	**6,797**	6,281	**72,316**
Unrealized profit on inventories	**5,915**	350	**62,932**
Loss on valuation of inventories	**3,669**	4,750	**39,036**
Net operating loss carryforwards	**4,943**	26,906	**52,591**
Other	**14,039**	10,589	**149,367**
Total deferred tax assets	**93,254**	100,415	**992,169**
Valuation allowance	**(15,654)**	(73,539)	**(166,549)**
Total deferred tax assets, net of valuation allowance	**77,600**	26,876	**825,620**
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	**(14,779)**	(10,472)	**(157,240)**
Depreciation and amortization expenses	**(6,274)**	(7,317)	**(66,752)**
Reserve for reduction entry	**(2,382)**	(2,396)	**(25,343)**
Prepaid pension cost	**(6,289)**	(4,260)	**(66,911)**
Other	**(7,841)**	(5,981)	**(83,424)**
Total deferred tax liabilities	**(37,565)**	(30,426)	**(399,670)**
Net deferred tax assets	**(¥40,035)**	(¥3,550)	**($425,950)**

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
	2013	2012	**2013**
Current assets—Deferred tax assets	**¥52,947**	¥17,399	**$563,326**
Investments and other assets—Deferred tax assets	**6,227**	1,873	**66,252**
Current liabilities—Deferred tax liabilities			
(Other current liabilities)	**-**	(82)	**-**
Long-term liabilities—Deferred tax liabilities	**(19,139)**	(22,740)	**(203,628)**
Total net deferred tax assets	**(¥40,035)**	(¥3,550)	**($425,950)**

13. Net Assets

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

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

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

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

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

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

At the annual shareholders' meeting held on June 21, 2013, the shareholders approved cash dividends amounting to ¥7,808 million (US$83,073 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2013. Such appropriations are recognized in the period in which they are approved by the shareholders.

14. Ending Inventories

Book value of ending inventories is measured based on the lower of cost or market value.
¥570 million (US$6,064 thousand) and minus ¥459 million as "Loss on valuation of inventories" is included in "Cost of sales" for fiscal years 2013 and 2012, respectively. And minus ¥478 million (US$5,086 thousand) and minus ¥1,840 million as "Provision for loss on construction contracts" is included in "Cost of sales" for fiscal years 2013 and 2012, respectively.

15. Selling, General and Administrative Expenses

Selling, general and administrative expenses for fiscal years 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Freightage and packing expenses	**¥22,033**	¥20,302	**$234,419**
Advertising expenses	**48,862**	36,452	**519,864**
Sales incentives	**44,147**	30,882	**469,699**
Salaries and bonuses	**44,719**	42,851	**475,785**
Research and development expenses	**49,018**	48,014	**521,524**
Other	**81,969**	72,226	**872,102**
Total	**¥290,748**	¥250,727	**$3,093,393**

16. Loss on Disaster

(Fiscal 2012)

The loss was caused by Great East Japan Earthquake. The main content was the fixed overhead costs corresponding to lower production.

17. Provision for Loss on Transfer of Business

(Fiscal 2012)

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

18. Other Income and Loss

(Fiscal 2013)

Other income includes ¥775 million(US$8,246 thousand) that is mainly the reversal of extraordinary loss (loss on valuation of inventories) recorded in the prior period relating to the sale of inventories in the Aerospace division. In addition, ¥436 million(US$4,639 thousand) is mainly the exemption from debts relating to the development resulting from the dissolution of contract about a specific project in the Aerospace division.

Other loss includes ¥2,463 million(US$26,205 thousand) that is miscellaneous expenses related to the restructuring of Chinese sales network in the Automobile business, ¥2,099 million(US$22,332 thousand) for disposal expenses of inventories related to the discontinuance of a specific project in Aerospace division and ¥1,054 million(US$11,214 thousand) for the return of funds received for commissioned research and subsidies to the clean robot business in the prior period.

(Fiscal 2012)

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

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

19. 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, 2013 and 2012, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Machinery, equipment and vehicles	**¥231**	¥231	**$2,458**
Other tangible assets	**136**	306	**1,447**
Intangible assets	**6**	9	**64**
Total	**373**	546	**3,969**
Accumulated depreciation/amortization	**(336)**	(443)	**(3,575)**
Net	**¥37**	¥103	**$394**

[2] The future minimum lease/rent payments, excluding the portion of interest thereon, as of March 31, 2013 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Finance leases:			
Due within one year	**¥28**	¥74	**$298**
Due after one year	**17**	42	**181**
Total	**¥45**	¥116	**$479**

[3] Pro forma information related to finance leases for fiscal years 2013 and 2012 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Lease payment	**¥79**	¥171	**$841**
Depreciation and amortization expenses	**71**	159	**755**
Interest expense portion	**¥1**	¥4	**$11**

Information as Lessor

(1) The details of lease investment assets as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Obligation of lease fee receivable	**¥26,712**	¥26,374	**$284,201**
Estimated residual value	**290**	272	**3,085**
Interest expense portion	**(4,857)**	(4,781)	**(51,676)**
Lease investment assets	**¥22,145**	¥21,865	**$235,610**

(2) Lease revenue related to lease investment assets

Amounts of collections on lease receivable after the fiscal year ended March 31, 2013 and 2012, were as follows;

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Within 1 year	**¥8,461**	¥8,786	**$90,020**
1 to 2 years	**6,801**	7,004	**72,359**
2 to 3 years	**5,127**	5,226	**54,548**
3 to 4 years	**3,576**	3,267	**38,047**
4 to 5 years	**2,570**	2,013	**27,343**
Over 5 years	**¥177**	¥78	**$1,883**

20. Operating Lease

Information as Lessee

The future minimum lease/rent payments, excluding the portion of interest thereon, as of March 31, 2013 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Operating leases:			
Due within one year	**¥1,267**	¥1,179	**$13,480**
Due after one year	**5,409**	4,813	**57,549**
Total	**¥6,676**	¥5,992	**$71,029**

Information as Lessor

The future minimum lease/rent payments receivable, excluding the portion of interest thereon, as of March 31, 2013 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Operating leases:			
Due within one year	**¥285**	¥545	**$3,032**
Due after one year	**136**	206	**1,447**
Total	**¥421**	¥751	**$4,479**

21. Contingent Liabilities

Contingent liabilities as of March 31, 2013 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
As guarantor of third-party indebtedness from financial institutions	**¥44,543**	¥38,600	**$473,912**

22. The Amount of Discount of Export Bill

The amount of discount of export bill as of March 31, 2013 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
The amount of discount of export bill	**¥1,714**	¥905	**$18,236**

23. Property for Transfer Balance to Special Purpose Company

Property for transfer balance to special purpose company as of March 31, 2013 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Property for transfer balance to special purpose company (loan claims of Automobiles and account receivable-trade of Aerospace)	**¥13,344**	¥23,416	**$141,973**

24. Business Combinations

(1)Assignment of wind turbine generator system business

The Company assigned wind turbine generator system business to Hitachi, Ltd. on July 1, 2012.

[1] Outline of the business assignment

(a) Name of assignee

Hitachi, Ltd.

(b) Assigned business

Wind turbine generator system business

(c) Reason for the assignment

The Company will concentrate on its management resources to other divisions including the Subaru automotive business.

(d) Date of the assignment

July 1, 2012

(e) Other matter concerning the assignment

With regard to the business assignment, value received is limited for property including cash, etc.

[2] Overview of accounting method used for the assignment

(a) The amount of loss on transfer of business

The loss on this business assignment was ¥1,889 million(US$20,098 thousand), which is consisted of ¥1,421 million(US$15,119 thousand) and ¥468 million(US$4,979 thousand), included in the "Provision for loss on transfer of business" in fiscal years 2013 and 2012, respectively.

(b) The book value of assets and debts related with the assigned business

The total asset was ¥2,217 million(US$23,588 thousand), which is consisted of ¥2,122 million(US$22,577 thousand) and ¥95 million(US$1,011 thousand) in Current and Non-current assets, respectively.

[3] Business segment reported in which the assigned business was categorized

The assigned business was not categorized in "Business segment reported" and included in "Other".

[4] Estimated amount of sales on assigned business recorded in the consolidated statements of operations in fiscal 2013

Net sales is ¥3,252 million(US$34,599 thousand).

(2) Assignment of garbage collection vehicle business

The Company assigned garbage collection vehicle business to ShinMaywa Industries, Ltd. on January 1, 2013.

[1] Outline of the business assignment

(a) Name of assignee

ShinMaywa Industries, Ltd.

(b) Assigned business

Garbage collection vehicle business

(c)Reason for the assignment

The Company will concentrate on its management resources to other divisions including Subaru automotive business.

(d) Date of the assignment

January 1, 2013

(e) Other matter concerning the assignment

With regard to the business assignment, value received is limited for property including cash, etc.

[2] Overview of accounting method used for the assignment

(a) The amount of loss on transfer of business

The loss on this business assignment was ¥3,036 million(US$32,301 thousand), which is consisted of ¥2,756 million(US$29,322 thousand) and ¥280 million(US$2,979 thousand), included in the "Provision for loss on transfer of business" in fiscal years 2013 and 2012, respectively.

(b) The book value of assets and debts related with the assigned business

The total asset was ¥2,626 million(US$27,939 thousand), which is consisted of ¥736 million(US$7,831 thousand) and ¥1,890 million(US$20,108 thousand) in Current and Non-current assets, respectively.

[3] Business segment reported in which the assigned business was categorized

The assigned business was not categorized in "Business segment reported" and included in "Other".

[4] Estimated amount of sales on the assigned business recorded in the consolidated statements of operations in fiscal 2013

Net sales is ¥3,544 million(US$37,706 thousand).

25. Segment Information

(1)General information about reportable segments

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

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

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

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

Eco technology division was closed on March 31, 2013 because its main businesses, the wind turbine generator system business and the garbage collection vehicle business were assigned on July 1, 2012 and on January 1, 2013, respectively.

(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".

Segment income are calculated based on operating income.

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

As described in "Changes in accounting policies for items that are difficult to categorize as changes in accounting estimates", since the depreciation method for fixed assets acquired on or after April 1, 2012 has been changed in accordance with the enacted revisions to the Corporate Tax Law and related tax regulations, the depreciation method of business segment reported has been changed to conform to the revised Corporate Tax Law and related tax regulations.

Due to this change, segment income of Automobile increased by ¥1,754 million(US$18,662 thousand) comparing to the previous method. The impact is insignificant in other segments.

(3)Information on sales, income, assets and other items by reportable segments for the fiscal years ended March 31, 2013 and 2012 was summarized as follows

		Millions of yen	Thousands of U.S. dollars
Net Sales:	**2013**	2012	**2013**
Automobiles			
Outside customers	**¥1,778,966**	¥1,389,070	**$18,927,183**
Inter-segment	**3,168**	2,947	**33,706**
Sub-total	**1,782,134**	1,392,017	**18,960,889**
Aerospace			
Outside customers	**89,148**	80,251	**948,484**
Inter-segment	**-**	-	**-**
Sub-total	**89,148**	80,251	**948,484**
Industrial products			
Outside customers	**30,148**	33,617	**320,758**
Inter-segment	**22**	111	**234**
Sub-total	**30,170**	33,728	**320,992**
Other (*1)			
Outside customers	**14,706**	14,167	**156,464**
Inter-segment	**13,941**	13,208	**148,324**
Sub-total	**28,647**	27,375	**304,788**
Total	**1,930,099**	1,533,371	**20,535,153**
Adjustment (*2)	**(17,131)**	(16,266)	**(182,264)**
Consolidated total (*3)	**¥1,912,968**	¥1,517,105	**$20,352,889**

		Millions of yen	Thousands of U.S. dollars
Segment income:	**2013**	2012	**2013**
Automobiles	**¥110,974**	¥39,389	**$1,180,700**
Aerospace	**6,819**	2,882	**72,550**
Industrial products	**640**	503	**6,809**
Other (*1)	**1,618**	1,029	**17,215**
Total	**120,051**	43,803	**1,277,274**
Adjustment (*2)	**360**	156	**3,830**
Consolidated total (*3)	**¥120,411**	¥43,959	**$1,281,104**

Segment assets:	2013 (Millions of yen)	2012 (Millions of yen)	2013 (Thousands of U.S. dollars)
Automobiles	**¥1,292,856**	¥1,097,729	**$13,755,251**
Aerospace	**179,755**	153,960	**1,912,491**
Industrial products	**67,951**	53,863	**722,960**
Other (*1)	**56,728**	75,916	**603,553**
Total	**1,597,290**	1,381,468	**16,994,255**
Adjustment (*2)	**(19,836)**	(28,936)	**(211,043)**
Consolidated total (*3)	**¥1,577,454**	¥1,352,532	**$16,783,212**

Other Items:	2013 (Millions of yen)	2012 (Millions of yen)	2013 (Thousands of U.S. dollars)
Depreciation and amortization:			
Automobiles	**¥56,430**	¥53,043	**$600,383**
Aerospace	**3,398**	3,534	**36,153**
Industrial products	**415**	522	**4,415**
Other (*1)	**1,301**	1,512	**13,842**
Total	**61,544**	58,611	**654,793**
Adjustment (*2)	**-**	-	**-**
Consolidated total (*3)	**¥61,544**	¥58,611	**$654,793**
Investment to equity-method affiliates:			
Automobiles	**¥242**	¥5,285	**$2,575**
Aerospace	**361**	270	**3,841**
Industrial products	**912**	886	**9,703**
Other (*1)	**-**	266	**-**
Total	**1,515**	6,707	**16,119**
Adjustment (*2)	**-**	-	**-**
Consolidated total (*3)	**¥1,515**	¥6,707	**$16,119**
Increase of property, plant and equipment and intangible fixed assets:			
Automobiles	**¥88,517**	¥63,544	**$941,770**
Aerospace	**3,897**	2,772	**41,462**
Industrial products	**377**	262	**4,011**
Other (*1)	**2,195**	457	**23,354**
Total	**94,986**	67,035	**1,010,597**
Adjustment (*2)	**-**	-	**-**
Consolidated total (*3)	**¥94,986**	¥67,035	**$1,010,597**

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 income refers to elimination of intersegment transaction.
*3 Segment income 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, 2013 and 2012 was summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Sales: (*1)			
Japan	**¥671,819**	¥498,472	**$7,147,771**
North America	**895,986**	710,432	**9,532,780**
[United States] (*2)	**[815,801]**	[620,675]	**[8,679,657]**
Europe	**127,188**	112,826	**1,353,208**
Asia	**113,235**	96,729	**1,204,756**
Other	**104,740**	98,646	**1,114,374**
Consolidated total	**¥1,912,968**	¥1,517,105	**$20,352,889**

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, 2013 and 2012 was summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Property, plant and equipment: (*1)			
Japan	**¥390,135**	¥376,569	**$4,150,815**
North America	**54,216**	49,417	**576,827**
[United States] (*2)	**[53,479]**	[48,732]	**[568,986]**
Europe	**476**	98	**5,064**
Asia	**-**	-	**-**
Other	**128**	7	**1,362**
Consolidated total	**¥444,955**	¥426,091	**$4,734,068**

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, 2013 and 2012.

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, 2013 and 2012 was summarized as follows:

		Millions of yen	Thousands of U.S. dollars
	2012	2012	**2012**
Impairment loss in fixed assets:			
Automobiles	**¥145**	¥63	**$1,543**
Aerospace	**-**	-	**-**
Industrial products	**-**	-	**-**
Other	**-**	-	**-**
Total	**145**	63	**1,543**
Adjustment	**-**	-	**-**
Total	**¥145**	¥63	**$1,543**

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, 2013 and 2012 was summarized as follows:

Goodwill

		Millions of yen	Thousands of U.S. dollars
	2013	2012	**2013**
Amount written off of current period:			
Automobiles	**¥294**	¥318	**$3,128**
Aerospace	**-**	-	**-**
Industrial products	**-**	-	**-**
Other (*1)	**-**	1	**-**
Total	**294**	319	**3,128**
Corporate and elimination	**-**	-	**-**
Total	**¥294**	¥319	**$3,128**
Balance at the end of current period:			
Automobiles	**¥2,415**	¥2,420	**$25,694**
Aerospace	**-**	-	**-**
Industrial products	**-**	-	**-**
Other (*1)	**-**	-	**-**
Total	**2,415**	2,420	**25,694**
Corporate and elimination	**-**	-	**-**
Total	**¥2,415**	¥2,420	**$25,694**

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

Information on Negative Goodwill by Reportable segments

No items to be reported.

26. Fair Value of Investment and Rental Property

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

The consolidated balance sheet amounts, principal changes during fiscal 2013 and 2012, fair value at the end of fiscal 2013 and 2012 were as follows:

As of March 31, 2013

	Millions of yen			
	Consolidated balance sheet amounts			Fair value as the end of the fiscal year
	beginning balance	Increase(decrease) during the year	ending balance	
Investment and rental property	**¥31,884**	**(¥1,474)**	**¥30,410**	**¥38,923**
Properties that include portions used as investment and rental property	**¥6,573**	**¥257**	**¥6,830**	**¥10,074**

As of March 31, 2013

	Thousands of U.S. dollars			
	Consolidated balance sheet amounts			Fair value as the end of the fiscal year
	beginning balance	Increase(decrease) during the year	ending balance	
Investment and rental property	**$339,228**	**($15,683)**	**$323,545**	**$414,119**
Properties that include portions used as investment and rental property	**$69,933**	**$2,734**	**$72,667**	**$107,182**

As of March 31, 2012

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

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

2. Among changes in the amount of investment, rental property and properties that include portions used as investment and rental property during the fiscal 2013, principal increases were properties acquisitions etc, which amounted to ¥64 million (US$681 thousand), and principal decreases were loss on sales and retirement, which amounted to ¥1,667 million (US$17,736 thousand).

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

3. Fair value of a part of main investment and rental property is the amount estimated by based value of

real-estate appraiser, and fair value of a part of other investment and rental property is the amount estimated by the Company based principally on land assessment value.

Profit and loss in fiscal 2013 and 2012 concerning investment and rental property and properties that include portions used as investment and rental property were as follows:

As of March 31, 2013

	Millions of yen			
	Rental income	Rental expenses	Change	Other profit and loss
Investment and rental property	**¥3,401**	**¥1,989**	**¥1,412**	**¥399**
Properties that include portions used as investment and rental property	**¥517**	**¥241**	**¥276**	**¥-**

As of March 31, 2013

	Thousands of U.S. dollars			
	Rental income	Rental expenses	Change	Other profit and loss
Investment and rental property	**$36,185**	**$21,162**	**$15,023**	**$4,245**
Properties that include portions used as investment and rental property	**$5,501**	**$2,564**	**$2,937**	**$-**

As of March 31, 2012

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

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

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

27.Subsequent Event

None identified.

28.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$ 373,699 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$ 254,857 thousand)] of uncollected initial investment fees the Company paid was included in "Other assets" of "Investments and other assets".

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

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of FUJI HEAVY INDUSTRIES LTD. and its consolidated subsidiaries , which comprise the consolidated balance sheets as at March 31, 2013 and 2012, and the consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in net assets and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of FUJI HEAVY INDUSTRIES LTD. and its consolidated subsidiaries as at March 31, 2013 and 2012, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2013 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

KPMG AZSA LLC
June 24 , 2013
Tokyo, Japan