SUBARU

Annual Report 2015

For the year ended March 31, 2015

THE SUBARU “SAFETY” JOURNEY

Having roots in the aircraft industry, FHI considers safety to be the most important feature underpinning automobiles. Since we launched the Subaru 360 over a half-century ago, we have engaged in automotive manufacturing to this day with a philosophy of “All-Around Safety” and maximum emphasis on safety performance.

SINCE 1917

Ensuring safety for pilots

Our DNA of safety is inherited from aircraft development.

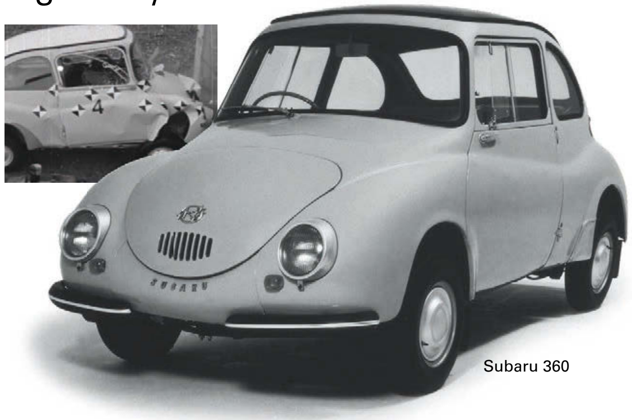
At the core of Subaru’s safety development expertise lies traits acquired from developing aircrafts. Given the lethal ramifications of a crash, aircraft development requires designs that consider all manner of possible emergency situations, hence the implementation of ideas and countermeasures within the aircraft’s basic structure to prevent the onset of danger. In addition, one of the indispensable safety features of smaller aircraft is the ability for the pilot to be able to secure an all-around unobstructed line of sight. This approach to safety has not diminished after we moved into automobile manufacturing. Since we released the Subaru 360, all of our vehicles have been developed with an emphasis on safety features, starting with unobstructed visibility.

SINCE 1960

Ensuring safety for drivers

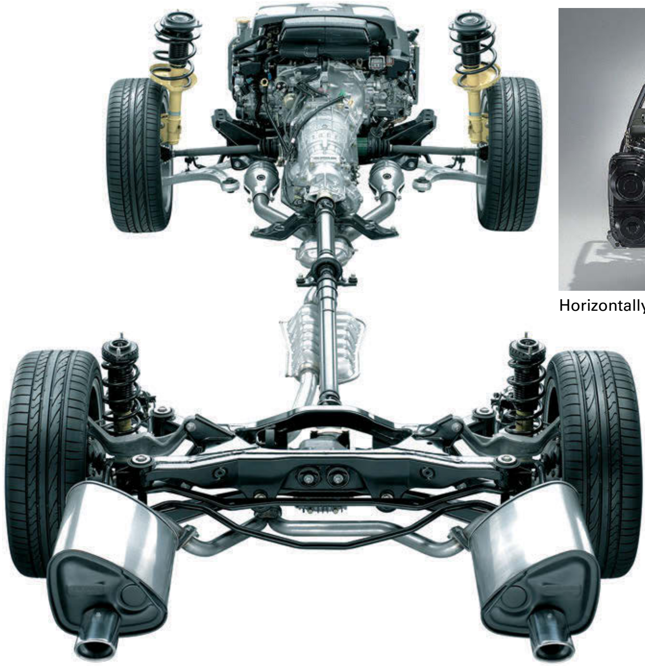
Developing a vehicle body for collision safety based on All-Around Safety that is ahead of the times.

The Subaru 360, launched in 1958, fulfilled a key role in helping the spread of automobiles during Japan’s high growth period. Since that period, Subaru has dedicated itself to developing vehicle bodies for collision safety following our principle of All-Around Safety—effectively absorbing shock from collisions in all directions and protecting passengers with a cabin structure of robust strength. Early on, safety was not yet emphasized as part of the value of vehicles and there were no crash test dummies in existence. Subaru’s development team, however, pushed forward independent research on car body structure and how it affects human passengers. Through trial and error, we pursued superior collision safety technologies ahead of their time.



Subaru 360

Horizontally-opposed SUBARU BOXER engine



SINCE 1970

Ensuring safe driving, turning, and braking

Developing proprietary technologies for enhanced driving safety, such as the horizontally-opposed engine and AWD.

Fundamental automobile performance in terms of driving, turning, and braking differs depending on the vehicle's structure. In particular, the location of the center of gravity and the type of drive train have a significant effect. The lower the center of gravity, the more stable the cornering, while a drive train that delivers power to all of the wheels gives constant stability when driving. This is the perspective that led Subaru, in 1966, to launch the Subaru 1000—a FWD vehicle with a horizontally-opposed engine—and, in 1972, the 4WD Subaru Leone. Since that time, we have further honed our proprietary technologies and continued to pursue safe and stable driving performance.

Leone 4WD

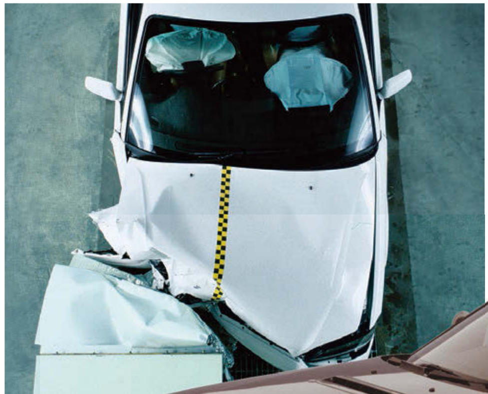
Subaru 1000

Launching our flagship Legacy.
Embarking on development of driving support systems.

Our flagship Legacy model, launched in 1989, demonstrated both reliable driving performance and mechanical endurance when it set a world speed record in January of that same year for 100,000 km of continuous driving. Furthermore, around this period, we started development of a driving support system using stereo cameras. In 1999, we commercialized ADA, Active Driving Assist, which was the predecessor of our current EyeSight technology.

IN THE 1980s & 1990s

Ensuring safety for drivers and passengers

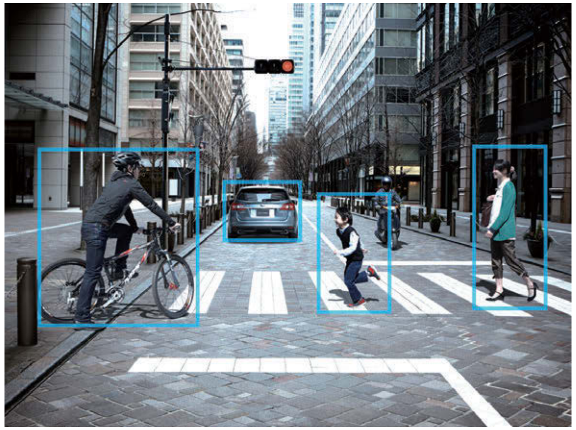


Commercializing EyeSight—Levorg with the latest EyeSight (ver. 3) technology earns the highest ratings in preventative safety tests.

In 2008, we commercialized our EyeSight technology with stereo cameras constantly surveying the area forward of the vehicle, and warnings and pre-crash braking functions for preventing accidents or mitigating damage from accidents. Furthermore, in 2014, we achieved a new level of high performance and function with the launch of EyeSight Ver. 3. The Levorg with this latest EyeSight technology has garnered the highest ratings in a host of preventative safety performance tests.

IN THE 2000s & 2010s

Ensuring safety for everyone



INTO THE FUTURE

Working toward achieving a safer society

The future of safety according to Subaru.

Going forward, Subaru is working on development themes, including heavy traffic autopilot and automated freeway driving, as we further evolve the EyeSight technology. Under our philosophy of All-Around Safety, we will continue to pursue safety from many diverse perspectives and contribute to realizing a society with automobiles that anyone can drive with peace of mind.

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.

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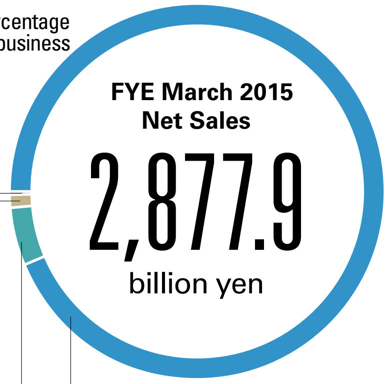
Percentage by business



SUBARU Automotive Business
93.8%

Aerospace Company
5.0%

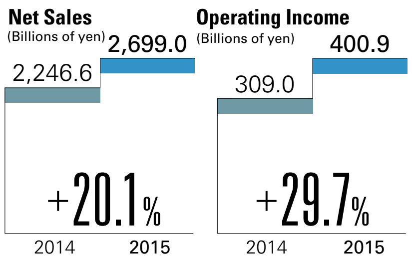
Industrial Products Company
1.0%

Other
0.2%

SUBARU Automotive Business

Net sales for this division stood at ¥2,699.0 billion, an increase of ¥452.4 billion, or 20.1%, year on year. Segment income also increased ¥91.9 billion, or 29.7%, year on year to ¥400.9 billion.

The number of units sold worldwide increased by 86 thousand units, or 10.4%, year on year to 911 thousand units, owing to the strength in the North American market. Vehicle unit sales posted a record for the third consecutive year both globally and outside Japan, and for the sixth consecutive year in the North American market.

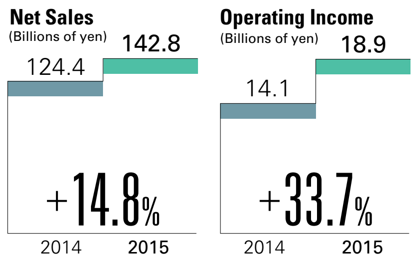


Points

- Sales were strong outside Japan for Legacy/Outback, and WRX, and following on from last year, for Forester as well.
- Increase in costs, such as R&D expenses, was offset by increase in units sold, improvement in exchange rates, and progress in reducing prime costs.

Aerospace Company

Net sales in this division increased ¥18.4 billion, or 14.8%, compared to the previous fiscal year, to ¥142.8 billion. Segment income also rose ¥4.8 billion, or 33.7%, year on year to ¥18.9 billion. Sales of the C-2 transport aircraft to the Ministry of Defense exceeded that of the previous fiscal year, while sales to the commercial sector increased over the previous fiscal year thanks to net sales-boosting factors such as the exchange rate and a surge in production of the Boeing 787, among others.



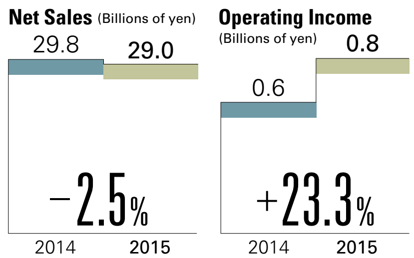
Point

- Products for the commercial sector saw increased sales as the exchange rate improved, and production units of the Being 787 increased.

Industrial Products Company

Net sales in the Industrial Products division were down ¥0.7 billion, or 2.5%, from the previous fiscal year, to ¥29.0 billion. Segment income increased ¥0.1 billion, or 23.3%, year on year to ¥0.8 billion.

Sales were higher for leisure-related engines in North America, and sales were markedly higher for pressure washer engines for North American big box hardware stores. Sales for general purpose engines for Japan and other products, however, were lower.



Point

- Sales grew for leisure-related engines and general purpose engines in North America.

Business Highlights

FHI Subaru Visitor Center Sees One Million Visitors

Visitors to the Subaru Visitor Center, located within the Yajima Plant of the Gunma Manufacturing Division, reached a cumulative total of 1 million people on September 8, 2014. The Center was opened on July 15, 2003 to commemorate FHI's 50th anniversary and hosts factory tours, mainly for elementary school students visiting as part of their social studies classes. During tours, visitors are given the opportunity to view automobile manufacturing processes.

5 Subaru Models Awarded 2015 TOP SAFETY PICK+ (TSP+) by IIHS in the U.S.

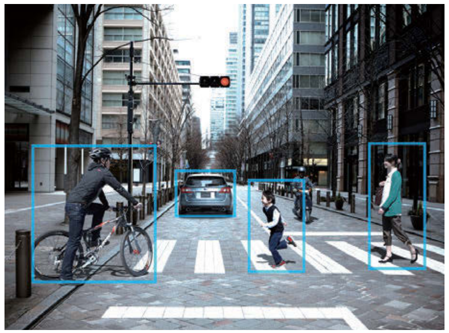
The Insurance Institute for Highway Safety (IIHS) in the U.S. has awarded the best possible ranking of TSP+ in 2015 safety assessments of EyeSight-equipped 2015 models of Legacy, Outback, Forester, Impreza, and Subaru XV currently sold in the North American region.

Subaru Posts Record Sales in the U.S., Canada, and Australia in 2014

Subaru's 2014 calendar year retail sales have posted all-time records in its key markets of the U.S., Canada, and Australia. Subaru's U.S. sales in particular have exceeded a 500,000 unit milestone for the first time in its history, while also achieving six consecutive years of record sales and becoming the only manufacturer in the U.S. to post seven consecutive years of sales growth.

Subaru Debuts "EyeSight" Driving Support System in Europe

The all-new Outback launched in Europe during 2014 was the first Subaru model built to European specifications that featured our proprietary EyeSight driving support system. EyeSight's launch on the European market, following on from its introduction to the Japanese, Australian, and North American markets, enables FHI to extend EyeSight's deployment across markets globally.

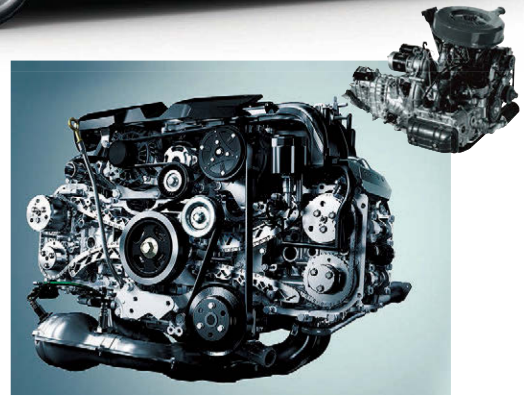


Subaru Levorg Wins "Good Design Award 2014"

The Subaru Levorg has won the "Good Design Award 2014" from the Japan Institute of Design Promotion (JDP). Following the 2013 award for the Forester and 2012 award for the Impreza and Subaru XV, this marks the 3rd consecutive year that Subaru has been honored with the Good Design Award, which reflects JDP's high praise for the Subaru design that fuses together style and functionality.

The New Subaru WRX's Horizontally-Opposed "DIT" Engine Named to 2015 Ward's "10 Best Engines"

The U.S. automotive industry trade journal Ward's has named Subaru's "FA20" 2.0-liter 4-cylinder horizontally-opposed direct injection turbo "DIT" engine in the U.S.-specification 2015 Subaru WRX a winner of its 2015 Ward's "10 Best Engines" award. This is the fourth time, coming after a two-year hiatus, that Subaru has won a prestigious Ward's "10 Best Engines" accolade.



Cumulative Production of Horizontally-Opposed SUBARU BOXER Engine Reaches 15 Million Units

The cumulative total of horizontally-opposed SUBARU BOXER engines produced has reached 15 million units. The achievement has come in the 49th year since our water-cooled 4-cylinder horizontally-opposed aluminum engine was developed in 1966 and installed for the first time in the compact passenger car Subaru 1000 in May of the same year.

Plant Constructed for Assembly of Center Wing Boxes for Boeing's 777X

FHI has begun construction of its third assembly facility for aircraft parts on the premises of its Handa Plant located in Handa City, Aichi Prefecture, Japan. At the new facility, FHI plans to assemble center wing boxes for the U.S.'s Boeing Co.'s next-generation passenger jet, the Boeing 777X. The new facility is scheduled to be completed in 2016.

Consolidated Financial and Non-Financial Highlights

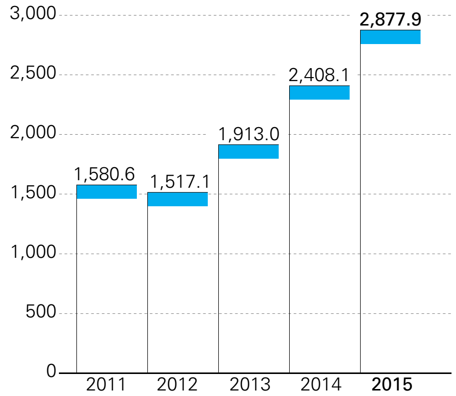
FUJI HEAVY INDUSTRIES LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31

(Billions of yen)

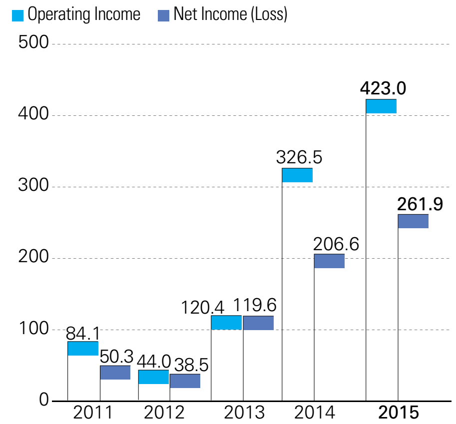
	2011	2012	2013	2014	2015
For the Year:					
Net sales	¥1,580.6	¥1,517.1	¥ 1,913.0	¥ 2,408.1	**¥ 2,877.9**
Operating income	84.1	44.0	120.4	326.5	**423.0**
Net income (loss)	50.3	38.5	119.6	206.6	**261.9**
Capital expenditures	43.1	54.3	70.2	68.5	**110.7**
Depreciation expenses	49.8	53.7	55.9	54.9	**64.8**
R&D expenses	42.9	48.1	49.1	60.1	**83.5**
Automobiles sales volume (thousand units)	657	640	724	825	**911**
Exchange rate (¥/$, non-consolidated)	86	79	82	100	**108**
At Year-End:					
Total assets	1,188.3	1,352.5	1,577.5	1,888.4	**2,199.7**
Net assets	414.0	451.6	596.8	770.1	**1,030.7**
Interest-bearing debt	330.6	341.0	307.2	269.7	**211.2**
Number of employees	27,296	27,123	27,509	28,545	**29,774**
Financial Ratios:					
ROE (%)	12.7	8.9	22.9	30.4	**29.3**
ROA[1] (%)	7.0	3.5	8.2	18.8	**20.7**

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

Net Sales (Billions of yen)



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



We pursue sustainable growth as a compelling company with strong market presence and continued focus on our differentiation strategy.

Yasuyuki Yoshinaga
Representative Director of the Board,
President and CEO

Q1 What is your evaluation of results for FYE March 2015?

A1 We posted record high results for a third straight year thanks to tireless effort by all divisions and subsidiaries in our Group.

Consolidated results for FYE March 2015 were 910,700 vehicles sold (an increase of 10.4 percent compared with the previous fiscal year), net sales of 2,877.9 billion yen (up 19.5 percent), operating income of 423.0 billion yen (up 29.6 percent), and net income of 261.9 billion yen (up 26.7 percent), all of which were record numbers for the third year in a row. Our operating margin also increased to 14.7% from 13.6% last year.

It is clear that continued weakness in the yen's exchange rate was a substantial factor in these improved results. However, I think that behind this three-year achievement of record performance are compounded efforts by all subsidiaries, affiliated companies, and divisions in our Group who seized this tail wind and did not rest on their laurels. Our Development units delivered new, extremely competitive models, such as Legacy/Outback, to market this fiscal year. In addition, all manufacturing departments continuously operated at near-maximum capacity in order to respond to robust demand. Not only our Automotive Business, but also our Aerospace Company and Industrial Products Company each steadily grew their results.

Q2 What do you see as the reason for strong sales in the U.S.?

A2 Rapid growth continues as we garner high evaluations for our safety performance.

Last year, in 2014, the approximately 510,000 new vehicles sold in the U.S. market represented nearly a three-fold increase over the 180,000 or so recorded in 2008. This growth cannot be solely explained by the strength of the U.S. business environment and the expanding demand for new vehicles. During this period, there has been increased demand in the U.S. market for SUVs, where Subaru is strong. However, I believe that the greatest factor leading to our increased sales has been many Subaru models receiving top marks in safety tests by U.S. rating agencies, solidifying an image in American consumers' minds that Subaru is committed to safety.

Normally, this level of rapid growth would start to show signs of tapering off, but we have been seeing increasing momentum since launching our new Legacy/Outback models last year. Minimal weakness in sales of models that have not been recently revamped, as well as our ability to hold sales incentives to the lowest level in the industry, is proof that the Subaru brand is extensively supported in the U.S. market.

We have set a target of 540,000 units in the U.S. market in 2015, yet our local dealers have requested supply increases, reporting that they can aim for a higher target.

Q3 How do you plan to grow your business in the U.S. in the future?

A3 We will aim to build a solid customer base in the U.S. market by expanding production capacity, introducing PHEV that meet environmental regulations, and strengthening our after-sales service.

Under Subaru of America, Inc. (SOA), our local subsidiary in the U.S. market, we are continuing to enhance the quality of our sales network, with a total of 625 dealers at present. Our growth strategy is not to increase the number of dealers, but rather to increase the number of units sold at each dealer. The result has led to an established understanding that "becoming a Subaru franchise will increase sales," which fuels a positive cycle of competent dealers gathering around us.

In order to further accelerate our business in the U.S., three policy measures are built into our mid-term management vision, "Prominence 2020," announced in May 2014. The first is introducing a new multi passenger three-row model, which we currently have under development and is strongly requested by local dealers. The second is expanding production capacity at our subsidiary Subaru of Indiana Automotive, Inc. (SIA) to take our current 200,000-unit production to nearly 400,000 units by the end of 2016. And the third is support for the environment. In response to the ZEV regulations in the U.S. that will be applied to new models starting in the 2018MY, we have announced plans for a plug-in hybrid electric vehicle (PHEV) featuring the compelling driving experience that is Subaru's hallmark.

This year, SOA announced these policy measures at the gathering for our U.S. dealers held in Indianapolis and received a spirited reaction from those in attendance. These measures are a message to our U.S. dealers that "Subaru will pour its full support into the U.S. market, so please feel no anxiety about investing in your dealership." Of particular importance is strengthening our after-sales service. Even in the continually robust U.S. market, there will be an economic pullback at some point. Until that time, it is all the more important to build a solid customer base, for which enhancing after-sales service is indispensable. Therefore we plan to offer, alongside SOA, our full investment support for dealers' service facilities going forward.

Q4 Please share your outlook for FYE March 2016.

A4 We forecast consolidated net sales of 3,030 billion yen and consolidated operating income of 503.0 billion yen on the back of increasing sales in a consistently strong U.S. market.

In terms of consolidated results for FYE March 2016, we are planning for 928,300 units for the number of vehicles sold, net sales of 3,030 billion yen, and operating income of 503.0 billion yen. These figures were not created a priori, but rather were calculated from budgets based on diligent analysis of conditions by each division. Our initial decisions were made with calculations assuming an exchange rate of 115 yen/US$. Afterwards, however, as the yen moved further downward relative to the dollar, we announced final forecast numbers assuming 118 yen/US$.

Reassessing conditions in each region, we see stronger sales in the U.S. than expected, and we may even be able to post results exceeding forecasts. At the same time, conditions in Russia and other regions are more severe than they were when we set our plans. In the Japan market, our plan was for decreased sales with the prospect that the "new model effect" has run its course and the outlook shows demand settling down, but April and May of this year have continued to bring higher sales than expected, which may lead to results exceeding forecasts. Although there are these regional differences, our largest market, the U.S., remains strong and I am confident that we will be able to achieve our targets overall.

Q5 How are you putting effort into initiatives to maintain sustainable growth going forward?

A5 We are working on thorough differentiation of our products and businesses, aiming for a "prominent" presence in the minds of our customers.

In order for FHI, which is a small automaker, to survive in this market, it is indispensable for us to focus our business resources on specific markets and products, while clearly standing apart from competitors. This strategy of "differentiation" forms the core of our business strategy and is the principle behind our concept of "prominence," which is the key word in the title of our mid-term management vision guiding us to stand above the crowd. The concept is not simply prominence with respect to other companies; the simple word encapsulates our aim for "Subaru to have a prominent presence in the minds of our customers," which makes it a very high hurdle indeed. This objective does not stop where the slogan ends. Each and every member of all divisions is called upon to thoroughly consider what it means to be "prominent in the minds of our customers" and how to implement that in their work.

A specific approach to this is embodied in our efforts to focus on the two key activities of "Enhancing the Subaru brand" and "Building a strong business structure." In order for the Subaru brand to be prominent in the hearts and minds of our customers, we must continue to stay one step ahead of competitors with respect to our greatest strengths: safety features and drivability. Also, in order to improve our market competitiveness and continue to meet the expectations of our shareholders, it is absolutely necessary to take cost reductions to a new level, push operating efficiencies forward, and strengthen our business platform.

Even though business results are as favorable as they are, now is the very time for all FHI employees to redouble our efforts and continue to have a positive sense of urgency and even anxiety as we work to further strengthen our brand and our business competitiveness.

Q6 What increased amounts are you targeting for your R&D expenses and capital expenditures?

A6 We will continue to pursue stronger R&D, increased production capacity, and improved workplace environments to respond to safety and environmental requirements.

In our consolidated three-year investment plan from FYE March 2015 to 2017, we initially allocated 250.0 billion yen to our R&D expenses and 330.0 billion yen to capital expenditures. Subsequent upward revisions, however, have taken into account the trend of positive results since announcing the plan. Our new allocations are for 280.0 billion yen and 400.0 billion yen in R&D expenses and capital expenditures respectively.

In recent years, as each company launches vehicles with automatic brake assist and other features, development competition for safety technologies has reached a new, more challenging level. Against this backdrop, Subaru's EyeSight has garnered the highest safety test approval ratings in the industry and we will continue to actively push our R&D forward so that we can maintain this superiority in safety features into the future. In addition, as environmental regulations strengthen in regions across the globe, we will dedicate effort toward ever greater fuel efficiency for internal combustion systems, as well as toward developing PHEV. And furthermore, we are actively hiring new and experienced engineers in order to further strengthen our R&D programs.

At the same time, with regard to investing in facilities, our focus has centered on building out production facilities so that we can relieve our backlog of undelivered vehicles, though we would also like to invest in the as yet unaddressed need to gradually renovate aged facilities and enhance the workplace environment at our business sites.

Q7 Please tell us about your initiatives for diversity and fostering leaders of the next generation.

A7 While working to cultivate human capital with diverse skills and business acumen, we are also dedicating effort to creating workplace environments that support the active contribution of female employees.

Needless to say, it is important to continually train employees who will be potential candidates for next-generation leaders, and to also ensure smooth transitions from one leadership generation to the next, so that our business can realize sustainable growth. Consequently, FHI will foster not just one or two employees, but a sizeable group, whose members are candidates for next-generation leaders, while we select exceptional employees from the ranks of middle managers to assume executive roles so that the management can stay fresh and nimble. One link in this approach is to actively implement job rotation across divisions for mid-career employees and middle managers, where they are moved from domestic positions to overseas positions, or from technical positions to sales positions, and so on. We are striving to train a team of employees with a broad range of work skills and business instincts.

Moreover, in order for our Company to maintain a robust level of business going forward, diversity promotion, in addition to our training of next-generation leaders, is indispensable. FHI established a Diversity Promotion Office in 2014 and is chiefly devoting effort to establishing an environment supportive of female employees' contribution to the company, while also providing training support for female managers. Also, since April 2015, a career-long FHI female executive has served as director of the Human Resources Department, which is in charge of the Diversity Promotion Office. As we continue into the future, we hope to actively promote excellent human capital regardless of age, gender, or nationality, so that we will be able to grow as an organization with an even higher level of active employee involvement.

Q8 Please explain a bit about the Subaru Next Story Project started in April 2015.

A8 We are utilizing the Internet, social networking services, etc. to roll out a diverse array of projects to support the active lifestyles of Subaru drivers.

In our mid-term management vision, "Prominence 2020," we indicated our goal to "elevate the brand-customer relationship to a new level" as one of our initiatives toward focusing on "enhancing the Subaru brand." We started the Subaru Next Story Project, led by young and mid-career employees, in order to put this sentiment into action. The project takes advantage of the Internet and social networking services to encourage customers to enjoy their Subaru even more and to have a fulfilling lifestyle thanks in part to their Subaru vehicle. At the same time, the project is also an initiative to deepen our connection to customers and to introduce activities that we can enjoy together with them.

In this project, we develop and implement a variety of ideas to encourage the active lifestyles of our customers. To be specific, we use a website to provide information on driving lessons, sports and outdoor events, and other activities organized by Subaru; and we use social networking services to facilitate exchange between users.

Q9 Please provide some information on your initiatives to strengthen corporate governance.

A9 While incorporating outside counsel and listening to feedback from society, we strive for suitable information disclosure practices and increased business transparency.

FHI has followed a practice of appointing professionals and experts with business experience as outside directors and auditors, and accepting valuable advice and instruction from external perspectives. Going forward, we will implement measures, including increasing our number of outside directors and auditors, to strive to more conscientiously reflect outside opinions and community input in our business decisions. Additionally, we will devote effort to prompt and appropriate information disclosure and further business transparency following the content of each provision of the Tokyo Stock Exchange's Corporate Governance Code taking effect from June 1, 2015.

At present, we are putting particular effort into more extreme quality control as one of our thematic focuses regarding governance and CSR management. Amid continuing robust sales, each of our production sites has been operating at near-maximum capacity in recent years. However, it is absolutely inexcusable for quality control to suffer as production excels. Our Production units are being made thoroughly aware of their responsibility to stop the line if they are not absolutely confident in the quality of products.

Q10 Do you have a closing message for shareholders?

A10 FHI is committed to thorough and reliable automobile development and manufacturing, while striving for sustainable growth and preservation of the highest profit margins in the industry.

Aiming to be "A Compelling Company with Strong Market Presence"—that is the management philosophy of FHI. In order to realize this goal, we will continue to follow our principle that "Customers Come First," while demonstrating thorough and reliable automobile development and manufacturing, and delivering enjoyment and peace of mind to customers. At the same time, we will continue to earn the trust of our shareholders by bringing about sustainable growth while securing our industry-leading high operating margin. Thank you for your support and feedback going forward.

We will keep high profit levels while making aggressive and proactive investments for the future in order to realize sustainable growth as well as stable and continuous return of profit to shareholders.

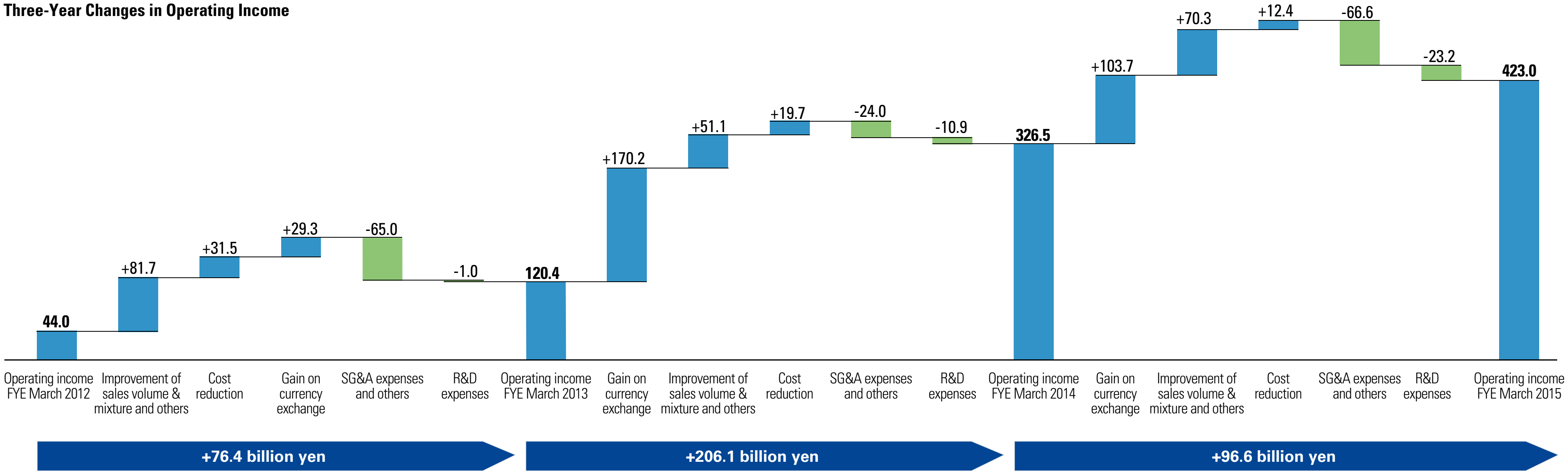
Mitsuru Takahashi
Director of the Board
Corporate Executive Vice President and CFO

Boosting R&D expenses and capital expenditures to further improve our market competitiveness

In FYE March 2015, FHI posted an operating income of 423.0 billion yen, a 96.6 billion yen increase year on year, and a record high profit level for the third straight year. In addition, our operating margin of 14.7% maintained its place among the highest in our industry. The main driver of our profit increase was 103.7 billion yen from foreign exchange gain, in addition to 70.3 billion yen from an improved sales volume and mixture and 12.4 billion yen from cost reduction.

Although this fiscal year, excluding the boost from exchange rates, showed a drop in profit of 7.1 billion yen, this result, in comparison to the previous fiscal year's 35.9 billion yen increase in profit, also excluding the benefit from exchange rates, does not at all indicate a decrease in profit generating capability year on year. The special temporary factor this fiscal year was 10.5 billion yen in logistics expenses for local production vehicle components that had to be shipped by air on short notice in order to work around the cargo delays in U.S. ports. Furthermore, as weakness in the yen exceeded expectations this fiscal year, we intentionally chose not to book the increase as additional profit and instead funneled

Three-Year Changes in Operating Income



Three-Year Business Operation / Profit Plan (Total of FYE2015–2017)

Net sales	8 trillion yen
Operating income	1 trillion yen

Currency rate assumption: 95 yen/US$

Revised Three-Year Investment Plan (Total of FYE2015–2017)

	Original plan	Revised plan
R&D expenses	250 billion yen (+59%)	280 billion yen (+78%)
Capital expenditures	330 billion yen (+71%)	400 billion yen (+107%)
Depreciation & amortization	200 billion yen (+22%)	210 billion yen (+28%)

( ): vs. previous 3 fiscal-year (FYE2012–FYE2014) period

it toward R&D expenses and capital expenditures as a way to realize sustainable growth through proactive investments for the future.

At present, FHI is enjoying favorable sales centered on the U.S. market. Going forward, however, we expect environmental regulations in markets around the world to strengthen, including ZEV regulations in California and other states, and we predict more intense competition in the development of advanced safety technology with the prospect of automated driving in the future. At FHI, we plan to continue boosting R&D expenses and capital expenditures, taking advantage of the current tail wind from favorable financial results in order to survive this highly competitive environment.

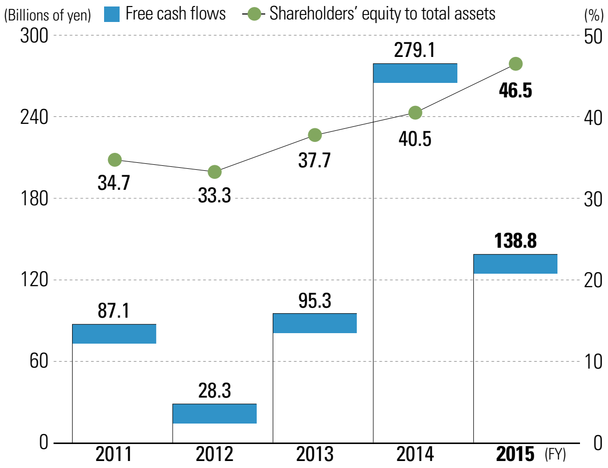
Under our new mid-term management vision, "Prominence 2020," announced in May 2014, we outlined a consolidated profit plan (see table on this page) targeting total net sales, total operating income, total R&D expenses, and total capital expenditures over the three years from FYE March 2015 to 2017. When preparing the plan, we assumed an exchange rate of 95 yen/US$, targeting three-year total net sales of 8,000 billion yen and total operating income of 1,000 billion yen. Current exchange rate expectations, however, show a large shift in the direction of a weaker yen and prospects for significantly exceeding those targets. We have decided on a policy for taking surplus profits from favorable exchange rates and proactively channeling them to R&D expenses and capital expenditures, raising the three-year total of R&D expenses from the initial 250.0 billion yen to 280.0 billion yen, and likewise the total of capital expenditures from 330.0 billion yen to 400.0 billion yen.

A certain amount of free cash flows maintained while expanding proactive investments for the future

Next, I will explain our finances. FHI's free cash flows in FYE March 2015 amounted to 138.8 billion yen. Since we posted cash flows of 279.1 billion yen in FYE March 2014, this appears to be a reduction by half, unless special temporary factors are taken into account. As I also noted last year, the first special factor was an almost 50 billion yen cash inflow in FYE March 2014 due to the sale of Polaris stock, a U.S. company of which FHI was the largest shareholder. Another factor was due to the timing of tax payments. In FYE March 2014, we had an unrecorded expense of approximately 90 billion yen cash-out for corporate tax, due to net operating loss carryforwards from past terms. This affected FYE March 2015 with an inflated 190.0 billion yen cash-out, equivalent to a year and half of corporate taxes, due to the previous fiscal year's corporate and other taxes on top of the interim payment of half our annual corporate and other taxes, as required by the taxation system that bases payments on previous fiscal year performance.

Excluding these special factors, our actual free cash flows were approximately 140.0 billion yen in FYE March 2014 and approximately 200.0 billion yen in FYE March 2015, reflecting steady improvement in cash flow generation accompanying expansion in business. From FYE March 2016 and beyond, we plan to increase the previously mentioned R&D expenses and boost capital expenditures as proactive investment for the future. Since we also forecast increased levels of sales, I believe that even with this investment policy we can maintain

Free Cash Flows & Shareholders' Equity to Total Assets



free cash flows within a range of 150.0 billion to 200.0 billion yen going forward.

Entering a new stage of shareholder returns while striving to further enhance our financial position

Last, let me explain our policy of returning profits to shareholders. FHI's basic dividend policy is to have stable and continuous payouts while considering performance-linked benefits. We have announced that the consolidated payout ratio would be between 20 and 40 percent in order to link dividends to performance. This leeway in dividend payout ratio is to absorb a drop in dividends within this 20-point range whereby a 20 percent level is set as the basis for the income increase and a maximum of 40 percent is set for the income decrease.

Compared to larger automakers, FHI's financial position has not been especially airtight. Consequently, we have focused on retained earnings up to this point and have tried to hold a 20% minimum payout ratio. At the same time, however, our financial position has steadily improved in line with increased business in the last several years. Shareholders' equity to total assets reached 46.5% in FYE March 2015 and it might very well top 50% within FYE March 2016. So we see our operations as having entered a new stage in FYE March 2016 and beyond and we plan to return profits to shareholders without overly emphasizing a 20% payout ratio, even though profits continue to increase. However, we will carefully determine what ratio is appropriate within the 20-40% range after closely judging our operating environment and performance forecasts as close to the payout date as possible. With this in mind, we have not decided on our dividend plans for FYE March 2016 at this point.

Furthermore, we expect ROE (return on equity) to go down in the future as shareholders' equity increases. FHI does not directly base dividend payout determinations on ROE. Going forward, however, we want to both strengthen our financial position and make continuous and stable returns of profit to shareholders while keeping in mind the balance of our shareholders' equity ratio and ROE.

Although we are not large among automobile manufacturers, we have built a position as a company with distinct individuality in major markets inside and outside Japan by concentrating our limited resources on limited markets and products. With our mid-term management vision "Prominence 2020," FHI aims to achieve sustainable growth through proactive and future-oriented investment and the securing of a fundamentally high level of profitability. Thank you for your understanding and ongoing support for the future.

Special Feature

PROMINENCE BY LEGACY

Leveraging Safety to Stand Out in the World

Subaru pursues automotive safety through development, design, production, and sales, for which we have won praise throughout the world.
At Subaru, we design vehicles that reflect the voices of our customers; we build production capabilities that deliver quality and meet demand; and we constantly review and re-commit ourselves to the value that we offer.

Subaru pushes the evolution of its safety performance from all directions and continues to devote effort to reliable automobile manufacturing that delivers enjoyment and peace of mind to our customers.

The new Legacy/Outback models garnered the highest performance ratings in Japanese, U.S., and European safety tests

Under its brand statement of “Confidence in Motion,” FHI is committed to reliable automobile manufacturing that delivers enjoyment and peace of mind to our customers. In order to spur the evolution of the vehicle safety features that support this “enjoyment and peace of mind,” we follow a philosophy of “All-Around Safety” and strive for revolutionary safety technology from all fronts: active safety, passive safety, and pre-crash safety.

Amongst these technologies, the state-of-the-art EyeSight on board new Legacy/Outback earned full marks in preventative safety performance assessments conducted by NASVA[1] and the Ministry of Land, Infrastructure, Transport and Tourism. Like Levorg, Forester, and Subaru XV Hybrid, these new models were selected to receive the top JNCAP ASV+ rating. In addition, new Outback outfitted with EyeSight earned the highest marks in the 2014 European New Car Assessment Program. Furthermore, all five models with EyeSight on board sold in the U.S. market received 2015 Top Safety Pick+ awards, the highest evaluation possible by the IIHS.[2] These industry-leading safety features recognized and awarded by ratings agencies throughout the world are what bring the Subaru brand the trust and support of its customers.

1 NASVA = National Agency for Automobile Safety and Victims' Aid
2 IIHS = Insurance Institute for Highway Safety

Development of the new Legacy/Outback started with careful consideration of what kind of vehicle will bring more fulfillment to our customers' lifestyles.

Masayuki Uchida

Corporate Vice President,
Senior General Manager of the Subaru Engineering Division
(Previously Senior Project General Manager
of the Subaru Product & Portfolio Planning Division)

Professional Background

April 1981:	Joined Fuji Heavy Industries Ltd.
November 2003:	General Manager, Body Design Department, Subaru Engineering Division
April 2005:	General Manager, Exterior Design Department, Subaru Engineering Division
March 2008:	General Manager, Subaru Engineering Division
April 2010:	PGM, Subaru Product & Portfolio Planning Division
April 2011:	Senior PGM, Subaru Product & Portfolio Planning Division
April 2015:	Corporate Vice President, Senior General Manager, Subaru Engineering Division

> "If our cars are not reassuring enough so that anyone can ride in them with peace of mind, they will not be able to act as a partner for supporting customers' lifestyles."

We have thoroughly pursued safety performance more than anything else in order to support fulfilling lifestyles for our customers

After taking charge of development for the new Legacy/Outback, I first dedicated effort to incorporating customer feedback as completely as possible. Part of that process was visiting the homes of owners, mainly in the U.S. market, which has shown the strongest demand for these models. I also considered how to gain further support for Legacy/Outback and how to provide a reliable vehicle of course for the U.S. market, but also globally. While lending an ear to a variety of opinions and requests, we thoroughly researched, and implemented the results, regarding what kind of vehicle would bring the most enjoyment and fulfillment to our customers' lifestyles.

Of the stories that I learned from customers, I was particularly impressed by those regarding safety, including comments like, "Although the car was badly damaged in an accident, I avoided serious harm thanks to the reliable collision safety performance." Every time that I came in contact with these examples of customer gratitude and appreciation, it reaffirmed my awareness of the importance of safety performance and of our great social responsibility as an automaker.

There are two pillars to Subaru's safety performance initiatives. The first is our policy for "achieving a high level of safety performance for all vehicle models." In actual practice, the driving force behind our growth has been trust in our brand, such that "Subaru = a vehicle with outstanding safety performance," which comes from Subaru safety features being highly rated in safety assessments in countries throughout the world. The second pillar is our pursuit of advanced safety technologies, as exemplified by EyeSight. At present, automakers have brought vehicles to market with various kinds of driver support technologies, such as brake assist. Despite the crowded field, EyeSight has garnered the highest level of assessments in various safety tests.

Needless to say, we continued our pursuit of safety performance from every angle in the development of the new Legacy/Outback, including the adoption of the most up to date EyeSight ver. 3. If our cars are not reassuring enough so that anyone can ride in them with peace of mind, they will not be able to act as a partner for supporting enjoyable and fulfilling lives for our customers.

Our development staff, to the person, have endeavored to improve and refine designs and the quality of drivability from our customers' point of view

Development of the new Legacy/Outback strove for "emotional value" in the new design and driving experience, in addition to Subaru's already established competence in functional value from safety performance, drivability, and

user friendliness. The concept of "emphasizing function and performance for a real-world tool, with the design representing the results of that emphasis" was dominant in the minds of our development team. Our recent approach has gone one step further by envisioning a design that positively presents the vehicle's achievement of high functionality and performance while keeping the importance of emphasizing functional aesthetics. As our flagship models, the new Legacy/Out-

> “The entire team was committed to thoroughly pursuing the performance customers demand, which is the Subaru way that development is done.”

back feature superior drivability, safety, and reliability expressed in the dynamic and powerful body, and emphasize quality that appeals to all five senses. We have thoroughly polished every small detail, from the feel of the interior and other tactile surfaces, to the sounds of the engine and the various moving parts.

In terms of the driving experience, our work did not stop at physical driving performance, but extended to "dynamic feel" that would stimulate drivers to notice the comfort and smoothness of the ride, hopefully reacting with the sentiment, “I would like to keep driving this forever.” Hence, our work on both the design and the driving experience pursued a high level of quality venturing into the domain of human sensibilities, or “emotional value” in other words. We strove for a vehicle that would heighten satisfaction for drivers and act as a partner for supporting their fulfilling lifestyle.

Of course, aspects such as dynamic feel and inspirational value differ from a vehicle's physical performance and cannot be captured in numbers or figures. Our development process had to use repeated road tests with prototypes to verify the finer points of the driving feel, including steering and braking response, as well as running noise and vibration, etc. There were moments in the process when we were stuck and unable to attain our target results, but never once did members of the development team argue that “we can settle for this level.” The entire team was committed to thoroughly pursuing the performance customers demand, which is the Subaru way that development is done.

We strove toward the dual goals of environmental performance and a comfortable driving experience, and were able to achieve high fuel efficiency in an AWD vehicle

Subaru’s commitment to automobile manufacturing from the customer's perspective is also present in our approach to fuel efficiency. To be sure, it is important to improve the advertised catalog value for fuel efficiency, but we also emphasize the actual mileage that customers will attain in normal driving circumstances.

Our way of thinking with regard to an environmentally conscious driving experience is not to impose restrictions on the driver, but rather to achieve both efficiency and comfortable drivability. Therefore, we have adopted an AWD system in order to deliver safety and comfort under a wide variety of road surfaces, even though it is disadvantageous for fuel efficiency due to increased weight and mechanical loss compared with FWD vehicles. To compensate, we improved engine and transmission efficiency, boosted aerodynamic performance, and introduced “idling stop” features to achieve best-in-class results for actual fuel efficiency even compared to FWD vehicles. Indeed, customers of the new Legacy/Outback have approved by remarking, “The fuel

> "We will continue our quest to develop high quality vehicles that exceed customers' expectations."

Imperatives to consider during design and development

- Following the quality management cycle
- Handling recalls
- Pursuing safety features with our concept of "ALL-AROUND SAFETY"
- Addressing fuel efficiency standards
- Improving and proliferating certified low-emission vehicles
- Recycling vehicles

Please see our CSR website for details.

- **Customers and Products** (http://www.fhi.co.jp/english/envi/csr/csr/consumers/)
- **Environment** (http://www.fhi.co.jp/english/envi/csr/csr/environment/environment.html)

We will continue to work as a team with our subsidiaries, affiliated companies, and local partners to deliver vehicles that exceed the expectations of customers

When building our production facilities in the U.S., we dispatched a large number of engineers to our local production subsidiary, Subaru of Indiana Automotive, Inc. (SIA), and cooperated across divisions, from development, to production and quality control, in our efforts preparing for mass production. Local employees were also proactive in providing ideas, which helped everyone work as a team to achieve high quality and high value for our users. In addition, expectations were very high from Subaru of America Inc. (SOA), our U.S. sales subsidiary, and from local dealers. During development, key persons from SOA and local dealers reviewed the design, were actively involved in test drives, and helped us toward the final product with their candid input.

This demonstrates the comprehensive and collective effort that went into developing the new Legacy/Outback, which have garnered very high praise for their safety and driving performance, as well as their design and overall feel. Consequently, since the models debuted, strong sales numbers have outstripped our expectations not only in the U.S. and Japan, but in other parts of the world as well. To our delight, a considerable number of buyers have chosen the new Legacy/Outback over premium European brands.

In response to this trust, and in order to further solidify Subaru's brand strength in the global car market, we will continue our quest to develop high quality vehicles that exceed customers' expectations.

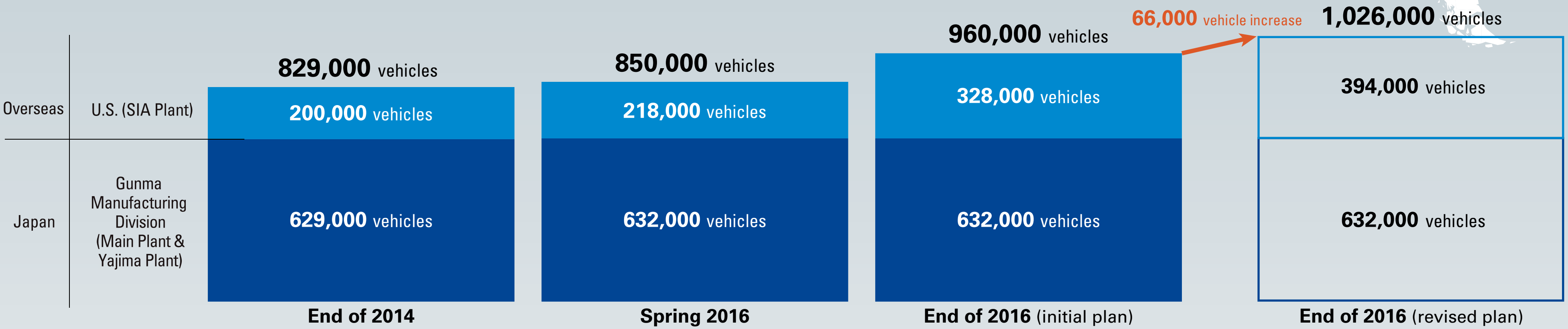
Gunma Manufacturing Division (Main Plant & Yajima Plant)

U.S. (SIA Plant)

Dedicating effort toward expanding capacity and ensuring efficient operations to meet continually growing North American demand.

After the launch of new Legacy/Outback in 2014, sales of Subaru vehicles in the North American market jumped to a new level. In order to meet this increased demand in North America, we decided to move forward plans for expanding capacity at our local production subsidiary Subaru of Indiana Automotive, Inc. (SIA), whose facilities will be built out to handle some 390,000 vehicles annually by the end of 2016.

Moving into the future, we will also efficiently run our production lines, a total of five in the U.S. and Japan, to meet demand in the global marketplace.



Imperatives to consider during production

- Following the quality management cycle
- Aiming for zero disasters and accidents (holding a Health and Safety Kickoff Meeting at each business site at the beginning of each fiscal year)
- Risk assessment activities
- 5th Voluntary Plan for the Environment (FY2012–16)
- Primary environmental performance (amounts of CO_2 emission, waste generation (including scrap metal sold for profit) and PRTR materials)
- Communication with business partners (holding Purchasing Policy Briefings every spring; collaborating with Cooperation Meetings composed of our business partners)

Please see our CSR website for details.

- **Customers and Products** (http://www.fhi.co.jp/english/envi/csr/csr/consumers/)
- **Environment** (http://www.fhi.co.jp/english/envi/csr/csr/environment/environment.html)

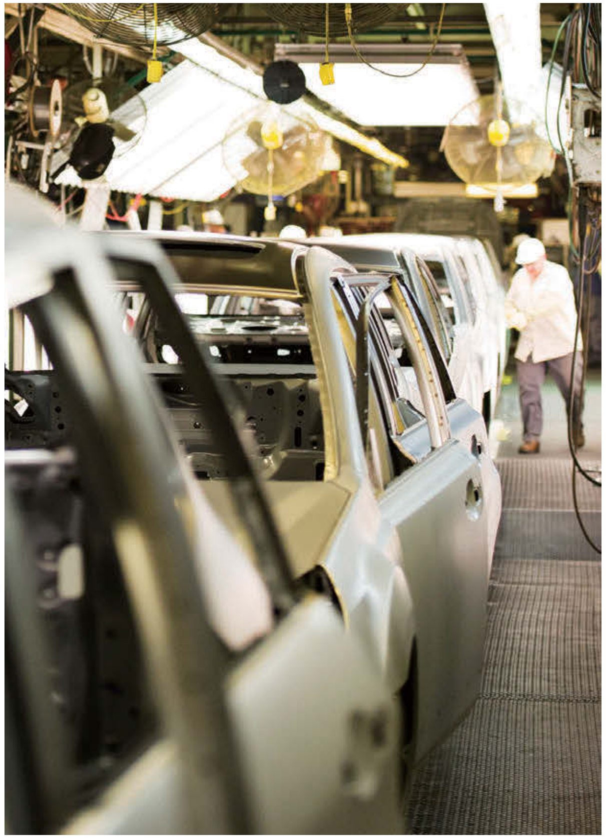
In addition to popular new models, strong sales continue for existing models

Subaru sales in the U.S. in 2014 posted a year-on-year gain of 21.0%, reaching approximately 510,000 vehicles. In addition to seeing record high unit sales for six years running, Subaru is the only automaker to beat previous-year U.S. results for seven years in a row. On top of this, sales in Canada, with approximately 42,000 vehicles (up 14.3% year on year), have seen record highs for three years in a row. Proof that the Subaru brand is maintaining high approval in the North American market lies not only in the strong sales growth for Legacy/Outback—last year's recipients of a full model change—but also in the steady sales of Impreza and Forester, which have not been revamped as recently.

Bringing SIA expansion plans ahead by four years and building capacity for some 390,000 vehicles by the end of 2016

In FHI's mid-term management vision, announced in May 2014, we explained plans to expand capacity at our U.S. production subsidiary Subaru of Indiana Automotive, Inc. (SIA), in order to meet growing demand in North America. Originally, we had targeted staggered increases, starting from approximately 170,000 units initially and moving toward 310,000 in FY2017, then 400,000 in FY2021. Increasingly robust North American sales buoyed by the subsequent launch of new models, however, led us to greatly expedite plans and announce a target of 394,000 units by the end of 2016. Simultaneous with this capacity expansion will be the shift of production of Impreza vehicles for North America from Japan-based production to production on a newly built line at SIA.

Our plans for boosting production will give us, by the end of 2016, a total of five production lines: three in Japan and two at SIA. Going forward, we will continue to dedicate effort to flexible operations so that each plant will be able to promptly handle increased sales of any of our models, and so that we can efficiently run these five production lines at their maximum capacity.



Following a marketing strategy localized for Subaru of America, and communicating the appeal of the Subaru brand from a thoroughly customer-centric standpoint

Sales of Subaru vehicles in the U.S. market have continued to grow well above the demand for new vehicles and Subaru has continued to increase its brand presence since 2008. One of the approaches that played a key role in enabling this rapid progress in the U.S. was the LOVE Campaign, a marketing strategy started in 2007 by local subsidiary Subaru of America, Inc. (SOA).

Focusing on the inspirational and emotional value of cars supported by exceptional utility and safety

Subaru is esteemed in the global automobile market as a company with distinct individuality. Part of that is our use of proprietary technologies such as the horizontally-opposed engine and Symmetrical All-Wheel Drive, which stem from our pursuit of stability and control under a variety of road conditions. Additionally, a significant Subaru characteristic is our thorough effort to build cars that prioritize safety from every angle, from primary safety (such as visibility) to collision safety. This reliability with regard to safety and basic driving performance had previously won Subaru acclaim from U.S. customers who value cars as practical driving machines.

Furthermore, results of SOA's surveys of owner awareness and behavior have shown strong trust and affection from many owners toward the Subaru brand and cars. Survey results indicated that Subaru vehicles are actively utilized not only in daily life, but also as part of owners' lifestyles, be it through hobbies, sports, leisure, or other pursuits. Amidst this context, SOA started, from 2007, the LOVE Campaign to showcase owners' enjoyment of the inspirational and emotional value, over and above the functions and performance, of our cars. The campaign seeks to effectively convey Subaru's characteristic individuality to a wide range of customers.

SOA Initiatives

- Strengthening customer service through telephone support and through the website.

Please see our CSR website for details.

- **Customers and Products** (http://www.fhi.co.jp/english/envi/csr/csr/consumers/)

Marketing a fulfilling lifestyle achieved by driving a Subaru

Prior to 2007, Subaru advertising in the U.S. had been short-term in focus, targeting groups of prospective buyers by showing the specific functions and performance of each model—such as price or fuel economy. Consequently, the overall brand image was vague and market awareness of Subaru idled at a low level. To address this, the LOVE Campaign chose a unique marketing strategy to express the brand value from an owner's standpoint, including the owner's trust and love of their Subaru and the fulfilling lifestyle they are able to create with their family because they drive a Subaru.

The campaign struck a chord with U.S. buyers and successfully expanded the customer demographic of the Subaru brand. Furthermore, the revolutionary EyeSight advanced driving support system made its debut, while at the same time all Subaru models garnered the highest approval ratings from U.S. safety agencies. These awards allowed us to further prove the high level of safety that underscores owners' "love for Subaru," boosting the campaign's persuasiveness in the process.

Devoting effort to social contribution activities while aiming to be the most loved company in local communities

As part of the LOVE Campaign, SOA inaugurated "Share the Love," a program through which $250 is donated to a charitable organization for each Subaru vehicle sold. The program was very well received by customers, with many voicing opinions such as, "I am glad that I can support society by purchasing a Subaru."

Furthermore, SOA is currently rolling out a project called "The Subaru Love Promise," and is being run in collaboration with dealers all across the U.S. Specifically, The Subaru Love Promise is a variety of initiatives to contribute to local communities and societies through activities and charitable causes such as environmental conservation, education, animal protection, and similar activities.

Through these types of activities, SOA and Subaru dealers in each part of the U.S. hope to become objects of trust and love in the eyes of owners and local communities, much the same as the Subaru brand and cars. To that end, we are striving to further increase the number of devotees to vehicles under the Subaru brand, while also helping each dealer grow toward being No. 1 in their region.

VOICE

Providing cars that precisely reflect market demands, while continuing to build relationships of long-term trust with customers

Subaru has won trust from its customers by continuing to provide vehicles to the U.S. market with superior quality and the industry's most advanced safety features. Additionally, by becoming a partner in the active lifestyles of owners, including responding to diverse customer demands such as "wanting to safely navigate snowy roads" and "wanting to enjoy long-distance family road trips," the Subaru brand has come to enjoy devotion and love from its owners.

Of course, it is indispensable to introduce models that deftly perceive the needs of the marketplace in order to keep customers choosing Subaru. This is why the Subaru models in our current lineup are all situated in growth segments of the U.S. marketplace and reflect customer demands in terms of size, price point, etc. We are proud to declare that our success today in the U.S. is the result of collaboration utilizing Fuji Heavy Industries' advanced technological development plus SOA's market analysis and marketing acumen.

Going forward, we will continue to build long-term relationships of trust with owners by providing them with special experiences that are part of what make a Subaru a Subaru.

Thomas J. Doll
President
Chief Operating Officer

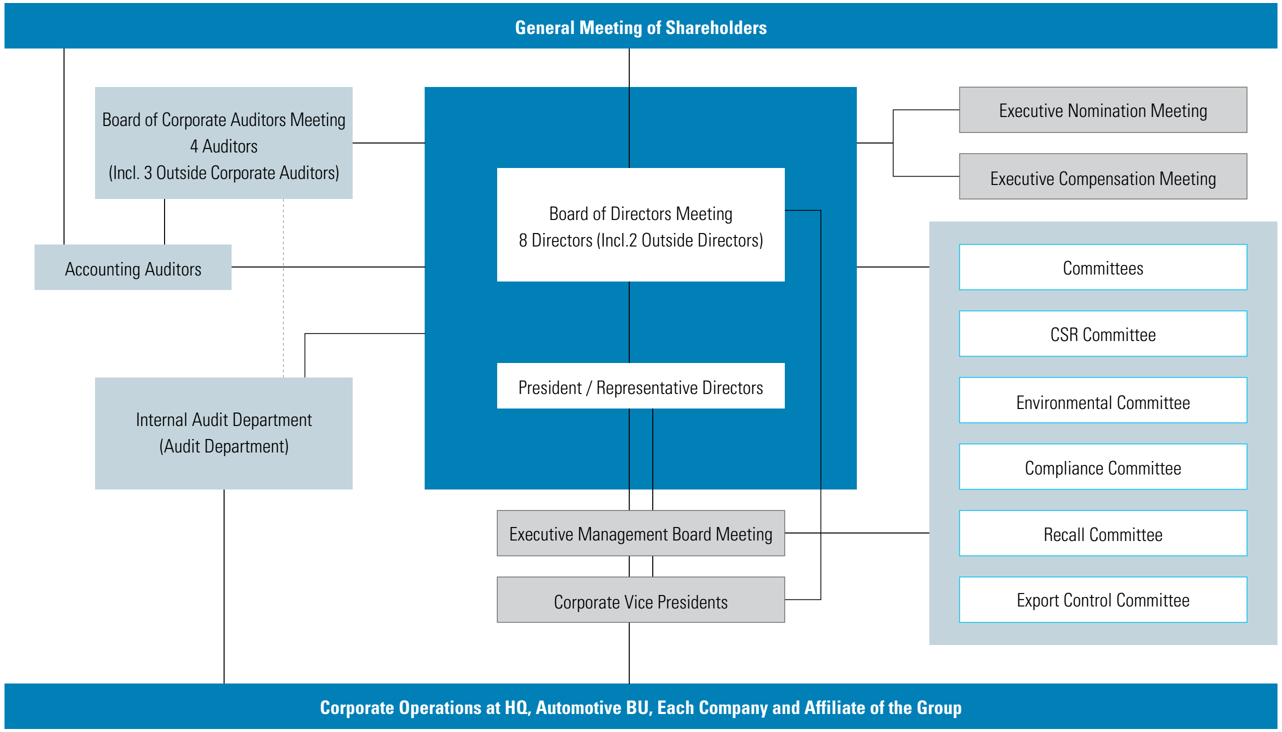
Corporate Governance

Corporate Governance System

Since June 1999, FHI 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.

Also, the execution of important business operations is decided and supervised by the board of directors and audited by the board of corporate auditors. The board of directors consists of eight members with two of them invited from the outside as independent members to enhance governance. The board of corporate auditors consists of four members with three of them invited from the outside for higher objectivity to monitor business management. In addition, we will take various measures to further strengthen internal control, and will also disclose information fairly and in a timely manner in order to increase management transparency.

System of Corporate Governance



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 FHI, the Corporate Planning Department (which plays a central role in the common functions of each business) and other company-wide 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, FHI 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

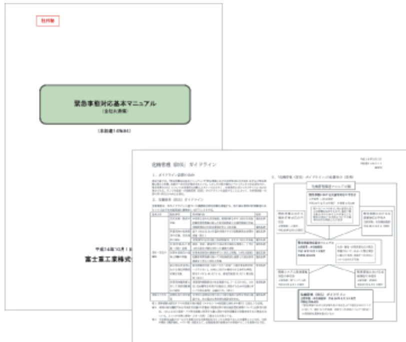
As approved by the Ordinary General Meeting of Shareholders in June 2006, the total amount of yearly compensation paid to directors and corporate auditors is limited to ¥600 million and ¥100 million, respectively. The compensation paid to directors must be approved by the Board of Directors and is divided 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 2015, compensation for directors and corporate auditors was as follows:

Classification	Number	Total compensation (millions of yen)		
		Basic compensation		
		Fixed amount	Performance-based amount	
Directors (excluding outside directors)	7	241	229	470
Corporate auditors (excluding outside corporate auditors)	2	30	–	30
Outside executive officers	3	44	–	44
Total	12	315	229	544

Note: This table includes one corporate auditor who retired by the end of the fiscal year. As of March 31, 2015, the Company maintains seven 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.



FHI emergency response procedure manual and crisis management (disaster prevention) guidelines

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 business unit 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

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

Board Directors / Executive Officers

Directors of the Board

Yasuyuki Yoshinaga ①

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 ②

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

Naoto Muto ③

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

Mitsuru Takahashi ④

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 ⑤

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

Masahiro Kasai ⑥

Director of the Board
Corporate Executive Vice President

April 1978	Joined the Company
June 2007	Corporate Vice President and President & CEO of Subaru of Indiana Automotive, Inc.
April 2009	Corporate Vice President, Chief General Manager of Subaru Manufacturing Division, and Chief General Manager of Gunma Plant
April 2010	Corporate Senior Vice President, Chief General Manager of Subaru Manufacturing Division, and Chief General Manager of Gunma Plant
April 2014	Corporate Executive Vice President and Chief General Manager of Subaru Purchasing Division
June 2015	Director of the Board and Corporate Executive Vice President

Toshio Arima ⑦

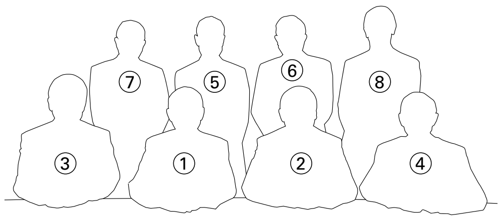
Outside Director

June 2011	Outside Director

Yoshinori Komamura ⑧

Outside Director

June 2015	Outside Director



Executive Officers

Corporate Executive Vice President
Shuzo Haimoto
Hisashi Nagano
Nobuhiko Murakami

Corporate Senior Vice President
Yasuo Kosakai
Tomomi Nakamura
Kazuo Hosoya
Masaki Okawara
Yasunobu Nogai
Satoshi Maeda
Toshiaki Okada

Corporate Vice President
Masashi Takahashi
Masami Iida
Hiromi Tsutsumi
Shoichiro Tozuka
Toshiaki Tamegai
Hiroki Kurihara
Tetsuo Onuki
Yoichi Katou
Masayuki Uchida
Takuji Dai
Fumiaki Hayata

Auditors

Standing Corporate Auditor
Akira Mabuchi
Nobushige Imai

Corporate Auditor
Takatoshi Yamamoto
Shinichi Mita

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

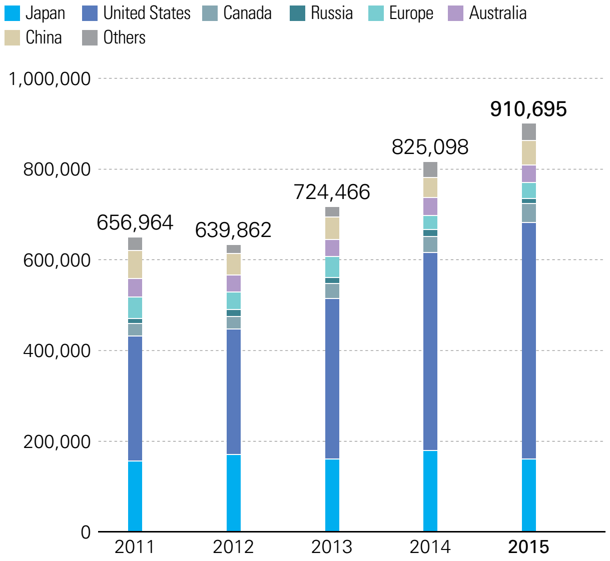
(Millions of yen) (Thousands of U.S. dollars[1])

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2015
For the year:											
Net sales	¥1,476,368	¥1,494,817	¥1,572,346	¥1,445,790	¥1,428,690	¥1,580,563	¥1,517,105	¥1,912,968	¥2,408,129	¥2,877,913	$23,928,769
Cost of sales	1,125,293	1,142,674	1,217,662	1,164,564	1,152,763	1,241,427	1,222,419	1,501,809	1,728,271	2,017,490	16,774,674
Gross profit	351,075	352,143	354,684	281,226	275,927	339,136	294,686	411,159	679,858	860,423	7,154,095
Selling, general and administrative expenses	292,736	304,237	309,004	287,029	248,577	255,001	250,727	290,748	353,369	437,378	3,636,634
Operating income (loss)	58,339	47,906	45,680	(5,803)	27,350	84,135	43,959	120,411	326,489	423,045	3,517,461
Income (loss) before income taxes and minority interests	28,674	45,589	31,906	(21,517)	(443)	63,214	52,879	93,082	328,865	392,206	3,261,046
Net income (loss)	15,611	31,899	18,481	(69,933)	(16,450)	50,326	38,453	119,588	206,616	261,873	2,177,376
Comprehensive income	—	—	—	—	(13,416)	34,900	44,474	152,009	210,757	309,271	2,571,473
At year-end:											
Net assets[2]	¥ 467,786	¥ 495,703	¥ 494,423	¥ 394,719	¥ 381,893	¥ 413,963	¥ 451,607	¥ 596,813	¥ 770,071	¥1,030,719	$ 8,570,042
Shareholders' equity	465,522	494,004	493,397	393,946	380,587	412,661	450,302	595,365	765,544	1,022,417	8,501,104
Total assets	1,348,400	1,316,041	1,296,388	1,165,431	1,231,367	1,188,324	1,352,532	1,577,454	1,888,363	2,199,714	18,289,798
Ratio of shareholders' equity to total assets (%)	34.5%	37.5%	38.1%	33.8%	30.9%	34.7%	33.3%	37.7%	40.5%	46.5%	
Per share: (in yen and U.S. dollars)											
Net income (loss):											
Basic	¥ 20.66	¥ 44.46	¥ 25.73	¥ (91.97)	¥ (21.11)	¥ 64.56	¥ 49.27	¥ 153.23	¥ 264.76	¥ 335.57	$ 2.79
Diluted	20.66	44.44	25.73	—	—	—	—	—	—	—	—
Net assets	649.41	687.81	687.02	505.59	488.58	528.88	576.97	762.87	980.98	1,310.15	10.89
Other information:											
Depreciation/amortization	¥ 80,073	¥ 81,454	¥ 87,164	¥ 74,036	¥ 65,785	¥ 56,062	¥ 58,611	¥ 61,544	¥ 61,486	¥ 71,821	$ 597,165
Capital expenditures (addition to fixed assets)	119,289	126,329	118,869	95,153	89,077	67,378	67,035	94,986	98,537	135,346	1,125,351
Research and development expenses	46,893	50,709	52,020	42,831	37,175	42,907	48,115	49,141	60,092	83,535	694,562
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]	46,367	42,920	44,484	40,839	39,223	34,240	33,139	28,890	51,386	70,942	
Number of employees[3]											
Parent only	11,998	11,752	11,909	12,137	12,483	12,429	12,359	12,717	13,034	13,883	
Consolidated	26,115	25,598	26,404	27,659	27,586	27,296	27,123	27,509	28,545	29,774	

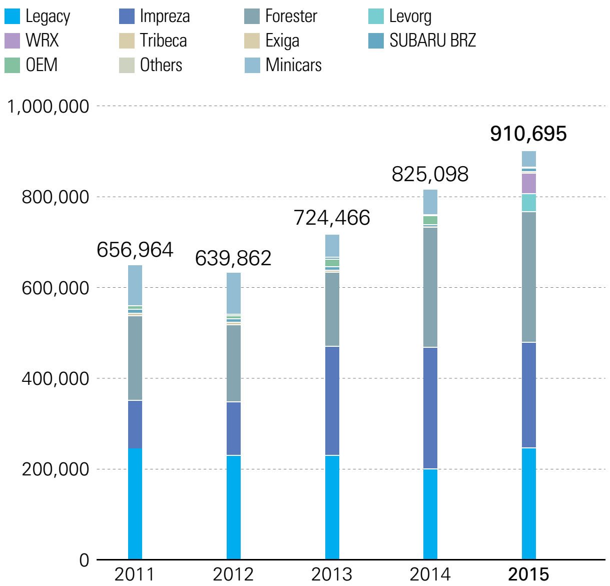
1. U.S. dollar figures have been translated from yen, for convenience only, at the rate of ¥120.27 to US$1.00, the approximate rate of exchange at March 31, 2015.
2. Prior year amounts have been reclassified to conform to the current year presentation.
3. As of March 31

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)

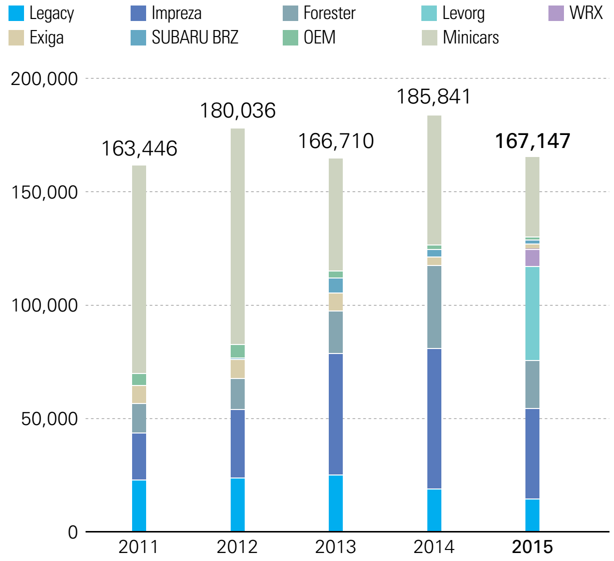
	2011	2012	2013	2014	2015
Domestic units:					
Legacy	22,673	22,812	24,207	18,961	13,845
Impreza	20,184	29,122	53,250	61,071	39,462
Forester	12,685	13,803	18,044	36,572	21,103
Levorg	0	0	0	0	40,559
WRX	0	0	0	0	7,514
Exiga	7,859	8,020	7,392	3,853	1,937
SUBARU BRZ	0	249	6,711	3,380	1,890
OEM	4,430	5,844	2,778	1,857	1,127
Others	303	303	368	453	439
Passenger cars	68,134	80,153	112,750	126,147	127,876
Minicars	89,971	92,189	50,372	55,454	34,876
Domestic total	158,105	172,342	163,122	181,601	162,752
Overseas units by region:					
U.S.	278,959	280,356	357,569	441,799	527,630
Canada	28,059	28,239	32,644	36,013	42,439
Russia	11,320	15,860	14,719	15,314	11,559
Europe	48,244	39,075	46,382	31,756	35,730
Australia	41,150	36,928	38,120	39,515	38,889
China	62,412	48,323	50,185	44,807	53,821
Others	28,715	18,739	21,725	34,293	37,875
Overseas total	498,859	467,520	561,344	643,497	747,943
Overseas units by model:					
Legacy	225,388	210,194	207,460	182,712	235,791
Impreza	87,066	90,149	190,864	210,828	196,403
Forester	176,453	157,833	147,679	231,173	269,649
WRX	0	0	0	0	37,982
Tribeca	5,643	5,702	4,243	2,561	64
SUBARU BRZ	0	38	10,100	15,822	7,914
OEM	3,865	3,372	591	256	135
Others	444	232	407	145	5
Overseas total	498,859	467,520	561,344	643,497	747,943
Grand total	656,964	639,862	724,466	825,098	910,695

Non-consolidated Automobile Sales (Number of units)

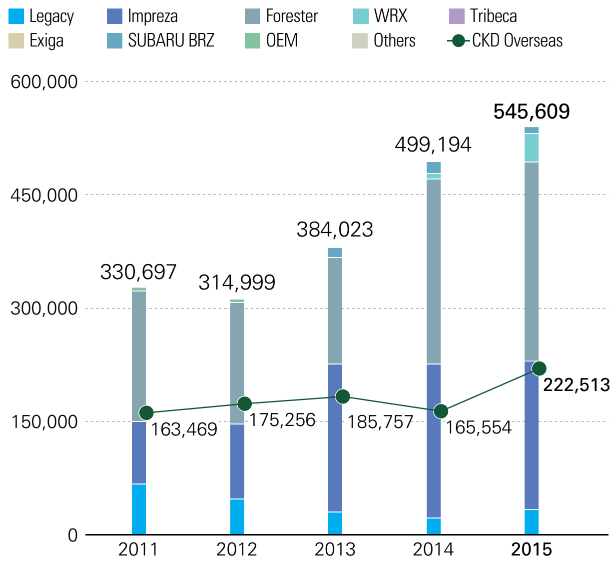
	2011	2012	2013	2014	2015
Domestic units:					
Legacy	23,212	23,968	25,424	19,272	14,734
Impreza	20,859	30,566	54,306	62,519	40,277
Forester	13,160	13,990	18,951	37,124	21,569
Levorg	0	0	0	0	41,832
WRX	0	0	0	0	7,991
Exiga	8,150	8,477	7,845	3,869	2,016
SUBARU BRZ	0	585	6,850	3,334	1,941
OEM	5,313	5,993	2,953	1,944	1,224
Passenger cars	70,694	83,579	116,329	128,062	131,584
Minicars	92,752	96,457	50,381	57,779	35,563
Domestic total	163,446	180,036	166,710	185,841	167,147
Export units:					
Legacy	67,926	48,304	30,559	22,817	34,344
Impreza	83,921	100,350	198,232	206,022	199,770
Forester	174,541	162,199	142,745	247,362	265,072
WRX	0	0	0	7,644	37,865
Tribeca	0	331	222	0	0
Exiga	374	232	407	145	5
SUBARU BRZ	0	211	11,542	15,118	8,418
OEM	3,865	3,372	316	86	135
Others	70	0	0	0	0
Export total	330,697	314,999	384,023	499,194	545,609
U.S. retail sales[1]					
Legacy	131,873	146,806	164,680	160,340	191,060
Impreza	44,395	41,196	89,195	130,567	128,952
Forester	85,080	76,196	76,347	123,591	159,953
WRX	0	0	0	0	25,492
Tribeca	2,472	2,791	2,075	1,598	732
SUBARU BRZ	0	0	4,144	8,587	7,504
U.S. total	263,820	266,989	336,441	424,683	513,693
CKD[2] overseas	163,469	175,256	185,757	165,554	222,513
(SIA portion)	163,469	175,256	183,729	159,266	218,565
SIA production units[3]					
Legacy	159,215	164,968	177,471	161,204	206,681
Tribeca	5,558	5,661	3,713	2,307	0

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

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



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



The Fuji Heavy Industries Ltd. Group

The Fuji Heavy Industries Ltd. Group ("the Group") is engaged in activities 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 ("the Company") and 77 subsidiaries, as well as 2 equity-method affiliated companies, were included in the scope of the FHI Group's consolidation as of March 31, 2015, the end of the fiscal year under review.

Overview

Business Environment

During the fiscal year under review, the economy in Japan displayed signs of a modest recovery mainly shown in improved corporate profits, despite the effects of an increase in the consumption tax rate. In the global economy, although there was evidence of a loss of growth momentum in Europe, China, and in emerging markets, there was a moderate but steady recovery driven by the favorable U.S. economy.

The Group formulated its mid-term management vision in May of last year. The FY2015-FY2021 vision, "Prominence 2020," has a growth strategy that places our Subaru Automobiles Division at the core as we move forward with initiatives specifically focused on enhancing the Subaru brand and building a strong business structure.

In the fiscal year under review, annual unit sales of Subaru vehicles reached a new record, with the United States, our most important market, continuing to lead global sales. In addition, Group efforts steadily bore fruit as Forester sales remained strong and new models were launched for Legacy, Outback, Levorg, and WRX. Vehicles with version 3 of EyeSight garnered approval—a further step in the evolution of our preventative safety and driving assistance features. We also worked to expand and enhance capacity at complete vehicle assembly plants inside and outside Japan in order to relieve the backlog of customers waiting for a vehicle.

Performance Review

In light of the above factors, the FHI Group recorded historically high levels of consolidated net sales as well as all income categories for the third consecutive fiscal year. Major consolidated performance figures were as follows.

Net sales amounted to ¥2,877.9 billion, up ¥469.8 billion, or 19.5%, year on year, owing to such factors as higher unit sales in our core Automobiles Division and increased net sales accompanying exchange rate fluctuations.

In terms of profitability, operating income followed increased net sales, coming to ¥423.0 billion, an increase of ¥96.6 billion, or 29.6%, compared with the previous fiscal year, while net income was up ¥55.3 billion, or 26.7%, from the previous fiscal year, to ¥261.9 billion.

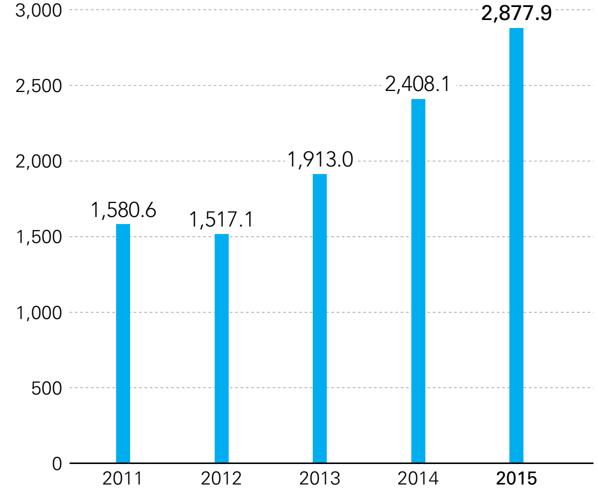
Cost of Sales, Expenses and Operating Income

Operating Income

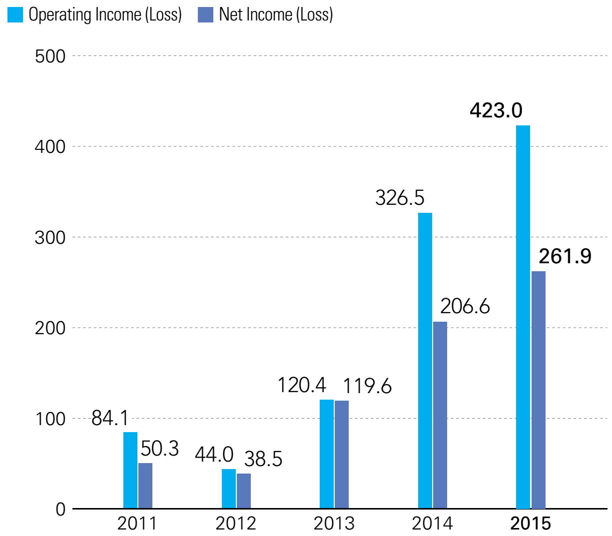
Operating income, as mentioned above, came to ¥423.0 billion, an increase of ¥96.6 billion, or 29.6%.

Revenue decreasing factors, namely a ¥66.6 billion increase in SG&A expenses and a ¥23.2 billion increase in R&D expenses, were greatly outweighed by revenue increasing factors, mostly ¥103.7 billion in exchange rate differences, a ¥70.3 billion improvement in sales mix, and ¥12.4 billion in progress on cost reduction. Consequently, operating margin was able to achieve a high level at 14.7%.

Net Sales (Billions of yen)
Years ended March 31



Operating Income (Loss) / Net Income (Loss) (Billions of yen)
Years ended March 31



Income before Income Taxes and Minority Interests, and Net Income

Income before income taxes and minority interests rose ¥63.3 billion, or 19.3%, compared with the previous fiscal year, to ¥392.2 billion.

Net income after total income taxes and minority interests rose ¥55.3 billion, or 26.7%, compared with the previous fiscal year, to ¥261.9 billion. Total income taxes this fiscal year rose ¥6.2 billion year on year (5.1%) to ¥127.1 billion yen, due to the increase in net income before total income taxes and minority interests.

Segment Information

Automobiles Division

Net sales for this division stood at ¥2,699.0 billion, an increase of ¥452.4 billion, or 20.1%, year on year. Segment income also increased ¥91.9 billion, or 29.7%, year on year to ¥400.9 billion.

The number of units sold worldwide increased by 86,000 units, or 10.4%, year on year to 911,000 units, owing to the strength in the North American market. Vehicle unit sales posted a record for the third consecutive year both globally and outside Japan, and for the sixth consecutive year in the North American market.

Domestic Market

In Japan, individual consumption fell in reaction to the last-minute demand prior to the increase in the consumption tax rate, which dampened demand for vehicles. Unit sales of passenger and mini vehicles decreased year on year by 8.9% and 3.9% respectively, for a combined 6.9% dip, with overall unit sales of 5,297,000 units nationwide.

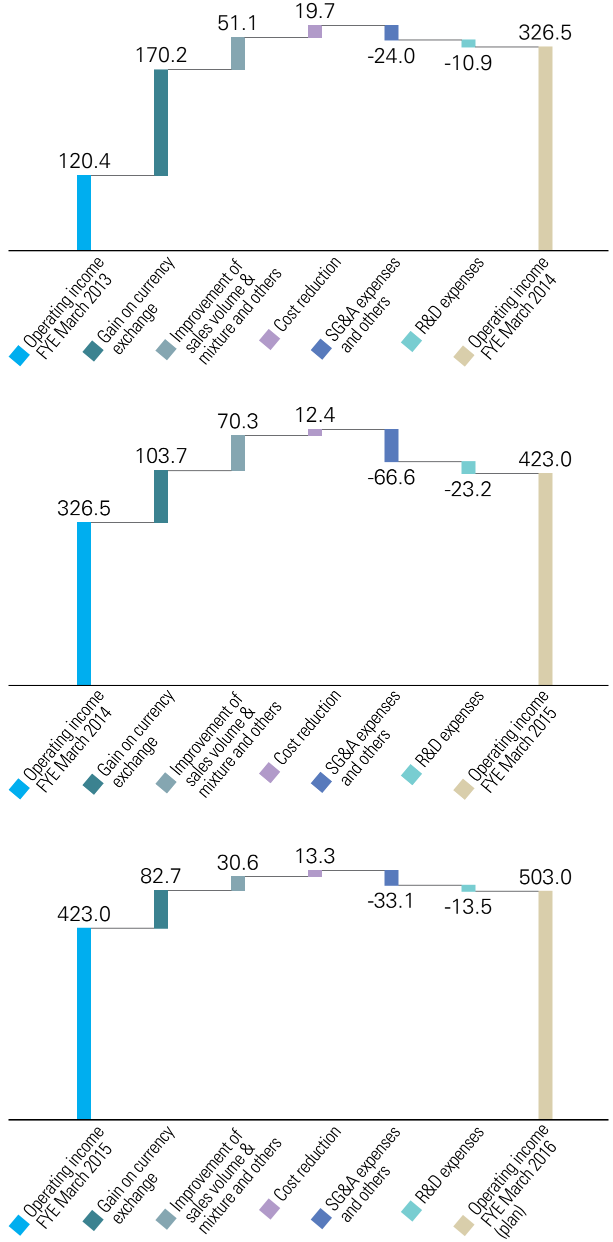
Amidst these market conditions, FHI's unit sales of vehicles decreased by 19,000 units, or 10.4%, year on year to 163,000 units. Unit sales of passenger vehicles rose by 2,000 units, or 1.4%, year on year to 128,000 units, thanks primarily to the favorable launch of the new model Levorg, among other new models. At the same time, unit sales of mini vehicles were down 21,000 units, or 37.1% year on year, to 35,000 units, impacted by reduced demand after the rush ahead of the consumption tax increase, as well as bearing the brunt of intensifying competition due to the launch of new models by our competitors.

Overseas Market

Overseas unit sales amounted to 748,000 units, an increase of 104,000 units, or 16.2%, year on year. In our key market of North America, sales were strong for Forester, Legacy, and Outback, while the new WRX model offered an added boost to results.

By region, units sold in North America increased 92,000 units, or 19.3%, year on year to 570,000 units. In Europe and Russia, sales volume was relatively unchanged at 47,000 units. China saw an increase of 9,000 units, or 20.1%, to 54,000 units, while unit sales in Australia dipped 1,000 units, or 1.6%, to 39,000 units, with other regions up 4,000 units, or 10.4%, to 38,000 units.

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



Aerospace Division

Net sales in this division increased ¥18.4 billion, or 14.8%, compared to the previous fiscal year to ¥142.8 billion. Segment income also rose ¥4.8 billion, or 33.7%, year on year to ¥18.9 billion.

Sales of the C-2 transport aircraft to the Japanese Ministry of Defense exceeded that of the previous fiscal year, while sales to the commercial sector increased over the previous fiscal year thanks to net sales-boosting factors such as the exchange rate and a surge in production of the Boeing 787, among others.

Industrial Products Division

Net sales in the Industrial Products division were down ¥0.7 billion, or 2.5%, from the previous fiscal year to ¥29.0 billion. Segment income increased ¥0.1 billion, or 23.3% year on year, to ¥0.8 billion.

Sales were higher for leisure-related engines in North America, and sales were markedly higher for pressure washer engines for North American big box hardware stores. Sales for general purpose engines for Japan and other products, however, were lower.

Other Division

Net sales in this division were down ¥0.2 billion, or 2.5%, year on year to ¥7.1 billion. Segment income was also down, posting a ¥0.2 billion dip, or 10.2%, from the previous fiscal year to ¥1.9 billion.

Liquidity and Financing

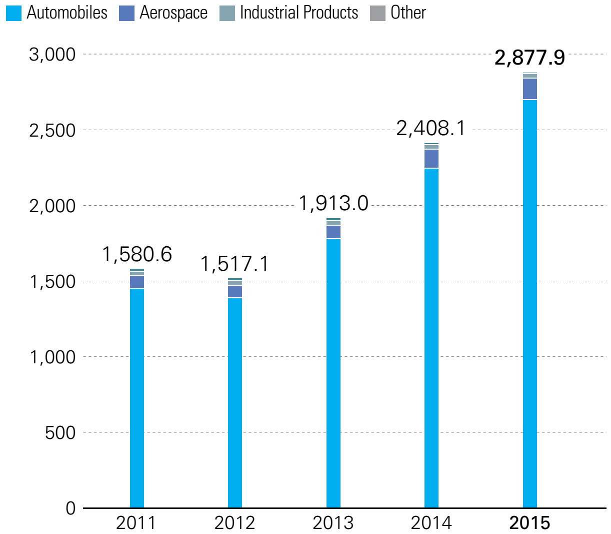
Financial Position

Total assets as of March 31, 2015 stood at ¥2,199.7 billion, an increase of ¥311.4 billion compared with the previous fiscal year-end.

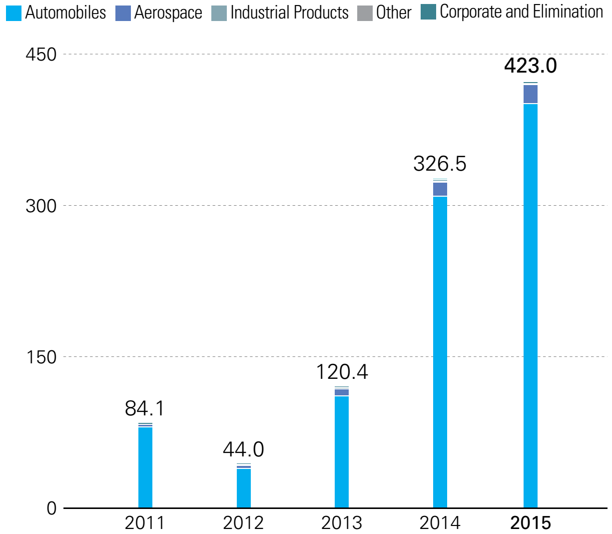
Of this total, current assets stood at ¥1,473.3 billion, up ¥199.5 billion compared with March 31, 2014. This is primarily due to rises in funds in hand plus securities by ¥88.7 billion that include cash and deposits, as well as products and goods by ¥43.8 billion. Meanwhile, total property, plant and equipment rose ¥111.9 billion to ¥726.4 billion compared to the previous fiscal year-end. This was mainly attributable to an increase in noncurrent assets of ¥53.9 billion and investment securities of ¥34.8 billion.

Total liabilities were up ¥50.7 billion year on year, to ¥1,169.0 billion. The main factors behind this increase were a ¥44.7 billion rise in accounts payable with accounts

Net Sales by Segment (Billions of yen)
Years ended March 31



Operating Income by Segment (Billions of yen)
Years ended March 31



Net Sales by Segment (Billions of yen)

	2011	2012	2013	2014	2015
Automobiles	¥1,452.2	¥1,389.1	¥1,779.0	¥2,246.6	**¥2,699.0**
Aerospace	82.8	80.3	89.1	124.4	**142.8**
Industrial Products	30.1	33.6	30.1	29.8	**29.0**
Other	15.5	14.2	14.7	7.3	**7.1**
Total	¥1,580.6	¥15,17.1	¥1,913.0	¥24,08.1	**¥2,877.9**

Operating Income by Segment (Billions of yen)

	2011	2012	2013	2014	2015
Automobiles	¥80.4	¥39.4	¥111.0	¥309.0	**¥400.9**
Aerospace	2.3	2.9	6.8	14.1	**18.9**
Industrial Products	(0.1)	0.5	0.6	0.6	**0.8**
Other	1.5	1.0	1.6	2.1	**1.9**
Corporate and Elimination	0.1	2.0	0.4	0.6	**0.6**
Total	¥84.1	¥44.0	¥120.4	¥326.5	**¥423.0**

payable-trade and electronically recorded monetary obligations, and a rise in accrued expenses of ¥34.1 billion, despite a decrease in long-term borrowings of ¥38.4 billion.

Note that the fiscal year-end balance of interest-bearing debt decreased ¥58.5 billion to ¥211.2 billion. The debt/equity ratio (interest-bearing debt over shareholders' equity) remained at a safe level of 0.21.

Net assets totaled ¥1,030.7 billion, up ¥260.6 billion compared with the end of the previous fiscal year. This was primarily due to an increase in retained earnings of ¥213.5 billion, reflecting the recording of net income in the fiscal year under review. The increase in net assets boosted the shareholders' equity ratio to 46.5%, a 6-point increase year on year.

Cash Flows

In the fiscal year under review, net cash provided by operating activities was ¥311.5 billion compared with ¥313.0 billion in the previous fiscal year. Income before income taxes and minority interests stood at ¥392.2 billion, and total income taxes at ¥193.1 billion.

Net cash used in investing activities was ¥172.8 billion in the fiscal year under review compared with ¥33.9 billion used in the previous fiscal year. This figure primarily reflects ¥25.5 billion in expenditures (net) due to acquisition of investment securities and ¥113.6 billion in expenditures (net) due to acquisition of noncurrent assets. As a result, free cash flow amounted to ¥138.8 billion, compared to ¥279.1 billion provided in the previous fiscal year.

Net cash used in financing activities totaled ¥110.5 billion in the fiscal year ended March 31, 2015, compared with ¥63.0 billion in the preceding fiscal year. This is mainly attributable to ¥36.7 billion in expenditures (net) for the repayment of long-term borrowings and ¥49.9 billion in dividend payments.

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 ¥612.1 billion.

Research and Development Expenses

During the fiscal year under review, R&D expenses increased ¥23.4 billion, or 38.9%, year on year to ¥83.5 billion. Of that amount, ¥82.4 billion was related to the Automobiles Division.

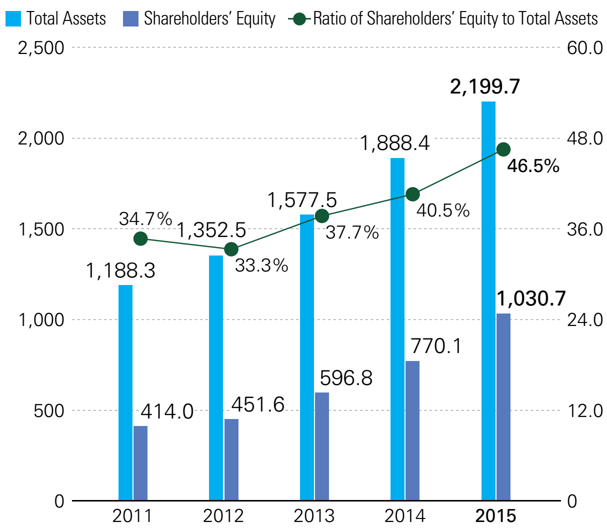
Our vehicle R&D is dedicated to comprehensive performance, safety, design, environmentally conscious features, and quality improvement as part of the "Six initiatives to enhance the Subaru brand" announced in our mid-term management vision, Prominence 2020. In the same vein, we are advancing product development to exceed customer expectations for safety and comfort.

The next generation Subaru Global Platform (SGP) is compliant with the most recent collision safety standards worldwide and has entered the final development stage before commercialization. We will use this platform to manufacture new Subaru products from 2016 onward.

In addition, our EyeSight advanced driving support system continues to undergo research and development, with automated highway driving, including lane change features, targeted for 2020.

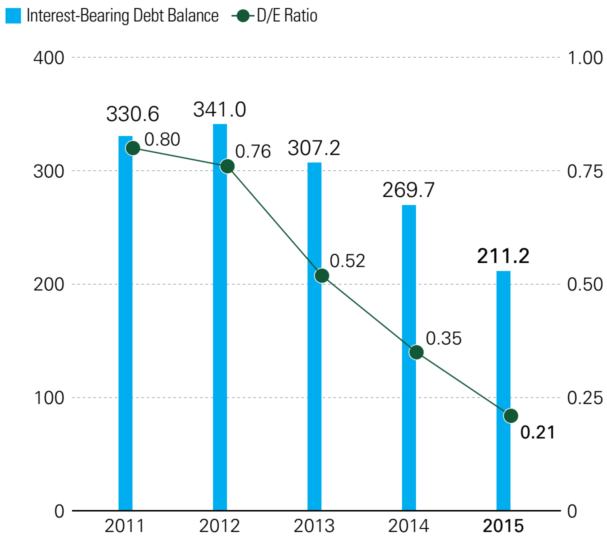
Total Assets, Shareholders' Equity & Ratio of Shareholders' Equity to Total Assets (Billions of yen)

Years ended March 31



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

Years ended March 31



Capital Expenditures and Depreciation

Capital expenditures rose ¥42.2 billion, or 61.6%, compared with the previous fiscal year, to ¥110.7 billion. The main expenditure was investing in facilities related to production, R&D, and sales in the Automobiles Division.

In this Division, ¥42.5 billion was spent primarily on building out production capacity accompanying the increase in vehicle sales, building production facilities for new models, building R&D facilities, and expanding and enhancing our sales network. In addition, ¥39.6 billion was spent at Subaru of Indiana Automotive, Inc. (SIA), our production base in the U.S., primarily on production facilities and production capacity expansion.

Depreciation increased ¥9.9 billion, or 18.0%, year on year, to ¥64.8 billion.

Basic Policy Regarding the Distribution of Profits

FHI views the interest of shareholders as a critical task for management. Regarding the return of profits to shareholders, based on maintaining continual dividend payments, we apply a results-linked approach that takes into consideration such factors as earnings, investment plans, and operating conditions of each fiscal year. The dividend each fiscal year is determined based on a 20-40% consolidated dividend payout ratio and takes a variety of conditions into consideration.

During the fiscal year under review, FHI distributed a total dividend of ¥68 per share, a ¥15 increase over the previous fiscal year. Retained earnings are allocated toward bolstering our financial position and investing in future growth and progress, including strengthening R&D and our production and sales frameworks.

The dividend for the next fiscal year is undetermined at present. We are aware that FHI is entering a new stage now that our financial standing has improved, but our policy is to comprehensively consider and review future operating conditions, external factors, changes in ROE, etc.

Outlook

Results for FYE March 2016

For the fiscal year ending March 31, 2016, we are forecasting a new all-time-high consolidated unit sales figure, for the fourth year in a row, of 928,000 units, an increase of 18,000 units, or 1.9%, compared with the fiscal year under review. Along with the unit sales target, we are also aiming to post new historical records for net sales and all income categories for a fourth year running.

At present (July 2015), targets for the consolidated financial results of the fiscal year ending March 31, 2016 are as follows.

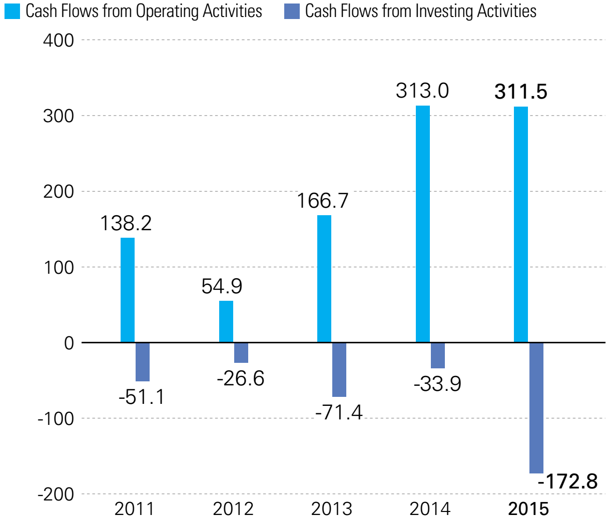
For net sales, FHI plans to achieve ¥3,030.0 billion, representing an increase of ¥152.1 billion, or 5.3%, compared with the previous fiscal year, thanks to a ¥19.0 billion improvement in sales mix resulting from increasing unit sales outside Japan, and a ¥131.1 billion gain on currency exchange.

For operating income, despite increases in R&D expenses and SG&A expenses, we anticipate posting ¥503.0 billion, an increase of ¥80.0 billion, or 18.9%, year on year thanks to the positive effects of ¥82.7 billion from currency fluctuations and ¥30.6 billion from improved sales mix, among other gains. Net income* is slated to climb ¥75.1 billion, or 28.7%, year on year to ¥337.0 billion.

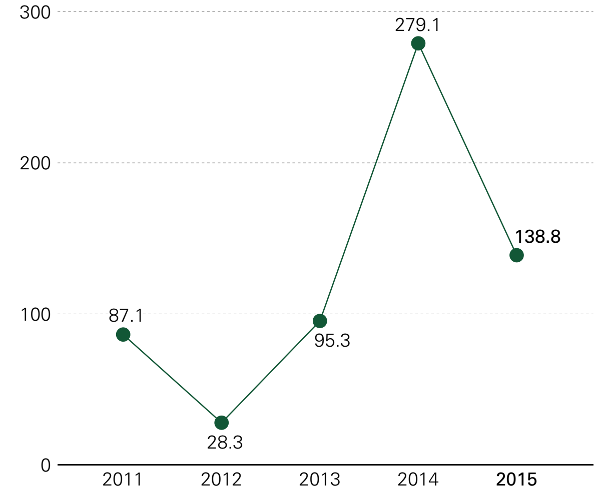
These forecasts are based on average annual exchange rates of ¥118/US$ (previously ¥108/US$) and ¥125/€ (previously ¥140/€).

*Expected net income for the consolidated fiscal year ending March 31, 2016 is the fiscal year net income attributable to shareholders of the parent company.

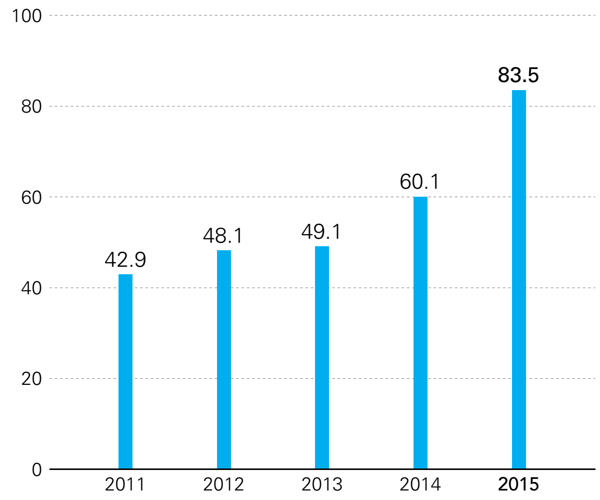
Cash Flows from Operating Activities & Cash Flows from Investing Activities (Billions of yen)
Years ended March 31



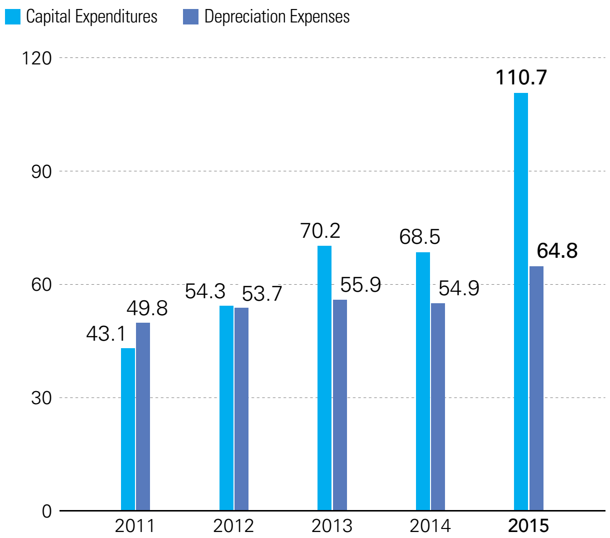
Free Cash Flow (Billions of yen)
Years ended March 31



Research and Development Expenses (Billions of yen)
Years ended March 31



Capital Expenditures, Depreciation Expenses (Billions of yen)
Years ended March 31



Reassessing the Three-Year Investment Plan

We have decided to reassess our consolidated three-year investment plan (FYE March 2015 to 2017), which was announced last year, as automobiles sales, mainly in North America, continue their strength. This investment will help considerably to relieve supply shortfalls and further bolster our environmental and safety technologies. We increased the initially allocated amount of capital expenditures by ¥70.0 billion, to ¥400.0 billion, and the initial amount of R&D expenses by ¥30.0 billion, to ¥280.0 billion.

These investment plan revisions will allow us to bring Subaru of Indiana Automotive, Inc. (SIA) expansion plans ahead by four years and build out global production capacity to 1,026,000 vehicles by the end of 2016. In addition, we are renovating our painting facility in Japan, slated to be operational in 2018, as we strive for the dual objectives of improved quality and stronger environmental responsiveness.

Scheduled FYE March 2016 increases over the fiscal year under review are: capital expenditures up ¥19.3 billion, to ¥130.0 billion; R&D expenses up ¥13.5 billion, to ¥97.0 billion; and depreciation up ¥2.2 billion, to ¥67.0 billion.

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.

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

Forecast for Consolidated Results (Billions of yen)

	2015	2016 (plan)	Change
Net sales	2,877.9	3,030.0	152.1
Japan	652.9	565.5	(87.4)
Overseas	2,225.0	2,464.5	239.5
Operating income	423.0	503.0	80.0
Income before income taxes and minority interest	392.2	485.0	92.8
Net income	261.9	337.0	75.1
Exchange rate (in yen)			
¥/$	10.8	11.8	1.0
¥/€	14.0	12.5	(1.5)

Forecast for Global Automobile Sales (Thousand units)

	2015	2016 (plan)	Change
Japan:			
Passenger cars	127.9	106.7	(21.2)
Minicars	34.9	37.6	2.7
Subtotal	162.8	144.2	(18.5)
Overseas:			
United States	527.6	554	26.4
Canada	42.4	46.2	3.8
Russia	11.6	12.8	1.2
Europe	35.7	37.7	2.0
Australia	38.9	42.3	3.4
China	53.8	49.7	(4.1)
Other	37.9	41.4	3.5
Subtotal	747.9	784.1	36.2
Total	910.7	928.3	17.6

of the submission date of our financial report (June 24, 2015), 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 77.3%. 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 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, Industrial Products and Aerospace 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, designs, and trademarks in such areas as technologies and expertise that ensure product differentiation. However, the Group could experience a decrease in sales or the need for litigation procedures 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 right 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, 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, 2015)

Company Name
Fuji Heavy Industries Ltd.

Established
July 15, 1953

Paid-in Capital
¥153,795 million

Number of Employees
13,883 (consolidated: 29,774)

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

Head Office
Ebisu Subaru Bldg., 1-20-8, Ebisu, Shibuya-ku, Tokyo 150-8554, Japan
Phone: +81-3-6447-8000 Fax: +81-3-6447-8184

Investor Relations Office
Ebisu Subaru Bldg., 1-20-8, Ebisu, Shibuya-ku, Tokyo 150-8554, Japan
Phone: +81-3-6447-8878 Fax: +81-3-6447-8107

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

Stock Information (as of March 31, 2015)

Common Stock Authorized
1,500,000,000 shares

Common Stock Issued
782,865,873 shares

Number of Shareholders
76,446

Stock Exchange Listing
Tokyo Stock Exchange

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

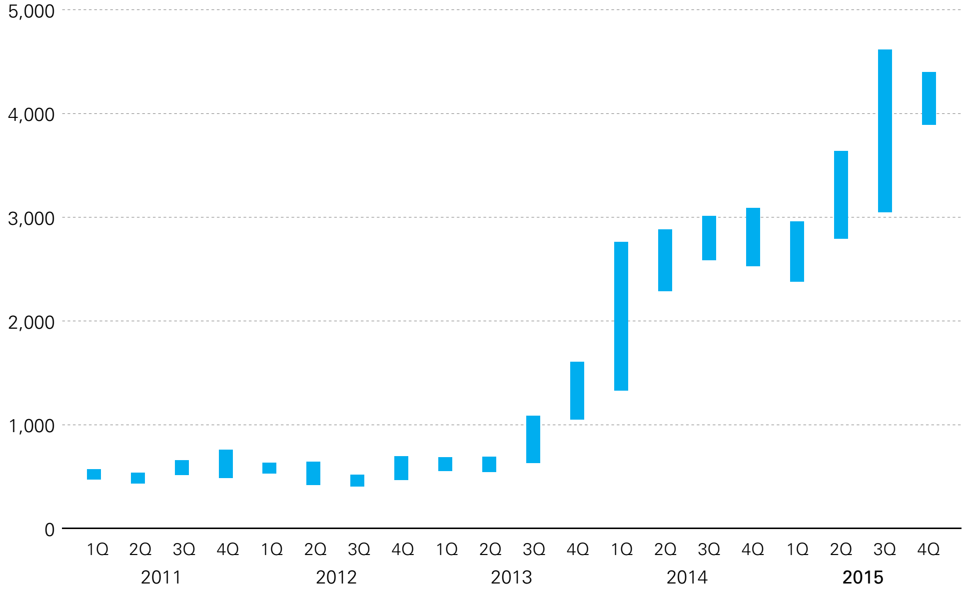
Major Shareholders

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)	42,266	5.40
Japan Trustee Services Bank, Ltd. (Trust account)	34,282	4.38
Mizuho Bank, Ltd.	16,078	2.05
Suzuki Motor Corporation	13,690	1.75
Sompo Japan Nipponkoa Insurance Inc.	12,157	1.55
FHI's Client Stock Ownership	10,962	1.40
Tokio Marine & Nichido Fire Insurance Co., Ltd.	10,295	1.32
THE BANK OF NEW YORK MELLON SA/NV 10	10,251	1.31
MIZUHO SECURITIES ASIA LIMITED-CLIENT A/C 69250601	9,905	1.27

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.	100.0%	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

Quarterly Common Stock Price Range (Tokyo Stock Exchange) (Yen)



	2011	2012	2013	2014	2015
High	758	697	1,609	3,015	4,617
Low	435	402	545	1,330	2,380

Fuji Heavy Industries Ltd.
Ebisu Subaru Bldg., 1-20-8, Ebisu, Shibuya-ku, Tokyo 150-8554
Phone: +81-3-6447-8000
Fax: +81-3-6447-8184
http://www.fhi.co.jp/english/ir/

Consolidated Balance Sheets

FUJI HEAVY INDUSTRIES LTD. AND CONSOLIDATED SUBSIDIARIES
As of March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2015**	2014	**2015**
Current assets:			
Cash and deposits (Note 4 and 5)	**¥228,821**	¥351,125	**$1,902,561**
Notes and accounts receivable-trade (Note 5)	**164,540**	181,646	**1,368,088**
Lease investment assets (Note 5 and 18)	**24,098**	23,633	**200,366**
Short-term investment securities (Notes 4, 5 and 6)	**444,737**	233,766	**3,697,822**
Merchandise and finished goods	**203,347**	159,536	**1,690,754**
Work in process	**52,734**	51,659	**438,463**
Raw materials and supplies	**39,569**	33,008	**329,001**
Deferred tax assets (Note 12)	**78,789**	64,214	**655,101**
Short-term loans receivable (Note 5, 23)	**157,070**	122,681	**1,305,978**
Other current assets	**80,796**	53,375	**671,788**
Allowance for doubtful accounts	**(1,233)**	(862)	**(10,252)**
Total current assets	**1,473,268**	1,273,781	**12,249,672**
Property, plant and equipment (Notes 7 and 9)	**1,423,977**	1,305,951	**11,839,835**
Accumulated depreciation	**(882,752)**	(817,421)	**(7,339,752)**
Accumulated impairment loss	**(26,528)**	(27,717)	**(220,570)**
Total property, plant and equipment	**514,697**	460,813	**4,279,513**
Investments and other assets:			
Intangible assets	**16,850**	14,712	**140,101**
Investment securities (Note 5 and 6)	**104,157**	75,647	**866,026**
Investments in non-consolidated subsidiaries and affiliated companies	**10,678**	4,479	**88,784**
Net defined benefit assets(Note 11)	**3,659**	1,222	**30,423**
Deferred tax assets (Note 12)	**13,113**	18,332	**109,030**
Other assets	**96,371**	72,974	**801,289**
Allowance for doubtful accounts	**(33,079)**	(33,597)	**(275,039)**
Total investments and other assets	**211,749**	153,769	**1,760,614**
Total assets	**¥2,199,714**	¥1,888,363	**$18,289,798**

	Millions of yen		Thousands of U.S. dollars (Note 1)
LIABILITIES AND NET ASSETS	**2015**	2014	**2015**
Current liabilities:			
Notes and accounts payable-trade (Note 5)	**¥317,801**	¥279,926	**$2,642,396**
Electronically recorded obligations-operating (Note 5)	**74,420**	67,637	**618,774**
Short-term loans payable (Note 5 and 7)	**41,443**	59,193	**344,583**
Current portion of long-term debts (Note 5 and 7)	**44,329**	46,617	**368,579**
Accrued expenses (Note 5)	**126,007**	91,921	**1,047,701**
Provision for bonuses	**21,668**	20,446	**180,161**
Provision for product warranties	**49,708**	39,494	**413,303**
Accrued income taxes (Note 5 and 12)	**54,987**	110,426	**457,196**
Other current liabilities (Note 5, 7 and 12)	**142,693**	117,248	**1,186,439**
Total current liabilities	**873,056**	832,908	**7,259,134**
Long-term liabilities:			
Long-term debts (Note 5 and 7)	**125,420**	163,844	**1,042,820**
Net defined benefit liability(Note 11)	**17,963**	22,852	**149,356**
Deferred tax liabilities (Note 12)	**13,996**	9,827	**116,371**
Other long-term liabilities (Note 7)	**138,560**	88,861	**1,152,074**
Total long-term liabilities	**295,939**	285,384	**2,460,622**
Contingent liabilities (Note 20)			
Net assets: (Note 13)			
Shareholders' equity:			
Capital stock			
Authorized– 1,500,000,000 shares			
Issued — 782,865,873 shares	**153,795**	153,795	**1,278,748**
Capital surplus	**160,071**	160,071	**1,330,930**
Retained earnings	**697,414**	483,910	**5,798,736**
Less－treasury stock, at cost,	**(1,382)**	(1,395)	**(11,491)**
2015— 2,483,395 shares			
2014— 2,477,430 shares			
Total shareholders’ equity	**1,009,898**	796,381	**8,396,924**
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	**17,986**	10,629	**149,547**
Foreign currency translation adjustment	**10,025**	(26,661)	**83,354**
Remeasurements of defined benefit plans	**(11,616)**	(13,886)	**(96,583)**
Remeasurements of other postretirement benefits	**(3,876)**	(919)	**(32,227)**
Total accumulated other comprehensive income	**12,519**	(30,837)	**104,091**
Minority interests	**8,302**	4,527	**69,028**
Total net assets	**1,030,719**	770,071	**8,570,042**
Total liabilities and net assets	**¥2,199,714**	¥1,888,363	**$18,289,798**

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, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Net sales (Note 2)	**¥2,877,913**	¥2,408,129	**$23,928,769**
Cost of sales (Note 14)	**2,017,490**	1,728,271	**16,774,674**
Gross profit	**860,423**	679,858	**7,154,095**
Selling, general and administrative expenses (Note 2 and 15)	**437,378**	353,369	**3,636,634**
Operating income (loss)	**423,045**	326,489	**3,517,461**
Other income (expenses):			
Interest and dividend income	**4,127**	2,914	**34,314**
Interest expenses	**(2,903)**	(2,804)	**(24,137)**
Equity in earnings of affiliates	**499**	320	**4,149**
Real estate rent	**532**	541	**4,423**
Foreign exchange gains (losses)	**(24,277)**	(16,924)	**(201,854)**
Gain (loss) on valuation of derivatives	**(2,003)**	7,414	**(16,654)**
Gain (loss) on sales and retirement of noncurrent assets	**(3,305)**	(2,696)	**(27,480)**
Gain (loss) on sales of investment securities (Note 6 and 16)	**953**	47,155	**7,924**
Loss on valuation of investment securities (Note 6)	**-**	(6)	**-**
Depreciation	**(985)**	(1,024)	**(8,190)**
Impairment loss (Note 9)	**(38)**	(35)	**(316)**
Provision of allowance for doubtful accounts(Note 17)	**-**	(29,624)	**-**
Other, net	**(3,439)**	(2,855)	**(28,594)**
	(30,839)	2,376	**(256,415)**
Income (loss) before income taxes and minority interests	**392,206**	328,865	**3,261,046**
Income taxes (Note 12):			
Current	**133,256**	134,315	**1,107,974**
Deferred	**(6,199)**	(13,435)	**(51,542)**
	127,057	120,880	**1,056,432**
Income (loss) before minority interests	**265,149**	207,985	**2,204,615**
Minority interests in income (loss)	**3,276**	1,369	**27,239**
Net income (loss)	**¥261,873**	¥206,616	**$2,177,376**

			U.S. dollars
Per share data (Note 2) :			
Net income (loss) —Basic	**¥335.57**	¥264.98	**$2.79**
—Diluted *****	**-**	-	**-**
Net assets	**1,310.15**	980.98	**10.89**
Cash dividends (Note 13)	**68.00**	53.00	**0.57**

The accompanying notes are an integral part of these statements.
*For the year ended March 31, 2015 and 2014 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, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Income (loss) before minority interests	**¥265,149**	¥207,985	**$2,204,615**
Other comprehensive income (Note 3)			
Valuation difference on available-for-sale securities	**7,357**	(17,253)	**61,171**
Foreign currency translation adjustment	**37,321**	19,855	**310,310**
Remeasurements of defined benefit plans	**2,270**	―	**18,874**
Remeasurements of other postretirement benefits of foreign consolidated subsidiaries	**(2,957)**	―	**(24,586)**
Share of other comprehensive income of associates accounted for using equity method	**131**	170	**1,089**
Total other comprehensive income	**44,122**	2,772	**366,858**
Comprehensive income	**309,271**	210,757	**2,571,473**
(Comprehensive income attributable to)			
Comprehensive income attributable to owners of the parent	**305,229**	209,150	**2,537,865**
Comprehensive income attributable to minority interests	**4,042**	1,607	**33,608**

Consolidated Statements of Changes in Net Assets

FUJI HEAVY INDUSTRIES LTD. AND CONSOLIDATED SUBSIDIARIES
As of March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Shareholders' equity			
Capital stock			
Balance at the beginning of current period	**¥153,795**	¥153,795	**$1,278,748**
Balance at the end of current period	**153,795**	153,795	**1,278,748**
Capital surplus			
Balance at the beginning of current period	**160,071**	160,071	**1,330,930**
Changes of items during the period			
Disposal of treasury stock	**0**	0	**0**
Total changes of items during the period	**0**	0	**0**
Balance at the end of current period	**160,071**	160,071	**1,330,930**
Retained earnings			
Balance at the beginning of current period	**483,910**	301,357	**4,023,530**
Cumulative effects ofchanges in accounting policies	**1,385**	−	**11,516**
Restated balance	**485,295**	−	**4,035,046**
Changes of items during the period			
Dividends from surplus	**(49,970)**	(23,424)	**(415,482)**
Net income (loss)	**261,873**	206,616	**2,177,376**
Disposal of treasury stock	**-**	-	**-**
Other	**216**	(639)	**1,796**
Total changes of items during the period	**212,119**	182,553	**1,763,690**
Balance at the end of current period	**697,414**	483,910	**5,798,736**
Treasury stock			
Balance at the beginning of current period	**(1,395)**	(1,292)	**(11,599)**
Changes of items during the period			
Purchase of treasury stock	**(22)**	(103)	**(183)**
Disposal of treasury stock	**−**	0	**−**
Other	**35**	−	**291**
Total changes of items during the period	**13**	(103)	**108**
Balance at the end of current period	**(1,382)**	(1,395)	**(11,491)**
Total shareholders' equity			
Balance at the beginning of current period	**796,381**	613,931	**6,621,610**
Cumulative effects ofchanges in accounting policies	**1,385**	−	**11,516**
Restated balance	**797,766**	−	**6,633,125**
Changes of items during the period			
Dividends from surplus	**(49,970)**	(23,424)	**(415,482)**
Net income (loss)	**261,873**	206,616	**2,177,376**
Purchase of treasury stock	**(22)**	(103)	**(183)**
Disposal of treasury stock	**−**	0	**−**
Other	**251**	(639)	**2,087**
Total changes of items during the period	**212,132**	182,450	**1,763,799**
Balance at the end of current period	**¥1,009,898**	¥796,381	**$8,396,924**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities			
Balance at the beginning of current period	**¥10,629**	¥27,882	**$88,376**
Changes of items during the period			
Net changes of items other than shareholders' equity	**7,357**	(17,253)	**61,171**
Total changes of items during the period	**7,357**	(17,253)	**61,171**
Balance at the end of current period	**17,986**	10,629	**149,547**
Foreign currency translation adjustment			
Balance at the beginning of current period	**(26,661)**	(46,448)	**(221,676)**
Changes of items during the period			
Net changes of items other than shareholders' equity	**36,686**	19,787	**305,030**
Total changes of items during the period	**36,686**	19,787	**305,030**
Balance at the end of current period	**10,025**	(26,661)	**83,354**
Remeasurements of defined benefit plans			
Balance at the beginning of current period	**(13,886)**	-	**(115,457)**
Changes of items during the period			
Net changes of items other than shareholders' equity	**2,270**	(13,886)	**18,874**
Total changes of items during the period	**2,270**	(13,886)	**18,874**
Balance at the end of current period	**(11,616)**	(13,886)	**(96,583)**
Remeasurements of other postretirement benefits of foreign consolidated subsidiaries			
Balance at the beginning of current period	**(919)**	-	**(7,641)**
Changes of items during the period			
Net changes of items other than shareholders' equity	**(2,957)**	(919)	**(24,586)**
Total changes of items during the period	**(2,957)**	(919)	**(24,586)**
Balance at the end of current period	**(3,876)**	(919)	**(32,227)**
Total accumulated other comprehensive income			
Balance at the beginning of current period	**(30,837)**	(18,566)	**(256,398)**
Changes of items during the period			
Net changes of items other than shareholders' equity	**43,356**	(12,271)	**360,489**
Total changes of items during the period	**43,356**	(12,271)	**360,489**
Balance at the end of current period	**12,519**	(30,837)	**104,091**
Minority interests			
Balance at the beginning of current period	**4,527**	1,448	**37,640**
Changes of items during the period			
Net changes of items other than shareholders' equity	**3,775**	3,079	**31,388**
Total changes of items during the period	**3,775**	3,079	**31,388**
Balance at the end of current period	**8,302**	4,527	**69,028**
Total net assets			
Balance at the beginning of current period	**770,071**	596,813	**6,402,852**
Cumulative effects of changes in accounting policies	**1,385**	−	**11,516**
Restated balance	**771,456**	596,813	**6,414,368**
Changes of items during the period			
Dividends from surplus	**(49,970)**	(23,424)	**(415,482)**
Net income (loss)	**261,873**	206,616	**2,177,376**
Purchase of treasury stock	**(22)**	(103)	**(183)**
Disposal of treasury stock	−	0	−
Other	**251**	(639)	**2,087**
Net changes of items other than shareholders' equity	**47,131**	(9,192)	**391,877**
Total changes of items during the period	**259,263**	173,258	**2,155,675**
Balance at the end of current period	**¥1,030,719**	¥770,071	**$8,570,042**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

FUJI HEAVY INDUSTRIES LTD. AND CONSOLIDATED SUBSIDIARIES
As of March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Net cash provided by (used in) operating activities			
Income (loss) before income taxes	**¥392,206**	¥328,865	**$3,261,046**
Depreciation and amortization	**71,821**	61,486	**597,165**
Increase (decrease) in allowance for doubtful accounts	**(146)**	29,512	**(1,214)**
Interest and dividends income	**(4,127)**	(2,914)	**(34,314)**
Interest expenses	**2,903**	2,804	**24,137**
Loss (gain) on sales and retirement of noncurrent assets	**3,305**	2,696	**27,480**
Loss (gain) on sales and valuation of investment securities	**(953)**	(47,149)	**(7,924)**
Decrease (increase) in operating loans receivable	**(23,112)**	(25,478)	**(192,168)**
Decrease (increase) in notes and accounts receivable-trade	**19,283**	(49,129)	**160,331**
Decrease (increase) in inventories	**(27,180)**	16,095	**(225,992)**
Increase (decrease) in notes and accounts payable-trade	**38,223**	39,814	**317,810**
Other, net	**30,920**	(10,304)	**257,088**
Sub total	**503,143**	346,298	**4,183,446**
Interest and dividends income received	**4,361**	2,936	**36,260**
Interest expenses paid	**(2,839)**	(2,742)	**(23,605)**
Income taxes paid	**(193,122)**	(33,468)	**(1,605,737)**
Net cash provided by (used in) operating activities	**311,543**	313,024	**2,590,363**
Net cash provided by (used in) investing activities			
Net decrease (increase) in time deposits	**(11,944)**	(7,215)	**(99,310)**
Purchase of short-term investment securities	**(43,424)**	(12,408)	**(361,054)**
Proceeds from sales of short-term investment securities	**17,905**	19,237	**148,873**
Purchase of non-current assets	**(115,173)**	(72,855)	**(957,620)**
Proceeds from sales of non-current assets	**1,540**	1,643	**12,805**
Purchase of investment securities	**(47,031)**	(28,687)	**(391,045)**
Proceeds from sales of investment securities	**26,364**	65,344	**219,207**
Payments of loans receivable	**(104,891)**	(95,589)	**(872,129)**
Collection of loans receivable	**108,065**	97,409	**898,520**
Other, net	**(4,191)**	(782)	**(34,847)**
Net cash provided by (used in) investing activities	**(172,780)**	(33,903)	**(1,436,601)**
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	**(18,811)**	(2,893)	**(156,406)**
Proceeds from long-term loans payable	**6,190**	8,995	**51,468**
Repayments of long-term loans payable	**(42,858)**	(45,893)	**(356,348)**
Redemption of bonds	**(4,060)**	(10)	**(33,757)**
Cash dividends paid	**(49,887)**	(23,350)	**(414,792)**
Proceeds from stock issuance to minority shareholders	**—**	1,280	**—**
Other, net	**(1,120)**	(1,140)	**(9,312)**
Net cash provided by (used in) financing activities	**(110,546)**	(63,011)	**(919,149)**
Effect of exchange rate change on cash and cash equivalents	**25,998**	12,691	**216,164**
Net increase (decrease) in cash and cash equivalents	**54,215**	228,801	**450,777**
Cash and cash equivalents at beginning of period	**557,870**	328,947	**4,638,480**
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	–	122	**—**
Cash and cash equivalents at end of period	**¥612,085**	¥557,870	**$5,089,258**

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 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, 2015, which was ¥120.27 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 majority owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. The fiscal year-end of consolidated subsidiaries is the same as that of the parent company, except for 5 consolidated foreign subsidiaries in fiscal year 2015 and 5 consolidated foreign subsidiaries in fiscal year 2014, respectively, the fiscal year-end of those subsidiaries is December 31. The operating results of those subsidiaries that have different fiscal year-end 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 77 subsidiaries in fiscal year 2015 and 77 subsidiaries in fiscal year 2014, respectively.

In addition, 1 non-consolidated subsidiary and 1 affiliated company were accounted for by the equity method in fiscal 2015; 1 non-consolidated subsidiary and 1 affiliated company were accounted for by the equity method in fiscal 2014, respectively.

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.

[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 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 calculated 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 calculated by the straight-line method over the estimated useful lives of the assets.

Estimated useful lives for depreciable assets are as follows:

Buildings and structures: 7–50 years
Machinery, equipment and vehicles: 2–11 years

[5] Intangible Assets (Excluding Leased Assets)

Computer software used internally by the Company and its consolidated subsidiaries is amortized by the straight-line method over the relevant economic useful lives of 3 or 5 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

Employees' 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 provided 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] Accounting method for Retirement Benefits

Net defined benefit liability (assets) 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. In determining retirement benefit obligations, the straight-line basis is used for attributing expected benefit to periods.
Unrecognized prior service cost is being amortized on the straight-line method over a period (10-19 years) that is shorter than the average remaining service period of the eligible employees. Unrecognized net actuarial gain or loss is amortized from the following fiscal year on the straight-line method over a period (primarily 16 years for fiscal years 2015 and 2014) that is shorter than the average remaining service period of the eligible employees.
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.

[12] Translation of Foreign Currency-Denominated Accounts

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

[13] Revenue Recognition

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

[14] Accounting for Lease Transactions

Sales and corresponding cost of sales under finance lease transactions conducted by certain domestic consolidated subsidiaries are recognized on the effective date of each lease contract.

[15] Derivative Financial Instruments and Hedge Accounting

The Japanese accounting standards for financial instruments require that the Company and its consolidated domestic subsidiaries state derivative financial instruments at their fair value and recognize changes in the fair value as a gain or loss, unless such derivative financial instruments are used for hedging purposes.
For interest rate swap contracts used as a hedge that meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract is executed.

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

Financial Instrument	Transactions, assets and liabilities
Interest swaps	Borrowings

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

[16] Goodwill
Goodwill is principally amortized by the straight-line method over 5 years.

[17] Cash and Cash Equivalents
Cash and cash equivalents include all highly liquid investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and have negligible risk of changes in value due to their short maturities.

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

[19] Research and Development Expenses
Research and development costs are expensed as incurred and amounted to ¥83,535million (US$ 694,562 thousand) and ¥60,092 million for fiscal years 2015 and 2014, respectively.

[20] Net Income per Share
Basic net income per share (EPS) is computed based on the average number of shares of common stock outstanding during each year. Diluted EPS assumes the potential dilution that 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.

[21] Reclassification
Certain reclassifications have been made in the consolidated financial statements for the year ended March 31, 2014 to conform to the presentation for the year ended March 31, 2015."

[22] Changes in Accounting Policy
The Company has applied Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012 (hereinafter, the "Statement No.26")) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012 (hereinafter, the "Guidance No.25")) from the first quarter of fiscal year 2015 in accordance with the article 35 of the Statement No.26 and the article 67 of the Guidance No.25.
The Company has reviewed the method of calculating retirement benefit obligations and current service costs and has changed the method of attributing expected benefits to periods from a straight-line basis to a benefit formula basis, and the method of determination of discount rate from the method using discount rate based

on the average remaining service period for employees to the method using a single weighted average discount rate reflecting the expected payment periods and the amounts for each expected payment period.
In accordance with the article 37 of the Statement No.26, the effect of changes in the calculation method of retirement benefit obligations and current service costs has been recognized in retained earnings at the beginning of the first quarter of fiscal year 2015.
The effect of application of the Statement No.26 and the Guidance No.25 is not material.
In addition, the influence to Per share information refers to the concerned note.

[23] Changes in Presentation Method

(Consolidated Statements of Cash Flows)
In the fiscal year ended March 31, 2015, the presentation method in the Consolidated Statements of Cash Flows was changed to raise the clarity as follows.
In the fiscal year ended March 31, 2014, “Impairment loss,” “Increase (decrease) in provision for bonuses,” “Increase (decrease) in provision for product warranties,” “Increase (decrease) in provision for loss on construction contracts,” “Increase (decrease) in net defined benefit liability,” “Increase (decrease) in provision for loss on litigation,” “Loss (gain) on valuation of derivatives,” “Equity in (earnings) losses of affiliates,” “Decrease (increase) in lease investment assets" “Decrease (increase) in vehicles and equipment on operating leases" "Increase (decrease) in deposits received" which had been listed in separately under “Net cash provided by (used in) operating activities,” was included in "Other," in the fiscal year ended March 31, 2015 .
In the fiscal year ended March 31, 2014, “Purchase of property, plant and equipment,” “Purchase of intangible assets,” which had been listed in separately under “Net cash provided by (used in) investing activities,” was included in "Purchase of non-current assets" and "Net decrease (increase) in time deposits" which had been included in "Other" was listed in separately in the fiscal year ended March 31, 2015.
In the fiscal year ended March 31, 2014, “Repayment of lease obligations,” which had been listed in separately under “Net cash provided by (used in) financing activities,” was included in "Other" in the fiscal year ended March 31, 2015.
As a result, in Consolidated Statements of cash Flows for the fiscal year ended March 31, 2014, the following items that had been shown separately under “ Net cash provided by (used in) operating activities,” were reclassified as "Other,".

“Impairment loss,” ¥35 million
“Increase (decrease) in provision for bonuses,” ¥2,391 million
“Increase (decrease) in provision for product warranties,” ¥3,116 million
“Increase (decrease) in provision for loss on construction contracts,” ¥114 million
“Increase (decrease) in net defined benefit liability,”(¥17,692 million)
“Increase (decrease) in provision for loss on litigation,”(¥369 million)
“Loss (gain) on valuation of derivatives,” (¥7,414 million)
“Equity in (earnings) losses of affiliates,” (¥320 million)
“Decrease (increase) in lease investment assets" (¥1,488 million)
“Decrease (increase) in vehicles and equipment on operating leases" (¥400 million)
"Increase (decrease) in deposits received" (¥2,240 million)

In the fiscal year ended March 31, 2014, “Purchase of property, plant and equipment,”(¥67,409 million) “Purchase of intangible assets,”(¥5,446 million) which had been listed in separately under “Net cash provided by (used in) investing activities,” was included in "Purchase of non-current assets"(¥72,855 million) in the fiscal year ended March 31, 2015."Other"(¥7,997 million) was reclassified as "Net decrease (increase) in time deposits"(¥7,215 million) and "Other"(¥782 million).
In the fiscal year ended March 31, 2014, “Repayments of lease obligations,”(¥1,036million) which had been listed in separately under “Net cash provided by (used in) financing activities,” was reclassified as "Other" in the fiscal year ended March 31, 2015.

3. Other comprehensive income

Amounts reclassified to net income (loss) in fiscal 2015 and 2014, 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
	2015	2014	**2015**
Valuation difference on available-for-sale securities			
Increase(decrease) during the year	**¥10,660**	(¥90,720)	**$88,634**
Reclassification adjustments	**(953)**	47,266	**(7,924)**
Sub-total, before tax	**9,707**	(43,454)	**80,710**
Tax (expense) or benefit	**(2,350)**	26,201	**(19,539)**
Sub-total, net of tax	**7,357**	(17,253)	**61,171**
Foreign currency translation adjustment			
Increase during the year	**37,321**	19,691	**310,310**
Reclassification adjustments	**-**	164	**-**
Sub-total, before tax	**37,321**	19,855	**310,310**
Tax (expense) or benefit	**-**	-	**-**
Balance at end of year, net of tax	**37,321**	19,855	**310,310**
Remeasurements of defined benefit plans			
Increase(decrease) during the year	**1,246**	-	**10,360**
Reclassification adjustments	**3,035**	-	**25,235**
Sub-total, before tax	**4,281**	-	**35,595**
Tax (expense) or benefit	**(2,011)**	-	**(16,721)**
Balance at end of year, net of tax	**2,270**	-	**18,874**
Remeasurements of other postretirement benefits of foreign consolidated subsidiaries			
Increase(decrease) during the year	**(4,642)**	-	**(38,596)**
Reclassification adjustments	**-**	-	**-**
Sub-total, before tax	**(4,642)**	-	**(38,596)**
Tax (expense) or benefit	**1,685**	-	**14,010**
Balance at end of year, net of tax	**(2,957)**	-	**(24,586)**
Share of other comprehensive income of associates accounted for using equity method			
Increase during the year	**131**	170	**1,089**
Total other comprehensive income	**¥44,122**	¥2,772	**$366,858**

4. Additional Cash Flow Information

Cash and cash equivalents as of March 31, 2015 and 2014, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Cash and deposits	**¥228,821**	¥351,125	**$1,902,561**
Short-term investment securities	**444,737**	233,766	**3,697,822**
Short-term loans receivable	**157,070**	122,681	**1,305,978**
Sub-total	**830,628**	707,572	**6,906,361**
Less maturity over three months	**(25,911)**	(13,756)	**(215,440)**
Short-term investment securities excluding cash equivalents	**(45,562)**	(13,265)	**(378,831)**
Short-term loans receivable excluding repurchase agreement	**(147,070)**	(122,681)	**(1,222,832)**
Cash and cash equivalents	**¥612,085**	¥557,870	**$5,089,258**

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. Bank loans and liquidation of accounts receivable are utilized to provide short-term working capital. It is the FHI Group's policy to use derivatives as a way to avoid the risks stated below and not to conduct speculative transactions.

[2] Details of Financial Instruments and Respective Risks

Notes and accounts receivable-trade and Lease investment assets are subject to customer credit risks. In addition, operating receivables denominated in foreign currencies due to globalized business of the FHI Group are subject to the risk of changes in foreign exchange rates. As a general rule, however, forward foreign exchange contracts are utilized 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. Majority of payables included in Notes and accounts payable-trade and Electronically recorded obligations-operating are due within one year. A certain portion of such liabilities involve foreign currency denominated transactions associated with the import of raw materials and is subject to exchange rate fluctuation risk, although it is consistently less than accounts receivable balance denominated in the same foreign currency. Funds financed by bank loans and corporate bonds are primarily used for capital expenditure, whose repayment or redemption dates will come within 9 years after March 31, 2015 at the latest. A certain portion of those liabilities may have variable interest rates and are subject to the risk of changes in interest rates, although such risk is mitigated using derivative transactions (interest rate swap transactions).

Derivative transactions include foreign exchange forward contracts to hedge against exchange rate fluctuations associated with trade accounts receivables and liabilities denominated in foreign currencies, and interest rate swap contracts to hedge against the risk of change in interest rates on bank loans. With regard to hedging instruments and hedged items, hedge policy, the method of evaluation of hedge effectiveness and other related items, please refer to "2-[15] Derivative Financial Instruments and Hedge Activities".

[3] Risk Management System with Regard to Financial Instruments

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

The Company and its consolidated subsidiaries have credit control function and regularly monitor the financial status of key customers with regard to accounts receivables and lease investment assets. In addition to keeping track of payment due dates and balances of each customer, such credit control function identifies and mitigates the potential risk of uncollectibility due to deterioration in financial status or other factors of customers.

(b) Market Risk Management (Risks Associated with Fluctuations in Foreign Exchange and 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 with no longer than six months term are used to hedge against the risk of exchange rate fluctuation to the extent that net position of accounts receivable and accounts payable dominated in foreign currency is exposed. In addition, the Company and certain consolidated subsidiaries use interest rate swap transactions to mitigate the risk of fluctuation in interest rates on bank loans and corporate bonds.

The Company also regularly monitors the market values of investments included in Short-term investment securities and Investment securities as well as the financial conditions of issuers (business partner companies), and continuously reviews its investment portfolio taking into consideration its relationships with respective business partner companies.

Basic policies with regard to derivative transactions are approved by the Executive Management Board. Finance & Accounting Department engages in derivative transactions in line with the applicable the Company's rule. The results of these transactions are reported to the Finance Officer every time the transactions are conducted.

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

The Company secures liquidity at a level sufficient to satisfy its current needs with commitment lines contracted with major banks in combination with keeping cash and cash equivalents balance at a certain level.

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

Fair value of financial instruments includes quoted prices of financial instruments in the market and, in the event market prices are not available, prices that are calculated based on the underlying assumptions under the appropriate valuation model. Because the factors incorporated into the valuation model are subject to change, calculated fair value may differ. The values of derivative transactions contracts 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 transactions.

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

The consolidated balance sheet amounts, the fair value and difference as of March 31, 2015 and 2014 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, 2015

	Consolidated balance sheet amounts	Fair Value	Difference
			Millions of yen
Cash and deposits	¥228,821	¥228,821	-
Notes and accounts receivable-trade	164,540		
Allowance for doubtful accounts (*1)	(640)		
	163,900	163,900	-
Lease investment assets	24,098		
Allowance for doubtful accounts (*1)	(66)		
	24,032	28,794	4,762
Short-term loans receivable	157,070		
Allowance for doubtful accounts (*1)	(341)		
	156,729	158,313	1,584
Short-term investment securities, Investment securities and Other securities	118,702	118,702	-
Total Assets	692,184	698,530	6,346
Notes and accounts payable-trade	317,801	317,801	-
Electronically recorded obligations-operating	74,420	74,420	-
Short-term loans payable	41,443	41,443	-
Current portion of long-term loans payable	44,329	44,441	(112)
Current portion of bonds	-	-	-
Accrued income taxes	54,987	54,987	-
Accrued expenses	126,007	126,007	-
Bonds payable	10,000	10,059	(59)
Long-term loans payable	115,420	116,074	(654)
Total Liabilities	784,407	785,232	(825)
Derivative transactions (*2)			
hedge accounting is not applied	(2,725)	(2,725)	-
hedge accounting is applied	¥-	¥-	¥-

As of March 31, 2015

	Thousands of U.S. dollars		
	Consolidated balance sheet amounts	Fair Value	Difference
Cash and deposits	$1,902,561	$1,902,561	$-
Notes and accounts receivable-trade	1,368,088		
Allowance for doubtful accounts (*1)	(5,321)		
	1,362,767	1,362,767	-
Lease investment assets	200,366		
Allowance for doubtful accounts (*1)	(549)		
	199,817	239,411	39,594
Short-term loans receivable	1,305,978		
Allowance for doubtful accounts (*1)	(2,835)		
	1,303,143	1,316,313	13,170
Short-term investment securities, Investment securities and Other securities	986,963	986,963	-
Total Assets	5,755,251	5,808,015	52,764
Notes and accounts payable-trade	2,642,396	2,642,396	-
Electronically recorded obligations-operating	618,774	618,774	-
Short-term loans payable	344,583	344,583	-
Current portion of long-term loans payable	368,579	369,510	(931)
Current portion of bonds	-	-	-
Accrued income taxes	457,196	457,196	-
Accrued expenses	1,047,701	1,047,701	-
Bonds payable	83,146	83,637	(491)
Long-term loans payable	959,674	965,112	(5,438)
Total Liabilities	6,522,049	6,528,909	(6,860)
Derivative transactions (*2)			
hedge accounting is not applied	(22,657)	(22,657)	-
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, 2014

	Millions of yen		
	Consolidated balance sheet amounts	Fair Value	Difference
Cash and deposits	¥351,125	¥351,125	¥-
Notes and accounts receivable-trade	181,646		
Allowance for doubtful accounts (*1)	(275)		
	181,371	181,371	-
Lease investment assets	23,633		
Allowance for doubtful accounts (*1)	(44)		
	23,589	27,792	4,203
Short-term loans receivable	122,681		
Allowance for doubtful accounts (*1)	(397)		
	122,284	123,209	925
Short-term investment securities, Investment securities and Other securities	84,077	84,077	-
Total Assets	762,446	767,574	5,128
Notes and accounts payable-trade	279,926	279,926	-
Electronically recorded obligations-operating	67,637	67,637	-
Short-term loans payable	59,193	59,193	-
Current portion of long-term loans payable	42,557	42,753	(196)
Current portion of bonds	4,060	4,085	(25)
Accrued income taxes	110,426	110,426	-
Accrued expenses	91,921	91,921	-
Bonds payable	10,000	10,091	(91)
Long-term loans payable	153,844	154,823	(979)
Total Liabilities	819,564	820,855	(1,291)
Derivative transactions (*2)			
hedge accounting is not applied	(722)	(722)	-
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, 2015 and 2014:

Other securities (available-for-sale securities)	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Certificate of deposit	**¥140,000**	¥90,000	**$1,164,048**
Commercial paper	**144,982**	79,987	**1,205,471**
Money management fund	**114,192**	50,515	**949,464**
Unlisted stocks (excluding over-the-counter stocks)	**1,015**	4,832	**8,439**
Medium Term Note	**30,000**	-	**249,439**
Other	**¥3**	¥3	**$25**

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, 2015:

	Millions of yen			
	Within 1 Year	1 to 5 Years	5 to 10 Years	Over 10 years
Cash and deposits	**¥228,821**	**¥-**	**¥-**	**¥-**
Notes and accounts receivable-trade	**158,147**	**6,393**	**-**	**-**
Lease investment assets	**7,002**	**16,864**	**232**	**-**
Short-term investment securities, Investment securities and Other securities				
Government and municipal bonds	**11,186**	**14,963**	**2,226**	**3,838**
Corporate bonds	**3,930**	**17,001**	**2,762**	**2,392**
Other	**345,429**	**1,571**	**829**	**4,437**
Short-term loans receivable	**¥58,335**	**¥96,412**	**¥2,323**	**¥-**

As of March 31, 2015:

	Thousands of U.S. dollars			
	Within 1 Year	1 to 5 Years	5 to 10 Years	Over 10 years
Cash and deposits	**$1,902,561**	**$-**	**$-**	**$-**
Notes and accounts receivable-trade	**1,314,933**	**53,155**	**-**	**-**
Lease investment assets	**58,219**	**140,218**	**1,929**	**-**
Short-term investment securities, Investment securities and Other securities				
Government and municipal bonds	**93,007**	**124,412**	**18,508**	**31,912**
Corporate bonds	**32,676**	**141,357**	**22,965**	**19,889**
Other	**2,872,113**	**13,062**	**6,893**	**36,892**
Short-term loans receivable	**$485,034**	**$801,630**	**$19,315**	**$-**

As of March 31, 2014:

	Millions of yen			
	Within 1 Year	1 to 5 Years	5 to 10 Years	Over 10 years
Cash and deposits	¥351,125	¥-	¥-	¥-
Notes and accounts receivable-trade	174,668	6,978	-	-
Lease investment assets	7,097	16,303	233	-
Short-term investment securities, Investment securities and Other securities				
Government and municipal bonds	11,240	8,418	1,774	3,290
Corporate bonds	2,024	11,977	1,329	732
Other	169,987	384	454	2,625
Short-term loans receivable	¥42,364	¥77,592	¥2,725	¥-

[4] Amount of repayment for long-term debt and other interest-bearing debt
As of March 31, 2015:

	Millions of yen			
	Within 1 Year	1 to 5 Years	5 to 10 Years	Over 10 years
Short-term loans payable	**¥41,443**	**¥-**	**¥-**	**¥-**
Bonds payable	**-**	**10,000**	**-**	**-**
Long-term loans payable	**¥44,329**	**¥113,022**	**¥2,398**	**¥-**

As of March 31, 2015:

	Thousands of U.S. dollars			
	Within 1 Year	1 to 5 Years	5 to 10 Years	Over 10 years
Short-term loans payable	**$344,583**	**$-**	**$-**	**$-**
Bonds payable	**-**	**83,146**	**-**	**-**
Long-term loans payable	**$368,579**	**$939,736**	**$19,938**	**$-**

As of March 31, 2014:

	Millions of yen			
	Within 1 Year	1 to 5 Years	5 to 10 Years	Over 10 years
Short-term loans payable	¥59,193	¥-	¥-	¥-
Bonds payable	4,060	10,000	-	-
Long-term loans payable	¥42,557	¥150,028	¥3,816	¥-

6. Short-Term Investment Securities and Investment Securities

Information on the value of short-term investment securities and investment securities as of March 31, 2015 and 2014 was as follows:

(1) Other securities (available-for-sale securities):
As of March 31, 2015:

	Millions of yen		
	Book value	Acquisition cost	Difference
Book value exceeding acquisition cost:			
Equity securities	**¥50,341**	**¥24,170**	**¥26,171**
Debt securities			
Government and municipal bonds	**20,802**	**20,471**	**331**
Corporate bonds	**21,366**	**21,067**	**299**
Other	**6,139**	**6,013**	**126**
Sub-total	**98,648**	**71,721**	**26,927**
Book value not exceeding acquisition cost:			
Equity securities	**2,778**	**2,918**	**(140)**
Debt securities			
Government and municipal bonds	**11,411**	**11,479**	**(68)**
Corporate bonds	**4,719**	**4,768**	**(49)**
Other	**-**	**-**	**-**
Other	**1,146**	**1,165**	**(19)**
Sub-total	**20,054**	**20,330**	**(276)**
Total	**¥118,702**	**¥92,051**	**¥26,651**

As of March 31, 2015:

	Thousands of U.S. dollars		
	Book value	Acquisition cost	Difference
Book value exceeding acquisition cost:			
Equity securities	**$418,567**	**$200,964**	**$217,603**
Debt securities			
Government and municipal bonds	**172,961**	**170,209**	**2,752**
Corporate bonds	**177,650**	**175,164**	**2,486**
Other	**51,043**	**49,996**	**1,047**
Sub-total	**820,221**	**596,333**	**223,888**
Book value not exceeding acquisition cost:			
Equity securities	**23,098**	**24,262**	**(1,164)**
Debt securities			
Government and municipal bonds	**94,878**	**95,444**	**(566)**
Corporate bonds	**39,237**	**39,644**	**(407)**
Other	**-**	**-**	**-**
Other	**9,529**	**9,687**	**(158)**
Sub-total	**166,742**	**169,038**	**(2,296)**
Total	**$986,963**	**$765,371**	**$221,592**

As of March 31, 2014:

	Millions of yen		
	Book value	Acquisition cost	Difference
Book value exceeding acquisition cost:			
Equity securities	¥37,854	¥21,503	¥16,351
Debt securities			
Government and municipal bonds	6,894	6,798	96
Corporate bonds	10,014	9,806	208
Other	2,353	2,297	56
Sub-total	57,115	40,404	16,711
Book value not exceeding acquisition cost:			
Equity securities	1,615	1,616	(1)
Debt securities			
Government and municipal bonds	17,829	17,990	(161)
Corporate bonds	6,361	6,404	(43)
Other	49	50	(1)
Other	1,108	1,126	(18)
Sub-total	26,962	27,186	(224)
Total	¥84,077	¥67,590	¥16,487

(2) Other securities (available-for-sale securities) sold during fiscal years 2015 and 2014:

For the year ended March 31, 2015:

			Millions of yen
	Sales amount	Total gains	Total losses
Equity securities	**¥3,300**	**¥741**	**¥12**
Debt securities			
Government and municipal bonds	**32,673**	**190**	**50**
Corporate bonds	**6,626**	**116**	**17**
Other	**1,529**	**5**	**20**
Other	**119**	**-**	**-**
Total	**¥44,247**	**¥1,052**	**¥99**

For the year ended March 31, 2015:

			Thousands of U.S. dollars
	Sales amount	Total gains	Total losses
Equity securities	**$27,438**	**$6,161**	**$100**
Debt securities			
Government and municipal bonds	**271,664**	**1,580**	**416**
Corporate bonds	**55,093**	**964**	**141**
Other	**12,713**	**42**	**166**
Other	**989**	**-**	**-**
Total	**$367,897**	**$8,747**	**$823**

For the year ended March 31, 2014:

			Millions of yen
	Sales amount	Total gains	Total losses
Equity securities	¥49,172	¥47,148	¥2
Debt securities			
Government and municipal bonds	23,566	127	133
Corporate bonds	9,902	50	21
Other	1,972	8	14
Total	¥84,612	¥47,333	¥170

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

Short-term loans payable as of March 31, 2015 and 2014, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Bank loans with average interest rate of 1.49% and 0.43% per annum as of March 31, 2015 and 2014, respectively	**¥41,443**	¥59,193	**$344,583**

Long-term debts as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Loans principally from banks and insurance companies due through 2025 with average interest rate of 0.82% and 0.93% per annum as of March 31, 2015 and 2014, respectively	**¥159,749**	¥196,401	**$1,328,253**
Unsecured 0.71% bonds due June 13, 2016	**10,000**	10,000	**83,146**
Subtotal	**169,749**	210,461	**1,411,399**
Less-Portion due within one year	**(44,329)**	(46,617)	**(368,579)**
Total	**¥125,420**	¥163,844	**$1,042,820**

Annual maturities of long-term loans payable and bonds payable as of March 31, 2015 were as follows:

	Millions of yen	Thousands of U.S. dollars
2016	**¥44,329**	**$368,579**
2017	**41,496**	**345,024**
2018	**43,798**	**364,164**
2019	**36,038**	**299,642**
2020	**1,690**	**14,052**
2021 and thereafter	**2,398**	**19,938**
Total	**¥169,749**	**$1,411,399**

Lease obligations as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Lease obligations due within one year as of March 31,2015 and 2014	**¥1,016**	¥882	**$8,448**
Lease obligations due after one year as of March 31,2015 and 2014	**1,065**	1,099	**8,855**
Total	**¥2,081**	¥1,981	**$17,303**

Annual maturities of lease obligations as of March 31, 2015 were as follows:

	Millions of yen	Thousands of U.S. dollars
2016	**¥1,016**	**$8,448**
2017	**903**	**7,508**
2018	**114**	**948**
2019	**39**	**324**
2020	**9**	**75**
2021 and thereafter	**-**	**-**
Total	**¥2,081**	**$17,303**

The following assets as of March 31, 2015 and 2014 were pledged as collateral for certain loans:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Property, plant and equipment	**¥35,435**	¥41,358	**$294,629**
Total	**¥35,435**	¥41,358	**$294,629**

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 ¥127,041 million (US$1,056,298 thousand) as of March 31, 2015. 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, 2015 and 2014 was as follows:

Derivative transactions to which hedge accounting is not applied
(1) Foreign currency contracts:
As of March 31, 2015

	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	**¥313,502**	**(¥2,955)**	**(¥2,955)**	**$2,606,652**	**($24,570)**	**($24,570)**
Euro	**4,488**	**55**	**55**	**37,316**	**457**	**457**
Canadian dollar	**23,102**	**175**	**175**	**192,084**	**1,455**	**1,455**

As of March 31, 2014

	Millions of yen		
	Notional Amount	Fair value	Valuation gain (loss)
Foreign exchange forward contracts:			
Sell-			
U.S. dollar	¥218,776	(¥686)	(¥686)
Euro	6,134	(36)	(36)
Canadian dollar	20,782	0	0

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

Derivative transactions to which hedge accounting is applied
(1) Interest rate contracts:
Accounting treatment: Exception processing of interest rate swap
Hedge item: Long-term loans payable

As of March 31, 2015

	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	**¥10,105**	**¥3,000**	**(*)**	**$84,019**	**$24,944**	**(*)**

As of March 31, 2014

	Millions of yen		
	Notional Amount	Over 1 year	Fair value
Interest rate swap contracts:			
Receive floating rate pay fixed rate			
	¥23,395	¥10,105	(*)

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, 2015 and 2014 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Buildings and structures	**¥348,685**	¥327,549	**$2,899,185**
Machinery, equipment and vehicles	**526,302**	485,990	**4,376,004**
Vehicles and equipment on operating leases, net	**13,181**	14,666	**109,595**
Other	**318,806**	265,699	**2,650,752**
Subtotal	**1,206,974**	1,093,904	**10,035,536**
Accumulated depreciation	**(882,752)**	(817,421)	**(7,339,752)**
Accumulated impairment loss	**(26,528)**	(27,717)	**(220,570)**
Land	**188,392**	187,931	**1,566,409**
Construction in progress	**28,611**	24,116	**237,890**
Total	**¥514,697**	¥460,813	**$4,279,513**

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, 2015 and 2014 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Total overdraft facilities and lending commitments	**¥4,800**	¥4,150	**$39,910**
Less amounts currently executed	**497**	569	**4,132**
Unexecuted balance	**¥4,303**	¥3,581	**$35,778**

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, 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, 2015, the Company and 53 of its consolidated domestic subsidiaries, which add up to a total of 54 companies, have lump-sum retirement payment plans. Within the FHI Group, there are also 20 defined contribution plans, and 5 defined benefits pension plans. In addition, there are 7 single-employer employees' welfare pension funds subject to the provisions of Article 33 of "Accounting Standard for Retirement Benefits." Certain insignificant consolidated subsidiaries calculated their pension liability using the simplified method. Under the simplified method, an accrued pension and net defined benefit 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 net defined benefit 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.

Defined benefit pension plans (including the multi-employer pension plan of contributory defined benefit employees' welfare pension funds settled as defined benefit pension plan.)

Movement in retirement benefit obligation, except plans applied simplified method

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Balance at the beginning of the period	**¥102,819**	¥101,700	**$854,901**
Cumulative effects of changes in accounting policies	**(2,481)**	-	**(20,629)**
Restated balance	**100,338**	101,700	**834,273**
a. Service cost	**5,508**	5,565	**45,797**
b. Interest cost	**1,397**	1,173	**11,616**
c. Actuarial loss (gain)	**4,520**	(1,569)	**37,582**
d. Benefits paid	**(4,366)**	(4,049)	**(36,302)**
e. Other	**-**	(1)	**-**
Balance at the end of the period	**¥107,397**	¥102,819	**$892,996**

Movements in plan assets, except plans applied simplified method

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Balance at the beginning of the period	**¥87,069**	¥66,714	**$723,946**
a. Expected return on plan assets	**1,913**	1,697	**15,906**
b. Actuarial loss (gain)	**4,961**	(1,628)	**41,249**
c. Contributions paid by the employer	**8,330**	23,029	**69,261**
d. Benefits paid	**(3,133)**	(2,743)	**(26,050)**
Balance at the end of the period	**¥99,140**	¥87,069	**$824,312**

Movement in net defined benefit liability in the plans applying the simplified method

		Millions of yen	Thousands of U.S. dollars
	2015	2014	**2015**
Balance at the beginning of the period	**¥5,880**	¥5,399	**¥48,890**
a. Increase due to the change of scope of consolidation	**-**	203	**-**
b. Retirement benefit cost	**703**	720	**5,845**
c. Benefits paid	**(482)**	(417)	**(4,008)**
d. Contributions paid by the employer	**(29)**	(25)	**(241)**
Balance at the end of the period	**¥6,072**	¥5,880	**$50,486**

Reconciliation from retirement benefit obligations and plan assets to net defined benefit liability (asset), include plans applied simplified method

		Millions of yen	Thousands of U.S. dollars
	2015	2014	**2015**
a. Funded retirement benefit obligations	**¥97,944**	¥93,446	**$814,368**
b. Plan assets	**(99,346)**	(87,248)	**(826,025)**
Sub total	**(1,402)**	6,198	**(11,657)**
c. Unfunded retirement benefit obligations	**15,706**	15,432	**130,590**
a+b+c. Total Net liability (asset) for retirement benefits	**14,304**	21,630	**118,932**
d. Net defined benefit liability	**17,963**	22,852	**149,356**
e. Net defined benefit asset	**(3,659)**	(1,222)	**(30,423)**
d+e. Total Net liability (asset) for retirement benefits	**¥14,304**	¥21,630	**$118,932**

Retirement benefit costs

		Millions of yen	Thousands of U.S. dollars
	2015	2014	**2015**
a. Service cost	**¥5,508**	¥5,565	**¥45,797**
b. Interest cost	**1,397**	1,173	**11,616**
c. Expected return on plan assets	**(1,913)**	(1,697)	**(15,906)**
d. Net actuarial loss amortization	**2,377**	2,429	**19,764**
e. Past service costs amortization	**58**	42	**482**
f. Additional retirement payments	**379**	311	**3,151**
g. Retirement benefit cost of the plan applying the simplified method	**703**	720	**5,845**
Total retirement benefit costs for the fiscal year ended	**¥8,509**	¥8,543	**¥70,749**

Adjustments for retirement benefit (before tax effect)

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
a. Past service costs	**¥249**	¥ -	**$2,070**
b. Actuarial gains and losses	**4,032**	-	**33,525**
Total	**¥4,281**	¥ -	**$35,595**

Accumulated adjustments for retirement benefit (before tax effect)

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
a. Past service costs that are yet to be recognized	**¥154**	¥403	**$1,280**
b. Actuarial gains and losses that are yet to be recognized	**16,813**	20,845	**139,794**
Total	**¥16,967**	¥21,248	**$141,074**

Plan assets

Plan assets comprise:

	Percentage	
	2015	2014
a.Bonds	**51%**	54%
b.Equity securities	**14%**	13%
c.Cash and deposit	**25%**	23%
d.Other	**10%**	10%
Total	**100%**	100%

Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

Actuarial assumptions

The principal actuarial assumptions

	2015	2014
a. Attribution of expected benefit obligation	Benefit formula method	The straight-line method
b. Discount rate	0.8%–1.4%	0.6%–1.5%
c. Long-term expected rate of return	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 past service cost	10 to 19 years	10 to 19 years

Defined contribution pension plan

The amount required to contribute to defined contribution plans was 4,414 million (US$36,701 thousand) and 4,127 million for fiscal years 2015 and 2014 respectively which included the multi-employer pension plan of contributory defined benefit employees' welfare pension funds settled as defined contribution plans.

Certain information concerning the multi-employer pension plan, which requires contributions that are expensed as they become due as pension and severance costs, was as follows:
(1) Overall funded status of the multi-employer pension plan (mainly as of March 31, 2015 and 2014)

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Plan assets	**¥83,089**	¥91,753	**$690,854**
Projected benefit obligation	**94,207**	100,556	**783,296**
Funded status	**(¥11,118)**	(¥8,803)	**($92,442)**

(2) Contributions by the Company and its consolidated domestic subsidiaries as a percentage of total contributions to the multi-employer pension plan for fiscal years 2015 and 2014 respectively: 5%

Other than the above, ¥27,203 million (US$226,183 thousand) and ¥17,403 million of postretirement benefit plan obligation for fiscal years 2015 and 2014 respectively is included in "Other" of accrued expense and long-term liabilities in some American subsidiaries.

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 35.4% and 37.8% for fiscal years 2015 and 2014, respectively.
A reconciliation of the statutory income tax rates in Japan to the Company's effective income tax rates for fiscal years 2015 and 2014 were as follows:

	2015	2014
Statutory income tax rate in Japan	35.4%	-
Increase (reduction) in taxes resulting from:		
Adjustment of deferred tax assets in the end of fiscal year 2015 by change of the tax rate	0.7%	-
Deduction of research and development expense	(3.6)%	-
Entertainment expenses not qualifying for deduction	0.1%	-
Changes in valuation allowance and tax benefits realized from loss carry forwards	(0.5)%	-
Adjustment to past corporate income taxes payable and corporate income taxes refundable	0.2%	-
Equity in earnings of affiliates	0.1%	-
Difference of applicable tax rate in subsidiaries	35.4%	-
Other	0.3%	-
Effective income tax rate	32.4%	

Note:The note for fiscal year 2014 is omitted because the difference between the statutory income tax rates in Japan and the Company's effective income tax is 5% or less of the statutory income tax rates.

Significant components of the deferred tax assets and liabilities as of March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Deferred tax assets:			
Accrued expenses	**¥18,569**	¥15,409	**$154,394**
Provision for product warranties	**17,549**	13,804	**145,913**
Net defined benefit liability	**13,534**	15,077	**112,530**
Depreciation and amortization expenses	**10,938**	10,559	**90,945**
Long-term accounts payable-other	**10,919**	7,069	**90,787**
Provision for bonuses	**7,241**	7,265	**60,206**
Unrealized profit on inventories	**25,954**	15,894	**215,798**
Loss on valuation of inventories	**2,079**	2,011	**17,286**
Net operating loss carryforwards	**860**	1,274	**7,151**
Other	**31,253**	32,574	**259,857**
Total deferred tax assets	**138,896**	120,936	**1,154,868**
Valuation allowance	**(20,018)**	(23,669)	**(166,442)**
Total deferred tax assets, net of valuation allowance	**118,878**	97,267	**988,426**
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	**(8,668)**	(5,822)	**(72,071)**
Depreciation and amortization expenses	**(11,246)**	(4,821)	**(93,506)**
Reserve for reduction entry	**(2,072)**	(2,389)	**(17,228)**
Net defined benefit asset	**(1,006)**	(441)	**(8,365)**
Other	**(17,980)**	(11,075)	**(149,497)**
Total deferred tax liabilities	**(40,972)**	(24,548)	**(340,667)**
Net deferred tax assets	**¥77,906**	¥72,719	**$647,759**

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
	2015	2014	**2015**
Current assets—Deferred tax assets	**¥78,789**	¥64,214	**$655,101**
Investments and other assets—Deferred tax assets	**13,113**	18,332	**109,030**
Current liabilities—Deferred tax liabilities (Other current liabilities)	**-**	-	**-**
Long-term liabilities—Deferred tax liabilities	**(13,996)**	(9,827)	**(116,371)**
Total net deferred tax assets	**¥77,906**	¥72,719	**$647,759**

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

(Fiscal 2014)

On March 31, 2014, amendments to the Japanese tax regulations were enacted into law, and the statutory income tax rate for years beginning on or after April 1, 2014 will be changed. As a result of these amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled for years beginning on April 1, 2014 has been changed from 37.8% to 35.4%.

Due to these changes in statutory income tax rates, net deferred tax assets as of March 31, 2014 decreased by ¥1,861million and deferred income tax expense recognized for the year ended March 31, 2014 increased by the same amount.

(Fiscal 2015)

On March 31, 2015, amendments to the Japanese tax regulations were enacted into law. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2015 to March 31, 2016 and on or after April 1, 2016 are changed from 35.4% for the fiscal year ended March 31, 2015 to 32.9% and 32.1%, respectively, as of March 31, 2015.

Due to these changes in statutory income tax rates, net deferred tax assets (after deducting the deferred tax liabilities) decreased by ¥2,375 million (US$19,747 thousand) as of March 31, 2015, deferred income tax expense recognized for the fiscal year ended March 31, 2015 increased by ¥2,826 million (US$23,497 thousand), evaluation differences of other securities increased by ¥765 million (US$6,361 thousand) and accumulated adjustments for employee retirement benefits increased by minous ¥529 million (minous US$4,398 thousand).

13. Net Assets

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

Under the Japanese Companies Act (“the Act”), 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 Act, both legal earnings reserve and additional paid-in capital used to eliminate or reduce a deficit generally require a resolution of the shareholders’ meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Act, 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 the Act.

At the annual shareholders’ meeting held on June 23, 2015, the shareholders approved cash dividends amounting to ¥28,889 million (US$240,201 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2015. Such appropriations are recognized in the period in which they are approved by the shareholders.

14. Presentation of inventories and provision for loss on construction contracts

¥Minus 988 million (US$ Minus 8,215 thousand) and ¥70 million as "Provision for loss on construction contracts" is included in "Cost of sales" for fiscal years 2015 and 2014, respectively.

15. Selling, General and Administrative Expenses

Selling, general and administrative expenses for fiscal years 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Freightage and packing expenses	**¥34,856**	¥26,523	**$289,815**
Advertising expenses	**81,538**	64,332	**677,958**
Sales incentives	**82,597**	65,425	**686,763**
Salaries and bonuses	**49,894**	50,274	**414,850**
Research and development expenses	**83,104**	59,896	**690,979**
Other	**105,389**	86,919	**876,270**
Total	**¥437,378**	¥353,369	**$3,636,634**

16. Gain on sales of investment securities

(Fiscal 2014)

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

17. Allowances for doubtful accounts

(Fiscal 2014)

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

18. 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.

Information as Lessor

(1) The details of lease investment assets as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Obligation of lease fee receivable	**¥28,762**	¥28,363	**$239,145**
Estimated residual value	**342**	322	**2,844**
Interest expense portion	**(5,006)**	(5,052)	**(41,623)**
Lease investment assets	**¥24,098**	¥23,633	**$200,366**

(2) Lease revenue related to lease investment assets

Amounts of collections on lease receivable after the fiscal year ended March 31, 2015 and 2014, were as follows;

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Within 1 year	**¥8,399**	¥8,510	**$69,835**
1 to 2 years	**7,065**	6,924	**58,743**
2 to 3 years	**5,949**	5,510	**49,464**
3 to 4 years	**4,273**	4,276	**35,528**
4 to 5 years	**2,793**	2,840	**23,223**
Over 5 years	**¥283**	¥303	**$2,353**

19. Operating Lease

Information as Lessee

The future minimum lease/rent payments, excluding the portion of interest thereon, as of March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Operating leases:			
Due within one year	**¥2,439**	¥2,130	**$20,279**
Due after one year	**14,030**	12,241	**116,654**
Total	**¥16,469**	¥14,371	**$136,934**

Information as Lessor

The future minimum lease/rent payments receivable, excluding the portion of interest thereon, as of March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Operating leases:			
Due within one year	**¥190**	¥212	**$1,580**
Due after one year	**92**	101	**765**
Total	**¥282**	¥313	**$2,345**

20. Contingent Liabilities

Contingent liabilities as of March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
As guarantor of third-party indebtedness from financial institutions	**¥45,214**	¥40,284	**$375,937**

21. The Amount of Discount of Export Bill

The amount of discount of export bill as of March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
The amount of discount of export bill	**¥2,928**	¥812	**$24,345**

22. Transfer of Financial Assets to Special Purpose Company

The balance of financial assets transferred to special purpose company as of March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Balance of financial assets transferred to special purpose company(loan receivable of Automobiles and accounts receivable-trade of Aerospace)	**¥5,037**	¥7,073	**$41,881**

23. Fair value of collateral financial assets with free disposal right

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Collateral investment securities	**¥10,000**	-	**$83,146**

The above relates transaction with repurchase agreement and the same amount is included in short-term loans receivable of current assets.

24. Segment Information

(1)General information about reportable segments

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

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

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

(2)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.

(3)Information on sales, income, assets and other items by reportable segments for the fiscal years ended March 31, 2015 and 2014 was summarized as follows

	Millions of yen		Thousands of U.S. dollars
Net Sales:	**2015**	2014	**2015**
Automobiles			
Outside customers	**¥2,698,974**	¥2,246,624	**$22,440,958**
Inter-segment	**4,236**	3,261	**35,221**
Sub-total	**2,703,210**	2,249,885	**22,476,179**
Aerospace			
Outside customers	**142,801**	124,436	**1,187,337**
Inter-segment	**-**	-	**-**
Sub-total	**142,801**	124,436	**1,187,337**
Industrial products			
Outside customers	**29,029**	29,776	**241,365**
Inter-segment	**207**	567	**1,721**
Sub-total	**29,236**	30,343	**243,086**
Other (*1)			
Outside customers	**7,109**	7,293	**59,109**
Inter-segment	**15,744**	14,642	**130,905**
Sub-total	**22,853**	21,935	**190,014**
Total	**2,898,100**	2,426,599	**24,096,616**
Adjustment (*2)	**(20,187)**	(18,470)	**(167,847)**
Consolidated total (*3)	**¥2,877,913**	¥2,408,129	**$23,928,769**

	Millions of yen		Thousands of U.S. dollars
Segment income:	**2015**	2014	**2015**
Automobiles	**¥400,874**	¥308,973	**$3,333,117**
Aerospace	**18,912**	14,148	**157,246**
Industrial products	**779**	632	**6,477**
Other (*1)	**1,884**	2,099	**15,665**
Total	**422,449**	325,852	**3,512,505**
Adjustment (*2)	**596**	637	**4,956**
Consolidated total (*3)	**¥423,045**	¥326,489	**$3,517,461**

Segment assets:	Millions of yen 2015	2014	Thousands of U.S. dollars 2015
Automobiles	**¥1,944,178**	¥1,639,760	**$16,165,112**
Aerospace	**186,292**	182,123	**1,548,948**
Industrial products	**32,926**	29,692	**273,767**
Other (*1)	**59,735**	53,533	**496,674**
Total	**2,223,131**	1,905,108	**18,484,502**
Adjustment (*2)	**(23,417)**	(16,745)	**(194,703)**
Consolidated total (*3)	**¥2,199,714**	¥1,888,363	**$18,289,798**

Other Items:	Millions of yen 2015	2014	Thousands of U.S. dollars 2015
Depreciation and amortization:			
Automobiles	**¥65,342**	¥56,265	**$543,294**
Aerospace	**4,583**	3,758	**38,106**
Industrial products	**429**	411	**3,567**
Other (*1)	**1,467**	1,052	**12,198**
Total	**71,821**	61,486	**597,165**
Adjustment (*2)	**-**	-	**-**
Consolidated total (*3)	**¥71,821**	¥61,486	**$597,165**
Investment to equity-method affiliates:			
Automobiles	**¥589**	¥6	**$4,897**
Aerospace	**-**	-	**-**
Industrial products	**775**	520	**6,444**
Other (*1)	**-**	-	**-**
Total	**1,364**	526	**11,341**
Adjustment (*2)	**-**	-	**-**
Consolidated total (*3)	**¥1,364**	¥526	**$11,341**
Increase of property, plant and equipment and intangible fixed assets:			
Automobiles	**¥122,689**	¥90,782	**$1,020,113**
Aerospace	**4,509**	4,074	**37,491**
Industrial products	**985**	533	**8,190**
Other (*1)	**7,163**	3,148	**59,558**
Total	**135,346**	98,537	**1,125,351**
Adjustment (*2)	**-**	-	**-**
Consolidated total (*3)	**¥135,346**	¥98,537	**$1,125,351**

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, 2015 and 2014 was summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Sales: (*1)			
Japan	**¥652,894**	¥672,060	**$5,428,569**
North America	**1,730,947**	1,322,760	**14,392,176**
[United States] (*2)	**[1,607,897]**	[1,220,961]	**[13,369,061]**
Europe	**123,250**	134,680	**1,024,778**
Asia	**238,749**	154,392	**1,985,109**
Other	**132,073**	124,237	**1,098,138**
Consolidated total	**¥2,877,913**	¥2,408,129	**$23,928,769**

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, 2015 and 2014 was summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Property, plant and equipment: (*1)			
Japan	**¥412,623**	¥394,163	**$3,430,806**
North America	**101,042**	65,987	**840,126**
[United States] (*2)	**[100,274]**	[65,233]	**[833,741]**
Europe	**481**	486	**3,999**
Asia	**-**	-	**-**
Other	**551**	177	**4,581**
Consolidated total	**¥514,697**	¥460,813	**$4,279,513**

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, 2015 and 2014.

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, 2015 and 2014 was summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Impairment loss in fixed assets:			
Automobiles	**¥38**	¥35	**$316**
Aerospace	**-**	-	**-**
Industrial products	**-**	-	**-**
Other	**-**	-	**-**
Total	**38**	35	**316**
Adjustment	**-**	-	**-**
Total	**¥38**	¥35	**$316**

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, 2015 and 2014 was summarized as follows:

Goodwill

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Amount written off of current period:			
Automobiles	**¥266**	¥258	**$2,212**
Aerospace	**-**	-	**-**
Industrial products	**-**	-	**-**
Other	**-**	-	**-**
Total	**266**	258	**2,212**
Corporate and elimination	**-**	-	**-**
Total	**¥266**	¥258	**¥2,212**
Balance at the end of current period:			
Automobiles	**¥2,472**	¥2,369	**$20,554**
Aerospace	**-**	-	**-**
Industrial products	**-**	-	**-**
Other	**-**	-	**-**
Total	**2,472**	2,369	**20,554**
Corporate and elimination	**-**	-	**-**
Total	**¥2,472**	¥2,369	**$20,554**

Information on Negative Goodwill by Reportable segments

No items to be reported.

25. 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 2015 and 2014, fair value at the end of fiscal 2015 and 2014 were as follows:

As of March 31, 2015

	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	**¥30,343**	**(¥1,095)**	**¥29,248**	**¥37,704**
Properties that include portions used as investment and rental property	**¥9,206**	**¥6,022**	**¥15,228**	**¥19,537**

As of March 31, 2015

	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	**$252,291**	**($9,105)**	**$243,186**	**$313,495**
Properties that include portions used as investment and rental property	**$76,544**	**$50,071**	**$126,615**	**$162,443**

As of March 31, 2014

	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	¥30,410	(¥67)	¥30,343	¥36,779
Properties that include portions used as investment and rental property	¥6,830	¥2,376	¥9,206	¥13,569

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 2015, principal increases were properties acquisitions etc, which amounted to ¥7,263 million (US$60,389 thousand), and principal decreases were depreciation, which amounted to ¥1,009 million (US$8,389 thousand), loss on sales and retirement, which amounted to ¥1,408 million (US$11,707 thousand).

Among changes in the amount of investment, rental property and properties that include portions used as investment and rental property during the fiscal 2014, principal increases were properties acquisitions etc, which amounted to ¥3,370 million, and principal decreases were depreciation, which amounted to ¥612 million, loss on sales and retirement, which amounted to ¥450 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 2015 and 2014 concerning investment and rental property and properties that include portions used as investment and rental property were as follows:

As of March 31, 2015

	Millions of yen			
	Rental income	Rental expenses	Change	Other profit and loss
Investment and rental property	**¥3,868**	**¥2,167**	**¥1,701**	**(¥418)**
Properties that include portions used as investment and rental property	**¥394**	**¥1,265**	**(¥871)**	**¥-**

As of March 31, 2015

	Thousands of U.S. dollars			
	Rental income	Rental expenses	Change	Other profit and loss
Investment and rental property	**$32,161**	**$18,018**	**$14,143**	**($3,476)**
Properties that include portions used as investment and rental property	**$3,276**	**$10,518**	**($7,242)**	**$-**

As of March 31, 2014

	Millions of yen			
	Rental income	Rental expenses	Change	Other profit and loss
Investment and rental property	¥3,476	¥2,074	¥1,402	¥44
Properties that include portions used as investment and rental property	¥392	¥221	¥171	¥-

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.

26.Subsequent Event

None identified.

27.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$ 292,043 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. On February 28, 2014, the Tokyo District Court rejected the case. On March 13, 2014, the Company appealed against the Tokyo District Court's decision to the Tokyo High Court.

On January 29, 2015, the Tokyo High Court upheld the Company's claims in almost all respects. However, the Government of Japan filed a petition of objection to the Supreme Court of Japan on February 10, 2015.

On April 6, 2015, the Company made an additional appeal to the Supreme Court of Japan in order to have the Company's claims rejected at the Tokyo High Court upheld.

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, 2015 and 2014, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in net assets and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of FUJI HEAVY INDUSTRIES LTD. and its consolidated subsidiaries as at March 31, 2015 and 2014, 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, 2015 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

June 24, 2015
Tokyo, Japan