



Allow me to present our new five-year mid-term management plan, which we at Fuji Heavy Industries Ltd. will put into action this fiscal year.



## 1. Management Vision

## 2. Review of the Previous Plan

## 3. Mid-Term Management Plan “Motion V ” FY2012-2016

- Vision
- Background
- Title
- Five challenges

## 4.Guiding Principle for All Activities

- ~ Confidence in Motion

## 5. Strategic Direction for Growth

- Provide distinctive Subaru experience  
~ Brand, Technology and Products ~

- Accelerate sales expansion  
~ Sales and Production ~

- Solidify operational foundation  
~ Quality, Cost and Alliance ~

## 6. Improvement in Management

(Human resources, Corporate governance etc.)

## 7. Highlights



## 1. Management Vision

With the philosophy of  
“Customers Come First”  
as its core

**“A Compelling Company  
with a Strong Market Presence”**

2

As always our vision is to become a “compelling company with a strong market presence” and we will continue working toward enhancing our corporate value.



## 2. Review of the Previous Plan

### To Provide A Distinctive Subaru Experience

1. Global size and specification with comfortable roominess
2. Improve safety performance and eco-friendliness
3. Enhance and elevate the drivability



3

Before going onto the new mid-term plan, let's look at the results from the previous mid-term plan which took us up to last year.

The previous plan helped ingrain our underlying philosophy that “customers come first” in every member of our team.

The ability to stand in the customers' shoes has enabled us to provide consumers with that distinctive Subaru experience and in the process has boosted sales across the globe.



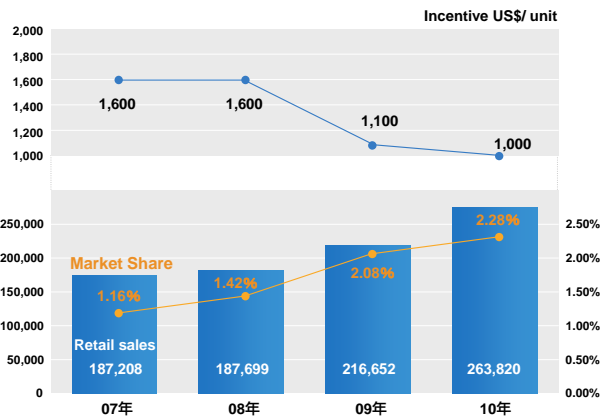
## 2. Review of the Previous Plan

### To Increase Sales Globally

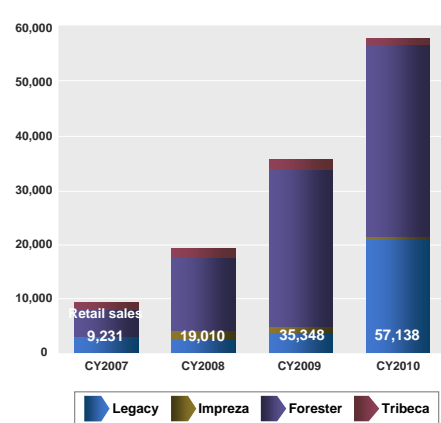
1. Expand the sales in North America
2. Rapid increase of sales in China
3. Improve the profitability in Japan



#### Retail sales in U.S.



#### Retail sales in China



Our line of products turned out to be an excellent match for demand in the U.S., our most important sales market. After restructuring our sales organization and implementing more aggressive marketing strategies we were able to finally realize our long-held goal of acquiring a 2% share of that market while managing to keep the per unit rebate hovering at around \$1,000. Sales as well as revenue soared.

Sales in the rapidly expanding market of China have grown steadily to make it our second largest market after the U.S.



## 2. Review of the Previous Plan

### Targets VS Actual Results

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

### General overview

~ Certify the correctness of fundamental directions ~

#### Achievement

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

#### Remaining challenges

- Lowering the sensitivity of foreign currencies
- Increasing sale in emerging countries including China
- Developing environmental technology and products
- Autonomy of three internal companies
- Flexibility to adopt the changes of business environment

5

We reached our FY2011 operating income target of 80 billion yen despite the steep appreciation of the yen.

This success is clear proof that our "customers come first" approach is working thanks to the commitment of everyone across the group.

Instead of resting on our laurels, we must now rise to meet the challenges that still lie before us. It's imperative that we further mitigate foreign exchange risks, improve our sales strategies for emerging markets (including China) and enhance the way we merchandise eco-friendly technologies. These issues will be the focus of our new mid-term plan.



### 3. Mid-term Management Plan FY2012-2016

#### Vision

**Achieving an annual automotive sales volume more than 1 million units within the next 10 years**

#### In the mid-term management plan FY2012 to 2016

**1**

< Phase to solidify the foundation of the strategic direction for growth >  
**Establishing the global brand position**

**2**

< Favorable advancement >  
**Make structural reform in the remained area and strengthen the successful points further**

6

Here is our new mid-term plan.

We aim to sell over one million units a year with an eye to sustaining the growth of our corporation and its automobile manufacturing operations over the long-run.

This is the bare minimum objective that will enable us to stay afloat in today's turbulent market waters and we intend to reach this goal as early as possible.

As we move forward we are moving away from our reliance on existing resources and forging ahead to open up new horizons of opportunity via increased investments in product development and further capital investments.

Rather than blindly pursuing growth at all costs, we have given careful consideration to maintaining a healthy financial balance. That's why we have given ourselves a decade to achieve our goal of selling one million units year.

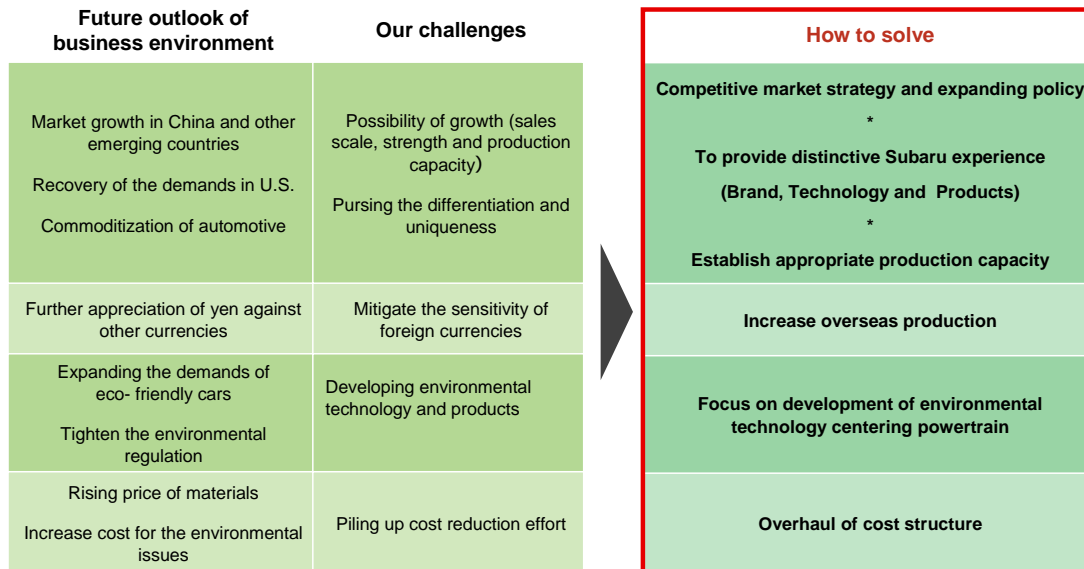
The new five year mid-term plan will give us time to lay the groundwork for achieving this broader goal.

We will use this period to continue growing and securing a market presence as a global brand. It will be an opportunity to resolve issues at the earliest juncture, harness innovative ideas and build on our strong corporate foundation.



### 3. Mid-term Management Plan FY2012-2016

#### Background



7

We developed our new plan in light of the outlook for the overall automobile industry, where demand will no doubt keep pace with the growth of a global economy fueled by emerging markets. It's these markets that hold the most fertile growth potential.

Don't think we're going to woo customers with the lowest prices in town. We're going to concentrate on developing the kind of unique technologies, products and outstanding support services, that will make customers want to own a Subaru more than any other brand.

Before we can invest in the proper resources needed to build a sustainable system for developing eco-friendly automobiles, we have to bolster our financial foundation.

Our bottom line is particularly vulnerable to fluctuations in foreign currencies and our manufacturing scale is just not big enough to absorb the risks from sudden escalations in material costs.

The new mid-term plan will serve as a road map that will enable us to navigate around these obstacles while enhancing Subaru's brand value and cultivating its corporate growth.





## 3. Mid-term Management Plan FY2012-2016

### Title

# Motion-V

V (five) ... 5 = Initials of Five (V) years, Five (V) challenges, Vision, Value and Victory

### Five Challenges

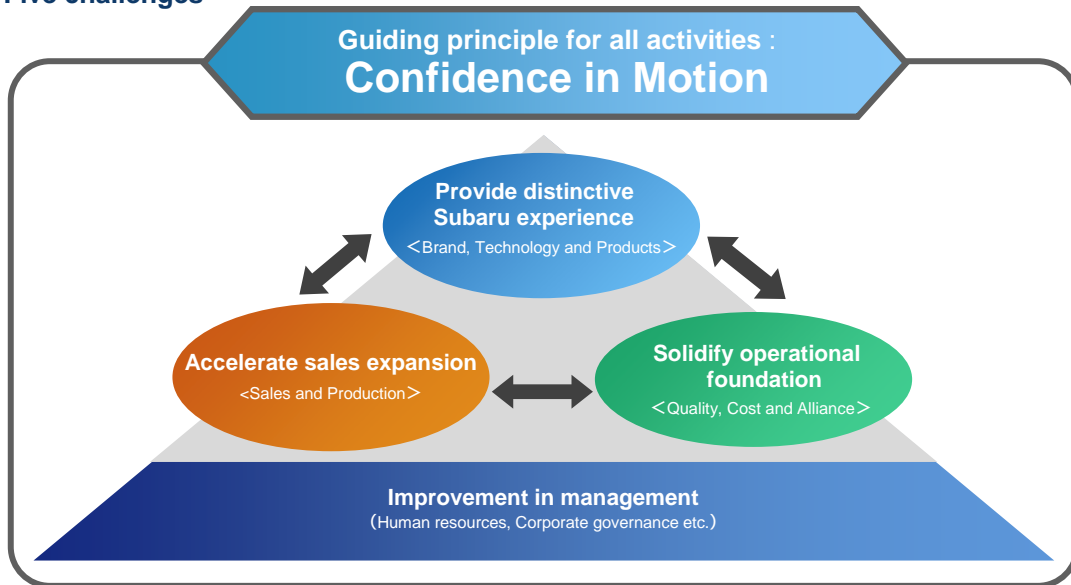
1. Guiding principle for all activities **"Confidence in Motion"**
  2. With the basic philosophy of "customers come first", **"Provide distinctive Subaru experience"**
  3. Strengthen sales force and the availability of automotive supply, **"Accelerate sales expansion"**
  4. Overhaul of cost structure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

8

We call the new mid-term management plan Motion-V (Motion Five).

We have taken "Motion" from the guiding principle of the mid-term plan "Confidence in Motion," and combined it with "Five" for five-year plan and the five challenges we have taken on. The Roman numeral "V (five)" also stands for vision, value and victory.

#### Five challenges



Let's explore the five challenges we will face head on.

First, we need to make sure everyone throughout the entire organization is on the same page of the company playbook and focus on reaching the higher targets set out in our new road map.

Next we have the three building blocks that we will use to pave the way to further growth.

The first is a customer-focused approach that pursues innovation that is distinctively Subaru. We will deliver consumers a whole new and unique experience grounded in new branding strategies, advanced technology and quality products.

The second encompasses a sales strategy that focuses on China. We believe the Chinese market is shaping up to be as important as the U.S. and will create a new manufacturing system designed to hedge foreign currency risks and boost production capacity there.

The third is the keystone to leaner, higher quality and more cost effective operations. We plan to solidify our alliance with Toyota with an eye to strengthening our business foundation.

Lastly we need to improve the quality of our management which underlies all corporate activities. We need to take a good look at the autonomy of internal 3 companies, HR development and corporate governance.

The plan entails five strategic points.



## 4. Guiding Principle for All Activities

Guiding principle :

Aiming the achievement of Mid-term management plan through positive actions by all members

Guiding Principle

# *Confidence in Motion*

Relationship to customers with confidence and trust as our DNA

&

Spirit to make our organization innovate continuously

10

The first focuses all our activities to make sure that everyone is moving in the same direction.

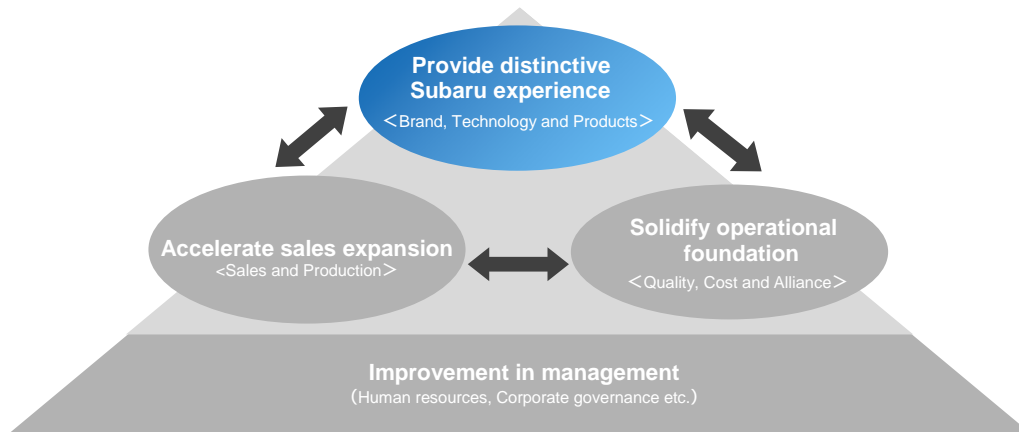
Our brand statement, "Confidence in Motion," neatly sums up the spirit of our new mid-term plan and articulates everything the Subaru brand stands for. We are confident we will reach all the goals laid out in the mid-term management plan as we move forward together.

At Subaru the customer has always come first and that's true now more than ever. We continue to treasure the trust our customers have placed in us and are committed to reinventing ourselves into a more robust organization that can continually generate innovative ideas and put them into action.



## 5. Strategic Direction for Growth ~ Provide distinctive Subaru experience

To provide distinctive Subaru experience



11

Now let's look at the three key ingredients needed to fuel the growth of Subaru.

First we must "provide that distinctive Subaru experience."

This is where we focus on the brand, technology and products.



## 5. Strategic Direction for Growth ~ Provide distinctive Subaru experience

### Promote the brand strategy

Key approaches to realize the growth and profitability of Subaru

#### Confidence

Maintain our philosophy of "Engineering Excellence" and continue to offer Subaru's uniqueness



#### in Motion

Enhance the Subaru brand value with inspired emotional feeling / Innovative thinking and action for getting ahead of the times

12

The key to success is a new brand strategy.

We have already begun to develop a new brand strategy that will further enhance Subaru's brand value.

The brand statement we announced last autumn, "Confidence in Motion," is about to be materialized.

The value that Subaru provides to customers is defined as "enjoyment and peace of mind." Successful delivery of that value will expand the base of Subaru fans worldwide and more people than ever will want to drive a Subaru.



## 5. Strategic Direction for Growth ~ Provide distinctive Subaru experience

### Technology and Products

Technology generates the value of "Enjoyment and peace of mind"

#### Safety / Drivability

Provide thorough distinction of all-around safety as our advantage  
Drivability with secure feelings and sporty performance at the same time

Active safety: Pursuit of drivability and avoidance of hazards

Passive safety: Keep the highest ratings in collision safety performance

Pre-Crash safety: Introduce an Active Driving Assist System "EyeSight" to all models in global markets



provided by NASVA



EyeSight(ver.2)

#### Developing environmental technology and products

Renewal of Engine and CVT, improve around 30 % of fuel efficiency

Focus on developing technology of environmental issues for next generation

Platform: Developing new and light platform with high versatility

Hybrid: Launch in 2013 beginning with Japanese market

Internal- combustion engine: Introduce turbo charged direct injection boxer engine compatible with high performance and environmental friendliness

Introduce Boxer diesel engine adapting Euro 6



New Boxer Engine

13

The best way Subaru can deliver enjoyment and peace of mind is to leverage its technologies geared toward safety and drivability as well as the environment.

Subaru believes that drivability and safety are one and the same. R&D at Subaru rests squarely on the notion that superior drivability will lead to maximum safety.

You can see this idea at work in the Legacy. The Legacy comes equipped with EyeSight, an advanced technology designed to prevent accidents from occurring that has earned high marks from consumers across Japan.

We plan to introduce this technology into other domestically available models and eventually those sold overseas.

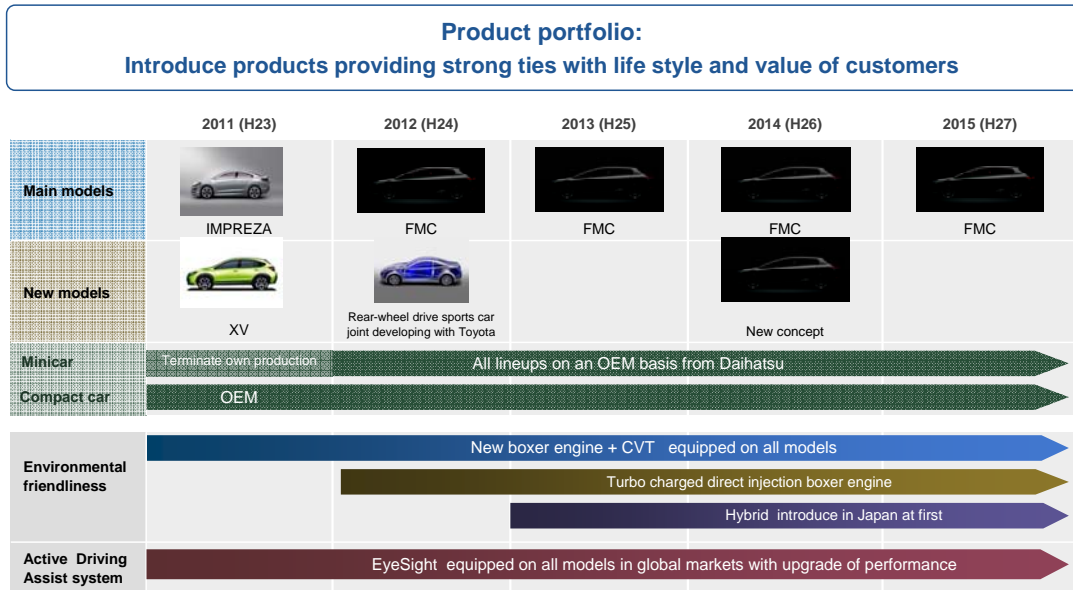
It's an all-around safety technology that will undoubtedly earn Subaru the reputation of making the safest cars in the world.

We are also making great strides in environmental technology as well. The revamped engines and transmissions in all models along with our green technologies promise to boost fuel efficiency by 30%.

As we move forward to take the lead in developing next generation environmental technologies, we hope to make the Subaru brand image synonymous with environmental friendliness.



## 5. Strategic Direction for Growth ~ Provide distinctive Subaru experience



14

We look forward to bolstering our product line via face lifts to existing models and the addition of new models as well.

The first of those new models is the Subaru XV. It's another one of our signature crossover vehicles to be introduced this year and promises to deliver that one-of-a-kind Subaru experience. The Rear-Wheel drive Sports model, co-developed with Toyota, is slated to make its market debut next year.

In 2013, the long-awaited HEV with its horizontally-opposed engine will finally hit the market. In the latter half of the mid-term plan period we will also see a new model with a new concept which is just the right size for the Japanese market.



## 5. Strategic Direction for Growth

~ Provide distinctive Subaru experience

### SUBARU NEW IMPREZA



15

The new Impreza, unveiled this year at the International Auto Show in New York, will be released this autumn, first in the U.S. and then the rest of the world.

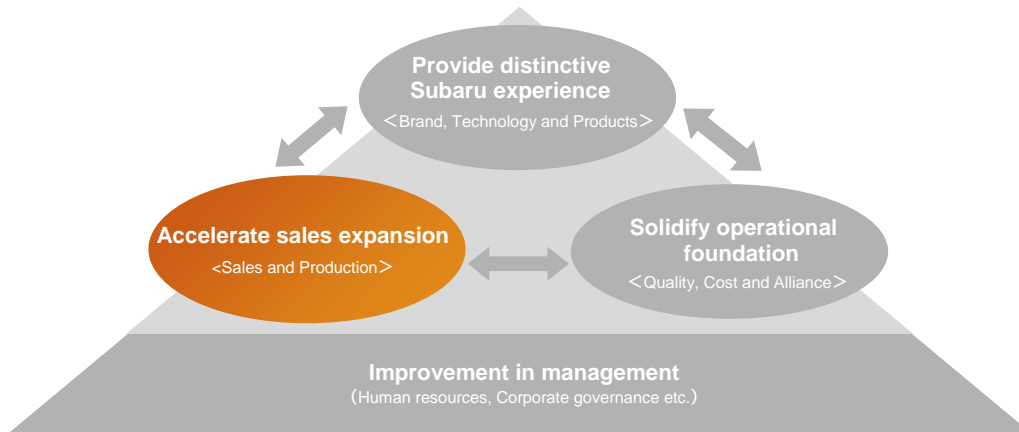
This model will be the first to spark the growth called for in the new mid-term plan. The high praise it earned at the New York motor show certainly bodes well for the future.





## 5. Strategic Direction for Growth ~ Accelerate sales expansion

### Accelerate sales expansion



16

When we say "accelerate sales expansion," we mean sales strategies that focus entirely on selection and concentration as well as the manufacturing system that support those strategies.

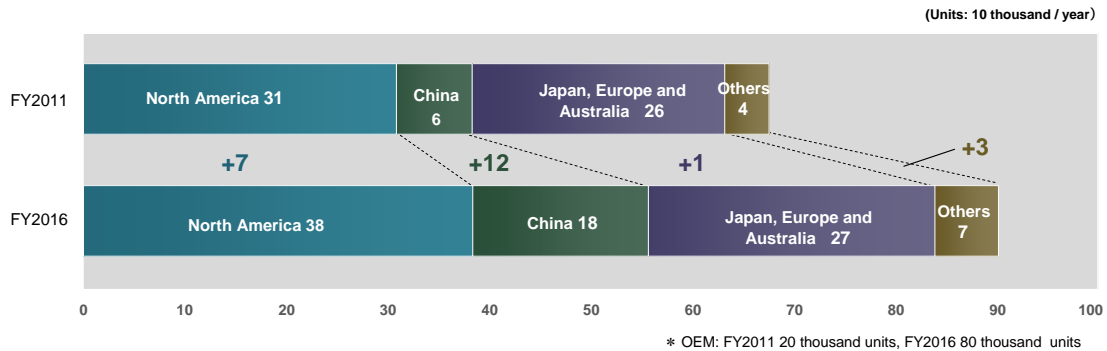


## 5. Strategic Direction for Growth ~ Accelerate sales expansion

Increase sales globally

Important markets = United States and China

Units of sales (Non- consolidated basis, including OEM and CKD) : 900 thousand units in FY2016



17

If you look at sales, you can see that we were able to break into the U.S. market during the last mid-term plan period and positioned China as an important market to cultivate.

Over the next five years, we plan to boost worldwide sales by approximately 40% to bring the annual total up to 900 thousand units.



## 5. Strategic Direction for Growth ~ Accelerate sales expansion



### United States

Stabilize sales foundation of U.S as most important market

Maintain market share 2% and top 10 sales ranking by manufactures' names

<Target of FY2016 : 350 thousand units>

- ◆ Expanding passenger car sales by synergetic effects of enhancing product performance and strengthening marketing strategy
- ◆ Increasing sales per outlets - FY2016 targets : annual 560 units sales per outlet, 30% increase from FY2011 results
- ◆ Establishing distribution system of cars for increasing sales units by effective logistics etc.



18

The sales target for the most important U.S. market is set at 350 thousand units. We plan to hit this target by leveraging our strength in crossover vehicles and increasing unit sales for regular passenger cars in the volume zone.

As demand recovers, we believe the passenger car market will have more potential for growth and are planning to make new inroads into this segment. We will strengthen the product line in this range and back it up by marketing activities that include extensive advertisement.

The new Impreza will be our weapon of choice in making our foray into this market segment.

Plans to establish a highly efficient sales network include dealer development and support. So we will push sales volume per our let up to the highest level in the industry.



## 5. Strategic Direction for Growth ~ Accelerate sales expansion

### China

Challenge to increase sales units threefold from the current level in the world biggest market  
Position No. 2 sales market in Subaru (9% to 18% in terms of total Subaru sales)

<Target of FY2016 : 180 thousand units>

- ◆ 250 outlets (100 % increase compared with FY2011 ) : Strengthen and develop outlets of coastal area and develop new ones of cosmopolitans in an inland area
- ◆ Enhance product competitiveness by leveraging local production



19

The key to making inroads into the equally important Chinese market lies in the development of a strong sales network and the ability to supply ample products via localized manufacturing.

We plan to double the number of stores to 250 and triple the sales figure to 180 thousand units in China versus FY2010.

We're not manufacturing in China simply to cut costs and outprice the competition. This is a unique opportunity to cultivate the Subaru brand in the Chinese market and improve its value overall.

All market development in China will be overseen by Subaru of China, Ltd., our local subsidiary.



## 5. Strategic Direction for Growth ~ Accelerate sales expansion

### Japan

**Sales promotion to aim No.1 brand as "Enjoyment and peace of mind"**

Target of annual passenger car sales 100 thousand units (30 % increase compared with FY2011 results) ,  
Further pursuing lean management of distributors

### Europe and Russia

**Value added strategy centered on AWD and SUV**

Europe: Market with potential of sales expansion, aggressive strategy focusing on cross over vehicles  
Russia: Target annual sales 30 thousand units (threefold increase compared with FY2011 result)  
catching up the trend of recovery in total demands

### ASEAN

**New approach to overcome tariff protection**

Establish sales network with 10 times more dealerships compared with FY2011,  
Start local assembly production in Malaysia (from2012) and expand sales within FTA countries

20

It's paramount that we uphold the brand presence in our home country of Japan. We will maintain total unit sales and our sales network with new branding strategies that underscore "enjoyment and peace of mind" in all our marketing activities.

In Europe we will cut back with a strategic focus on particular markets and models that are likely to reap the greatest profit.

Our product characteristics keenly suit Russian market needs and we won't miss the opportunity to expand sales once demand begins to recover there. ASEAN countries impose extremely high tariffs on imports of finished cars. The first step toward making further inroads into these markets will include the initiation of local assembly production.

We have already issued a press release announcing the Tan Chong Group as our local production partner.

The Tan Chong Group, which handles Subaru sales in ASEAN countries, will begin local assembly production at its plant in Malaysia as early as 2012.

While the production scale will be relatively small to begin with, its nevertheless a big step forward in expanding our business horizons, especially in light of FTAs.



## 5. Strategic Direction for Growth ~ Accelerate sales expansion

### Global production

Mitigate the sensitivity of foreign currencies and build flexible production system by increasing overseas production



#### China

Expanding production capacity by building local plant and then enhancing competitiveness of product

- ◆ Studying joint venture with local auto manufacturer

<Reference: Change of the overseas production ratio>  
\* Only SUBARU Brand

		FY2011		FY2016	
		Units of production	Ratio	Plan of units of production	ratio
Japan	Gunma Plants (Main / Yajima)	460 thousand	74%	500 thousand units	61%
Overseas	U.S., China	160 thousand	26%	320 thousand units	39%
Total		620 thousand		820 thousand units	



#### Japan

Expand production capacity significantly and improve flexibility of production by bridge manufacturing between Main plant and Yajima plant

- ◆ Start to produce Rear-wheel drive sports car, joint developing car with Toyota (Main plant)
- ◆ Expanding production capacity of new Engine / new CVT whose combination improves fuel efficiency (Oizumi plant)

Increase production capacity of Subaru of Indiana Automotive, inc (U.S.) and local assembly production in Malaysia (please refer to page 21) are planned as well.

21

The agenda for restructuring the production system includes increasing production capacity to fill in the demand gap and mitigating current problems associated with having production facilities solely in Japan.

Manufacturing in China holds the key to solving the production problems. We anticipate the ratio of overseas production reaching approximately 40% of total production.

That's the most I can say about our China-based production plans since the deal is currently under negotiation.

Once everything is sorted out and finalized, we will announce the details.

In the meantime we have plans on the drawing board for a major facility renovation in Japan.

The plant where we currently produce minicars is slated for renovation and will start manufacturing passenger vehicles in the spring of 2012.

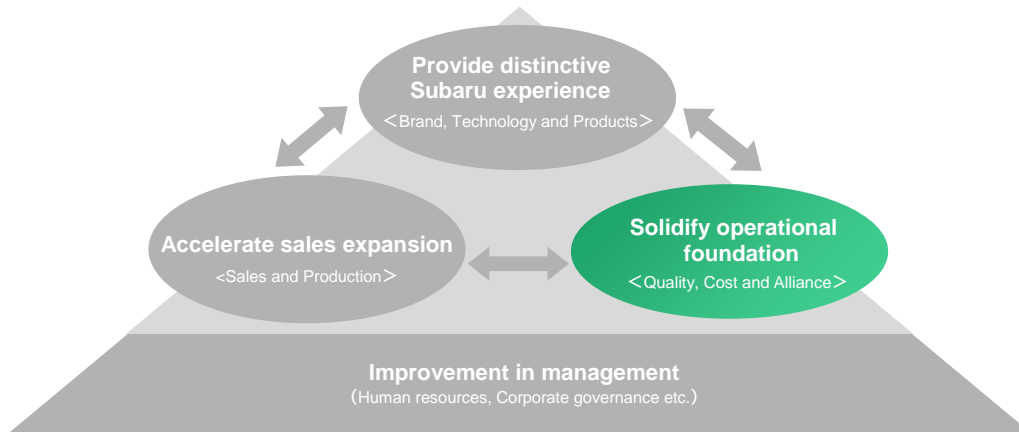
In addition to producing the model co-developed with Toyota, the plant is designed to also accommodate the production of Subaru vehicles that will be put into the product mix. The bridge production (simultaneous, same-product manufacturing at multiple sites) arrangement with the Yajima Plant, currently the sole manufacturing site for our passenger vehicles in Japan, will create a lean and flexible system that can respond to changes in demand.

We will continue to invest in expanding the production capacity for our new engine and new CVT that are central to eco-friendly performance.



## 5. Strategic Direction for Growth ~ Solidify operational foundation

### Solidify operational foundation



22

Finally let's look at how we plan to solidify our operational foundation via quality improvements, cost reductions and strategic business alliances.



## 5. Strategic Direction for Growth ~ Solidify operational foundation

### Upgrade of quality

Providing products with secure quality to become trustworthy brand and company

<b>Development</b>	Pursue superior quality based on the view point of customers at the development and experimental stage
<b>Quality Control</b>	Establish global quality control system responding to diversification of sale globally
<b>Local quality responsibility</b>	Enhance customer satisfaction by dealing with defects in each market at any early point and improving backup support system on site

### Overhaul of cost structure

20% cost reduction in new models / Continue 30% reduction in development cost

<b>Development</b>	Organize activity for overhaul of cost structure, make targets and roadmap in order to get results earlier
<b>Cost reduction / Procurement</b>	Cost reduction of mass produced cars for absorbing those risks as rise of material price and fluctuation of foreign currencies Renovation of utilization of local production with local procurement, promoting the expansion of LCC purchase further

23

We can't enhance our brand value without first enhancing quality. Every division across the organization will work together to deliver customer satisfaction.

Should any defect or failure arise, it will be dealt with immediately. Countermeasures will be implemented in a thorough and transparent manner.

We've exhausted all traditional cost cutting methods

and now it's time to think outside the box. A special task force representing all segments of our organization will look at incorporating cost-cutting initiatives at the design stage.

We are moving forward with procurement reforms and cost reductions to give us the financial cushion needed to absorb the impact of any sudden spike in the price of raw materials (like crude oil or steel).





## 5. Strategic Direction for Growth ~ Solidify operational foundation

### Pursuit of alliance synergy with Toyota

#### Alliance vision

Pursue **Win-Win** for Competitive Growth for Long-Term

#### Areas in Promotion / Discussion

Development	Joint development	Rear-wheel drive Sports car will introduce in spring 2012, studying future improvements of the product
	Technology development	Pursue synergistic effects by participating in the developmental work on next-generation environmental technologies
OEM	Minicar	Supplied all lineups of minicars on an OEM basis by Daihatsu in Spring 2012
	Compact car	Supplied on an OEM basis by Toyota in Japan and Europe and study enhancing its product competitiveness
Production	North America	Consignment production of Camry in SIA
	Japan	Manufacture of Rear-drive Sports car

24

The alliance with Toyota continues to serve as a key pillar in our business.

During the period covered under this mid-term plan, the Front-engine, Rear-drive sports car that has been co-developed with Toyota will be launched on to the market.

We will leverage the strength of this alliance in the future as we work together in the areas of compact cars and environmental technologies.



## 5. Strategic Direction for Growth ~ Solidify operational foundation

### Boxer Sports Car Architecture



25

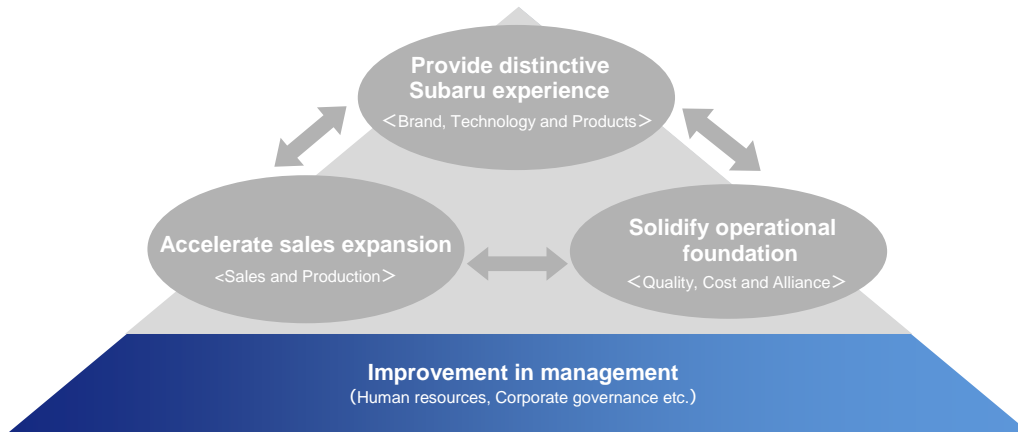
Subaru unveiled an architecture model of the co-developing sports car with Toyota at the last Geneva Motor Show.

Development is moving on course for the release of the production model next year.



## 6. Improvement in Management

### Improvement in management



26

Now let's turn to some of the initiatives geared toward improving the quality of management. These initiatives form the foundation of the new mid-term plan.

During this discussion I'd like to touch upon some areas outside of the Automobile Division as well.



## 6. Improvement in Management

### Business Portfolio

#### Automotive

Core business of Fuji Heavy Industries Ltd. and its group  
Aiming the growth by aggressive investment of management resources

#### Thee internal companies

Assess the autonomy

Aerospace	Focus on restructure of financial condition along with the recovery of profitability centering commercial sector Appropriate distribution of resources between Utsunomiya plant and Handa plant
Industrial Products	Expand business by enhancing product lineups and developing markets in emerging countries Improve profitability by strengthening the competitiveness of cost with local production in China
Eco Technologies	Sanitation trucks : Thorough overhaul of cost structure Wind power generation system: Study its business model of next generation products

27

Our business portfolio will continue to evolve with the automotive section at the core.

Although we have been trying our best to improve earnings and stabilize performance of our other three internal companies, we are still feeling the impact of the recent global financial crisis that continues to send shock waves throughout the market.

Since our main focus is on earnings, we will examine how sustainable the operations of each company are and carefully consider the next step.



## 6. Improvement in Management

### Human resources

- ◆ Recruit and nurture employees with a global perspective
- ◆ Introduce new personnel system to accept the challenges of lofty goals
- ◆ Become a company where employees can get satisfaction from their work within flexible working arrangements

### Corporate governance

- ◆ Invite outside directors to the board and add independent directors
- ◆ Clarify the area of responsibility and operation

### CSR (Corporate Social Responsibility)

- ◆ Company to provide products and services for contributing to the resolution of social issues
- ◆ Company to value the relationship with various stakeholders

#### <Reference: Effective utilization of land and facility>

- ◆ Group-wide reform of the manufacturing facilities, machineries at the timing of termination of minicar production (including affiliates' companies)
- ◆ Effective utilization of land and buildings in metropolitan area at the timing of headquarter relocation

28

As a basis of corporate activities, employee development is crucial to keeping the wheels of the organization turning.

As our overseas operations expand, we need to develop a sizable human resources pool that reflects our global outlook. We will continue to offer training opportunities that range from overseas on-the-job training (OJT) to employee exchange programs with affiliated overseas companies and more.

The latest news in corporate governance comes from last month's general meeting of shareholders where the appointment of an external director was approved. This means we now have a more effective team of independent directors than ever.



## 7. Highlights

FY2016	Consolidated Operating Profit	120 billion yen (¥90/\$, ¥120/€)
	Consolidated Operating Margin	6% or more
FY2012 - 2016 (5 years)	Total Consolidated R&D Expense	250 billion yen
	Total Consolidated Capital Expenditure	330 billion yen
	Total Consolidated Depreciation	310 billion yen

### Financial Strategy

Realize the balanced financial strategy by affirmative distribution of cash flow for continuous growth such as product development, technology of environmental friendliness, expansion of production capacity and sales network in overseas market, considering the effectiveness of investment, healthy financial condition and return to shareholders.

### Return to shareholders

In taking account of financial results, capital expenditure and current business environment of each year, continuous dividend policy is our basic idea. In closely examining future improvement of ROE (Return of Equity), consider payout ratio idea linked to financial performance.

29

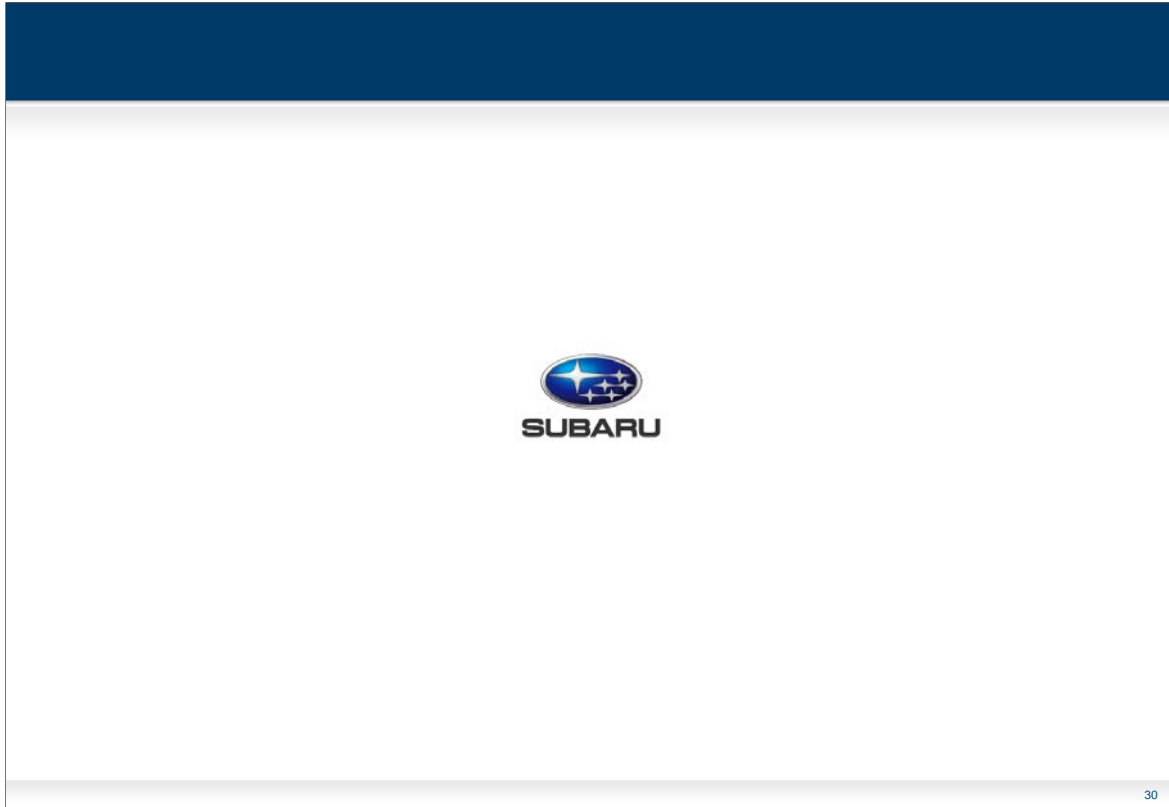
Lastly, let me touch on our target figures.

In FY2016, the last year of the mid-term plan, we aim to achieve a consolidated operating income of 120 billion yen.

We allowed an average annual increase of consolidated R&D expenses that was approximately 15% more than what it was in the the last mid-term plan and allocated a total of 250 billion yen for the five year period. Consolidated capital expenditures similarly include an average annual increase of approximately 25% and will total 330 billion yen for the five year period.

R&D and capital investments are indispensable to our corporate growth strategies and we intend to allocate ample funds where needed. At the same time we will do everything we can to maintain a lean operational structure where waste and loss is kept to a minimum in order to maximize profits.

Our basic policy for the shareholder returns is to provide continuous dividends in light of our financial performance each term, our capital investment plan and business environment. We are also looking at linking returns to financial performance as we move forward with an eye to improving ROE.



That ends my outline of FHI's new five year mid-term plan.

Although we were faced with the extremely difficult situation caused by the major earthquake in northeastern Japan, we fortunately still have enough time to make up for the losses before we reach the finish line.

With our five-year plan to guide us, we will move forward together toward achieving the goal.



## Outlook of FY2012 – No.1

( unit : billion yen)

	Actual Results FYE March 2011	Plan FYE March 2012
Net Sales	1,580.6	1,480.0
Operating Income	84.1	30.0
Ordinary Income	82.2	25.0
Net Income	50.3	35.0
FHI Exchange Rate (US\$/¥)	86	81
FHI Exchange Rate (EURO/¥)	114	115
Annual Dividend (per share)	¥9	¥9 (Plan)
Consolidated Automotive Sales (thousand units)	657	633

31

Before concluding, I'd like to provide you with a brief overview of the outlook of this fiscal year.

While the earthquake has caused production for the first half of the year to drop 25% below last year's output, we plan to crank up our operations to make up the difference during the latter half of the year.

Even though we will make up for the production losses, we still expect earnings and revenues to fall due to the yen's depreciation and increases in fixed costs. I'd like to reiterate that we are committed to increasing our capital investment and R&D expenditures with an eye to sustaining our growth over the long run.

I look forward to providing you with more details about our performance at the end of the first quarter.





## Outlook of FY2012 – No.2

### <Outlook of production>

Annual 628 thousand units, almost the same level of previous fiscal year (yoy +0.7%)

1<sup>st</sup> half 240 thousand units (yoy -25.5%)

2<sup>nd</sup> half 388 thousand units (yoy +28.8%)

(units: billion yen)

	Actual Results FYE March 2011	Plan FYE March 2012
Capital Expenditure	43.1	60.0
Depreciation	49.8	55.0
R & D	42.9	48.0
Interest Bearing Debt	330.6	370.0

