



FYE2016 First Quarter Financial Results



Fuji Heavy Industries Ltd.
July 31, 2015

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

Financial Results for the 1st Quarter of FYE March 2016

- Consolidated automobile sales posted an all-time record for the 1st quarter, mainly driven by continuous strong sales in North America.
- Gain on currency exchange, unit sales growth and cost reduction brought all-time record for the 1st quarter in net sales and all-time quarterly record in all profit levels.

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent	Consolidated automobile sales
Actual Results (Y on Y)	¥765.3 bil (+¥171.9 bil)	¥134.2 bil (+¥55.5 bil)	¥130.1 bil (+¥49.5 bil)	¥84.2 bil (+¥31.9 bil)	225.1K (+31.4K)

Projection for the FYE March 2016

- Full-year financial projection remains unchanged.
- Gain on currency exchange occurred in the 1st quarter offsets unexpected costs relating to recalls also occurred in the 1st quarter.

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent	Consolidated automobile sales
Plan (Y on Y)	¥3,030.0 bil (+¥152.1 bil)	¥503.0 bil (+¥80.0 bil)	¥495.0 bil (+¥101.4 bil)	¥337.0 bil (+¥75.1 bil)	928.3K (+17.6K)

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Business Results for the First Quarter of FYE March 2016

1st Quarter : Consolidated Automobile Sales



(Thousand Units)

	1Q actual results FYE March 2015	1Q actual results FYE March 2016	Variance
Passenger car	20.4	19.9	-0.5
Minicar	6.8	8.1	+1.3
Domestic total	27.2	28.0	+0.8
US	112.4	140.4	+28.0
Canada	10.8	13.9	+3.1
Russia	4.0	1.7	-2.4
Europe	6.9	8.3	+1.4
Australia	9.4	11.3	+1.8
China	15.7	10.1	-5.6
Others	7.3	11.5	+4.2
Overseas total	166.5	197.1	+30.6
Total	193.7	225.1	+31.4

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※ China figures are consolidated on the calendar year basis from Jan to Mar.

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Consolidated automobile sales for the first quarter of the fiscal year ending March 2016 totaled 225 thousand units, which was up 31.4 thousand units year on year for a new first quarter sales record.

In the domestic market, passenger vehicle sales fell 0.5 thousand units year on year to total 19.9 thousand units due to declining sales of older models like the Impreza and the Forester despite upbeat sales of the Levorg, which was launched last fiscal year, as well as other new models. Minicar sales, on the other hand, increased 1.3 thousand units year on year to total 8 thousand units as the new Stella which was recently given a face-lift drove sales volumes up. As a result, overall domestic sales totaled 28 thousand units for a year-on-year increase of 0.8 thousand units.

Sales in overseas markets rose 30.6 thousand units year on year to reach 197 thousand units thanks to robust sales of the new Legacy and the Outback in North America, which is our key market.

1st Quarter : Consolidated Income Statements



(100 Million Yen)

	1Q actual results FYE March 2015	1Q actual results FYE March 2016	Variance
Net sales	5,934	7,653	+1,719
Domestic	1,162	1,245	+83
Overseas	4,772	6,408	+1,636
Operating income	787	1,342	+555
Total non-operating income & expenses	19	-42	-60
Ordinary income	806	1,301	+495
Total extraordinary income & loss	1	-9	-10
Income before taxes and minority interests	807	1,291	+485
Net income attributable to owners of parent	522	842	+319
FHI exchange rate	¥102/US\$	¥120/US\$	+¥18/US\$

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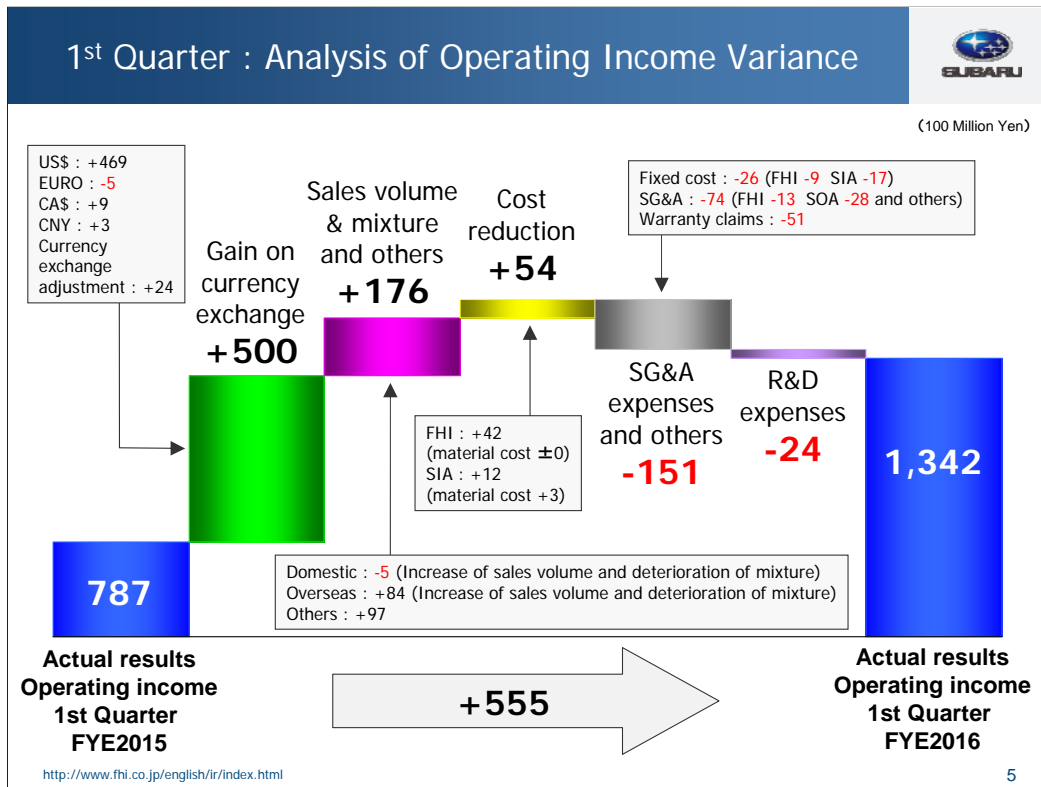
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Net sales were the highest ever for any first quarter while figures for all income categories were the highest they have ever been for any quarter.

Net sales increased 171.9 billion yen year on year to total 765.3 billion yen. The main factors behind this increase include a foreign exchange gain of 82.1 billion yen, a 3.3 billion yen increase in sales at Fuji Heavy Industries (FHI) companies, etc. as well as a gain of 86.5 billion yen due to better sales mix variances resulting from higher sales volumes in overseas markets.

Operating income rose 55.5 billion yen year on year to total 134.2 billion yen. This increase was mainly due to foreign exchange gains, improved sales mix variances, and reduced materials costs, etc., all of which offset an increase in SG&A and R&D expenses.

Ordinary income was up 49.5 billion yen to reach 130.1 billion yen while income before taxes and minority interests rose 48.5 billion yen to hit 129.1 billion yen. Net income attributable to owners of the parent jumped 31.9 billion yen to reach 84.2 billion yen.



Now let's look at the factors behind the year-on-year increase of 55.5 billion yen.

The primary reason for the increase in operating income was a foreign exchange gain of 50.0 billion yen. This includes a gain of 46.9 billion yen due to an approximate 18 yen depreciation against the U.S. dollar, a loss of 0.5 billion yen due to an approximate 8 yen appreciation against the euro, and a gain of 0.9 billion yen due to an approximate 4 yen depreciation against the Canadian dollar.

On top of that we gained 0.3 billion yen due to currency translations between the yen and the Chinese yuan as well as 2.4 billion yen from foreign exchange adjustments on transactions between FHI and its overseas subsidiaries.

Another contributing factor that brought operating income up was a favorable sales mix variance that led to a gain of 17.6 billion yen.

First, we saw a loss of 0.5 billion yen in domestic new car sales.

While the sales mix deteriorated, minicar sales offset the decrease in passenger vehicle sales to bring the overall sales volume up.

Next, we saw a gain of 8.4 billion yen from sales of new models in overseas markets thanks to increasing sales volumes in North America.

Finally, we had a gain of 9.7 billion yen due to inventory adjustments and other factors.

Another factor behind the jump in operating income was a gain of 5.4 billion yen from cost cuts.

This includes a gain of 4.2 billion yen generated by FHI as well as a gain of 1.2 billion yen at SIA. FHI generated a gain of 4.2 billion yen from reduced material costs on top of zero gains and losses due to lower material prices and better market conditions. SIA yielded a gain of 0.9 billion yen through cost reductions and a gain of 0.3 billion yen due to better materials prices, etc.

The main factor bringing operating income down though was a loss of 15.1 billion yen due to increases in SG&A expenses.

First, there was a loss of 2.6 billion yen due to an increase in fixed manufacturing costs. This includes a loss of 0.9 billion yen generated by FHI as well as a loss of 1.7 billion yen coming from SIA. FHI generated a loss of 1.8 billion yen due to higher costs for supplier dies and a gain of 0.9 billion yen due to lower fixed processing costs while SIA lost 0.8 billion yen due to mounting costs for supplier dies and 0.9 billion yen due to an increase in fixed processing costs.

Next we saw a loss of 7.4 billion yen due to an increase in SG&A expenses. FHI lost 1.3 billion yen due to increased advertising costs, incentives, etc. The 7.4 billion yen loss also includes a loss of 0.8 billion yen at domestic dealers, a loss of 2.8 billion yen generated at SOA, a loss of 1.8 billion yen at our Canadian subsidiary, and a loss of 0.7 billion yen from other operations.

Then there was an increase in costs associated with warranty claims that led to a loss of 5.1 billion yen.

Finally, an increase in R&D expenses from 15.9 billion yen to 18.5 billion yen resulted in a loss of 2.4 billion yen.

These factors combined brought consolidated operating income for the first quarter of the fiscal year ending March 2016 up 55.5 billion yen to total 134.2 billion yen.

Consolidated Balance Sheet



(100 Million Yen)

	As of March 2015	As of June 2015	Variance
Total assets	21,997	22,312	+315
Current assets	14,733	14,781	+48
Noncurrent assets	7,264	7,531	+267
Interest bearing debts	2,112	2,011	-101
Net assets	10,307	10,968	+661
Retained earnings	6,974	7,528	+553
Shareholders' equity	10,224	10,878	+654
Ratio of shareholders' equity to total assets	46.5%	48.8%	+2.3
D/E ratio	0.21	0.18	-0.02

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Total assets were up 31.5 billion yen from what they were at the end of March 2015 to total 2,231.2 billion yen.

Interest-bearing debt fell 10.1 billion yen to hit 201.1 billion yen while net assets rose 66.1 billion yen to total 1,096.8 billion yen. The shareholders' equity to total assets ratio was 48.8% while the debt-to-equity ratio stood at 0.18.

1st Quarter : Consolidated Statement of Cash Flows



(100 Million Yen)

	1Q actual results FYE March 2015	1Q actual results FYE March 2016	Variance
Net cash provided by (used in) operating activities	3	1,097	+1,094
Net cash provided by (used in) investing activities	-166	-328	-162
Free cash flows	-163	769	+932
Net cash provided by (used in) financing activities	-367	-385	-18
Effect of exchange rate change on cash and cash equivalents	-26	37	+63
Net increase (decrease) in cash and cash equivalents	-556	421	+977
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	-	-1	-1
Cash and cash equivalents at end of period	5,023	6,541	-

Net cash flow from operating activities amounted to an inflow of 109.7 billion yen due primarily to net income before taxes and minority interests totaling 129.1 billion yen as well as a 37.1 billion yen decrease in notes and accounts receivable-trade despite a payment of corporate income tax, etc., totaling 58.4 billion yen.

Net cash flow from investing activities amounted to an outflow of 32.8 billion yen for investments aimed at boosting production capacity.

Free cash flow totaled 76.9 billion yen.

Net cash flow from financing activities amounted to an outflow of 38.5 billion yen due to the repayment of loans, dividend payments, etc.

1st Quarter : Operating Results of Subsidiaries in U.S.



(Million US\$)

SOA	1Q actual results FYE March 2015	1Q actual results FYE March 2016	Variance
Net sales	2,875	3,613	+738
Operating income	61	168	+107
Net income	37	99	+62
Retail sales (Thousand units)	125.3	140.8	+15.5

SIA	1Q actual results FYE March 2015	1Q actual results FYE March 2016	Variance
Net sales	959	1,326	+367
Operating income	63	33	-30
Net income	40	21	-19
Subaru production (Thousand units)	41.9	57.8	+15.9

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SOA's retail sales climbed 15.5 thousand units year on year to reach 140.8 thousand units. This increase was due to booming sales of the Legacy and Outback, both favorites with consumers since their debut last summer, on top of continuing upbeat sales of the Forester, XV, and other models.

Net sales also jumped 738 million dollars year on year to total 3,613 million dollars.

Despite a loss of 27 million dollars from higher SG&A expenses, favorable sales volumes and mix variances resulted in a gain of 134 million dollars that brought operating income up 107 million dollars year on year for a total of 168 million dollars.

SIA saw net sales soar 367 million dollars to hit 1,326 million dollars.

Operating income, on the other hand, was down 30 million dollars to total 33 million dollars. The factors behind the decrease include a loss of 26 million dollars from sales price and volume variances, a gain of 12 million dollars due to overall cost reduction efforts, as well as a loss of 16 million dollars following an increase in fixed costs.



Outlook for the FYE March 2016

Full Year : Consolidated Operating Plan



(100 Million Yen)

	Actual results FYE March 2015	Plan FYE March 2016	Variance
Net sales	28,779	30,300	+1,521
Operating income	4,230	5,030	+800
Ordinary income	3,936	4,950	+1,014
Net income attributable to owners of parent	2,619	3,370	+751
FHI exchange rate	¥108/US\$	¥118/US\$	+¥10/US\$
Consolidated automobile sales	910.7 K units	928.3 K units	+17.6 K units
Domestic total	162.8 K units	144.2 K units	-18.5 K units
Overseas total	747.9 K units	784.1 K units	+36.2 K units

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Looking at the consolidated operating plan for the fiscal year ending March 2016,

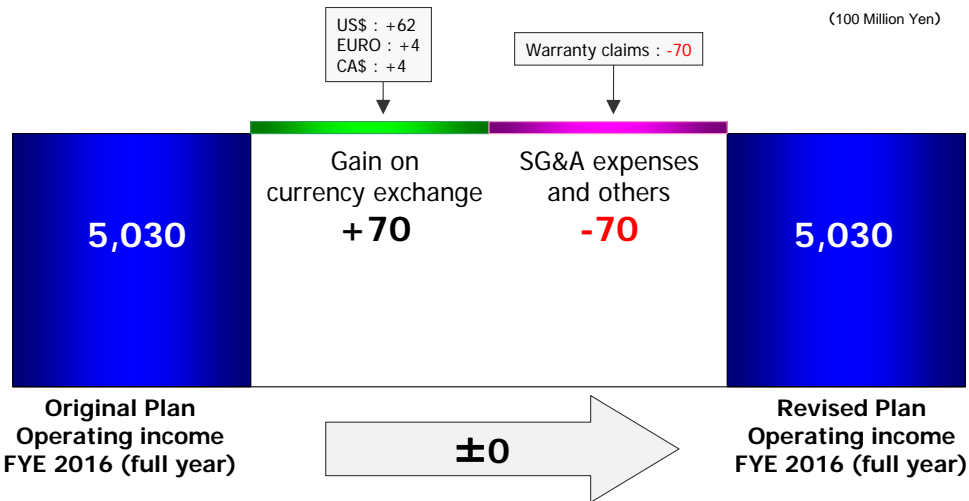
you can see that we have made no revisions to the automobile sales and performance targets we announced at the beginning of this fiscal year. However, we did revise the factors behind the operating income variance in light of the higher-than-projected exchange rates in the first quarter as well as the posting of an allowance for recalls, which was not included in the original plan.

Details of the revision will be covered on the following page.

Full Year : Analysis of Operating Income Variance Original Plan vs Revised Plan



- Full-year financial projection remains unchanged.
- Gain on currency exchange occurred in 1st quarter offsets unexpected costs relating to recalls also occurred in 1st quarter.



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Since foreign exchange rates in the first quarter were higher than we had expected, the projected gain on currency exchange has been revised to 7.0 billion yen. This will include a gain of 6.2 billion yen due to an approximate 2 yen depreciation against the U.S. dollar, a gain of 0.4 billion yen due to an approximate 7 yen depreciation against the euro, and another gain of 0.4 billion yen due to an approximate 2 yen depreciation against the Canadian dollar.

The revision also includes a loss of 7.0 billion yen due to SG&A expenses related to recalls, which were not anticipated at the beginning of this fiscal year.

Although we have revised the factors behind the operating income variance as outlined above, the projected operating income for this fiscal year will remain 503.0 billion yen.

While the exchange rates for the second quarter and onward will remain the same as initially estimated, actual first quarter rates have been incorporated into this fiscal year's exchange rate forecasts of 118 yen to the U.S. dollar, 127 yen to euro, and 96 yen to the Canadian dollar.

Capex / Depreciation / R&D / Interest bearing debt



(100 Million Yen)

	1Q actual results FYE 2015	Actual results FYE 2015 (a)	1Q actual results FYE 2016	Plan FYE 2016 (b)	Variance (b) - (a)
Capex	280	1,107	171	1,300	+193
Depreciation	127	648	154	670	+22
R&D	159	835	185	970	+135
Interest bearing debt	2,574	2,112	2,011	1,800	-312

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There has been no revision to our full-year plan for capital investments, depreciation costs, R&D expenses, or interest-bearing debts. We will make investments aimed at boosting production capacity, implementing R&D initiatives focused on future products, as well as other initiatives aligned with our carefully planned investment strategies.

This concludes the briefing on our financial results for the first quarter of the fiscal year ending March 2016.

Appendix (1)

- Non-operating income & expenses and extraordinary income & loss (1Q)
- Segment information by Business & Geographic (1Q)
- Overseas net sales (1Q)
- Non-consolidated automobile sales (1Q)
- Consolidated automobile sales & operating plan (full year plan)
- Consolidated automobile sales & operating plan (1st half plan)

1st Quarter : Non-operating Income & Expenses and Extraordinary Income & Loss (Consolidated)



(100 Million Yen)

	1Q actual results FYE 2015	1Q actual results FYE 2016	Variance
Financial revenue and expenditure	0	6	+6
FOREX effects	17	-46	-64
Other	1	-1	-2
Total non-operating income & expenses	19	-42	-60
Gain on sales of noncurrent assets	3	0	-3
Gain on sales of investment securities	1	1	-1
Loss on sales and retirement of noncurrent assets	-5	-12	-6
Other	2	1	-1
Total extraordinary income & loss	1	-9	-10

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

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1st Quarter : Net Sales and Operating Income by Business Segment (Consolidated)



(100 Million Yen)

	Net Sales			Operating Income		
	1Q actual results FYE 2015	1Q actual results FYE 2016	Variance	1Q actual results FYE 2015	1Q actual results FYE 2016	Variance
Automobile	5,551	7,188	+1,638	752	1,288	+536
Aerospace	292	358	+65	26	44	+17
Industrial products	75	90	+15	1	2	+1
Others	16	17	+1	7	7	-0
Elimination & Corporate	/	/	/	1	2	+1
Total	5,934	7,653	+1,719	787	1,342	+555

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1st Quarter : Net Sales and Operating Income by Geographic Area (Consolidated)



(100 Million Yen)

	Net Sales			Operating Income		
	1Q actual results FYE 2015	1Q actual results FYE 2016	Variance	1Q actual results FYE 2015	1Q actual results FYE 2016	Variance
Japan	1,898	2,140	+242	611	1,009	+398
North America	3,310	4,872	+1,563	163	266	+104
Others	726	640	-86	68	27	-41
Elimination & Corporate	/	/	/	-55	39	+94
Total	5,934	7,653	+1,719	787	1,342	+555

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

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1st Quarter : Overseas Net Sales



(100 Million Yen)

	1Q actual results FYE March 2015	1Q actual results FYE March 2016	Variance
North America	3,549	5,183	+1,634
Europe	279	272	-7
Asia	646	551	-96
Other	299	403	+104
Total	4,772	6,408	+1,636

1st Quarter : Non-consolidated Automobile Sales



(Thousand Units)

	1Q actual results FYE March 2015	1Q actual results FYE March 2016	Variance
Domestic production	169.0	171.0	+2.0
Domestic sales	30.7	31.3	+0.6
Passenger cars	23.7	21.7	-2.0
Minicars	7.0	9.6	+2.6
Number of exported vehicles	131.1	137.2	+6.1
Components for overseas production	45.0	54.5	+9.5
Total	206.8	223.0	+16.1

※ Domestic production figures include Toyota 86.

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Full Year : Consolidated Automobile Sales Plan



(Thousand Units)

	Actual results FYE March 2015	Plan FYE March 2016	Variance
Passenger car	127.9	106.7	-21.2
Minicar	34.9	37.6	+2.7
Domestic total	162.8	144.2	-18.5
US	527.6	554.0	+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
Others	37.9	41.4	+3.5
Overseas total	747.9	784.1	+36.2
Total	910.7	928.3	+17.6

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

* China figures are consolidated on the calendar year basis from Jan to Dec.

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Full Year : Consolidated Operating Plan



(100 Million Yen)

	Actual results FYE March 2015	Plan FYE March 2016	Variance
Net sales	28,779	30,300	+1,521
Domestic	6,529	5,655	-874
Overseas	22,250	24,645	+2,395
Operating income	4,230	5,030	+800
Ordinary income	3,936	4,950	+1,014
Income before taxes and minority interests	3,922	4,850	+928
Net income attributable to owners of parent	2,619	3,370	+751
FHI exchange rate	¥108/US\$	¥118/US\$	+¥10/US\$

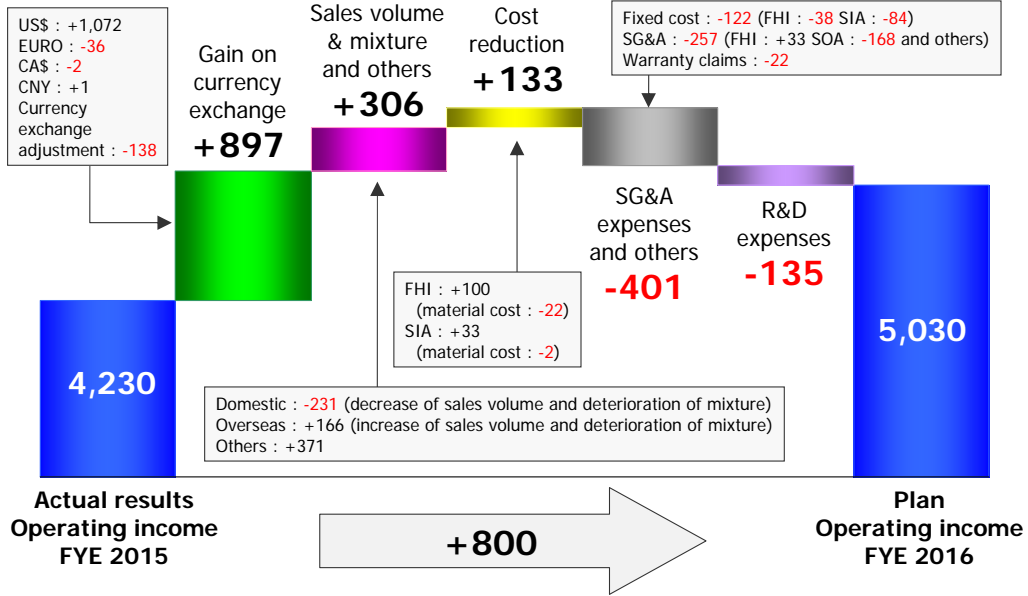
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Full Year : Analysis of Operating Income Variance



(100 Million Yen)



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

1st Half : Consolidated Automobile Sales Plan



(Thousand Units)

	1 st half actual results FYE March 2015	1 st half plan FYE March 2016	Variance
Passenger car	56.5	48.5	-8.0
Minicar	15.1	18.3	+3.2
Domestic total	71.5	66.8	-4.8
US	249.9	270.9	+21.0
Canada	22.1	25.8	+3.8
Russia	8.6	6.2	-2.5
Europe	15.6	18.1	+2.5
Australia	19.3	21.9	+2.6
China	28.7	21.5	-7.2
Others	15.9	22.4	+6.5
Overseas total	360.1	386.8	+26.8
Total	431.6	453.6	+22.0

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

※ China figures are consolidated on the calendar year basis from Jan to June.

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1st Half : Consolidated Operating Plan



(100 Million Yen)

	1 st half actual results FYE March 2015	1 st half plan FYE March 2016	Variance
Net sales	13,102	14,750	+1,648
Domestic	2,928	2,650	-278
Overseas	10,174	12,100	+1,925
Operating income	1,857	2,440	+583
Ordinary income	1,760	2,400	+640
Income before taxes and minority interests	1,747	2,350	+603
Net income attributable to owners of parent	1,130	1,630	+500
FHI exchange rate	¥102/US\$	¥119US\$	+¥17/US\$

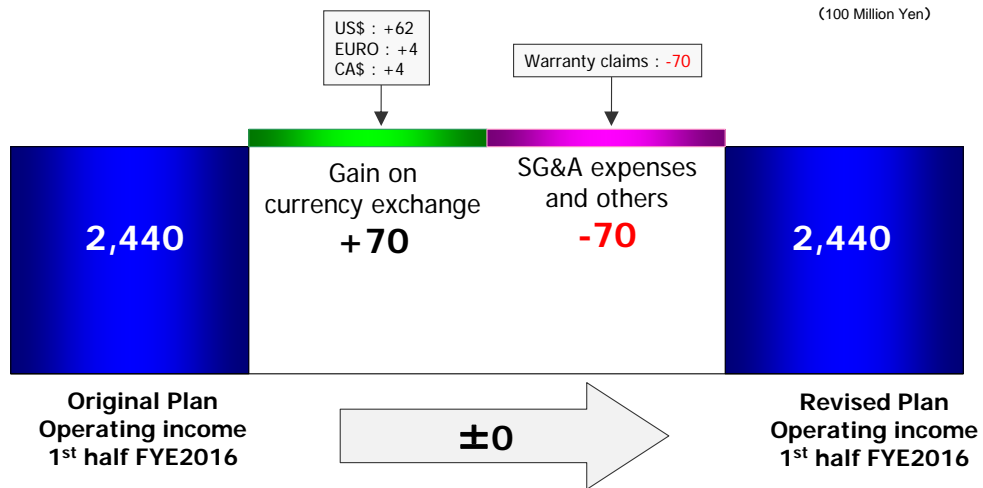
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1st Half : Analysis of Operating Income Variance Original Plan vs Revised Plan



- 1st half financial projection remains unchanged.
- Gain on currency exchange occurred in 1st quarter offsets unexpected costs relating to recalls also occurred in 1st quarter.



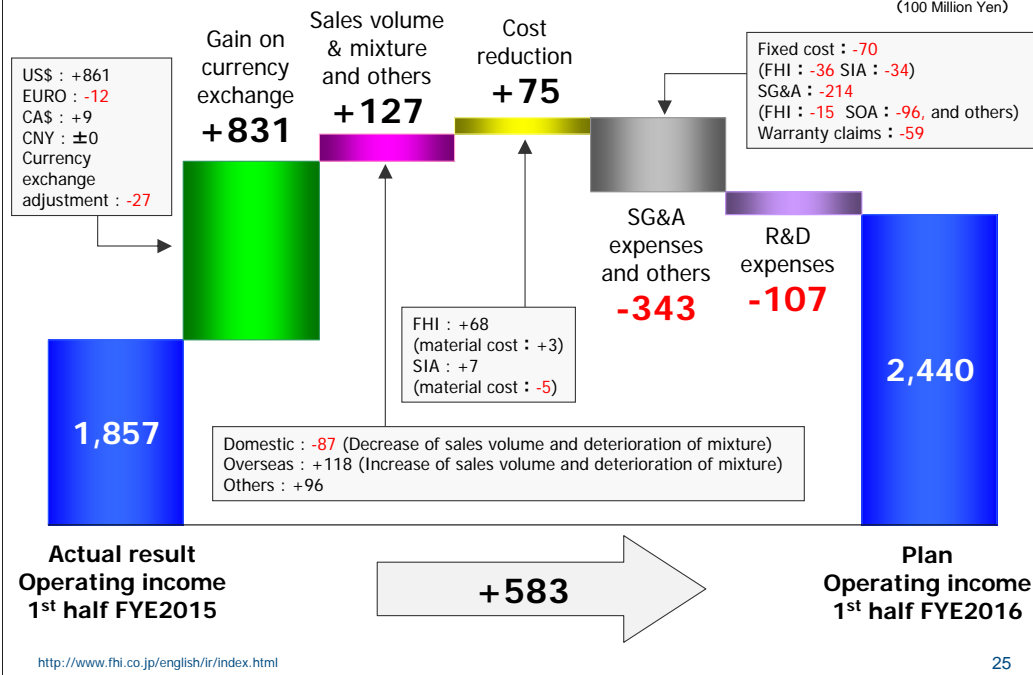
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1st Half : Analysis of Operating Income Variance



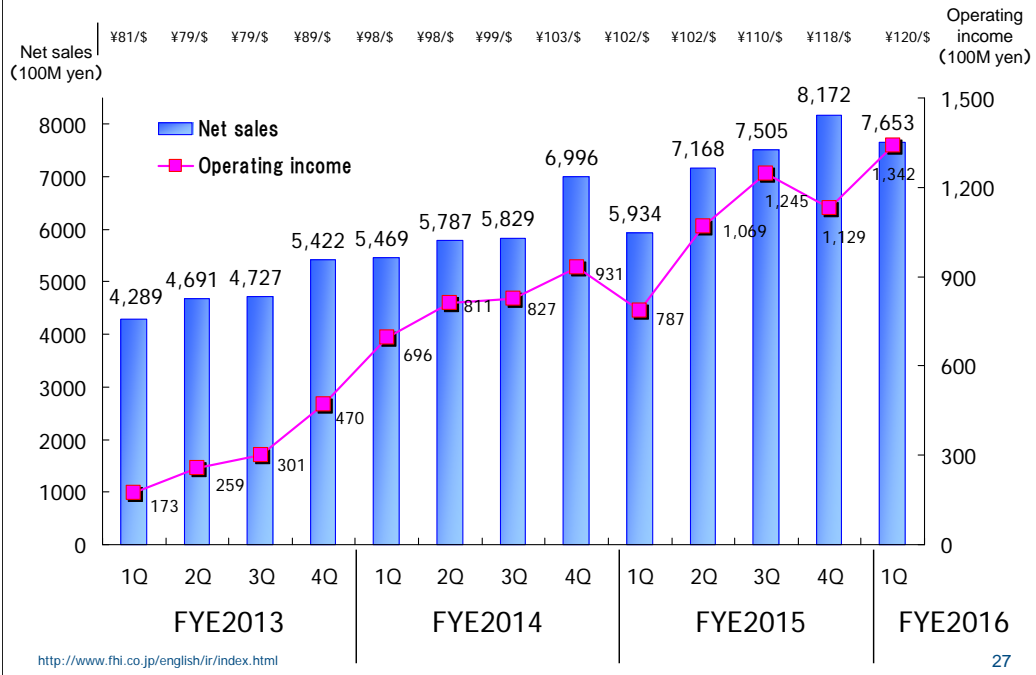
(100 Million Yen)



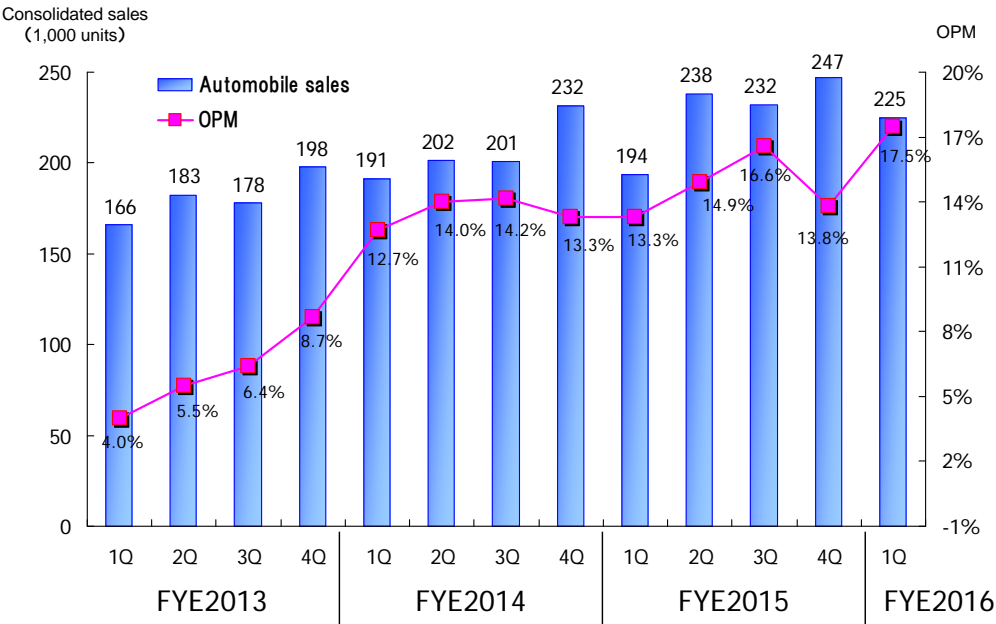
Appendix (2) – Historical Performance

- Net sales / Operating income
- Consolidated automobile sales units / OPM
- Complete cars production / Retail sales units
- FCF / Ratio of shareholders' equity to total assets
- Interest bearing debt / D/E ratio

Net Sales & Operating Income

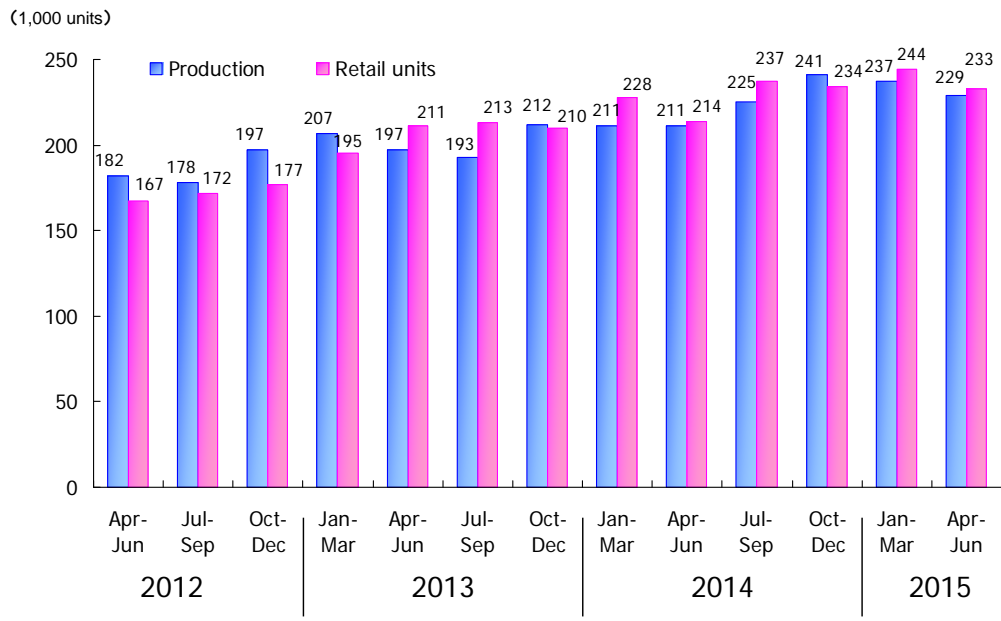


Consolidated Automobile Sales & Operating Income Margin



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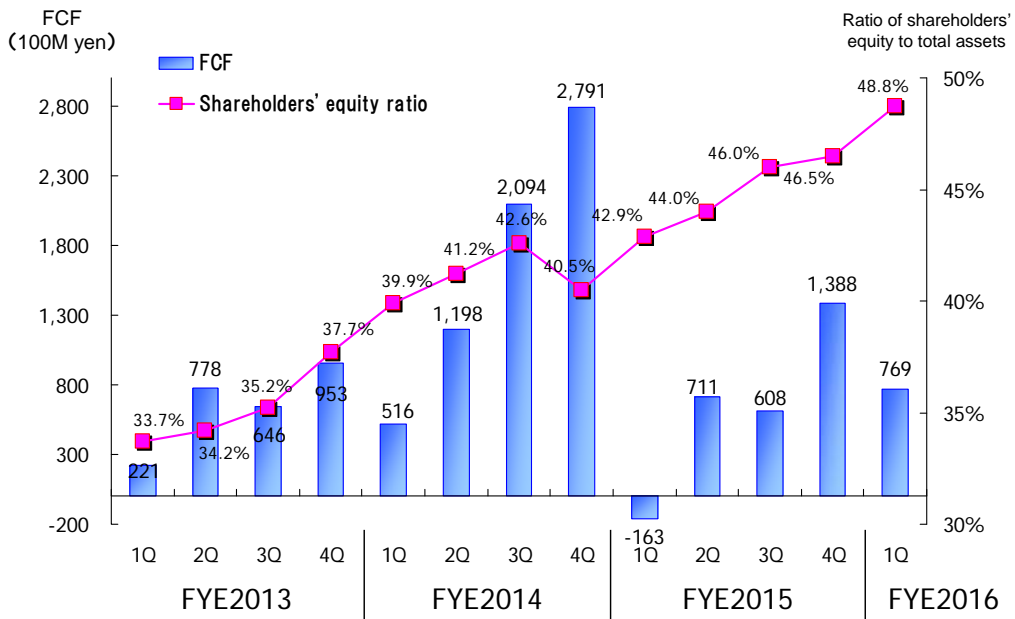
Complete Cars Production & Retail Sales Units



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

※ Production figures include Toyota 86.
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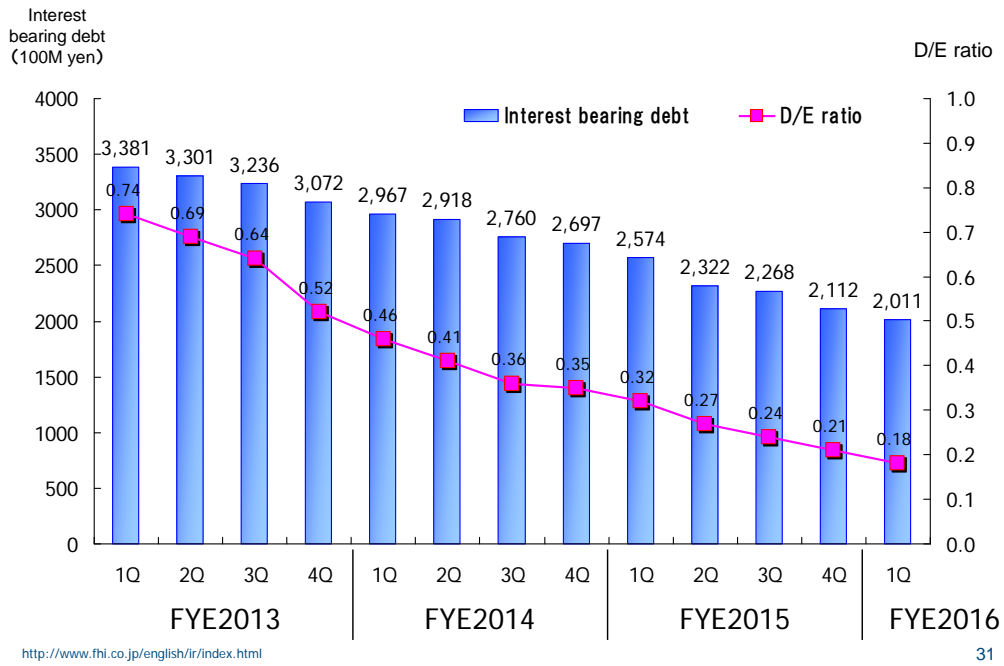
Free Cash Flows & Ratio of Shareholders' Equity to Total Assets



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Interest Bearing Debt & D/E Ratio





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