

Consolidated Financial Results

For the Second Quarter of the Fiscal Year Ending March 31, 2015 (Japan GAAP)



October 31, 2014

Company Name : **Fuji Heavy Industries Ltd.** (Tokyo Stock Exchange First Section, Code No.: 7270)
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 Scheduled date of submitting Quarterly Report : November 10, 2014
 Scheduled date for dividend payment : December 4, 2014
 Quarterly earnings supplementary explanatory documents : Yes
 Holding of quarterly financial results meeting : Yes(for investment analysts and institutional investors)

(All amounts have been rounded off to the nearest million yen, unless otherwise specified)

1. Consolidated Results for the Second Quarter of Fiscal Year 2015 (April 1, 2014 to September 30, 2014)

(1) Consolidated Results of Operations (for six-month period)

(In Japanese yen rounded to million, except for per share figures, percentage figures indicate a change from the previous fiscal year / period)

	Net sales		Operating income		Ordinary income		Net income	
2nd Quarter of FY2015	1,310,236	16.4%	185,662	23.2%	175,951	20.3%	113,019	13.2%
2nd Quarter of FY2014	1,125,638	25.3%	150,702	248.4%	146,224	222.9%	99,811	146.8%

Note: Comprehensive income 2nd Quarter of FY2015: 135,256 million yen (12.0%) 2nd Quarter of FY2014: 120,811 million yen (294.9%)

	Net income per share, basic (Yen)	Net income per share, diluted (Yen)
2nd Quarter of FY2015	144.82	—
2nd Quarter of FY2014	127.90	—

(2) Consolidated Financial Position

(Unit: Millions of yen, except for per share figures)

	Total assets	Net assets	Shareholders' equity to total assets (%)
2nd Quarter of FY2015	1,986,822	880,938	44.0%
FY2014	1,888,363	770,071	40.5%

Reference: Shareholders' equity As of September 30, 2014: 873,948 million yen As of March 31, 2014: 765,544 million yen

2. Dividends

	Cash dividends per share (yen)				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual
FY 2014	—	20.00	—	33.00	53.00
FY 2015		31.00			
FY 2015 (Forecast)			—	31.00	62.00

Note: Revision of the forecasts in the second quarter of the fiscal year ending March 31, 2015: Yes

3. Projection of Consolidated Results for Fiscal Year 2015 (April 1, 2014 to March 31, 2015)

(In Japanese yen rounded to million, except for per share figures, percentage figures indicate a change from the previous fiscal year / period)

	Net sales		Operating income		Ordinary income		Net income		Net income per share, basic (Yen)
Full year	2,780,000	15.4%	382,000	17.0%	370,000	17.7%	241,000	16.6%	308.82

Note: Revision of the forecasts at the timing of announcement of the results of second quarter of the fiscal year ending March 31, 2015: Yes

4. Others

- (1) Changes of significant subsidiaries in the second quarter of fiscal year 2015 : No
(Transfer of subsidiaries resulting in changes in the scope of consolidation)
- (2) Application of specific accounting for preparing the quarterly consolidated financial statements : Yes
- (3) Changes in accounting policies, procedures and methods of presentation for preparing the quarterly consolidated financial statements
- [1] Changes due to revisions of accounting standards : Yes
- [2] Changes due to other reasons : No
- [3] Changes of estimation due to accounting issues : No
- [4] Restatements : No
- (4) Number of outstanding shares (Common Stock)
- | | | | | |
|---|--------------------------|--------------------|------------------------|--------------------|
| [1] Number of outstanding shares (including treasury stock) | As of September 30,2014: | 782,865,873 shares | As of March 31,2014: | 782,865,873 shares |
| [2] Number of treasury stock | As of September 30,2014: | 2,480,003 shares | As of March 31,2014: | 2,477,430 shares |
| [3] Average number of shares (for six-month period) | 2nd Quarter of FY2015: | 780,387,394 shares | 2nd Quarter of FY2014: | 780,411,630 shares |

*The status of the implementation of the second quarterly review

The second quarterly review is now conducted on the basis of the Financial Instruments and Exchange Act on the date for the release of this quarterly report.

*Proper use of projection of operating results, and other information

The above performance projections were made based on the information available as of the date when this document was released. Therefore, actual results may differ considerably due to various factors that might occur in the future.

For assumptions and other information on which the performance projections were based, please refer to "(3) Explanation about Future Forecasts such as Projections for the Current Fiscal Year" on page 4.

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1. Qualitative Information on Quarterly financial Results

(1) Explanation about Operating Performance

Consolidated net sales for the first half of the current fiscal year increased ¥184.6 billion (16.4%) from the same period of the previous fiscal year to ¥1,310.2 billion mainly due to higher automobile unit sales and higher sales revenues owing to foreign exchange rate fluctuations.

Regarding the profit, operating income increased ¥35.0 billion (23.2%) from the same period of the previous fiscal year to ¥185.7 billion and ordinary income increased ¥29.7 billion (20.3%) from the same period of the previous fiscal year to ¥176.0 billion, reflecting the higher sales. Net income for the period increased ¥13.2 billion (13.2%) from the same period of the previous fiscal year to ¥113.0 billion.

[Results by Business Segment]

Results for the current consolidated first half period by business segment are as described below.

[1] Automobile Division

In Japan, unit sales of Subaru passenger cars decreased 5 thousand (8.6%) units compared with the same period of the previous fiscal year to 56 thousand units, while unit sales of minicars decreased 11 thousand (41.1%) units compared with the same period of the previous fiscal year to 15 thousand units, and total unit sales decreased 16 thousand (18.1%) units compared with the same period of the previous fiscal year to 72 thousand units, although contributions to unit sales came from the Levorg launched in June. The lower unit sales reflect the reverse effect that followed the rush of last-minute purchases ahead of the consumption tax rate increase at the end of the previous fiscal year and the situation where higher sales of existing car models were recorded in the same period of the previous fiscal year owing to the launch of new models.

Overseas total unit sales increased 55 thousand (17.9%) units compared with the same period of the previous fiscal to 360 thousand units. In addition to favorable conditions surrounding sales of the Forester in North America, the key market of FHI, contributions to higher unit sales came from the all-new WRX as well as the all-new Legacy and Outback introduced in North America.

By region, sales in North America increased 44 thousand (19.5%) units from the same period of the previous fiscal year to 272 thousand units, sales in Europe including Russia increased 2 thousand (9.4%) units from the same period of the previous fiscal year to 24 thousand units, sales in Australia decreased 2 thousand (9.3%) units from the same period of the previous fiscal year to 19 thousand units, sales in China increased 10 thousand (51.5%) units from the same period of the previous fiscal year to 29 thousand units, and sales in other regions increased 1 thousand (3.5%) units from the same period of the previous fiscal year to 16 thousand units.

As a result, combined unit sales in Japan and overseas markets amounted to 432 thousand units, an increase of 39 thousand (9.9%) units from the same period of previous fiscal year.

Affected also by currency fluctuations, overall net sales increased ¥175.3 billion (16.7%) from the same period of the previous fiscal year to ¥1,228.0 billion, and segment income increased ¥36.2 billion (25.5%) from the same period of the previous fiscal year to ¥178.5 billion.

[2] Aerospace Division

Deliveries to the Japan Ministry of Defense saw sales fall below the level of the same period of the previous fiscal year mainly due to the decrease of mass production of the patrol aircraft P-1. On the other hand, sales to the commercial sector rose compared with the same period of the previous fiscal year due to higher sales of Boeing 787 aircraft.

As a result, overall net sales increased ¥10.3 billion (19.3%) compared with the same period of the previous fiscal year to ¥63.8 billion. Segment income decreased ¥1.0 billion (14.3%) compared with the same period of the previous fiscal year to ¥5.9 billion.

[3] Industrial Products Division

Net sales decreased ¥0.9 billion (6.0%) compared with the same period of the previous fiscal year to ¥14.8 billion due to lower sales of vehicle engines to Polaris Industries as well as lower sales of power generators and pumps for overseas markets.

Segment income decreased ¥0.04 billion (22.3%) compared with the same period of the previous fiscal year to ¥0.1 billion.

[4] Other Businesses

Net sales decreased ¥0.1 billion (3.2%) compared with the same period of the previous fiscal year to ¥3.6 billion. Segment income decreased ¥0.3 billion (22.3%) compared with the same period of the previous fiscal year to ¥0.9 billion.

(2) Explanation about Financial Position

[1] Assets, Liabilities, and Net Assets

Total assets at the end of the first half of the current fiscal year were ¥1,986.8 billion, an increase of ¥98.5 billion from the end of the previous fiscal year. Main factors included a ¥23.7 billion increase in combined funds on hand comprised of cash, deposits, and short-term investment securities for short-term fund management, a ¥21.0 billion increase in merchandise and finished goods, and a ¥39.6 billion increase in property, plant, and equipment.

Total liabilities decreased ¥12.4 billion compared with the end of the previous fiscal year to ¥1,105.9 billion. Main factors included a ¥40.2 billion increase in trade accounts payable comprised of notes and accounts payable-trade and electronically recorded obligations, a ¥13.4 billion decrease in short-term loans payable, and a ¥66.9 billion decrease in income taxes payable.

Net assets increased ¥110.9 billion compared with the end of the previous fiscal year to ¥880.9 billion. Main factors included a ¥88.6 billion increase in retained earnings from net income recognized for the period.

[2] Cash Flows

Cash and cash equivalents at the end of the first half of the current fiscal year (hereinafter “Cash”) totaled ¥575.8 billion.

(Net cash provided by operating activities)

Net cash provided by operating activities was ¥134.7 billion (net cash provided in the same consolidated cumulative period of the previous fiscal year was ¥157.9 billion). Main factors included ¥174.7 billion in income before income taxes and minority interests, a ¥34.6 billion decrease in notes and accounts receivable-trade, a ¥21.9 billion increase in inventories, a ¥37.8 billion increase in notes and accounts payable-trade, and ¥123.9 billion in income taxes paid.

(Net cash used in investment activities)

Net cash used in investing activities was ¥63.7 billion (net cash used in the same consolidated cumulative period of the previous fiscal year was ¥38.1 billion). Main factors included ¥55.3 billion in expenditures for the purchase of property, plant and equipment as well as intangible assets (net basis against proceeds from sales of property, plant and equipment).

(Net cash used in financing activities)

Net cash used in financing activities was ¥62.7 billion (net cash used in the same consolidated cumulative period of the previous fiscal year was ¥24.3 billion). Main factors included a ¥12.2 billion decrease in short-term loans payable, ¥20.2 billion in repayment of long-term loans payable (net basis against proceeds from long-term loans payable), and ¥25.7 billion in expenditures for cash dividends paid.

(3) Explanation about Future Forecasts such as Projections for the Current Fiscal Year

FHI has revised upward the performance projection for the fiscal year ending March 31, 2015 which was released at the timing of consolidated financial results announcement on May 9, 2014, as stated below. Despite lower automobile unit sales and higher R&D expenses, enhanced earnings are expected mainly due to foreign-exchange effects, reduction in costs, and lower SG&A expenses.

Projections of full-year consolidated business results of the current fiscal year are based on assumed foreign exchange rates of ¥104/US\$ (previously ¥100/US\$) and ¥137/EUR (previously ¥135/EUR).

Consolidated Results Forecast for the Fiscal Year Ending March 2015 (April 1, 2014 to March 31, 2015)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share
Previous projection (A)	¥ million 2,720,000	¥ million 340,000	¥ million 330,000	¥ million 215,000	Yen 275.50
Revised projection (B)	2,780,000	382,000	370,000	241,000	308.82
Change in amount (B-A)	60,000	42,000	40,000	40,000	—
Percentage change (%)	2.2	12.4	12.1	12.1	—
(Supplemental information) Actual results of the previous fiscal year (April 1, 2013 to March 31, 2014)	2,408,129	326,489	314,437	206,616	264.76

2. Notes on Summary Information(Others)

(1) Application of specific accounting for preparing the quarterly consolidated financial statements

(Income taxes)

Income tax expense was calculated as multiplying income before income taxes and minority interests by reasonably estimated annual effective tax rate. This annual tax rate was reasonably estimated after applying the deferred tax accounting to the annual income before income taxes and minority interests.

"Income taxes-deferred" was included in "Total income taxes".

(2) 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.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Unit: Millions of yen)

	FY2014 (as of March 31, 2014)	2nd Quarter of FY2015 (as of September 30, 2014)
ASSETS		
I Current assets		
Cash and deposits	351,125	262,227
Notes and accounts receivable-trade	181,646	144,174
Lease investment assets	23,633	24,061
Short-term investment securities	233,766	346,352
Merchandise and finished goods	159,536	180,583
Work in process	51,659	52,321
Raw materials and supplies	33,008	38,077
Deferred tax assets	64,214	64,993
Short-term loans receivable	122,681	129,392
Other	53,375	68,753
Allowance for doubtful accounts	(862)	(1,359)
Total current assets	1,273,781	1,309,574
II Noncurrent assets		
1. Property, plant and equipment		
Buildings and structures, net	114,810	124,667
Machinery, equipment and vehicles, net	113,519	123,774
Land	175,808	176,272
Vehicles and equipment on operating leases, net	11,512	14,581
Construction in progress	24,116	21,223
Other, net	21,048	39,879
Total property, plant and equipment	460,813	500,396
2. Intangible assets		
Other	14,712	15,410
Total intangible assets	14,712	15,410
3. Investments and other assets		
Investment securities	76,788	92,985
Net defined benefit asset	1,222	668
Deferred tax assets	18,332	15,819
Other	76,312	85,063
Allowance for doubtful accounts	(33,597)	(33,093)
Total investments and other assets	139,057	161,442
Total noncurrent assets	614,582	677,248
Total assets	1,888,363	1,986,822

(Unit: Millions of yen)

	FY2014 (as of March 31, 2014)	2nd Quarter of FY2015 (as of September 30, 2014)
LIABILITIES		
I Current liabilities		
Notes and accounts payable-trade	279,926	312,866
Electronically recorded obligations-operating	67,637	74,875
Short-term loans payable	59,193	45,782
Current portion of long-term loans payable	42,557	40,659
Current portion of bonds	4,060	55
Income taxes payable	110,426	43,551
Accrued expenses	91,921	96,936
Provision for bonuses	20,446	20,903
Provision for product warranties	39,494	44,660
Provision for loss on construction contracts	1,032	532
Provision for loss on transfer of business	2,128	1,992
Other	114,088	138,104
Total current liabilities	832,908	820,915
II Noncurrent liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	153,844	135,691
Deferred tax liabilities	9,827	10,445
Provision for directors' retirement benefits	504	342
Net defined benefit liability	22,852	21,565
Other	88,357	106,926
Total noncurrent liabilities	285,384	284,969
Total liabilities	1,118,292	1,105,884
NET ASSETS		
I Shareholders' equity		
Capital stock	153,795	153,795
Capital surplus	160,071	160,071
Retained earnings	483,910	572,548
Treasury stock	(1,395)	(1,403)
Total shareholders' equity	796,381	885,011
II Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,629	15,161
Foreign currency translation adjustment	(26,661)	(12,787)
Remeasurements of defined benefit plans	(13,886)	(12,460)
Remeasurements of other postretirement benefits of foreign consolidated subsidiaries	(919)	(977)
Total accumulated other comprehensive income	(30,837)	(11,063)
Minority interests	4,527	6,990
Total net assets	770,071	880,938
Total liabilities and net assets	1,888,363	1,986,822

(2) Quarterly Consolidated Statements of (Comprehensive) Income**Quarterly Consolidated Statements of Income(for six-month period)**

(Unit: Millions of yen)

	FY2014 (April 1, 2013 to September 30, 2013)	FY2015 (April 1, 2014 to September 30, 2014)
I Net sales	1,125,638	1,310,236
II Cost of sales	812,243	929,651
Gross profit	313,395	380,585
III Selling, general and administrative expenses	162,693	194,923
Operating income	150,702	185,662
IV Non-operating income		
Interest income	806	1,019
Dividends income	578	470
Equity in earnings of affiliates	121	237
Foreign exchange gains	—	3,890
Real estate rent	270	272
Gain on valuation of derivatives	10,906	—
Other	824	1,475
Total non-operating income	13,505	7,363
V Non-operating expenses		
Interest expenses	1,342	1,553
Foreign exchange losses	14,834	—
Loss on valuation of derivatives	—	13,661
Other	1,807	1,860
Total non-operating expenses	17,983	17,074
Ordinary income	146,224	175,951
VI Extraordinary income		
Gain on sales of noncurrent assets	146	435
Gain on sales of investment securities	117	421
Other	61	392
Total extraordinary income	324	1,248
VII Extraordinary loss		
Loss on sales and retirement of noncurrent assets	1,010	1,650
Other	236	861
Total extraordinary losses	1,246	2,511
Income before income taxes and minority interests	145,302	174,688
Total Income taxes	45,404	58,962
Income before minority interests	99,898	115,726
Minority interests in income	87	2,707
Net income	99,811	113,019

Quarterly Consolidated Statements of Comprehensive Income(for six-month period)

(Unit: Millions of yen)

	FY2014 (April 1, 2013 to September 30, 2013)	FY2015 (April 1, 2014 to September 30, 2014)
Income before minority interests	99,898	115,726
Other comprehensive income		
Valuation difference on available-for-sale securities	12,021	4,532
Foreign currency translation adjustment	8,798	13,431
Remeasurements of defined benefit plans	—	1,426
Remeasurements of other postretirement benefits of foreign consolidated subsidiaries	—	(58)
Share of other comprehensive income of associates accounted for using equity method	94	199
Total other comprehensive income	20,913	19,530
Comprehensive income	120,811	135,256
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	120,724	132,793
Comprehensive income attributable to minority interests	87	2,463

(3) Quarterly Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	FY2014 (April 1, 2013 to September 30, 2013)	FY2015 (April 1, 2014 to September 30, 2014)
I Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	145,302	174,688
Depreciation and amortization	29,722	31,527
Increase (decrease) in allowance for doubtful accounts	14	(6)
Interest and dividends income	(1,384)	(1,489)
Interest expenses	1,342	1,553
Loss (gain) on sales and retirement of noncurrent assets	864	1,215
Decrease (increase) in operating loans receivable	(10,494)	(7,716)
Decrease (increase) in notes and accounts receivable-trade	1,198	34,601
Decrease (increase) in inventories	18,080	(21,925)
Increase (decrease) in notes and accounts payable-trade	2,436	37,821
Other, net	(13,216)	7,529
Subtotal	173,864	257,798
Interest and dividends income received	1,409	1,749
Interest expenses paid	(1,003)	(887)
Income taxes paid	(16,331)	(123,925)
Net cash provided by (used in) operating activities	157,939	134,735
II Net cash provided by (used in) investing activities		
Net decrease (increase) in time deposits	(443)	(2,112)
Purchase of short-term investment securities	(5,889)	(9,624)
Proceeds from sales of short-term investment securities	10,966	9,766
Purchase of non-current assets	(39,586)	(55,654)
Proceeds from sales of non-current assets	681	332
Purchase of investment securities	(15,644)	(21,525)
Proceeds from sales of investment securities	9,753	13,418
Payments of loans receivable	(30,869)	(49,606)
Collection of loans receivable	33,248	51,696
Other, net	(342)	(353)
Net cash provided by (used in) investing activities	(38,125)	(63,662)
III Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(13,088)	(12,233)
Proceeds from long-term loans payable	2,652	1,850
Repayment of long-term loans payable	(5,292)	(22,038)
Redemption of bonds	(5)	(4,005)
Cash dividends paid	(7,786)	(25,721)
Other, net	(733)	(548)
Net cash provided by (used in) financing activities	(24,252)	(62,695)

IV Effect of exchange rate change on cash and cash Equivalents	5,884	9,549
V Net increase (decrease) in cash and cash equivalents	101,446	17,927
VI Cash and cash equivalents at beginning of period	328,947	557,870
VII Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	122	—
VIII Cash and cash equivalents at end of period	430,515	575,797

(4) Note to Quarterly Consolidated Financial Statements

(Notes on Premise of Going Concern)

FY2015 (April 1, 2014 to September 30, 2014)

Not Applicable

(Notes on Significant Changes in the Amount of Shareholders' Equity)

FY2015 (April 1, 2014 to September 30, 2014)

Not Applicable

(Segment Information)

Information on sales and income(loss) by business segment reported

2nd Quarter of FY 2014 (April 1, 2013 to September 30, 2013)

(Unit: Millions of yen)

	Business segment reported				Other *1	Total	Adjustment *2	Consolidated Statement of income *3
	Automobiles	Aerospace	Industrial products	Sub- Total				
Net sales								
(1) Outside customers	1,052,692	53,536	15,685	1,121,913	3,725	1,125,638	—	1,125,638
(2) Inter-segment	1,630	—	303	1,933	6,476	8,409	(8,409)	—
Total sales	1,054,322	53,536	15,988	1,123,846	10,201	1,134,047	(8,409)	1,125,638
Operating income(loss)	142,272	6,894	166	149,332	1,126	150,458	244	150,702

Note: *1. Other means the category which is not included into any business segment reported. It consists of real estate lease, etc.

*2. Adjustment of segment income refers to elimination of intersegment transaction.

*3. Operating income for segment is adjusted on operating income on the quarterly consolidated statements of income.

2nd Quarter of FY 2015 (April 1, 2014 to September 30, 2014)

(Unit: Millions of yen)

	Business segment reported				Other *1	Total	Adjustment *2	Consolidated Statement of income *3
	Automobiles	Aerospace	Industrial products	Sub- Total				
Net sales								
(1) Outside customers	1,228,033	63,848	14,751	1,306,632	3,604	1,310,236	—	1,310,236
(2) Inter-segment	1,941	—	129	2,070	7,684	9,754	(9,754)	—
Total sales	1,229,974	63,848	14,880	1,308,702	11,288	1,319,990	(9,754)	1,310,236
Operating income	178,495	5,911	129	184,535	875	185,410	252	185,662

Note: *1. Other means the category which is not included into any business segment reported. It consists of real estate lease, etc.

*2. Adjustment of segment income refers to elimination of intersegment transaction.

*3. Operating income for segment is adjusted on operating income on the quarterly consolidated statements of income.

(Significant Subsequent Event)

Not Applicable

< Reference for the 1st Half of FYE2015 Consolidated Financial Results >

(Yen in 100 Millions, Units in Thousands)

	RESULTS		RESULTS		RESULTS	FORECASTS			PREVIOUS FORECASTS	
	FYE2014 1H 2013. 4-9	FYE2015 1st Half 2014.4.1-9.30		FYE2014 '13.4-'14.3		FYE2015 Full Year 2014.4.1-2015.3.31		FYE2015 '14.4-'15.3		
		Change	%			Change	%			
Net sales	11,256	13,102	1,846	16.4	24,081	27,800	3,719	15.4	27,200	
Japan	3,306	2,928	(378)	(11.4)	6,721	6,582	(138)	(2.1)	7,032	
Overseas	7,951	10,174	2,224	28.0	17,361	21,218	3,857	22.2	20,168	
Operating income	1,507	1,857	350	23.2	3,265	3,820	555	17.0	3,400	
Profit margin (%)	13.4	14.2			13.6	13.7			12.5	
Ordinary income	1,462	1,760	297	20.3	3,144	3,700	556	17.7	3,300	
Profit margin (%)	13.0	13.4			13.1	13.3			12.1	
Net income	998	1,130	132	13.2	2,066	2,410	344	16.6	2,150	
Profit margin (%)	8.9	8.6			8.6	8.7			7.9	
Change Factors in Operating income			Improvements on model mix, etc	452			Improvements on model mix, etc	855		
			Gain on currency exchange	215			Gain on currency exchange	412		
			Cost reduction effort, etc	50			Cost reduction effort, etc	109		
			Increase in SG&A exp, etc	(302)			Increase in SG&A exp, etc	(582)		
			Increase in R&D exp	(65)			Increase in R&D exp	(239)		
Exchange rates	JPY/US\$ JPY/EUR	98/US\$ 129/EUR	102/US\$ 139/EUR		100/US\$ 133/EUR	104/US\$ 137/EUR		100/US\$ 135/EUR		
Capital expenditures		273	597		685	1,200		1,200		
Depreciation and amortization		260	277		549	660		660		
R&D expenses		299	363		601	840		740		
Interest bearing debts		2,918	2,322		2,697	2,200		2,400		
Performance description			- Net sales and all profits increased for 3rd straight yr. - 1st-half record unit sales, net sales and all profits			- Net sales and all profits to increase for 3rd straight yr. - Full-year record unit sales, net sales and all profits				
Unit sales (Japan)		87	72	(16)	(18.1)	182	167	(15)	(8.3)	195
Passenger Cars		62	56	(5)	(8.6)	126	126	0	(0.3)	144
Minicars		26	15	(11)	(41.1)	55	41	(15)	(26.5)	51
Unit sales (Overseas)		305	360	55	17.9	643	743	99	15.4	721
North America		228	272	44	19.5	478	554	76	15.9	531
Europe		22	24	2	9.4	47	55	8	16.1	60
China		19	29	10	51.5	45	60	15	33.9	57
Other		37	35	(1)	(4.0)	74	74	1	0.7	74
Unit sales total		393	432	39	9.9	825	909	84	10.2	916
Production units total		390	436	46	11.7	813	914	101	12.4	910
Japan		310	344	34	10.9	650	705	55	8.4	702
U.S.		80	92	12	14.6	164	209	46	28.1	209
Net sales by business segment		Automobile 10,527 Aerospace 535 Industrial Products 157 Other 37	12,280 638 148 36	1,753 103 (9) (1)	16.7 19.3 (6.0) (3.2)	22,466 1,244 298 73				
Operating income by business segment		Automobile 1,423 Aerospace 69 Industrial Products 2 Other 11 Elimination & Corporate 2	1,785 59 1 9	362 (10) (0) (3) 0	25.5 (14.3) (22.3) (22.3) 3.3	3,090 141 6 21 6				

* Exchange Rates are the rates used for FHI's non-consolidated sales recording.

* Unit Sales include retail sales of Japanese consolidated dealers, wholesale sales of overseas consolidated distributors, and deliveries from FHI to non-consolidated distributors/dealers.

* Production in Japan includes production of the 86/FR-S models for Toyota.

< Forward-looking statements in this document are based on the information available at the time of the announcement and are subject to various risks and uncertainties that could cause actual results to vary materially. >

FHI Announces First Half Financial Results for FYE2015

Tokyo, October 31, 2014 - Fuji Heavy Industries Ltd. (FHI), the manufacturer of Subaru automobiles, today announced its consolidated financial results for the first half of fiscal year ending March 31, 2015.

< FYE2015 1st Half Results: Consolidated Net Sales >

Subaru's Japan sales fell 18.1% from a year ago to 72,000 units due to the prolonged effects of the consumption tax hike, posting a decrease in both passenger car and mini car sales. Overseas sales rose 17.9% to 360,000 units, driven by continued high demand for the Forester together with strong sales of the WRX series as well as the all-new Legacy and Outback that were launched in North America ahead of other markets in the world. In total, Subaru's global sales increased 9.9% to 432,000 units.

FHI's consolidated net sales rose 16.4% to 1310.2 billion yen due to unit sales growth, foreign exchange gains and other factors.

< FYE2015 1st Half Results: Consolidated Profit and Loss >

As increases in SG&A and R&D expenses were covered by unit sales growth, exchange rate gains, cost reduction progress and other factors, operating income rose 23.2% to 185.7 billion yen while ordinary income grew 20.3% to 176 billion yen and net income increased 13.2% to 113 billion yen.

Global unit sales, overseas unit sales, net sales and all profit figures posted all-time records for the first half period.^(*)

< FYE2015 Full-Year Forecasts >

Full-year projections are revised upward to net sales at 2,780 billion yen, operating income at 382 billion yen, ordinary income at 370 billion yen and net income at 241 billion yen. While there are changes from the previous projections to be incorporated such as an increase in R&D spending to enhance product competitiveness for the company's sustainable growth as well as a decrease in unit sales mainly in Japan, those factors are projected to be covered by revised currency rate assumptions, SG&A reduction efforts, further progress on cost reduction, and so on.

Global unit sales, overseas unit sales, net sales and all profit figures are projected to reach all-time highs in FHI history.^(*)

Currency rate assumptions: 104 yen/US\$, 137 yen/euro

Based on the consolidated financial results for the first half and consolidated financial forecasts for the full year, FHI will raise the interim and year-end dividends from the previous projection each by 3 yen to 31 yen per share. Accordingly, the annual dividend for FYE2015 will be 62 yen per share, an increase of 6 yen from the previous year.

< Previous Forecasts for FYE2015 (Announced on July 31, 2014) >

Net sales: 2,720 billion yen

Operating income: 340 billion yen

Ordinary income: 330 billion yen

Net income: 215 billion yen

Currency rate assumptions: 100 yen/US\$, 135 yen/euro

*1: Since fiscal year ended March 2001 - the year FHI started half-year consolidated financial reporting

*2: Since fiscal year ended March 1986 - the year FHI started full-year consolidated financial reporting

Forward-looking statements in this document including financial and other forecasts are based on the information available at the time of the announcement and are subject to various risks and uncertainties that could cause actual results to vary materially.

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