

Consolidated Financial Results

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



February 4, 2015

Company Name : **Fuji Heavy Industries Ltd.** (Tokyo Stock Exchange First Section, Code No.: 7270)
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 Scheduled date of submitting Quarterly Report : February 9, 2015
 Scheduled date for dividend payment : -
 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 Third Quarter of Fiscal Year 2015 (April 1, 2014 to December 31, 2014)

(1) Consolidated Results of Operations (for nine-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	
3rd Quarter of FY2015	2,060,724	20.6%	310,150	32.9%	288,360	30.2%	190,351	4.9%
3rd Quarter of FY2014	1,708,522	24.6%	233,353	218.1%	221,424	249.1%	181,540	241.7%

Note: Comprehensive income 3rd Quarter of FY2015: 242,046 million yen (27.8%) 3rd Quarter of FY2014: 189,461 million yen (192.6%)

	Net income per share, basic (Yen)	Net income per share, diluted (Yen)
3rd Quarter of FY2015	243.92	—
3rd Quarter of FY2014	232.62	—

(2) Consolidated Financial Position (Unit: Millions of yen, except for per share figures)

	Total assets	Net assets	Shareholders' equity to total assets (%)
3rd Quarter of FY2015	2,067,358	963,248	46.2%
FY2014	1,888,363	770,071	40.5%

Reference: Shareholders' equity As of December 31, 2014: 955,438 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 third quarter of the fiscal year ending March 31, 2015: No

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	2,850,000	18.3%	410,000	25.6%	392,000	24.7%	253,000	22.4%	324.20

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

4. Others

- (1) Changes of significant subsidiaries in the third 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 December 31,2014: | 782,865,873 shares | As of March 31,2014: | 782,865,873 shares |
| [2] Number of treasury stock | As of December 31,2014: | 2,482,121 shares | As of March 31,2014: | 2,477,430 shares |
| [3] Average number of shares (for nine-month period) | 3rd Quarter of FY2015: | 780,386,582 shares | 3rd Quarter of FY2014: | 780,405,768 shares |

*The status of the implementation of the third quarterly review

The third 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 third quarter of the current fiscal year increased ¥352.2 billion (20.6%) from the same period of the previous fiscal year to ¥2,060.7 billion mainly due to higher automobile unit sales and higher sales revenues owing to foreign exchange rate fluctuations.

Regarding the profit, operating income increased ¥76.8 billion (32.9%) from the same period of the previous fiscal year to ¥310.2 billion and ordinary income increased ¥66.9 billion (30.2%) from the same period of the previous fiscal year to ¥288.4 billion, reflecting the higher sales. Net income for the period increased ¥8.8 billion (4.9%) from the same period of the previous fiscal year to ¥190.4 billion.

[Results by Business Segment]

Results for the current consolidated third quarter period by business segment are as described below.

[1] Automobile Division

In Japan, unit sales of Subaru passenger cars decreased 3 thousand (3.9%) units compared with the same period of the previous fiscal year to 84 thousand units, while unit sales of minicars decreased 15 thousand (39.6%) units compared with the same period of the previous fiscal year to 22 thousand units, and total unit sales decreased 18 thousand (14.5%) units compared with the same period of the previous fiscal year to 106 thousand units, although contributions to unit sales came from the Levorg launched in June, due to 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.

Overseas total unit sales increased 88 thousand (18.8%) units compared with the same period of the previous fiscal to 558 thousand units. In addition to favorable conditions surrounding sales of the Forester as well as the all-new Legacy and Outback in North America, the key market of FHI, contributions to higher unit sales came from the all-new WRX.

By region, sales in North America increased 77 thousand (21.8%) units from the same period of the previous fiscal year to 431 thousand units, sales in Europe including Russia increased 1 thousand (2.2%) units from the same period of the previous fiscal year to 34 thousand units, sales in Australia decreased 1 thousand (4.8%) units from the same period of the previous fiscal year to 28 thousand units, sales in China increased 11 thousand (37.7%) units from the same period of the previous fiscal year to 41 thousand units, and sales in other regions increased 1 thousand (3.1%) units from the same period of the previous fiscal year to 25 thousand units.

As a result, combined unit sales in Japan and overseas markets amounted to 664 thousand units, an increase of 70 thousand (11.8%) units from the same period of previous fiscal year.

Affected also by currency fluctuations, overall net sales increased ¥340.7 billion (21.3%) from the same period of the previous fiscal year to ¥1,937.0 billion, and segment income increased ¥77.0 billion (35.0%) from the same period of the previous fiscal year to ¥297.3 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 due to the decrease of development work on the test model of large aircraft and 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 thanks to increased deliveries of Boeing 787 aircraft and effects from foreign exchange rate fluctuations.

As a result, overall net sales increased ¥13.3 billion (15.8%) compared with the same period of the previous fiscal year to ¥98.0 billion. Segment income remained almost unchanged from the same period of the previous fiscal year at ¥10.6 billion.

[3] Industrial Products Division

Net sales decreased ¥1.8 billion (7.9%) compared with the same period of the previous fiscal year to ¥20.3 billion as increased sales of general-purpose engines for markets in Asia and Middle-East and pumps for overseas markets could not offset a decline in sales of engines for leisure equipment to North America.

Segment income decreased ¥0.1 billion (46.4%) compared with the same period of the previous fiscal year to ¥0.1 billion.

[4] Other Businesses

Net sales decreased ¥0.1 billion (2.0%) compared with the same period of the previous fiscal year to ¥5.5 billion. Segment income decreased ¥0.2 billion (9.5%) compared with the same period of the previous fiscal year to ¥1.7 billion.

(2) Explanation about Financial Position

[1] Assets, Liabilities, and Net Assets

Total assets at the end of the third quarter of the current fiscal year were ¥2,067.4 billion, an increase of ¥179.0 billion from the end of the previous fiscal year. Main factors included a ¥21.1 billion increase in combined funds on hand comprised of cash, deposits, and short-term investment securities, a ¥55.4 billion increase in merchandise and finished goods, and a ¥46.8 billion increase in property, plant, and equipment.

Total liabilities decreased ¥14.2 billion compared with the end of the previous fiscal year to ¥1,104.1 billion. Main factors included a ¥34.4 billion increase in trade accounts payable comprised of notes and accounts payable-trade and electronically recorded obligations, a ¥9.9 billion decrease in short-term loans payable, and a ¥82.6 billion decrease in income taxes payable.

Net assets increased ¥193.2 billion compared with the end of the previous fiscal year to ¥963.2 billion. Main factors included a ¥141.8 billion increase in retained earnings from net income recognized for the period.

[2] Cash Flows

Cash and cash equivalents at the end of the third quarter of the current fiscal year (hereinafter “Cash”) totaled ¥552.4 billion.

(Net cash provided by operating activities)

Net cash provided by operating activities was ¥177.3 billion (net cash provided in the same consolidated cumulative period of the previous fiscal year was ¥221.5 billion). Main factors included ¥286.7 billion in income before income taxes and minority interests, a ¥49.7 billion decrease in notes and accounts receivable-trade, a ¥42.3 billion increase in inventories, a ¥29.4 billion increase in notes and accounts payable-trade, and ¥182.5 billion in income taxes paid.

(Net cash used in investment activities)

Net cash used in investing activities was ¥116.5 billion (net cash used in the same consolidated cumulative period of the previous fiscal year was ¥12.1 billion). Main factors included ¥81.1 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 ¥93.5 billion (net cash used in the same consolidated cumulative period of the previous fiscal year was ¥54.7 billion). Main factors included a ¥9.9 billion decrease in short-term loans payable, ¥29.0 billion in repayment of long-term loans payable (net basis against proceeds from long-term loans payable), and ¥49.8 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 October 31, 2014, as stated below, in consideration of factors such as the effects expected from foreign exchange rate fluctuations.

Projections of full-year consolidated business results of the current fiscal year are based on assumed foreign exchange rates of ¥108/US\$ (previously ¥104/US\$) and ¥140/EUR (previously ¥137/EUR). Exchange rate assumptions for the fourth quarter of the current fiscal year are ¥116/US\$ and ¥139/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 2,780,000	¥ million 382,000	¥ million 370,000	¥ million 241,000	Yen 308.82
Revised projection (B)	2,850,000	410,000	392,000	253,000	324.20
Change in amount (B-A)	70,000	28,000	22,000	12,000	—
Percentage change (%)	2.5	7.3	5.9	5.0	—
(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)	3rd Quarter of FY2015 (as of December 31, 2014)
ASSETS		
I Current assets		
Cash and deposits	351,125	278,138
Notes and accounts receivable-trade	181,646	132,846
Lease investment assets	23,633	23,636
Short-term investment securities	233,766	327,863
Merchandise and finished goods	159,536	214,972
Work in process	51,659	53,091
Raw materials and supplies	33,008	42,361
Deferred tax assets	64,214	76,893
Short-term loans receivable	122,681	137,840
Other	53,375	72,438
Allowance for doubtful accounts	(862)	(1,239)
Total current assets	1,273,781	1,358,839
II Noncurrent assets		
1. Property, plant and equipment		
Buildings and structures, net	114,810	127,492
Machinery, equipment and vehicles, net	113,519	133,805
Land	175,808	176,600
Vehicles and equipment on operating leases, net	11,512	8,316
Construction in progress	24,116	19,885
Other, net	21,048	41,483
Total property, plant and equipment	460,813	507,581
2. Intangible assets		
Other	14,712	15,589
Total intangible assets	14,712	15,589
3. Investments and other assets		
Investment securities	76,788	106,169
Net defined benefit asset	1,222	2,555
Deferred tax assets	18,332	16,170
Other	76,312	93,548
Allowance for doubtful accounts	(33,597)	(33,093)
Total investments and other assets	139,057	185,349
Total noncurrent assets	614,582	708,519
Total assets	1,888,363	2,067,358

(Unit: Millions of yen)

	FY2014 (as of March 31, 2014)	3rd Quarter of FY2015 (as of December 31, 2014)
LIABILITIES		
I Current liabilities		
Notes and accounts payable-trade	279,926	305,625
Electronically recorded obligations-operating	67,637	76,384
Short-term loans payable	59,193	49,312
Current portion of long-term loans payable	42,557	35,334
Current portion of bonds	4,060	55
Income taxes payable	110,426	27,814
Accrued expenses	91,921	102,085
Provision for bonuses	20,446	9,692
Provision for product warranties	39,494	49,856
Provision for loss on construction contracts	1,032	7
Provision for loss on transfer of business	2,128	1,866
Other	114,088	148,501
Total current liabilities	832,908	806,531
II Noncurrent liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	153,844	132,096
Deferred tax liabilities	9,827	11,386
Provision for directors' retirement benefits	504	377
Net defined benefit liability	22,852	21,924
Other	88,357	121,796
Total noncurrent liabilities	285,384	297,579
Total liabilities	1,118,292	1,104,110
NET ASSETS		
I Shareholders' equity		
Capital stock	153,795	153,795
Capital surplus	160,071	160,071
Retained earnings	483,910	625,676
Treasury stock	(1,395)	(1,412)
Total shareholders' equity	796,381	938,130
II Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,629	16,276
Foreign currency translation adjustment	(26,661)	13,955
Remeasurements of defined benefit plans	(13,886)	(11,848)
Remeasurements of other postretirement benefits of foreign consolidated subsidiaries	(919)	(1,075)
Total accumulated other comprehensive income	(30,837)	17,308
Minority interests	4,527	7,810
Total net assets	770,071	963,248
Total liabilities and net assets	1,888,363	2,067,358

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

(Unit: Millions of yen)

	FY2014 (April 1, 2013 to December 31, 2013)	FY2015 (April 1, 2014 to December 31, 2014)
I Net sales	1,708,522	2,060,724
II Cost of sales	1,227,547	1,449,456
Gross profit	480,975	611,268
III Selling, general and administrative expenses	247,622	301,118
Operating income	233,353	310,150
IV Non-operating income		
Interest income	1,222	1,651
Dividends income	842	1,310
Equity in earnings of affiliates	236	238
Real estate rent	401	399
Other	1,050	2,617
Total non-operating income	3,751	6,215
V Non-operating expenses		
Interest expenses	2,008	2,179
Foreign exchange losses	9,208	7,762
Loss on valuation of derivatives	1,558	15,201
Other	2,906	2,863
Total non-operating expenses	15,680	28,005
Ordinary income	221,424	288,360
VI Extraordinary income		
Gain on sales of noncurrent assets	200	618
Gain on sales of investment securities	47,248	938
Other	166	409
Total extraordinary income	47,614	1,965
VII Extraordinary loss		
Loss on sales and retirement of noncurrent assets	1,660	2,775
Other	278	885
Total extraordinary losses	1,938	3,660
Income before income taxes and minority interests	267,100	286,665
Total Income taxes	85,438	93,034
Income before minority interests	181,662	193,631
Minority interests in income	122	3,280
Net income	181,540	190,351

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

(Unit: Millions of yen)

	FY2014 (April 1, 2013 to December 31, 2013)	FY2015 (April 1, 2014 to December 31, 2014)
Income before minority interests	181,662	193,631
Other comprehensive income		
Valuation difference on available-for-sale securities	(15,916)	5,647
Foreign currency translation adjustment	23,620	40,858
Remeasurements of defined benefit plans	-	2,038
Remeasurements of other postretirement benefits of foreign consolidated subsidiaries	-	(156)
Share of other comprehensive income of associates accounted for using equity method	95	28
Total other comprehensive income	<u>7,799</u>	<u>48,415</u>
Comprehensive income	<u>189,461</u>	<u>242,046</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	189,359	238,496
Comprehensive income attributable to minority interests	102	3,550

(3) Quarterly Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	FY2014 (April 1, 2013 to December 31, 2013)	FY2015 (April 1, 2014 to December 31, 2014)
I Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	267,100	286,665
Depreciation and amortization	44,601	50,026
Increase (decrease) in allowance for doubtful accounts	(45)	(127)
Interest and dividends income	(2,064)	(2,961)
Interest expenses	2,008	2,179
Loss (gain) on sales and retirement of noncurrent assets	1,460	2,157
Loss (gain) on sales and valuation of investment securities	(47,117)	(875)
Decrease (increase) in operating loans receivable	(17,117)	(14,295)
Decrease (increase) in notes and accounts receivable-trade	20,658	49,708
Decrease (increase) in inventories	(9,040)	(42,285)
Increase (decrease) in notes and accounts payable-trade	(4,224)	29,374
Other, net	(10,534)	(1,457)
Subtotal	245,686	358,109
Interest and dividends income received	2,071	3,200
Interest expenses paid	(1,883)	(1,553)
Income taxes paid	(24,387)	(182,461)
Net cash provided by (used in) operating activities	221,487	177,295
II Net cash provided by (used in) investing activities		
Net decrease (increase) in time deposits	(3,813)	(12,143)
Purchase of short-term investment securities	(9,765)	(21,794)
Proceeds from sales of short-term investment securities	15,036	14,414
Purchase of non-current assets	(56,205)	(82,641)
Proceeds from sales of non-current assets	762	1,563
Purchase of investment securities	(20,215)	(37,075)
Proceeds from sales of investment securities	60,676	22,265
Payments of loans receivable	(58,793)	(77,532)
Collection of loans receivable	60,568	78,556
Other, net	(385)	(2,137)
Net cash provided by (used in) investing activities	(12,134)	(116,524)
III Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(18,657)	(9,898)
Proceeds from long-term loans payable	3,295	4,750
Repayment of long-term loans payable	(16,195)	(33,736)
Redemption of bonds	(5)	(4,005)
Cash dividends paid	(23,580)	(49,809)
Proceeds from stock issuance to minority shareholders	1,280	-
Other, net	(858)	(834)
Net cash provided by (used in) financing activities	(54,720)	(93,532)

	FY2014 (April 1, 2013 to December 31, 2013)	FY2015 (April 1, 2014 to December 31, 2014)
IV Effect of exchange rate change on cash and cash Equivalents	14,454	27,330
V Net increase (decrease) in cash and cash equivalents	169,087	(5,431)
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	498,156	552,439

(4) Note to Quarterly Consolidated Financial Statements

(Notes on Premise of Going Concern)

FY2015 (April 1, 2014 to December 31, 2014)

Not Applicable

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

FY2015 (April 1, 2014 to December 31, 2014)

Not Applicable

(Segment Information)

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

3rd Quarter of FY 2014 (April 1, 2013 to December 31, 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	1,596,232	84,611	22,044	1,702,887	5,635	1,708,522	—	1,708,522
(2) Inter-segment	2,318	—	409	2,727	9,952	12,679	(12,679)	—
Total sales	1,598,550	84,611	22,453	1,705,614	15,587	1,721,201	(12,679)	1,708,522
Operating income	220,290	10,624	192	231,106	1,832	232,938	415	233,353

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.

3rd Quarter of FY 2015 (April 1, 2014 to December 31, 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	1,936,958	97,953	20,293	2,055,204	5,520	2,060,724	—	2,060,724
(2) Inter-segment	3,036	—	168	3,204	11,498	14,702	(14,702)	—
Total sales	1,939,994	97,953	20,461	2,058,408	17,018	2,075,426	(14,702)	2,060,724
Operating income	297,295	10,638	103	308,036	1,658	309,694	456	310,150

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)

(Regarding Court Ruling in Connection with Lawsuit)

In connection with the lawsuit brought before the Tokyo High Court by Fuji Heavy Industries Ltd. (the "Company") concerning claims of initial investment fees related to the AH-64D combat helicopter for the Japan Ministry of Defense, the appeal court ruling was delivered on January 29, 2015. Summary of the ruling, background up to the court ruling and further outlook are as follows.

1. Ruling court and date of the ruling

- (1) Court: Tokyo High Court
- (2) Date: January 29, 2015

2. Background up to the court ruling

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 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.

3. Summary of the ruling

- (1) The appellee (the Government of Japan) shall pay ¥35,124 million as well as money accruing therefrom at an annual interest rate of 5 % during a period starting from August 7, 2008 up to a date when the payment will be completed.
- (2) Litigation expenses of the first instance and the second instance shall be borne by the appellee.
- (3) The Paragraph (1) in this ruling can be provisionally executed from the date 14 days after the service of this ruling to the appellee.

4. Further outlook

The above ruling upholds in almost all respects the claims of FHI.

Notably, any effects of the ruling on the business results of FHI are currently indeterminate.

< Reference for the First Nine Months of FY2015 Consolidated Financial Results >

(Yen in 100 Millions, Units in Thousands)

	RESULTS		RESULTS			RESULTS		FORECASTS			PREVIOUS FORECASTS FYE2015 Full Year '14.4-'15.3	
	FYE2014 First 9 Months 2013. 4-12		FYE2015 First 9 Months 2014. 4-12			FYE2014 Full Year '13.4-'14.3		FYE2015 Full Year 2014. 4 – 2015. 3				
			Change	%				Change	%			
Net sales	17,085	20,607	3,522	20.6		24,081	28,500	4,419	18.3		27,800	
Japan	4,788	4,419	(369)	(7.7)		6,721	6,483	(237)	(3.5)		6,582	
Overseas	12,297	16,189	3,891	31.6		17,361	22,017	4,656	26.8		21,218	
Operating income	2,334	3,102	768	32.9		3,265	4,100	835	25.6		3,820	
Profit margin (%)	13.7	15.1				13.6	14.4				13.7	
Ordinary income	2,214	2,884	669	30.2		3,144	3,920	776	24.7		3,700	
Profit margin (%)	13.0	14.0				13.1	13.8				13.3	
Net income	1,815	1,904	88	4.9		2,066	2,530	464	22.4		2,410	
Profit margin (%)	10.6	9.2				8.6	8.9				8.7	
Change Factors in Operating income			Improvements on unit sales volume/mix, etc	646				Gain on currency exchange	940			
Gain on currency exchange			621		Improvements on unit sales volume/mix, etc			585				
Cost reduction effort, etc			84		Cost reduction effort, etc			117				
Increase in SG&A exp, etc			(469)		Increase in SG&A exp, etc			(568)				
Increase in R&D exp			(114)		Increase in R&D exp			(239)				
Exchange rates	JPY/US\$ 98/US\$	105/US\$	100/US\$	108/US\$		104/US\$	JPY/EUR 131/EUR	140/EUR	137/EUR			
Capital expenditures	412	828	685	1,200		1,200						
Depreciation and amortization	394	445	549	660		660						
R&D expenses	433	549	601	840		840						
Interest bearing debts	2,760	2,268	2,697	2,200		2,200						
Performance description			- Net sales and all profits increased for 3rd straight yr.					- Net sales and all profits to increase for 3rd straight yr.				
- Record nine-month unit sales, net sales and profits.			- Record full-year unit sales, net sales and profits.									
Unit sales (Japan)	124	106	(18)	(14.5)		182	161	(20)	(11.2)		167	
Passenger Cars	87	84	(3)	(3.9)		126	124	(2)	(1.5)		126	
Minicars	37	22	(15)	(39.6)		55	37	(18)	(33.4)		41	
Unit sales (Overseas)	470	558	88	18.8		643	745	101	15.7		743	
North America	354	431	77	21.8		478	569	92	19.2		554	
Europe	33	34	1	2.2		47	46	(1)	(1.5)		55	
China	30	41	11	37.7		45	54	9	20.1		60	
Other	53	53	(1)	(1.3)		74	75	1	1.8		74	
Unit sales total	593	664	70	11.8		825	906	81	9.8		909	
Production units total	602	677	75	12.5		813	913	99	12.2		914	
Japan	482	528	46	9.5		650	706	56	8.7		705	
U.S.	120	149	30	24.7		164	206	43	26.2		209	
Net sales by business segment	Automobile 15,962	19,370	3,407	21.3		22,466						
Aerospace	846	980	133	15.8		1,244						
Industrial Products	220	203	(18)	(7.9)		298						
Other	56	55	(1)	(2.0)		73						
Operating income by business segment	Automobile 2,203	2,973	770	35.0		3,090						
Aerospace	106	106	0	0.1		141						
Industrial Products	2	1	(1)	(46.4)		6						
Other	18	17	(2)	(9.5)		21						
Elimination & Corporate	4	5	0	9.9		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 Consolidated Financial Results for Nine Months of FYE2015

Tokyo, February 4, 2015 - Fuji Heavy Industries Ltd. (FHI), the manufacturer of Subaru automobiles, today announced its consolidated financial results for the first nine months of the fiscal year ending March 31, 2015.

< April-December 2014 Results: Consolidated Net Sales >

Subaru's consolidated global unit sales for the nine-month period totaled 664,000 units, an increase of 11.8% over the same period of the previous fiscal year. While sales of new models including the newly-introduced Levorg wagon and the new-generation WRX series were strong, consolidated unit sales in Japan fell 14.5% to 106,000 units in part due to the consumption tax hike, posting a decrease in sales of both mini vehicles and passenger cars. Consolidated overseas unit sales grew 18.8% to 558,000 units, driven by continued high demand for the Forester together with strong sales of new models including the all-new Legacy and Outback as well as the new-generation WRX series.

FHI's consolidated net sales rose 20.6% to 2,060.7 billion yen due to unit sales growth, foreign exchange gains and other factors.

< April-December 2014 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 32.9% to 310.2 billion yen while ordinary income grew 30.2% to 288.4 billion yen and net income increased 4.9% to 190.4 billion yen.

Global unit sales, overseas unit sales, net sales and all profit figures posted all-time records for the nine-month period.^{*1}

< FYE2015 Full-Year Forecasts >

Full-year projections are revised upward to net sales of 2,850 billion yen, operating income of 410 billion yen, ordinary income of 392 billion yen and net income of 253 billion yen, to reflect the revision of exchange rate assumptions and other factors.

Global unit sales, overseas unit sales, net sales and all profit figures are projected to reach all-time highs in FHI history.^{*2}

Currency rate assumptions: 108 yen/US\$, 140 yen/euro

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

Net sales: 2,780 billion yen

Operating income: 382 billion yen

Ordinary income: 370 billion yen

Net income: 241 billion yen

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

*1: Since fiscal year ended March 2004 - the year FHI started quarterly 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.