

# Consolidated Financial Results

## For the First Quarter of the Fiscal Year Ending March 31, 2017 (Japan GAAP)



August 3, 2016

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 Scheduled date of submitting Quarterly Report : August 5, 2016  
 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 First Quarter of Fiscal Year 2017 (April 1, 2016 to June 30, 2016)

#### (1) Consolidated Results of Operations(for three-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 attributable to owners of parent	
1st Quarter of FY2017	769,378	0.5%	101,540	(24.3)%	118,795	(8.7)%	78,866	(6.3)%
1st Quarter of FY2016	765,266	29.0%	134,210	70.5%	130,053	61.4%	84,184	61.1%

Note: Comprehensive income 1st Quarter of FY2017: 46,105 million yen (Minus51.4%) 1st Quarter of FY2016: 94,934 million yen (75.9%)

	Net income per share, basic (Yen)	Net income per share, diluted (Yen)
1st Quarter of FY2017	101.06	—
1st Quarter of FY2016	107.88	—

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

	Total assets	Net assets	Shareholders' equity to total assets (%)
1st Quarter of FY2017	2,524,411	1,339,192	52.8%
FY2016	2,592,410	1,349,411	51.8%

Reference: Shareholders' equity As of June 30, 2016: 1,333,784 million yen As of March 31, 2016: 1,343,732 million yen

### 2. Dividends

	Cash dividends per share (yen)				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual
FY 2016	—	72.00	—	72.00	144.00
FY 2017	—				
FY 2016 (Forecast)		72.00	—	72.00	144.00

Note: Revision of the forecasts in the first quarter of the fiscal year ending March 31, 2017: No

### 3. Projection of Consolidated Results for Fiscal Year 2017 (April 1, 2016 to March 31, 2017)

(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 attributable to owners of parent		Net income per share, basic(Yen)	
1st half	1,553,500	(3.0)%	204,000	(28.4)%	214,000	(24.9)%	148,000	(23.4)%	189.65	
Full year	3,190,000	(1.3)	400,000	(29.3)	410,000	(28.9)	285,000	(34.7)	365.21	

Note: Revision of the forecasts at the timing of announcement of the results of first quarter of the fiscal year ending March 31, 2017: Yes

#### 4. Others

- (1) Changes of significant subsidiaries in the first quarter of fiscal year 2017 : No
- (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 June 30,2016:	782,865,873 shares	As of March 31,2016:	782,865,873 shares
[2] Number of treasury stock	As of June 30,2016:	2,488,095 shares	As of March 31,2016:	2,487,843 shares
[3] Average number of shares (for three-month period)	1st Quarter of FY2017:	780,377,869 shares	1st Quarter of FY2016:	780,381,967 shares

\*The status of the implementation of the first quarterly review

The first 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 5.

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# 1. Qualitative Information on Quarterly Financial Results

## (1) Explanation about Operating Performance

Consolidated net sales for the first quarter of the current fiscal year increased ¥4.1 billion (0.5%) from the same period of the previous fiscal year to ¥769.4 billion mainly due to higher automobile unit sales despite a decrease in sales revenues owing to foreign exchange rate fluctuations.

Regarding the profit, operating income decreased ¥32.7 billion (24.3%) from the same period of the previous fiscal year to ¥101.5 billion, as the effects of foreign exchange rate fluctuations plus increases in miscellaneous expenditure, mainly for quality-related expenses attributable to airbag inflators, and experimentation and research expenses, despite higher automobile unit sales and progress with reduction in costs. Ordinary income decreased ¥11.3 billion (8.7%) from the same period of the previous fiscal year to ¥118.8 billion. Net income attributable to owners of the parent decreased ¥5.3 billion (6.3%) from the same period of the previous fiscal year to ¥78.9 billion.

(In Japanese yen in million except for profit ratio and change from the previous period)

	Net Sales	Operating Income	Ordinary Income	Quarterly Net Income Attributable to Owners of the Parent	Foreign Exchange Rate
1 <sup>st</sup> Quarter of FYE 2017 Profit Margin	769,378	101,540 13.2%	118,795 15.4%	78,866 10.3%	¥111/US\$ ¥124/EUR
1 <sup>st</sup> Quarter of FYE 2016 Profit Margin	765,266	134,210 17.5%	130,053 17.0%	84,184 11.0%	¥120/US\$ ¥132/EUR
Change	4,112	(32,670)	(11,258)	(5,318)	
Percentage change	0.5%	(24.3) %	(8.7) %	(6.3) %	

### [Results by Business Segment]

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

(In Japanese yen in million and percentage change from the previous period)

	Net Sales				Segment Income (loss)			
	1 <sup>st</sup> Quarter of FYE 2016	1 <sup>st</sup> Quarter of FYE 2017	Change	Percentage change	1 <sup>st</sup> Quarter of FYE 2016	1 <sup>st</sup> Quarter of FYE 2017	Change	Percentage change
Automobile Div.	718,841	724,474	5,633	0.8%	128,782	99,319	(29,463)	(22.9) %
Aerospace Div.	35,774	35,217	(557)	(1.6) %	4,384	1,676	(2,708)	(61.8) %
Ind. Prod. Div.	8,965	7,967	(998)	(11.1) %	213	(297)	(510)	—
Other	1,686	1,720	34	2.0%	659	641	(18)	(2.7) %
Adjustment	—	—	—	—	172	201	29	16.9%
Total	765,266	769,378	4,112	0.5%	134,210	101,540	(32,670)	(24.3) %

Notes: 1. Net sales are sales to outside customers.

2. Adjustment to segment income (loss) refers to elimination of intersegment transaction.

### [1] Automobile Division

Regarding registered cars in Japan, unit sales increased 5 thousand units (23.4%) compared with the same period of the previous fiscal year to 25 thousand units as a result of strong sales of the Forester and Impreza, which were partially improved in October 2015. On the other hand, unit sales of minicars decreased 1 thousand units (18.3%) compared with the same period of the previous fiscal year to 7 thousand units due to the effect of higher taxes on minicars since the previous year and other factors. As a result of these factors, total unit sales in Japan increased 3 thousand units (11.3%) compared with the same period of the previous fiscal year to 31 thousand units.

Overseas total unit sales increased 17 thousand units (8.5%) compared with the same period of the previous fiscal year to 214 thousand units mainly due to favorable conditions surrounding sales of the Outback and Crosstrek in North America, the key market of FHI.

By region, sales in North America increased 16 thousand units (10.5%) from the same period of the previous fiscal year to 170 thousand units, sales in Europe including Russia increased 1 thousand units (6.3%) from the same period of the previous fiscal year to 11 thousand units, sales in Australia increased 1 thousand units (6.6%) from the same period of the previous fiscal year to 12 thousand units, sales in China decreased 1 thousand units (5.7%) from the same period of the previous fiscal year to 10 thousand units, and sales in other regions remained the same compared with the same period of the previous fiscal year at 11 thousand units.

As a result, combined unit sales in Japan and overseas markets amounted to 245 thousand units, an increase of 20 thousand units (8.9%) from the same period of the previous fiscal year. Overall net sales increased ¥5.6 billion (0.8%) from the same period of the previous fiscal year to ¥724.5 billion, and segment income, affected also by currency fluctuations and quality-related expenses attributable to airbag inflators, decreased ¥29.5 billion (22.9%) from the same period of the previous fiscal year to ¥99.3 billion.

Consolidated unit sales in the first quarter of the current fiscal year are shown in the table below.

(Units in thousands and percentage change from the previous period)

	1 <sup>st</sup> Quarter of FYE 2016	1 <sup>st</sup> Quarter of FYE 2017	Change	Percentage change
<b>Total in Japan</b>	<b>28</b>	<b>31</b>	<b>3</b>	<b>11.3%</b>
Registered cars	20	25	5	23.4%
Minicars	8	7	(1)	(18.3) %
<b>Total overseas</b>	<b>197</b>	<b>214</b>	<b>17</b>	<b>8.5%</b>
North America	154	170	16	10.5%
Russia/Europe	10	11	1	6.3%
Australia	11	12	1	6.6%
China	10	10	(1)	(5.7) %
Other regions	12	11	(0)	(0.8) %
<b>Grand total</b>	<b>225</b>	<b>245</b>	<b>20</b>	<b>8.9%</b>

#### [2] Aerospace Division

Deliveries to the Japan Ministry of Defense saw sales rise compared with the level of the same period of the previous fiscal year mainly with an increase in production of the transport aircraft C-2.

Sales to the commercial sector fell compared with the same period of the previous fiscal year owing to effects from foreign exchange rate fluctuations despite an increase in production of Boeing 787 aircraft.

As a result, overall net sales decreased ¥0.6 billion (1.6%) compared with the same period of the previous fiscal year to ¥35.2 billion. Segment income decreased ¥2.7 billion (61.8%) compared with the same period of the previous fiscal year to ¥1.7 billion.

#### [3] Industrial Products Division

Net sales decreased ¥1.0 billion (11.1%) compared with the same period of the previous fiscal year to ¥8.0 billion with a decrease in sales of engines for leisure vehicles to North America despite an increase in sales of general-purpose engines to North America. Segment income decreased ¥0.5 billion compared with the same period of the previous fiscal year, generating a loss of ¥0.3 billion.

#### [4] Other Businesses

Net sales remained the same compared with the same period of the previous fiscal year at ¥1.7 billion. Segment income also remained the same compared with the same period of the previous fiscal year at ¥0.6 billion.

## (2) Explanation about Financial Position

### [1] Assets, Liabilities, and Net Assets

Total assets at the end of the first quarter of the current fiscal year were ¥2,524.4 billion, a decrease of ¥68.0 billion from the end of the previous fiscal year. Main factors included a ¥64.0 billion decrease in combined funds on hand comprised of cash, deposits, and investment securities, a ¥16.6 billion decrease in merchandise and finished goods, and a ¥19.5 billion increase in property, plant and equipment.

Total liabilities decreased ¥57.8 billion compared with the end of the previous fiscal year to ¥1,185.2 billion. Main factors included a ¥13.8 billion increase in short-term debt and a ¥69.5 billion decrease in income taxes payable and other liabilities.

Net assets decreased ¥10.2 billion compared with the end of the previous fiscal year to ¥1,339.2 billion. Main factors included a ¥22.7 billion increase in retained earnings and a ¥32.0 billion decrease in foreign currency translation adjustments.

### [2] Cash Flows

Cash and cash equivalents at the end of the first quarter of the current fiscal year (hereinafter “Cash”) totaled ¥746.0 billion.

(Net cash provided by operating activities)

Net cash provided by operating activities was ¥62.1 billion (net cash provided in the same consolidated cumulative period of the previous fiscal year was ¥109.7 billion). Main factors included ¥117.8 billion in income before income taxes and minority interests, ¥18.1 billion decrease in trade payables, and ¥104.2 billion in income taxes paid.

(Net cash used in investment activities)

Net cash used in investing activities was ¥64.7 billion (net cash used in the same consolidated cumulative period of the previous fiscal year was ¥32.8 billion). Main factors included ¥10.0 billion in expenditures for the purchase of investment securities (net basis against proceeds from sales of investment securities), ¥25.9 billion in expenditures for the purchase of property, plant and equipment (net basis against proceeds from sales of property, plant and equipment), and ¥14.7 billion in payments of loans receivable (net basis against proceeds from collection of loans receivable).

(Net cash used in financing activities)

Net cash used in financing activities was ¥61.0 billion (net cash used in the same consolidated cumulative period of the previous fiscal year was ¥38.5 billion). Main factors included a ¥14.4 billion increase in short-term loans payable, ¥8.3 billion in repayment of long-term loans payable (net basis against proceeds from long-term loans payable), ¥10.0 billion in redemption of bonds, and ¥54.8 billion in expenditures for cash dividends paid.

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

FHI has revised second quarter (cumulative) and full year consolidated performance projections for the fiscal year ending March 31, 2017, which were released at the timing of consolidated financial results announcement on May 12, 2016, as stated below, in consideration of factors such as the effects expected from foreign exchange rate fluctuations and higher miscellaneous expenditure, mainly for quality-related expenses attributable to airbag inflators.

Projections of second quarter (cumulative) consolidated business results of the current fiscal year are based on assumed foreign exchange rates of ¥107/US\$ (previously ¥105/US\$) and ¥122/EUR (previously ¥120/EUR).

Projections of full-year consolidated business results of the current fiscal year are based on assumed foreign exchange rates of ¥106/US\$ (previously ¥105/US\$) and ¥121/EUR (previously ¥120/EUR).

#### Consolidated Results Forecast for the Second Quarter (Cumulative) of FYE 2017 (April 1, 2016 to September 30, 2016)

	Net Sales	Operating Income	Ordinary Income	Quarterly Net Income Attributable to Owners of the Parent	Quarterly Net Income per Share
Previous projection (A)	¥ million 1,533,500	¥ million 210,000	¥ million 214,000	¥ million 148,000	Yen 189.65
Revised projection (B)	1,553,500	204,000	214,000	148,000	189.65
Change in amount (B-A)	20,000	(6,000)	±0	±0	±0.00
Percentage change (%)	1.3	(2.9)	±0.0	±0.0	±0.0
(Supplemental information) Actual results of the second quarter of FYE 2016 (April 1, 2015 to September 30, 2015)	1,601,475	285,097	285,022	193,204	247.58

#### Consolidated Results Forecast for FYE 2017 (April 1, 2016 to March 31, 2017)

	Net Sales	Operating Income	Ordinary Income	Net Income Attributable to Owners of the Parent	Net Income per Share
Previous projection (A)	¥ million 3,170,000	¥ million 420,000	¥ million 420,000	¥ million 293,000	Yen 375.46
Revised projection (B)	3,190,000	400,000	410,000	285,000	365.21
Change in amount (B-A)	20,000	(20,000)	(10,000)	(8,000)	(10.25)
Percentage change (%)	0.6	(4.8)	(2.4)	(2.7)	(2.7)
(Supplemental information) Actual results of FYE 2016 (April 1, 2015 to March 31, 2016)	3,232,258	565,589	576,972	436,654	559.54

## **2. Notes on Summary Information**

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

Income tax expense was calculated as multiplying income before income taxes 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. "Income taxes-deferred" was included in "Total income taxes".

### **(2) Changes in Accounting Policy**

Based on amendments in the Corporation Tax Act, "Practical Solution on a change in depreciation method due to Tax Reform 2016"(PITF No.32 issued on June 17, 2016) issued by Accounting Standards Board of Japan (ASBJ) was applied from the first quarter of the fiscal year ending March 2017.

FHI group changed depreciation method for facilities attached to buildings and for structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method. Since the impact of the change is immaterial, notes for the change was omitted.

### **(3) Additional Information**

FHI group applied "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" issued by ASBJ from the first quarter of the fiscal year ending March 2017.



### 3. Quarterly Consolidated Financial Statements

#### (1) Quarterly Consolidated Balance Sheet

(Unit: Millions of yen)

	FY2016 (as of March 31, 2016)	1st Quarter of FY2017 (as of June 30, 2016)
<b>ASSETS</b>		
<b>I Current assets</b>		
Cash and deposits	507,553	514,535
Notes and accounts receivable-trade	140,319	128,122
Lease investment assets	21,532	20,573
Short-term investment securities	500,572	429,605
Merchandise and finished goods	192,705	176,097
Work in process	50,666	50,513
Raw materials and supplies	34,996	34,793
Deferred tax assets	90,893	82,886
Short-term loans receivable	151,973	166,798
Other	93,509	103,091
Allowance for doubtful accounts	(625)	(595)
<b>Total current assets</b>	<b>1,784,093</b>	<b>1,706,418</b>
<b>II Noncurrent assets</b>		
<b>1. Property, plant and equipment</b>		
Buildings and structures, net	158,386	163,456
Machinery, equipment and vehicles, net	138,519	146,744
Land	182,531	183,044
Vehicles and equipment on operating leases, net	7,460	17,228
Construction in progress	46,951	45,676
Other, net	38,786	35,971
<b>Total property, plant and equipment</b>	<b>572,633</b>	<b>592,119</b>
<b>2. Intangible assets</b>		
Other	20,989	20,664
<b>Total intangible assets</b>	<b>20,989</b>	<b>20,664</b>
<b>3. Investments and other assets</b>		
Investment securities	109,804	102,583
Net defined benefit asset	1,774	920
Deferred tax assets	16,339	17,603
Other	90,205	87,547
Allowance for doubtful accounts	(3,427)	(3,443)
<b>Total investments and other assets</b>	<b>214,695</b>	<b>205,210</b>
<b>Total noncurrent assets</b>	<b>808,317</b>	<b>817,993</b>
<b>Total assets</b>	<b>2,592,410</b>	<b>2,524,411</b>

(Unit: Millions of yen)

	FY2016 (as of March 31, 2016)	1st Quarter of FY2017 (as of June 30, 2016)
<b>LIABILITIES</b>		
<b>I Current liabilities</b>		
Notes and accounts payable-trade	326,625	302,171
Electronically recorded obligations-operating	91,476	92,753
Short-term loans payable	33,252	47,016
Current portion of long-term loans payable	33,692	65,030
Current portion of bonds	10,000	—
Income taxes payable	100,272	30,755
Accrued expenses	132,759	144,737
Provision for bonuses	23,554	35,434
Provision for product warranties	51,251	50,005
Provision for loss on construction contracts	645	755
Other	155,969	181,589
<b>Total current liabilities</b>	<b>959,495</b>	<b>950,245</b>
<b>II Noncurrent liabilities</b>		
Long-term loans payable	93,030	53,401
Deferred tax liabilities	18,769	16,428
Provision for directors' retirement benefits	478	446
Net defined benefit liability	18,586	18,941
Other	152,641	145,758
<b>Total noncurrent liabilities</b>	<b>283,504</b>	<b>234,974</b>
<b>Total liabilities</b>	<b>1,242,999</b>	<b>1,185,219</b>
<b>NET ASSETS</b>		
<b>I Shareholders' equity</b>		
Capital stock	153,795	153,795
Capital surplus	160,071	160,071
Retained earnings	1,049,016	1,071,666
Treasury stock	(1,402)	(1,403)
<b>Total shareholders' equity</b>	<b>1,361,480</b>	<b>1,384,129</b>
<b>II Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	11,344	9,835
Foreign currency translation adjustment	(13,415)	(45,392)
Remeasurements of defined benefit plans	(12,808)	(12,167)
Remeasurements of other postretirement benefits of foreign consolidated subsidiaries	(2,869)	(2,621)
<b>Total accumulated other comprehensive income</b>	<b>(17,748)</b>	<b>(50,345)</b>
Non-controlling interests	5,679	5,408
<b>Total net assets</b>	<b>1,349,411</b>	<b>1,339,192</b>
<b>Total liabilities and net assets</b>	<b>2,592,410</b>	<b>2,524,411</b>

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

(Unit: Millions of yen)

	FY2016 (April 1, 2015 to June 30, 2015)	FY2017 (April 1, 2016 to June 30, 2016)
I Net sales	765,266	769,378
II Cost of sales	523,609	555,084
Gross profit	241,657	214,294
III Selling, general and administrative expenses	107,447	112,754
<b>Operating income</b>	<b>134,210</b>	<b>101,540</b>
IV Non-operating income		
Interest income	714	763
Dividends income	615	360
Equity in earnings of affiliates	173	—
Foreign exchange gains	—	5,808
Gain on valuation of derivatives	—	11,323
Other	337	389
Total non-operating income	1,839	18,643
V Non-operating expenses		
Interest expenses	695	477
Share of loss of entities accounted for using equity method	—	62
Foreign exchange losses	3,570	—
Loss on valuation of derivatives	1,075	—
Other	656	849
Total non-operating expenses	5,996	1,388
<b>Ordinary income</b>	<b>130,053</b>	<b>118,795</b>
VI Extraordinary income		
Gain on sales of noncurrent assets	45	15
Gain on sales of investment securities	50	52
Other	177	6
Total extraordinary income	272	73
VII Extraordinary loss		
Loss on sales and retirement of noncurrent assets	1,155	1,026
Other	35	41
Total extraordinary losses	1,190	1,067
Income before income taxes	129,135	117,801
Total Income taxes	44,309	38,744
Net income	84,826	79,057
Net income attributable to non-controlling interests	642	191
<b>Net income attributable to owners of parent</b>	<b>84,184</b>	<b>78,866</b>

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

(Unit: Millions of yen)

	FY2016 (April 1, 2015 to June 30, 2015)	FY2017 (April 1,2016 to June 30, 2016)
Net income	84,826	79,057
Other comprehensive income		
Valuation difference on available-for-sale securities	2,827	(1,509)
Foreign currency translation adjustment	6,734	(32,250)
Remeasurements of defined benefit plans	599	641
Remeasurements of other postretirement benefits of foreign consolidated subsidiaries	(71)	248
Share of other comprehensive income of associates accounted for using equity method	19	(82)
Total other comprehensive income	10,108	(32,952)
<b>Comprehensive income</b>	<b>94,934</b>	<b>46,105</b>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	94,270	46,269
Comprehensive income attributable to non-controlling interests	664	(164)

### (3) Quarterly Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	FY2016 (April 1, 2015 to June 30,2015)	FY2017 (April 1, 2016 to June 30,2016)
<b>I Net cash provided by (used in) operating activities</b>		
Income (loss) before income taxes	129,135	117,801
Depreciation and amortization	17,453	17,848
Increase (decrease) in allowance for doubtful accounts	(43)	(12)
Interest and dividends income	(1,329)	(1,123)
Interest expenses	695	477
Loss (gain) on sales and retirement of noncurrent assets	1,110	1,011
Loss (gain) on sales and valuation of investment securities	(15)	(11)
Decrease (increase) in operating loans receivable	(1,076)	(1,275)
Decrease (increase) in notes and accounts receivable-trade	37,113	9,898
Decrease (increase) in inventories	8,250	(2,058)
Increase (decrease) in notes and accounts payable-trade	(26,310)	(18,075)
Other, net	2,713	41,199
Subtotal	167,696	165,680
Interest and dividends income received	1,293	1,116
Interest expenses paid	(812)	(574)
Income taxes paid	(58,438)	(104,171)
<b>Net cash provided by (used in) operating activities</b>	<b>109,739</b>	<b>62,051</b>
<b>II Net cash provided by (used in) investing activities</b>		
Net decrease (increase) in time deposits	(8,039)	(10,731)
Purchase of short-term investment securities	(2,337)	(21,957)
Proceeds from sales of short-term investment securities	3,743	11,958
Purchase of non-current assets	(23,943)	(26,471)
Proceeds from sales of non-current assets	317	612
Purchase of investment securities	(13,889)	(8,498)
Proceeds from sales of investment securities	8,922	5,165
Payments of loans receivable	(26,417)	(39,334)
Collection of loans receivable	29,022	24,627
Other, net	(191)	(34)
<b>Net cash provided by (used in) investing activities</b>	<b>(32,812)</b>	<b>(64,663)</b>
<b>III Net cash provided by (used in) financing activities</b>		
Net increase (decrease) in short-term loans payable	5,442	14,360
Proceeds from long-term loans payable	2,800	2,200
Repayments of long-term loans payable	(18,419)	(10,494)
Redemption of bonds	—	(10,000)
Cash dividends paid	(28,066)	(54,829)
Dividends paid to non-controlling interests	—	(1,944)
Other, net	(289)	(274)
<b>Net cash provided by (used in) financing activities</b>	<b>(38,532)</b>	<b>(60,981)</b>
<b>IV Effect of exchange rate change on cash and cash Equivalents</b>	<b>3,732</b>	<b>(19,822)</b>
<b>V Net increase (decrease) in cash and cash equivalents</b>	<b>42,127</b>	<b>(83,415)</b>
<b>VI Cash and cash equivalents at beginning of period</b>	<b>612,085</b>	<b>829,461</b>
<b>VII Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation</b>	<b>(127)</b>	<b>—</b>
<b>VIII Cash and cash equivalents at end of period</b>	<b>654,085</b>	<b>746,046</b>

**(4) Note to Quarterly Consolidated Financial Statements**  
**(Notes on Premise of Going Concern)**

FY2017 (April 1, 2016 to June 30, 2016)

Not Applicable

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

FY2017 (April 1, 2016 to June 30, 2016)

Not Applicable

**(Segment Information)**

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

1st Quarter of FY 2016 (April 1, 2015 to June 30, 2015)

(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	718,841	35,774	8,965	763,580	1,686	765,266	—	765,266
(2) Inter-segment	973	—	53	1,026	3,608	4,634	(4,634)	—
Total sales	719,814	35,774	9,018	764,606	5,294	769,900	(4,634)	765,266
Operating income	128,782	4,384	213	133,379	659	134,038	172	134,210

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.

1st Quarter of FY 2017 (April 1, 2016 to June 30, 2016)

(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	724,474	35,217	7,967	767,658	1,720	769,378	—	769,378
(2) Inter-segment	1,191	—	54	1,245	5,152	6,397	(6,397)	—
Total sales	725,665	35,217	8,021	768,903	6,872	775,775	(6,397)	769,378
Operating income(loss)	99,319	1,676	(297)	100,698	641	101,339	201	101,540

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 Quarter of FYE2017 Consolidated Financial Results >**

(Yen in 100 Millions, Units in Thousands)

	RESULTS FYE2016 Q1 2015. 4-6	RESULTS FYE2017 1st Qtr 2016. 4-6			FORECASTS FYE2017 1st Half 2016. 4-9			FORECASTS FYE2017 Full Year 2016.4 - 2017.3		
			Change	%		Change	%		Change	%
<b>Net sales</b>	7,653	7,694	41	0.5	15,535	(480)	(3.0)	31,900	(423)	(1.3)
Japan	1,245	1,303	58	4.7	2,796	(56)	(2.0)	6,103	49	0.8
Overseas	6,408	6,391	(17)	(0.3)	12,739	(424)	(3.2)	25,797	(472)	(1.8)
<b>Operating income</b>	1,342	1,015	(327)	(24.3)	2,040	(811)	(28.4)	4,000	(1,656)	(29.3)
Profit margin (%)	17.5	13.2			13.1			12.5		
<b>Ordinary income</b>	1,301	1,188	(113)	(8.7)	2,140	(710)	(24.9)	4,100	(1,670)	(28.9)
Profit margin (%)	17.0	15.4			13.8			12.9		
<b>Net income attributable to owners of parent</b>	842	789	(53)	(6.3)	1,480	(452)	(23.4)	2,850	(1,517)	(34.7)
Profit margin (%)	11.0	10.3			9.5			8.9		
<b>Change factors in operating income</b>										
		Improvements on model mix, etc	303		Improvements on model mix, etc	474		Improvements on model mix, etc	999	
		Cost reduction effort, etc	105		Cost reduction effort, etc	207		Cost reduction effort, etc	320	
		Increase in SG&A exp, etc	(392)		Loss on currency exchange	(742)		Loss on currency exchange	(1,586)	
		Loss on currency exchange	(292)		Increase in SG&A exp, etc	(653)		Increase in SG&A exp, etc	(1,213)	
		Increase in R&D exp	(51)		Increase in R&D exp	(97)		Increase in R&D exp	(176)	
<b>Exchange rates</b>	JPY/US\$ 120/US\$ JPY/EUR 132/EUR	111/US\$ 124/EUR			107/US\$ 122/EUR			106/US\$ 121/EUR		
<b>Capital expenditures</b>	171	368			840			1,600		
<b>Depreciation and amortization</b>	154	159			350			800		
<b>R&amp;D expenses</b>	185	236			560			1,200		
<b>Interest bearing debts</b>	2,011	1,654			1,650			1,650		
<b>Performance description</b>										
		- 5th consecutive year of increase in net sales. - First decrease in operating income and ordinary income in 5 years. - First decrease in net income attributable to owners of parent in 4 years. - 1st qtr records for net sales and consolidated unit sales.			- Net sales and all profits to decrease for the first time in 5 years.  - Consolidated unit sales to post a 1st half record.			- Net sales and all profits to decrease for the first time in 5 years.  - Consolidated unit sales to post a fiscal year record.		
<b>Consolidated unit sales (Japan)</b>	28	31	3	11.3	65	(1)	(2.1)	156	11	7.6
Passenger Cars	20	25	5	23.4	51	1	1.4	119	7	6.7
Minicars	8	7	(1)	(18.3)	15	(2)	(12.6)	37	4	10.6
<b>Consolidated unit sales (Overseas)</b>	197	214	17	8.5	437	31	7.7	893	81	9.9
North America	154	170	16	10.5	343	27	8.4	696	65	10.4
Europe	10	11	1	6.3	25	2	6.7	50	2	4.6
China	10	10	(1)	(5.7)	24	3	17.0	49	4	9.3
Other	23	23	1	2.9	45	(1)	(1.4)	99	9	10.0
<b>Consolidated unit sales total</b>	225	245	20	8.9	502	30	6.3	1,050	92	9.6
<b>Production units total</b>	229	245	16	6.9	504	44	9.6	1,051	100	10.5
Japan	171	179	8	4.9	352	4	1.2	710	(5)	(0.7)
U.S.	58	65	7	12.6	152	40	35.5	341	105	44.6
<b>Net sales by business segment</b>										
Automobile	7,188	7,245	56	0.8						
Aerospace	358	352	(6)	(1.6)						
Industrial Products	90	80	(10)	(11.1)						
Other	17	17	0	2.0						
<b>Operating income by business segment</b>										
Automobile	1,288	993	(295)	(22.9)						
Aerospace	44	17	(27)	(61.8)						
Industrial Products	2	(3)	(5)	(239.4)						
Other	7	6	(0)	(2.7)						
Elimination & Corporate	2	2	0	16.9						

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

\* Consolidated 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 models for Toyota.

&lt; 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. &gt;

## FHI Announces First Quarter Financial Results for FYE2017

Tokyo, August 3, 2016 – Fuji Heavy Industries Ltd. (FHI), the manufacturer of Subaru automobiles, today announced its consolidated financial results for the first quarter of fiscal year ending March 31, 2017.

### < April-June 2016 Results: Consolidated Net Sales >

Subaru's consolidated global unit sales rose 8.9% to 245,000 units. Unit sales in Japan increased 11.3% to 31,000 units, as growth in passenger car sales led by the Forester and Impreza offset a decline in mini vehicle sales. Overseas unit sales grew 8.5% to 214,000 units, driven by strong sales of the Legacy, Outback, Impreza and Crosstrek<sup>\*1</sup> especially in North America.

Consolidated net sales increased 0.5% to 769.4 billion yen, with unit sales growth and foreign exchange rate losses reflected.

Consolidated net sales, global unit sales, overseas unit sales, and North America unit sales posted record results for a fiscal first quarter.<sup>\*2</sup>

### < April-June 2016 Results: Consolidated Profit and Loss >

Despite unit sales growth and cost reduction progress, operating income fell 24.3% to 101.5 billion yen due to foreign exchange rate losses and increased R&D and SG&A expenses. The increase in SG&A expenses was due mainly to quality-related costs associated with airbag inflators. Ordinary income decreased 8.7% to 118.8 billion yen and net income attributable to owners of parent declined 6.3% to 78.9 billion yen.

### < FYE2017 Forecasts >

In view of foreign exchange rate fluctuations and quality-related expenses associated with airbag inflators, FHI revises its full-year forecasts for the current fiscal year ending March 2017. The Company now forecasts net sales of 3,190 billion yen, operating income of 400 billion yen, ordinary income of 410 billion yen, and net income attributable to owners of parent of 285 billion yen.

Currency rate assumptions: 106 yen/US\$, 121 yen/euro

### Previous Forecasts for FYE2017 (Announced on May 12, 2016)

Net sales: 3,170 billion yen

Operating income: 420 billion yen

Ordinary income: 420 billion yen

Net income attributable to owners of parent: 293 billion yen

Currency rate assumptions: 105 yen/US\$, 120 yen/euro

\*1 "Subaru XV" outside the North American market.

\*2 Since fiscal year ended March 2004 - the year FHI started quarterly 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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