



Presentation of Business Results for the 1st Quarter of FYE 2015

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

Summary



Financial results for the 1st quarter of FYE March 2015

- Due to healthy sales of Forester in North America and China and increase of new WRX in overseas market, consolidated automobile sales set an all-time records as 1st quarter.
- In addition to gain on currency exchange, increase in sales volume and cost reduction brought all time record high in net sales and all profit levels for the 1st quarter.

	Net sales	Operating income	Ordinary income	Net income	Consolidated automobile sales
Actual results (YoY)	¥593.4bil (+¥46.5bil)	¥78.7bil (+¥9.1bil)	¥80.6bil (+¥16.1bil)	¥52.2bil (+¥3.8bil)	193.7k (+2.5k)

Projections for the FYE March 2015

- Business performance of FYE March 2015 is proceeding as planned.
- Increase of sales volume from new models, such as Legacy, Outback and Levorg, will offset increase of SG&A expenses. Full year projections of net sales and all profit levels will be all time record high for the 3rd straight year.

	Net sales	Operating income	Ordinary income	Net income	Consolidated automobile sales
Plan (YoY)	¥2,720.0bil (+¥311.9bil)	¥340.0bil (+¥13.5bil)	¥330.0bil (+¥15.6bil)	¥215.0bil (+8.4bil)	916.0k (+90.9k)

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Business results for the 1st quarter of FYE March 2015

1st Quarter : Consolidated Automobile Sales



(Thousand Units)

	1Q Actual Results FYE March 2014	1Q Actual Results FYE March 2015	Increase / Decrease
Passenger car	28.8	20.4	-8.4
Minicar	12.0	6.8	-5.2
Domestic total	40.7	27.2	-13.5
U.S.	106.4	112.4	+6.0
Canada	9.4	10.8	+1.4
Russia	2.5	4.0	+1.6
Europe	7.2	6.9	-0.4
Australia	11.6	9.4	-2.2
China	5.7	15.7	+10.0
Others	7.6	7.3	-0.3
Overseas total	150.4	166.5	+16.1
Total	191.2	193.7	+2.5

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

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Consolidated automobile sales for the first quarter of the fiscal year ending March 2015 totaled 193.7 thousand units, up 2.5 thousand units year on year for a new first quarter sales record.

Domestic sales fell 13.5 thousand units to hit 27.2 thousand units. The decline was due to the drop in demand, which had surged just prior to the consumption tax hike, as well as fewer sales of the aging Legacy.

Sales in overseas markets rose 16.1 thousand units to total 166.5 thousand units. This increase was driven by strong sales in the U.S. where sales of the Forester remained upbeat as well as in China where sales for all models exceeded what they were last year.

1st Quarter : Consolidated Income Statements



(100 Million Yen)

	1Q Actual Results FYE March 2014	1Q Actual Results FYE March 2015	Increase / Decrease
Net sales	5,469	5,934	+465
Domestic	1,577	1,162	-416
Overseas	3,892	4,772	+880
Operating income	696	787	+91
Total non-operating income & expenses	-51	19	+70
Ordinary income	645	806	+161
Total extraordinary income & loss	-4	1	+5
Income before taxes and minority interests	641	807	+166
Net income	485	522	+38
FHI exchange rate	¥98/US\$	¥102/US\$	+¥4/US\$

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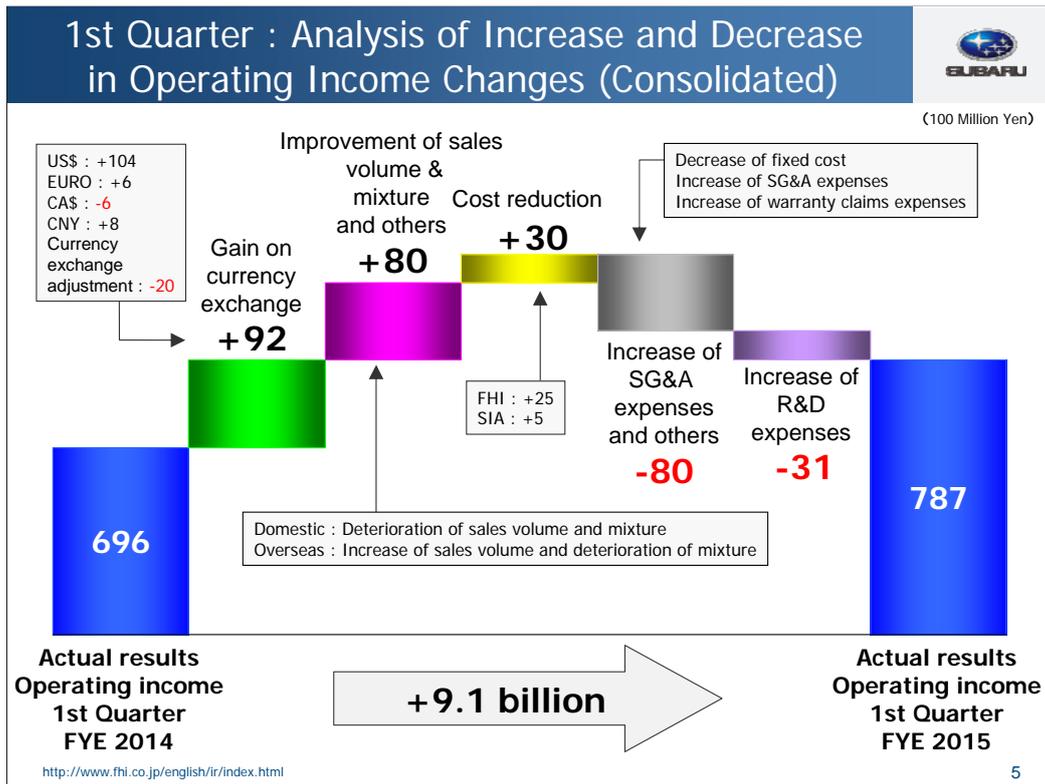
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Figures for net sales and all income categories were the highest ever for any first quarter.

Net sales increased 46.5 billion yen year on year to total 593.4 billion yen. The main factors behind this increase include a foreign exchange gain of 19.5 billion yen, a 3.5 billion yen increase in sales at Fuji Heavy Industries (FHI) companies, etc. as well as a gain of 23.5 billion yen due to better sales mix variances resulting from higher sales volumes in overseas markets.

Operating income rose 9.1 billion yen year on year to total 78.7 billion yen. This increase was mainly due to foreign exchange gains, improved sales mix variances, and reduced materials costs, etc., all of which offset an increase in SG&A and R&D expenses.

Ordinary income rose 16.1 billion yen to reach 80.6 billion yen while income before income taxes and minority interests increased 16.6 billion yen to hit 80.7 billion yen. Net income climbed 3.8 billion yen to total 52.2 billion yen.



Now let's look at the factors behind the year-on-year increase of 9.1 billion yen in operating income which went from 69.6 billion yen to 78.7 billion yen.

The primary reason for the increase in operating income was a foreign exchange gain of 9.2 billion yen. This includes a gain of 10.4 billion yen due to an approximate 4 yen depreciation against the U.S. dollar, a gain of 0.6 billion yen due to an approximate 14 yen depreciation against the euro, and a loss of 0.6 billion yen due to an approximate 3 yen appreciation against the Canadian dollar as well as a gain of 0.8 billion yen resulting from currency translations between the yen and the Chinese yuan. This figure also includes a loss of 2.0 billion yen due to foreign exchange adjustments for transactions between FHI and its overseas subsidiaries.

Another contributing factor that brought operating income up was a favorable sales mix variance that led to a gain of 8.0 billion yen. This gain can be broken down into the following three areas.

First, we saw a loss of 9.4 billion yen in domestic new car sales. Although the new Levorg was launched in the latter half of June, sales volumes of existing models dropped due to a decline in demand that followed on the heels of the consumption tax increase. This drop led to lower sales volumes and a poorer sales mix.

Next, we saw a gain of 19.7 billion yen in new car sales overseas thanks to increasing sales volumes in the U.S. and China.

Then finally, we had a loss of 2.3 billion yen due to inventory adjustments.

Another factor behind the jump in operating income was a gain of 3.0 billion yen due to cost cuts. This includes a gain of 2.5 billion yen generated by FHI as well as a gain of 0.5 billion yen coming from SIA. FHI saw a gain of 4.1 billion yen due to cost reductions resulting from increased production, etc. and a loss of 1.6 billion yen due to higher materials costs and worsened market conditions. SIA yielded a gain of 0.3 billion yen through cost reductions and a gain of 0.2 billion yen due to lower material prices, etc.

The main factor bringing operating income down was a loss of 8.0 billion yen due to increases in SG&A expenses. This loss can be broken down into the following three areas:

First, we saw a gain of 1.0 billion yen due to an increase in fixed manufacturing costs. This includes a gain of 1.1 billion yen generated by FHI as well as a loss of 0.1 billion yen coming from SIA.

FHI generated a gain of 1.9 billion yen due to lower costs for supplier dies and a loss of 0.8 billion yen due to higher fixed processing costs while SIA gained 0.4 billion yen due to lower costs for supplier dies and lost 0.5 billion yen due to an increase in fixed processing costs.

The second factor is a loss of 6.0 billion yen due to an increase in SG&A expenses. FHI gained 0.3 billion yen due to a drop in advertising costs, etc. despite mounting transportation and packing costs that went hand in hand with the increasing sales volume. The 6.0 billion yen loss also includes a gain of 0.5 billion yen at domestic dealers, a loss of 3.1 billion yen generated at SOA, a gain of 0.1 billion yen at our Canadian subsidiary, and a loss of 3.8 billion yen from other operations.

The third and last factor includes an increase in costs associated with warranty claims that led to a loss of 3.0 billion yen.

Finally, an increase in R&D expenses resulted in a loss of 3.1 billion yen.

These factors combined brought consolidated operating income for the first quarter of the fiscal year ending March 2015 up 9.1 billion yen to total 78.7 billion yen.

Consolidated Balance Sheets



(100 Million Yen)

	As of Mar. 2014	As of Jun. 2014	Increase / Decrease
Total assets	18,884	18,484	-399
Current assets	12,738	12,052	-685
Noncurrent assets	6,146	6,432	+286
Interest bearing debts	2,697	2,574	-123
Net assets	7,701	7,997	+296
Retained earnings	4,839	5,118	+279
Shareholder's equity	7,655	7,934	+279
Shareholder's equity to total assets	40.5%	42.9%	+2.4
D/E ratio	0.35	0.32	-0.03

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Despite an increase in net income, total assets fell 39.9 billion yen from what they were at the end of March 2014 to reach 1,848.4 billion yen. This decrease was due to a tax payment for the previous fiscal year as well as dividends paid at the end of the last fiscal year.

Interest-bearing debt declined 12.3 billion yen to total 257.4 billion yen while net assets were up 29.6 billion yen at 799.7 billion yen.

The shareholders' equity to total assets ratio was 42.9% while the debt-to-equity ratio stood at 0.32.

1st Quarter : Consolidated Statement of Cash Flows



(100 Million Yen)

	1Q Actual Results FYE March 2014	1Q Actual Results FYE March 2015	Increase / Decrease
Net cash provided by (used in) operating activities	712	3	-709
Net cash provided by (used in) investing activities	-196	-166	+30
Free cash flows	516	-163	-679
Net cash provided by (used in) financing activities	-186	-367	-182
Effect of exchange rate change on cash and cash equivalents	58	-26	-84
Net increase (Decrease) in cash and cash equivalents	389	-556	-944
Cash and cash equivalents at end of period	3,679	5,023	-

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Net cash flow from operating activities amounted to an inflow of 0.3 billion yen due to a payment of corporate income tax, etc., totaling 113.8 billion yen despite net income before taxes and minority interests of 80.7 billion yen.

Net cash flow from investing activities amounted to an outflow of 16.6 billion yen for investments aimed at boosting production capacity.

Free cash flow was a negative 16.3 billion yen.

Net cash flow from financing activities came to an outflow of 36.7 billion yen due to the repayment of loans, dividend payments, etc.

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



(Million US\$)

SOA	1Q Actual results FYE 2014	1Q Actual results FYE 2015	Increase / decrease
Net sales	2,633	2,875	+242
Operating income	22	61	+39
Net income	14	37	+23
Retail sales (Thousand units)	111.8	125.3	+13.5

SIA	1Q Actual results FYE 2014	1Q Actual results FYE 2015	Increase / decrease
Net sales	1,032	959	-73
Operating income	37	63	+26
Net income	24	40	+16
Subaru production (Thousand units)	44.3	41.9	-2.5

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SOA's retail sales climbed 13.5 thousand units year on year to reach 125.3 thousand units as sales of the Forester, the XV and the new WRX STI remained upbeat.

Net sales also jumped 242 million dollars year on year to total 2,875 million dollars.

Operating income was up 39 million dollars year on year to total 61 million dollars. This increase came from a gain of 70 million dollars due to favorable sales volumes and mix variances despite a loss of 31 million dollars from higher SG&A expenses.

SIA saw net sales fall 73 million dollars to hit 959 million dollars.

Operating income, on the other hand, rose 26 million dollars to total 63 million dollars. The factors behind the increase include a gain of 22 million dollars from sales price and volume variances, a gain of 5 million dollars brought in by overall cost reduction efforts, as well as a loss of 1 million dollars due to an increase in fixed costs.



Outlook for the FYE March 2015

Full year : Consolidated Operating Plan



(100 Million Yen)

	1Q Actual Results FYE March 2014	1Q Actual Results FYE March 2015	Increase / Decrease
Net sales	24,081	27,200	+3,119
Operating income	3,265	3,400	+135
Ordinary income	3,144	3,300	+156
Net income	2,066	2,150	+84
FHI exchange rate	¥100/US\$	¥100/US\$	+¥0/US\$
Consolidated Automobile Sales	825.1k units	916.0k units	+90.9k units
Domestic total	181.6k units	194.9k units	+13.3k units
Overseas total	643.5k units	721.1k units	+77.6k units

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No change has been made to the automobile sales and financial performance targets set under the consolidated operating plan for the fiscal year ending March 2015, which was announced at the beginning of this fiscal year.

Everyone across the company will move together with an eye to achieving our targets as planned.

Capex / Depreciation / R&D / Interest bearing debt



(100 Million Yen)

	1Q Actual Results FYE2014	Actual Results FYE2014 (a)	1Q Actual Results FYE 2015	Plan FYE2015 (b)	Increase / Decrease (b) - (a)
Capex	124	685	280	1,200	+515
Depreciation	133	549	127	660	+111
R&D	128	601	159	740	+139
Interest bearing debt	2,967	2,697	2,574	2,400	-297

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

Appendix (1)

- Non-operating income & expenses and extraordinary income & loss
- Segment information (by Business / Geographic)
- Overseas net sales
- Non-consolidated automobile sales
- Full year of FYE2015, consolidated statements income

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



(100 Million Yen)

	1Q Actual Results FYE 2014	1Q Actual Results FYE 2015	Increase / Decrease
Financial revenue and expenditure	1	0	-0
FOREX effects	-52	17	+69
Other	0	1	+1
Total non-operating income & expenses	-51	19	+70
Gain on sales of noncurrent assets	0	3	+3
Gain on sales of investment securities	1	1	+0
Loss on sales and retirement of noncurrent assets	-4	-5	-1
Other	-1	2	+3
Total extraordinary income & loss	-4	1	+5

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



(100 Million Yen)

	Net sales			Operating income		
	1Q Actual Results FYE 2014	1Q Actual Results FYE 2015	Increase / Decrease	1Q Actual Results FYE 2014	1Q Actual Results FYE 2015	Increase / Decrease
Automobile	5,133	5,551	+418	649	752	+103
Aerospace	243	292	+49	39	26	-12
Industrial products	77	75	-3	2	1	-0
Others	16	16	-0	6	7	+1
Elimination & corporate	/	/	/	1	1	-0
Total	5,469	5,934	+465	696	787	+91

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1st Quarter : Consolidated Operating Income by Geographic Area



(100 Million Yen)

	Net sales			Operating income		
	1Q Actual Results FYE 2014	1Q Actual Results FYE 2015	Increase / Decrease	1Q Actual Results FYE 2014	1Q Actual Results FYE 2015	Increase / Decrease
Japan	2,233	1,898	-335	686	611	-74
North America	2,950	3,310	+359	73	163	+90
Other	286	726	+440	-0	68	+68
Elimination and corporate	/	/	/	-62	-55	+7
Total	5,469	5,934	+465	696	787	+91

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1st Quarter : Overseas Net Sales



(100 Million Yen)

	1Q Actual Results FYE March 2014	1Q Actual Results FYE March 2015	Increase / Decrease
North America	3,115	3,549	+434
Europe	243	279	+36
Asia	201	646	+445
Other	333	299	-35
Total	3,892	4,772	+880

1st Quarter : Non-Consolidated Automobiles Sales



(Thousand Units)

	1Q Actual Results FYE March 2014	1Q Actual Results FYE March 2015	Increase / Decrease
Domestic production	153.0	169.0	+16.0
Domestic sales	44.4	30.7	-13.7
Passenger cars	31.9	23.2	-8.7
Minicars	12.5	7.5	-5.0
Number of vehicles exported	117.1	131.1	+14.0
Components for overseas production	42.9	45.0	+2.1
Total	204.4	206.8	+2.4

* Domestic Production figures include Toyota 86.

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Full Year : Consolidated Automobile Sales Plan



(Thousand Units)

	Actual results FYE 2014	Plan FYE 2015	Increase / decrease
Passenger cars	126.1	143.7	+17.6
Minicars	55.5	51.2	-4.3
Domestic total	181.6	194.9	+13.3
U.S.	441.8	490.2	+48.4
Canada	36.0	40.4	+4.4
Russia	15.3	19.3	+4.0
Europe	31.8	40.3	+8.5
Australia	39.5	40.1	+0.6
China	44.8	57.3	+12.5
Others	34.3	33.5	-0.8
Overseas total	643.5	721.1	+77.6
Total	825.1	916.0	+90.9

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* China figures are consolidated on the calendar year basis from Jan. to Dec. 18

Full Year : Consolidated Operating Plan



(100 Million Yen)

	Actual results FYE 2014	Plan FYE 2015	Increase / decrease
Net sales	24,081	27,200	+3,119
Domestic	6,721	7,032	+312
Overseas	17,361	20,168	+2,807
Operating income	3,265	3,400	+135
Ordinary income	3,144	3,300	+156
Income before taxes and minority interests	3,289	3,240	-49
Net income	2,066	2,150	+84
FHI exchange rate	¥100/US\$	¥100/US\$	+¥0/US\$

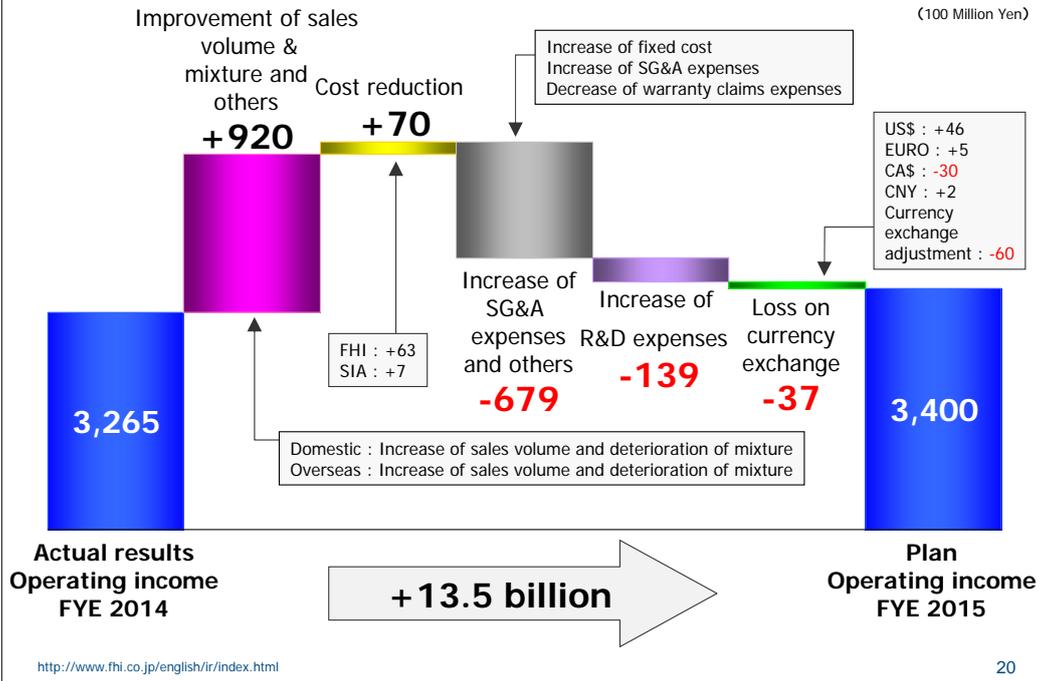
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Analysis of Increase and Decrease in Operating Income Changes (consolidated)



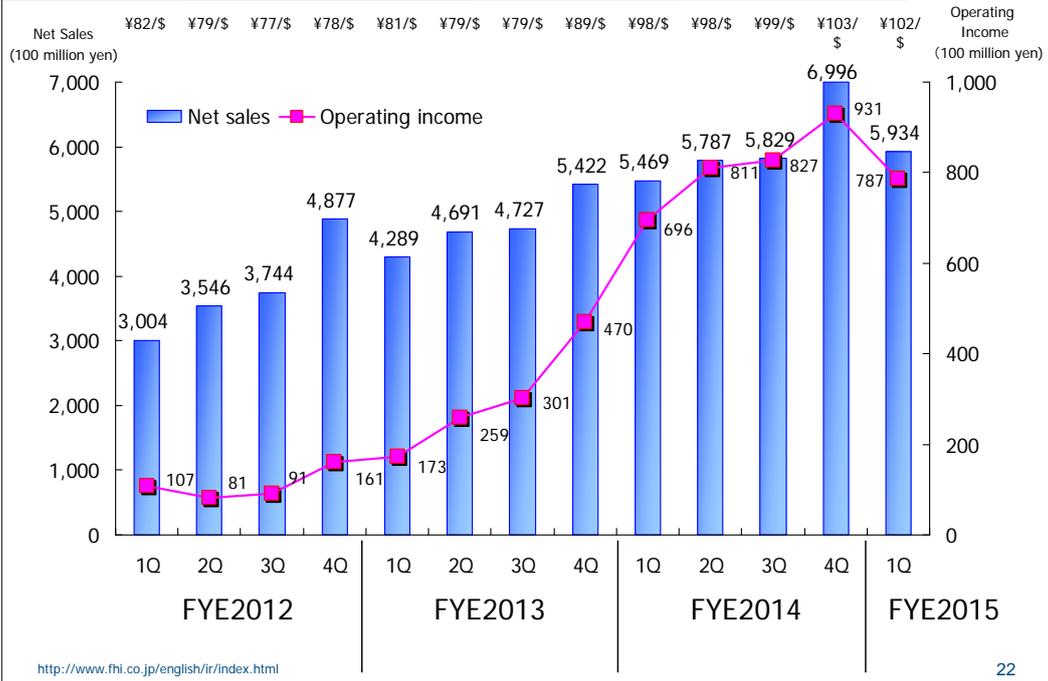
(100 Million Yen)



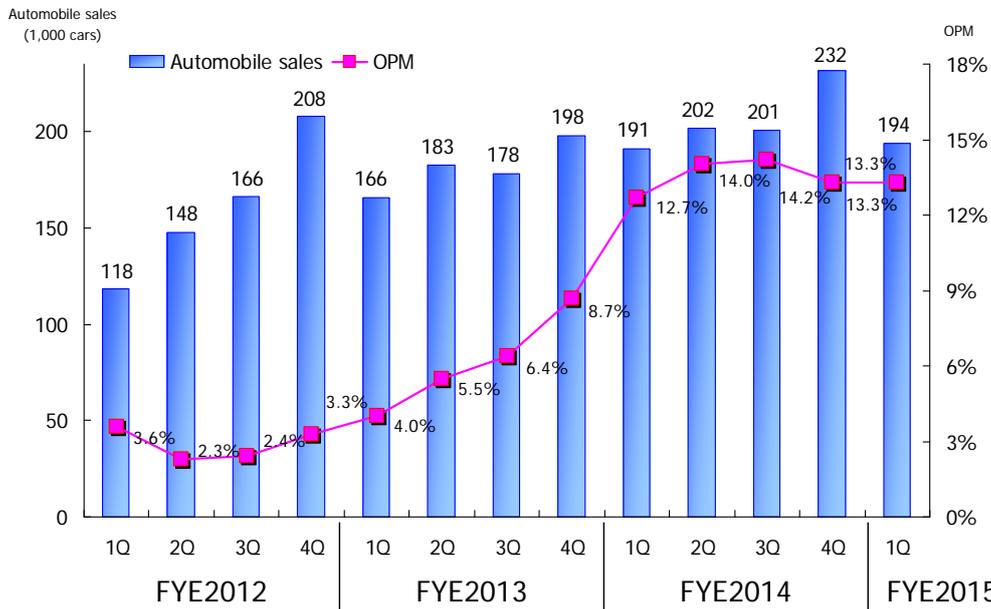
Appendix (2)

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

Net Sales & Operating Income



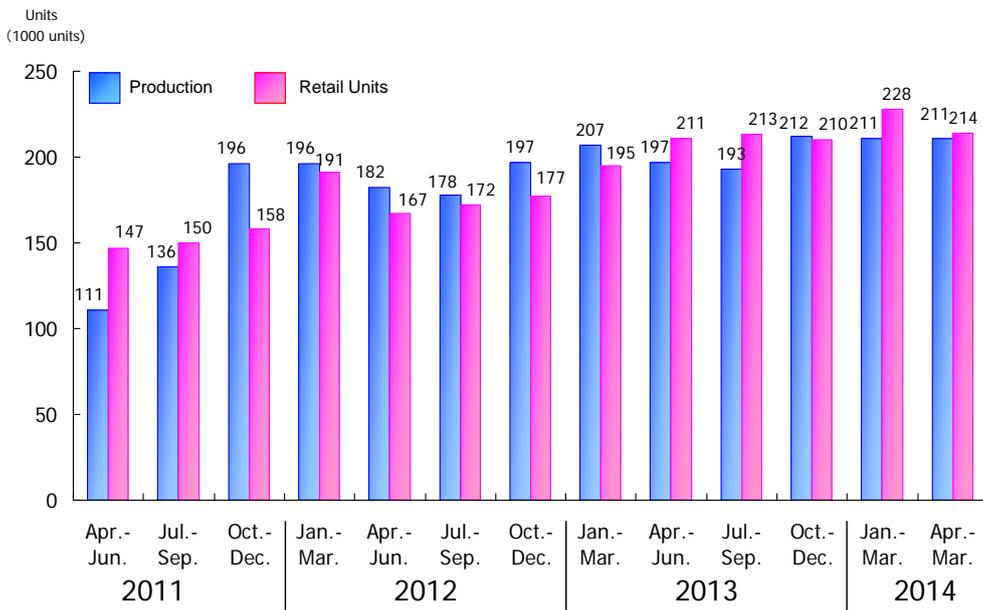
Consolidated Automobile Sales & Operating Income Margin



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Complete Cars Production & Retail Units

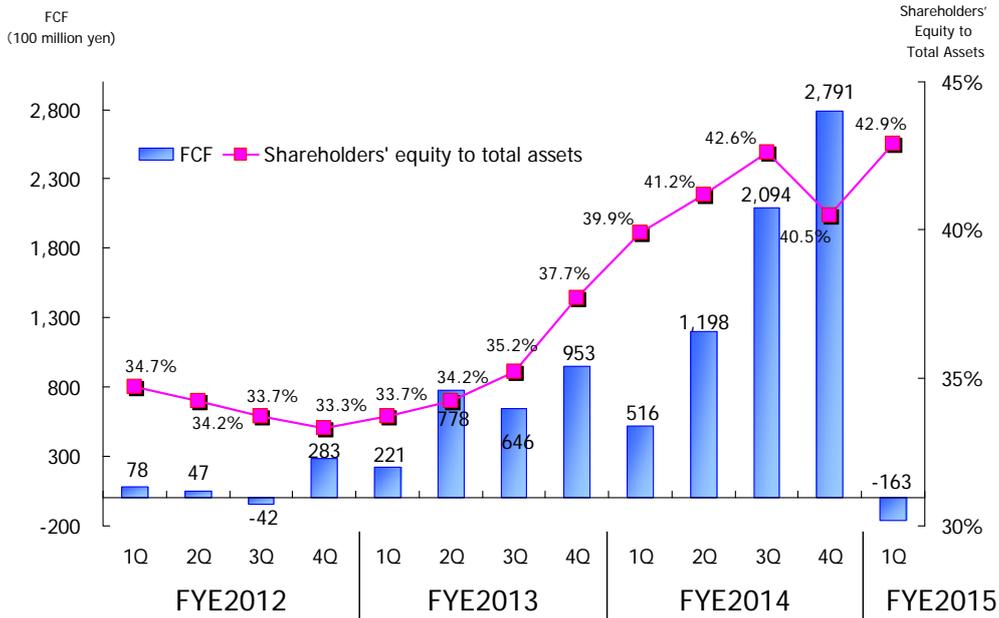


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* Production figures include Toyota 86.

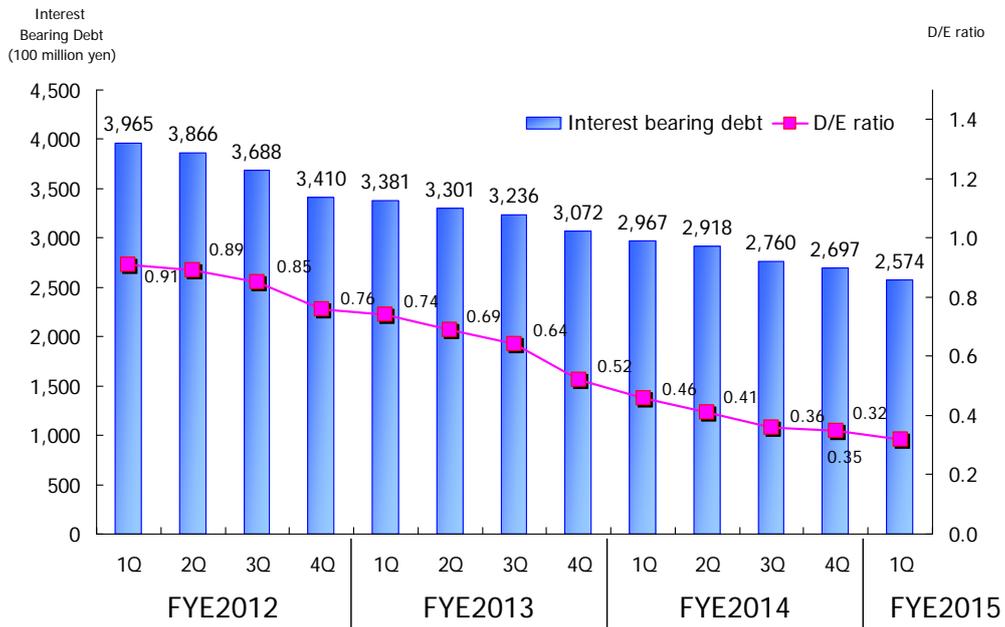
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Free Cash Flows & Shareholders' Equity to Total Assets



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Interest-Bearing Debt & D/E Ratio



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