

Consolidated Financial Results

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



February 8, 2017

Company Name : **Fuji Heavy Industries Ltd.** (Tokyo Stock Exchange First Section, Code No.7270)
 URL : <http://www.fhi.co.jp/english/ir/>
 Representative : Yasuyuki Yoshinaga, President and CEO
 Contact for Inquiries : Katsuo Saitou, General Manager of Administration Department Phone +81-3-6447-8825
 Scheduled date of submitting Quarterly Report : February 13, 2017
 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 2017 (April 1, 2016 to December 31, 2016)

(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 attributable to owners of parent	
3rd Quarter of FY2017	2,427,891	0.4%	306,760	(29.6)%	297,194	(31.5)%	207,513	(38.6)%
3rd Quarter of FY2016	2,418,630	17.4%	435,741	40.5%	433,978	50.5%	337,792	77.5%

Note: Comprehensive income 3rd Quarter of FY2017: 217,576 million yen (Minus35.3%) 3rd Quarter of FY2016: 336,041 million yen (38.8%)

	Net income per share, basic (Yen)	Net income per share, diluted (Yen)
3rd Quarter of FY2017	268.27	-
3rd Quarter of FY2016	432.86	-

(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 FY2017	2,643,986	1,402,788	52.8%
FY2016	2,592,410	1,349,411	51.8%

Reference: Shareholders' equity As of December 31, 2016: 1,396,869 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	-	72.00	-		
FY 2017 (Forecast)				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)	
Full year	3,310,000	2.4	410,000	(27.5)	412,000	(28.6)	290,000	(33.6)	375.48	

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

4. Others

- (1) Changes of significant subsidiaries in the third 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 December 31,2016:	769,175,873 shares	As of March 31,2016:	782,865,873 shares
[2] Number of treasury stock	As of December 31,2016:	2,489,647 shares	As of March 31,2016:	2,487,843 shares
[3] Average number of shares (for nine-month period)	3rd Quarter of FY2017:	773,532,265 shares	3rd Quarter of FY2016:	780,380,730 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 ¥9.3 billion (0.4%) from the same period of the previous fiscal year to ¥2,427.9 billion mainly due to higher automobile unit sales absorbing a decrease in sales revenues owing to foreign exchange rate fluctuations.

Regarding the profit, operating income decreased ¥129.0 billion (29.6%) from the same period of the previous fiscal year to ¥306.8 billion, due to increases in miscellaneous expenditure, mainly for quality-related expenses attributable to airbag inflators, and R&D expenses and as the effect of foreign exchange rate fluctuations, despite higher automobile unit sales and progress with reduction in costs. Ordinary income decreased ¥136.8 billion (31.5%) from the same period of the previous fiscal year to ¥297.2 billion. Net income attributable to owners of the parent decreased ¥130.3 billion (38.6%) from the same period of the previous fiscal year to ¥207.5 billion.

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

	Net Sales	Operating Income	Ordinary Income	Quarterly Net Income Attributable to Owners of the Parent	Foreign Exchange Rate
3 rd quarter of FYE 2017	2,427,891	306,760	297,194	207,513	¥106/US\$
Profit Margin		12.6%	12.2%	8.5%	¥118/EUR
3 rd quarter of FYE 2016	2,418,630	435,741	433,978	337,792	¥122/US\$
Profit Margin		18.0%	17.9%	14.0%	¥135/EUR
Change	9,261	(128,981)	(136,784)	(130,279)	
Percentage change	0.4%	(29.6)%	(31.5)%	(38.6)%	

[Results by Business Segment]

Results for the third quarter of the current fiscal year period by business segment are as described below.

As of the third quarter of the current fiscal year period, the classification of reporting segments has changed. Details are given on page 12, “3. Quarterly Consolidated Financial Statements (4) Notes on Quarterly Consolidated Financial Statements (Segment Information). In the comparison with same quarter of the previous fiscal year as described below, the figures for the same quarter of the previous fiscal year were rearranged into the new segment classifications before making the comparison.

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

	Net Sales				Segment Income			
	3 rd Quarter of FYE 2016	3 rd Quarter of FYE 2017	Change	Percentage change	3 rd Quarter of FYE 2016	3 rd Quarter of FYE 2017	Change	Percentage change
Automobile Div.	2,277,192	2,305,296	28,104	1.2%	420,288	298,727	121,561	(28.9)%
Aerospace Div.	110,215	96,407	(13,808)	(12.5)%	12,165	4,956	(7,209)	(59.3)%
Other	31,223	26,188	(5,035)	(16.1)%	2,799	2,421	(378)	(13.5)%
Adjustment	-	-	-	-	489	656	167	34.2%
Total	2,418,630	2,427,891	9,261	0.4%	435,741	306,760	(128,981)	(29.6)%

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

2. Adjustment to segment income refers to elimination of intersegment transactions.

[1] Automobile Division

Regarding registered cars in Japan, unit sales increased 7 thousand units (9.5%) compared with the same period of the previous fiscal year to 83 thousand units as a result of strong sales of the Forester, Impreza and other models. On the other hand, unit sales of minicars decreased 2 thousand units (6.7%) compared with the same period of the previous fiscal year to 22 thousand units due to the effect of a decrease in unit sales of the Stella, which was introduced with upgrades in the previous year and other factors. As a result of these factors, total unit sales in Japan increased 6 thousand units (5.6%) compared with the same period of the previous fiscal year to 106 thousand units.

Overseas total unit sales increased 68 thousand units (11.1%) compared with the same period of the previous fiscal year to 680 thousand units mainly due to favorable conditions surrounding sales of the

Outback and other models in North America, the key market of FHI.

By region, sales in North America increased 59 thousand units (12.2%) from the same period of the previous fiscal year to 542 thousand units, sales in Europe including Russia remained almost unchanged from the same period of the previous fiscal year at 34 thousand units, sales in Australia increased 5 thousand units (15.2%) from the same period of the previous fiscal year to 38 thousand units, sales in China increased 2 thousand units (6.3%) from the same period of the previous fiscal year to 32 thousand units, and sales in other regions increased 2 thousand units (5.7%) from the same period of the previous fiscal year to 35 thousand units.

As a result, combined unit sales in Japan and overseas markets amounted to 786 thousand units, an increase of 74 thousand units (10.3%) from the same period of the previous fiscal year and a record high for the consolidated cumulative third quarter. Overall net sales increased ¥28.1 billion (1.2%) from the same period of the previous fiscal year to ¥2,305.3 billion. Segment income, affected by currency fluctuations and increases in miscellaneous expenditure, mainly for quality-related expenses attributable to airbag inflators, and R & D expenses, decreased ¥121.6 billion (28.9%) from the same period of the previous fiscal year to ¥298.7 billion.

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

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

	3 rd Quarter of FYE 2016	3 rd Quarter of FYE 2017	Change	Percentage change
Total in Japan	100	106	6	5.6%
Registered cars	76	83	7	9.5%
Minicars	24	22	(2)	(6.7)%
Total overseas	612	680	68	11.1%
North America	483	542	59	12.2%
Europe/Russia	33	34	0	1.4%
Australia	33	38	5	15.2%
China	30	32	2	6.3%
Other regions	33	35	2	5.7%
Grand total	712	786	74	10.3%

[2] Aerospace Division

Deliveries to the Japan Ministry of Defense saw sales decline compared with the level of the same period of the previous fiscal year mainly with a decrease in helicopter production.

Sales to the commercial sector fell compared with the same period of the previous fiscal year owing to a decline in production of Boeing 777 aircraft and effects from foreign exchange rate fluctuations despite an increase in production of Boeing 787 aircraft.

As a result, overall net sales decreased ¥13.8 billion (12.5%) compared with the same period of the previous fiscal year to ¥96.4 billion. Segment income decreased ¥7.2 billion (59.3%) compared with the same period of the previous fiscal year to ¥5.0 billion.

[3] Other Businesses

In the industrial products business, net sales decreased ¥5.0 billion (16.1%) compared with the same period of the previous fiscal year to ¥26.2 billion with a decrease in sales of engines for leisure vehicles to North America. Segment income also decreased ¥0.4 billion (13.5%) compared with the same period of the previous fiscal year to ¥2.4 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 ¥2,644.0 billion, an increase of ¥51.6 billion from the end of the previous fiscal year. Main factors included a ¥70.1 billion increase in

property, plant and equipment.

Total liabilities decreased ¥1.8 billion compared with the end of the previous fiscal year to ¥1,241.2 billion. Main factors included a ¥97.6 billion decrease in income taxes payable and a ¥62.0 billion increase in accrued expenses, and other liabilities.

Net assets increased ¥53.4 billion compared with the end of the previous fiscal year to ¥1,402.8 billion. Main factors included a ¥49.1 billion increase in retained earnings.

[2] Cash Flows

Cash and cash equivalents (hereinafter “Cash”) at the end of the third quarter of the current fiscal year totaled ¥697.0 billion.

(Net cash provided by operating activities)

Net cash provided by operating activities was ¥216.4 billion (net cash provided in the same consolidated cumulative period of the previous fiscal year was ¥434.3 billion). Main factors included ¥298.8 billion in income before income taxes and minority interests, a ¥58.2 billion increase in accrued expenses, and ¥201.5 billion in income taxes paid.

(Net cash used in investment activities)

Net cash used in investing activities was ¥166.5 billion (net cash used in the same consolidated cumulative period of the previous fiscal year was ¥180.8 billion). Main factors included ¥124.7 billion in expenditures for the purchase of property, plant and equipment (net basis against proceeds from sales of property, plant and equipment) and ¥18.9 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 ¥188.4 billion (net cash used in the same consolidated cumulative period of the previous fiscal year was ¥110.2 billion). Main factors included a ¥52.7 billion in expenditures for the purchase of treasury stock and ¥111.1 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 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 November 2, 2016, as stated below, to reflect factors such as the effects expected from foreign exchange rate fluctuations despite anticipated higher miscellaneous expenditure.

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 ¥119/EUR (previously ¥115/EUR). Exchange rate assumptions for the fourth quarter of the current fiscal year are ¥113/US\$ and ¥121/EUR.

Consolidated Results Forecast for the 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
	¥ million	¥ million	¥ million	¥ million	Yen
Previous projection (A)	3,180,000	373,000	397,000	278,000	359.94
Revised projection (B)	3,310,000	410,000	412,000	290,000	375.48
Change in amount (B-A)	130,000	37,000	15,000	12,000	15.54
Percentage change	4.1%	9.9%	3.8%	4.3%	4.3%
(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)	3rd Quarter of FY2017 (as of December 31, 2016)
ASSETS		
□ Current assets		
Cash and deposits	507,553	465,643
Notes and accounts receivable-trade	140,319	140,918
Lease investment assets	21,532	19,068
Short-term investment securities	500,572	439,130
Merchandise and finished goods	192,705	198,843
Work in process	50,666	53,989
Raw materials and supplies	34,996	52,471
Deferred tax assets	90,893	86,989
Short-term loans receivable	151,973	174,786
Other	93,509	115,566
Allowance for doubtful accounts	(625)	(573)
Total current assets	1,784,093	1,746,830
□ Noncurrent assets		
1. Property, plant and equipment		
Buildings and structures, net	158,386	174,804
Machinery, equipment and vehicles, net	138,519	169,968
Land	182,531	184,562
Vehicles and equipment on operating leases, net	7,460	10,249
Construction in progress	46,951	36,558
Other, net	38,786	66,599
Total property, plant and equipment	572,633	642,740
2. Intangible assets		
Other	20,989	22,861
Total intangible assets	20,989	22,861
3. Investments and other assets		
Investment securities	109,804	104,855
Net defined benefit asset	1,774	1,751
Deferred tax assets	16,339	18,683
Other	90,205	109,688
Allowance for doubtful accounts	(3,427)	(3,422)
Total investments and other assets	214,695	231,555
Total noncurrent assets	808,317	897,156
Total assets	2,592,410	2,643,986

(Unit: Millions of yen)

	FY2016 (as of March 31, 2016)	3rd Quarter of FY2017 (as of December 31, 2016)
LIABILITIES		
□ Current liabilities		
Notes and accounts payable-trade	326,625	322,488
Electronically recorded obligations-operating	91,476	93,081
Short-term loans payable	33,252	39,183
Current portion of long-term loans payable	33,692	45,125
Current portion of bonds	10,000	-
Income taxes payable	100,272	2,673
Accrued expenses	132,759	194,781
Provision for bonuses	23,554	11,552
Provision for product warranties	51,251	60,062
Provision for loss on construction contracts	645	61
Provision for loss on business liquidation	-	3,727
Other	155,969	187,136
Total current liabilities	959,495	959,869
□ Noncurrent liabilities		
Long-term loans payable	93,030	61,189
Deferred tax liabilities	18,769	25,104
Provision for directors' retirement benefits	478	529
Net defined benefit liability	18,586	18,708
Other	152,641	175,799
Total noncurrent liabilities	283,504	281,329
Total liabilities	1,242,999	1,241,198
NET ASSETS		
□ Shareholders' equity		
Capital stock	153,795	153,795
Capital surplus	160,071	160,178
Retained earnings	1,049,016	1,098,110
Treasury stock	(1,402)	(7,171)
Total shareholders' equity	1,361,480	1,404,912
□ Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,344	7,731
Foreign currency translation adjustment	(13,415)	(1,914)
Remeasurements of defined benefit plans	(12,808)	(10,893)
Remeasurements of other postretirement benefits of foreign consolidated subsidiaries	(2,869)	(2,967)
Total accumulated other comprehensive income	(17,748)	(8,043)
Non-controlling interests	5,679	5,919
Total net assets	1,349,411	1,402,788
Total liabilities and net assets	2,592,410	2,643,986

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

(Unit: Millions of yen)

	FY2016 (April 1, 2015 to December 31, 2015)	FY2017 (April 1, 2016 to December 31, 2016)
I Net sales	2,418,630	2,427,891
II Cost of sales	1,639,088	1,745,603
Gross profit	779,542	682,288
III Selling, general and administrative expenses	343,801	375,528
Operating income	435,741	306,760
IV Non-operating income		
Interest income	2,340	2,330
Dividends income	1,442	1,039
Equity in earnings of affiliates	525	48
Foreign exchange gains	-	23,500
Gain on valuation of derivatives	5,587	-
Other	885	1,195
Total non-operating income	10,779	28,112
V Non-operating expenses		
Interest expenses	1,900	1,413
Foreign exchange losses	7,030	-
Loss on valuation of derivatives	-	32,649
Other	3,612	3,616
Total non-operating expenses	12,542	37,678
Ordinary income	433,978	297,194
VI Extraordinary income		
Gain on sales of noncurrent assets	139	349
Gain on sales of investment securities	238	10,111
Reversal of allowance for doubtful account	※ 29,624	-
Other	※ 21,832	16
Total extraordinary income	51,833	10,476
VII Extraordinary loss		
Loss on sales and retirement of noncurrent assets	3,083	3,239
Loss on business liquidation	-	※ 4,978
Other	2,254	620
Total extraordinary losses	5,337	8,837
Income before income taxes	480,474	298,833
Total Income taxes	143,487	89,955
Net income	336,987	208,878
Net income(loss) attributable to non-controlling interests	(805)	1,365
Net income attributable to owners of parent	337,792	207,513

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

(Unit: Millions of yen)

	FY2016 (April 1, 2015 to December 31, 2015)	FY2017 (April 1,2016 to December 31, 2016)
Net income	336,987	208,878
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,168)	(3,613)
Foreign currency translation adjustment	(1,530)	10,741
Remeasurements of defined benefit plans	1,801	1,915
Remeasurements of other postretirement benefits of foreign consolidated subsidiaries	(8)	(98)
Share of other comprehensive income of associates accounted for using equity method	(41)	(247)
Total other comprehensive income	(946)	8,698
Comprehensive income	336,041	217,576
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	336,994	217,218
Comprehensive income attributable to non-controlling interests	(953)	358

(3) Quarterly Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	FY2016 (April 1, 2015 to December 31,2015)	FY2017 (April 1, 2016 to December 31,2016)
I Net cash provided by (used in) operating activities		
Income (loss) before income taxes	480,474	298,833
Depreciation and amortization	53,673	60,590
Increase (decrease) in allowance for doubtful accounts	(29,696)	(54)
Interest and dividends income	(3,782)	(3,369)
Interest expenses	1,900	1,413
Increase (decrease) in provision for loss on business liquidation	-	3,727
Loss (gain) on sales and retirement of noncurrent assets	2,944	2,890
Loss (gain) on sales and valuation of investment securities	(124)	(9,503)
Decrease (increase) in operating loans receivable	(2,246)	(1,652)
Decrease (increase) in notes and accounts receivable-trade	23,697	(4,652)
Decrease (increase) in inventories	25,247	(33,525)
Increase (decrease) in notes and accounts payable-trade	(11,317)	(3,692)
Increase (decrease) in accrued expenses	(3,854)	58,216
Other, net	(21,204)	46,282
Subtotal	515,712	415,504
Interest and dividends income received	4,266	3,955
Interest expenses paid	(2,026)	(1,518)
Proceeds from compensation for damage	48,081	-
Income taxes paid	(131,733)	(201,539)
Net cash provided by (used in) operating activities	434,300	216,402
II Net cash provided by (used in) investing activities		
Net decrease (increase) in time deposits	(70,779)	(11,967)
Purchase of short-term investment securities	(4,132)	(61,018)
Proceeds from sales of short-term investment securities	10,135	52,552
Purchase of non-current assets	(89,198)	(125,397)
Proceeds from sales of non-current assets	876	656
Purchase of investment securities	(34,400)	(35,782)
Proceeds from sales of investment securities	15,095	39,858
Payments of loans receivable	(80,991)	(104,502)
Collection of loans receivable	82,531	85,637
Other, net	(9,975)	(6,533)
Net cash provided by (used in) investing activities	(180,838)	(166,496)
III Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(4,336)	8,661
Proceeds from long-term loans payable	5,760	12,480
Repayments of long-term loans payable	(25,977)	(32,898)
Redemption of bonds	-	(10,000)
Purchase of treasury stock	(17)	(52,742)
Cash dividends paid	(84,791)	(111,084)
Dividends paid to non-controlling interests	-	(1,944)
Other, net	(822)	(874)
Net cash provided by (used in) financing activities	(110,183)	(188,401)
IV Effect of exchange rate change on cash and cash Equivalents	(1,318)	6,022
V Net increase (decrease) in cash and cash equivalents	141,961	(132,473)
VI Cash and cash equivalents at beginning of period	612,085	829,461
VII Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	(127)	-
VIII Cash and cash equivalents at end of period	753,919	696,988

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

FY2017 (April 1, 2016 to December 31, 2016)

Not Applicable

(Notes on Quarterly Consolidated Statements of Income)

*1.Details of extraordinary income is as follows:

FY2016 (April 1, 2015 to December 31, 2015)

Reversal of allowance for doubtful accounts

Allowance for receivables of the initial investment fees associated with the AH-64D combat helicopter for the Japan Ministry of Defense was released because the lawsuit against the Government of Japan over the claims of the initial investment fees was concluded.

Other extraordinary income

Other extraordinary income includes 18,561 million yen of accrued delay damages receivable recognized due to the conclusion of the lawsuit against the Government of Japan over the claims of the initial investment fees associated with the AH-64D combat helicopter for the Japan Ministry of Defense.

*2.Details of extraordinary losses is as follows:

FY2017 (April 1, 2016 to December 31, 2016)

Loss on business liquidation

The loss was recognized due to the decision to liquidate the Industrial Products business on November 2,2016.

The loss consists of 2,526 million yen of loss on fixed assets, 2,135 million yen on inventory valuation, and 317 million yen on others.

The loss on fixed assets above includes impairment losses on the following assets.

Use	Location	Category	Impairment losses (million yen)
Production facilities	Kitamoto City Saitama Prefecture and other locations	Machinery, equipment and vehicles	1,201

Production facilities that impairment losses are recognized are grouped together with assets owned mainly by the Industrial Products business for impairment recognition and measurement purposes.

Due to the decision to liquidate the Industrial Products business, it is expected that future cash flows would fall below book values of related facilities, the book values of those assets were written down to the recoverable amounts accordingly.

As a result, ¥ 1,201 million of impairment losses were recognized and presented in Loss on business liquidation in the quarterly consolidated statements of income.

The recoverable amounts are measured at value in use, calculated based on future cash flows discounted principally at 10.30%.

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

FY2017 (April 1, 2016 to December 31 2016)

Not Applicable

(Segment Information)

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

3rd Quarter of FY 2016 (April 1, 2015 to December 31, 2015)

(Unit: Millions of yen)

	Business segment reported			Other *1	Total	Adjustment *2	Consolidated Statement of income *3
	Automobiles	Aerospace	Sub- Total				
Net sales							
(1) Outside customers	2,277,192	110,215	2,387,407	31,223	2,418,630	-	2,418,630
(2) Inter-segment	3,498	-	3,498	12,386	15,884	(15,884)	-
Total sales	2,280,690	110,215	2,390,905	43,609	2,434,514	(15,884)	2,418,630
Operating income	420,288	12,165	432,453	2,799	435,252	489	435,741

Note: *1. Other means the category which is not included into any business segment reported.

It consists of Industrial Products, real 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 2017(April 1, 2016 to December 31, 2016)

(Unit: Millions of yen)

	Business segment reported			Other *1	Total	Adjustment *2	Consolidated Statement of income *3
	Automobiles	Aerospace	Sub- Total				
Net sales							
(1) Outside customers	2,305,296	96,407	2,401,703	26,188	2,427,891	-	2,427,891
(2) Inter-segment	3,607	-	3,607	17,346	20,953	(20,953)	-
Total sales	2,308,903	96,407	2,405,310	43,534	2,448,844	(20,953)	2,427,891
Operating income(loss)	298,727	4,956	303,683	2,421	306,104	656	306,760

Note: *1. Other means the category which is not included into any business segment reported.

It consists of Industrial Products, real 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.

2. Changes in reporting segments

"Industrial Products", which had been formerly reported as a single segment, is included in "Other" segment from the third quarter consolidated accounting period ended December 31, 2016 due to the decision to liquidate the Industrial Products business at the Board of Directors meeting held on November 2, 2016.

Segment information for the nine months period ended December 31, 2015 is presented in conformity with the change.

3. Information on loss on impairment of fixed assets or goodwill etc. for each reportable segment

(Significant impairment losses on fixed assets)

Due to the decision to liquidate the Industrial Products business, impairment losses of ¥ 1,201 million were recorded in "Other" segment in the third quarter consolidated accounting period ended December 31, 2016.

The impairment losses are presented as Loss on business liquidation in Extraordinary loss in the quarterly consolidated statement of income.

(Significant Subsequent Event)

Not Applicable

< Reference for the First Nine Months of FYE2017 Consolidated Financial Results >

(Yen in 100 Millions, Units in Thousands)

	RESULTS FYE2016 First 9 Months 2015. 4-12	RESULTS FYE2017 First 9 Months 2016. 4-12		RESULTS FYE2016 Full Year '15.4-'16.3	FORECASTS FYE2017 Full Year 2016. 4 – 2017. 3		PREVIOUS FORECASTS FYE2017 Full Year '16.4-'17.3		
		Change	%		Change	%			
Net sales	24,186	24,279	93	0.4	32,323	33,100	777	2.4	31,800
Japan	4,282	4,449	167	3.9	6,054	6,511	457	7.5	6,463
Overseas	19,904	19,830	(75)	(0.4)	26,269	26,589	321	1.2	25,337
Operating income	4,357	3,068	(1,290)	(29.6)	5,656	4,100	(1,556)	(27.5)	3,730
Profit margin (%)	18.0	12.6			17.5	12.4			11.7
Ordinary income	4,340	2,972	(1,368)	(31.5)	5,770	4,120	(1,650)	(28.6)	3,970
Profit margin (%)	17.9	12.2			17.9	12.4			12.5
Net income attributable to owners of parent	3,378	2,075	(1,303)	(38.6)	4,367	2,900	(1,467)	(33.6)	2,780
Profit margin (%)	14.0	8.5			13.5	8.8			8.7
Factors contributing to change in operating income			Improvements on model mix, etc	1,035			Improvements on model mix, etc	1,398	
			Cost reduction effort, etc	301			Cost reduction effort, etc	319	
			Increase in SG&A exp, etc	(1,303)			Increase in SG&A exp, etc	(1,703)	
			Loss on currency exchange	(1,236)			Loss on currency exchange	(1,454)	
			Increase in R&D exp	(87)			Increase in R&D exp	(116)	
Exchange rates	JPY/US\$ 122/US\$		106/US\$		121/US\$		108/US\$		104/US\$
	JPY/EUR 135/EUR		118/EUR		133/EUR		119/EUR		115/EUR
Capital expenditures	830	1,076			1,357	1,600			1,600
Depreciation and amortization	473	541			650	800			800
R&D expenses	717	805			1,024	1,140			1,170
Interest bearing debts	1,865	1,455			1,700	1,550			1,600
Performance description			- 5th consecutive year of net sales increase - First decline in profits in 5 years - Record unit sales for April-December period				- 5th consecutive year of net sales increase - First decline in profits in 5 years - Record unit sales for full year		
Consolidated unit sales (Japan)	100	106	6	5.6	145	161	16	11.1	159
Passenger Cars	76	83	7	9.5	112	128	16	14.3	123
Minicars	24	22	(2)	(6.7)	34	34	0	0.7	36
Consolidated unit sales (Overseas)	612	680	68	11.1	813	906	93	11.5	904
North America	483	542	59	12.2	630	720	90	14.3	714
Europe	33	34	0	1.4	48	47	(1)	(1.7)	47
China	30	32	2	6.3	44	44	0	(0.9)	45
Other	66	73	7	10.5	90	95	5	5.2	98
Consolidated unit sales total	712	786	74	10.3	958	1,068	110	11.5	1,062
Production units total	702	775	74	10.5	951	1,055	104	10.9	1,054
Japan	530	543	13	2.4	715	719	4	0.6	718
U.S.	171	232	61	35.5	236	335	99	42.1	336
Net sales by business segment	Automobile 22,772	23,053	281	1.2					
	Aerospace 1,102	964	(138)	(12.5)					
	Other 312	262	(50)	(16.1)					
Operating income by business segment	Automobile 4,203	2,987	(1,216)	(28.9)					
	Aerospace 122	50	(72)	(59.3)					
	Other 28	24	(4)	(13.5)					
	Elimination & Corporate 5	7	2	34.2					

* 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.

< 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 Financial Results for Nine Months of FYE2017

Tokyo, February 8, 2017 - Fuji Heavy Industries Ltd. (FHI), the manufacturer of Subaru automobiles, today announced its consolidated financial results for the first nine months of fiscal year ending March 31, 2017.

< April-December 2016 Results: Consolidated Net Sales >

Subaru's consolidated global unit sales rose 10.3% to 786,000 units. Unit sales in Japan increased 5.6% to 106,000 units, as passenger car sales growth led by the Forester offset a decline in mini vehicle sales. Overseas unit sales grew 11.1% to 680,000 units, driven by continued strong sales of the Legacy and Outback in North America.

Consolidated net sales increased 0.4% to 2,427.9 billion yen, as unit sales growth offset foreign exchange losses and other factors.

Consolidated net sales, global unit sales, overseas unit sales and North American unit sales posted all-time records for the April-December period.*¹

< April-December 2016 Results: Consolidated Profit and Loss >

While posting unit sales growth and cost reduction progress, operating income fell 29.6% to 306.8 billion yen due to increases in SG&A and R&D expenses as well as foreign exchange losses. SG&A expenses were mainly quality-related costs associated with airbag inflators. Ordinary income decreased 31.5% to 297.2 billion yen and net income attributable to owners of parent declined 38.6% to 207.5 billion yen.

< FYE2017 Full-Year Forecasts >

Full-year projections are revised upward to net sales of 3,310 billion yen, operating income of 410 billion yen, ordinary income of 412 billion yen, and net income attributable to owners of parent of 290 billion yen. The revision from the previous forecasts reflects exchange rate fluctuations which offset an increase in SG&A expenses.

Currency rate assumptions: 108 yen/US\$, 119 yen/euro

Consolidated unit sales in North America are projected to reach a record high for the 8th consecutive year.*²

Consolidated net sales, global unit sales and overseas unit sales are projected to post record highs for the 5th consecutive year.*²

Previous Forecasts for FYE2017 (Announced on November 2, 2016)

Net sales: 3,180 billion yen

Operating income: 373 billion yen

Ordinary income: 397 billion yen

Net income attributable to owners of parent: 278 billion yen

Currency rate assumptions: 104 yen/US\$, 115 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.

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