Consolidated Financial Results for the 3rd Quarter of FYE 2017

Mitsuru Takahashi
Executive Vice President & CFO
February 8, 2017

Summary

Consolidated Financial Results for the 3rd Quarter of FYE 2017

- Consolidated net sales and global unit sales posted all-time records for the April-December period.
- While posting unit sales growth and cost reduction progress, all profit levels decreased year on year due to increase 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.

	Net Sales	Operating Income	Ordinary Income	Net income attributable to owners of parent	Consolidated automobile sales
Actual results (YoY)	¥2,427.9bil. (+9.3bil.)	¥306.8bil. (-129.0bil.)	¥297.2bil. (-136.8bil.)	¥207.5bil. (-130.3bil.)	785.8k units (+73.6k units)

Forecasts for FYE 2017

- Full-year projections are revised upward. The revision from the previous forecasts (announced on November 2, 2016) reflects exchange rate fluctuations which offset an increase in SG&A expenses.

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent	Consolidated automobile sales
Forecasts (YoY) (VS Previous plan)	¥3,310.0bil. (+77.7bil.) (+130.0bil)	¥410.0bil (-155.6bil) (+37.0bil)	¥412.0bil (-165.0bil) (+15.0bil)	¥290.0bil (-146.7bil) (+12.0bil)	1,067.5kunits (+109.7k units) (+5.2k units)

Consolidated Financial Results for the 3rd Quarter of FYE 2017

3^{rd} Quarter : Consolidated Unit Sales

(Thousand Units)

	Actual Results 3^{rd} Quarter FYE 2016	Actual Results 3^{rd} Quarter FYE 2017	Variance
Passenger car	75.9	83.1	+7.2
Minicar	24.0	22.4	-1.6
Domestic total	**99.9**	**105.5**	**+5.6**
US	446.3	501.3	+55.0
Canada	36.7	40.5	+3.7
Russia	4.8	4.1	-0.7
Europe	28.6	29.8	+1.2
Australia	32.9	37.9	+5.0
China	30.1	32.0	+1.9
Others	32.9	34.7	+1.9
Overseas total	**612.3**	**680.3**	**+68.0**
Total	**712.2**	**785.8**	**+73.6**

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

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

3

Consolidated automobile sales for the first nine months of the fiscal year ending March 2017 were up 73.6 thousand units year on year, totaling 785.8 thousand units. This was the highest sales figure ever recorded in a nine-month period.

Overall domestic sales were up 5.6 thousand units year on year to hit 105.5 thousand units. Passenger vehicle sales rose 7.2 thousand units year on year to reach 83.1 thousand units while sales of minicars slipped 1.6 thousand units year on year to total 22.4 thousand units.

Robust sales in North America and other markets brought sales in overseas markets up 68 thousand units year on year to reach 680.3 thousand units.

3rd Quarter: Consolidated Income Statements

(100 Million Yen)

	Actual Results 3rd Quarter FYE 2016	Actual Results 3rd Quarter FYE 2017	Variance
Net sales	**24,186**	**24,279**	**+93**
Domestic	4,282	4,449	+167
Overseas	19,904	19,830	-75
Operating income	**4,357**	**3,068**	**-1,290**
Total non-operating income & expenses	-18	-96	-78
Ordinary income	**4,340**	**2,972**	**-1,368**
Total extraordinary income & loss	465	16	-449
Income before taxes and minority interests	**4,805**	**2,988**	**-1,816**
Net income attributable to owners of parent	**3,378**	**2,075**	**-1,303**
FHI exchange rate	¥122/US$	¥106/US$	-¥15/US$

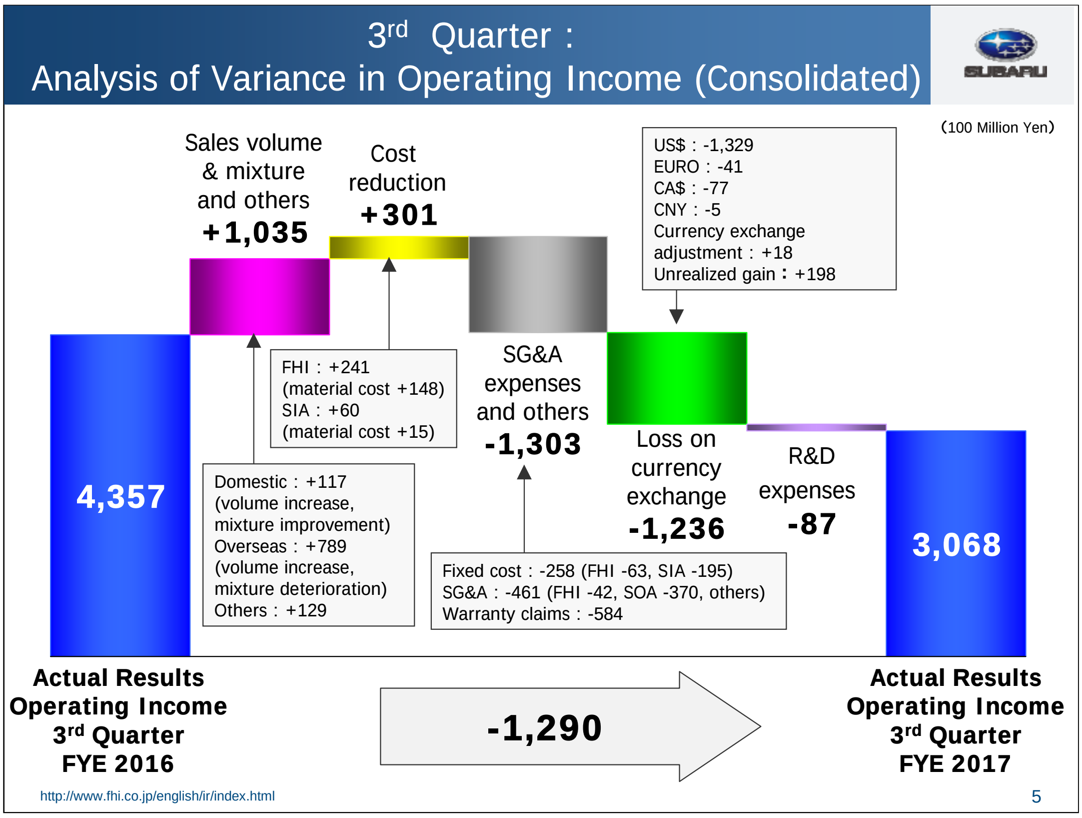
http://www.fhi.co.jp/english/ir/index.html 4

Moving on to consolidated earnings performance, we see that net sales rose 9.3 billion yen year on year to total 2,427.9 billion yen. The main factor behind this increase was a gain of 278.8 billion yen due to better sales mix variances resulting from higher sales volumes despite a foreign exchange loss of 261.5 billion yen and an 8.0-billion-yen drop in sales at Fuji Heavy Industries (FHI) companies, etc.

Operating income fell 129.0 billion yen year on year to reach 306.8 billion yen. This decrease was mainly due to the rise in R&D, SG&A and other expenses as well as currency fluctuations despite better sales mix variances from increased sales volumes and cost reduction.

Ordinary income dropped 136.8 billion yen to reach 297.2 billion yen, and income before taxes and minority interests was down 181.6 billion yen year on year to total 298.8 billion yen.

Net income attributable to owners of parent also declined 130.3 billion yen year on year to hit 207.5 billion yen.



Now let's look at the reasons behind the year-on-year increase of 129.0 billion yen in operating income that went from 435.7 billion yen to 306.8 billion yen.

The primary factor that brought operating income up was a gain of 103.5 billion yen due to better sales mix variances. This increase can be broken down into the following three areas.

First, we saw a gain of 11.7 billion yen in domestic new car sales. Sales of the Forester, Impreza, and other models remained upbeat, bringing overall sales volumes up.

Next, we saw a gain of 78.9 billion yen in overseas new car sales due primarily to growing sales volumes in North America and other overseas markets.

Finally, we had a gain of 12.9 billion yen due to inventory adjustments and other factors.

Another factor that brought operating income up was a gain of 30.1 billion yen resulting from cost reductions. This includes a gain of 24.1 billion yen generated by FHI as well as a gain of 6.0 billion yen coming from SIA. FHI generated a gain of 9.3 billion yen from cost reductions on top of a gain of 14.8 billion yen due to lower material costs and better market conditions. SIA yielded a gain of 4.5 billion yen through cost reductions and a gain of 1.5 billion yen due to better materials prices, etc.

The main factor bringing operating income down was a loss of 130.3 billion yen due to increases in SG&A and other expenses. This can be broken down into the following three areas.

First, we saw a loss of 25.8 billion yen due to an increase in fixed manufacturing costs. This includes a loss of 6.3 billion yen at FHI as well as a loss of 19.5 billion yen coming from SIA. FHI generated a gain of 1.0 billion yen due to lower costs for supplier dies and a loss of 7.3 billion yen due to higher fixed processing costs while SIA lost 2.3 billion yen due to higher costs for supplier dies and 17.2 billion yen due to an increase in fixed processing costs.

The second factor is a loss of 46.1 billion yen due to an increase in SG&A expenses. This includes a loss of 4.2 billion yen at FHI, a loss of 1.5 billion yen at domestic dealers, a loss of 37.0 billion yen at SOA, a loss of 3.5 billion yen at our Canadian subsidiary, and a gain of 0.1 billion yen from other operations. SOA posted a loss of 2.2 billion yen from mounting advertising expenses, etc. along with a loss of 34.8 billion yen associated with sales incentives. The per-unit incentive amount increased by 450 dollars year on year, going from 900 to 1,350 dollars.

The third and last factor includes an increase in costs associated with warranty claims that led to a loss of 58.4 billion yen.

Another contributing factor that brought operating income down was a foreign exchange loss of 123.6 billion yen. This includes a loss of 132.9 billion yen due to an approximate 15-yen appreciation against the U.S. dollar, a loss of 4.1 billion yen due to an approximate 17-yen appreciation against the euro, and a loss of 7.7 billion yen due to an approximate 14-yen appreciation against the Canadian dollar. On top of that we lost 0.5 billion yen due to currency translations between the yen and the Chinese yuan despite a gain of 1.8 billion yen due to foreign exchange adjustments on transactions between FHI and its overseas subsidiaries as well as a 19.8-billion-yen gain from unrealized inventory.

Finally, an increase in R&D expenses resulted in a loss of 8.7 billion yen.

These factors combined brought consolidated operating income for the first nine-month period of the fiscal year ending March 2017 down 129.0 billion yen to total 306.8 billion yen.

Consolidated Balance Sheets

(100 Million Yen)

	As of March 2016	As of December 2016	Variance
Total assets	**25,924**	**26,440**	**+516**
Current assets	17,841	17,468	-373
Noncurrent assets	8,083	8,972	+888
Total liabilities	**12,430**	**12,412**	**-18**
Interest bearing debts	1,700	1,455	-245
Net assets	**13,494**	**14,028**	**+534**
Retained earnings	10,490	10,981	+491
Shareholders’ equity	13,437	13,969	+531
Ratio of shareholders’ equity to total assets	51.8%	52.8%	+1.0
D/E ratio	0.13	0.10	-0.02

The balance sheet shows total assets of 2,644.0 billion yen, for an increase of 51.6 billion yen over the total at the end of March 2016.

Interest-bearing debts fell 24.5 billion yen to hit 145.5 billion yen while net assets rose 53.4 billion yen to total 1,402.8 billion yen.

The ratio of shareholders’ equity to total assets was 52.8% while the debt-to-equity ratio stood at 0.10.

3rd Quarter : Consolidated Statement of Cash Flows

(100 Million Yen)

	Actual Results 3rd Quarter FYE 2016	Actual Results 3rd Quarter FYE 2017	Variance
Net cash provided by (used in) operating activities	**4,343**	**2,164**	**-2,179**
Net cash provided by (used in) investing activities	**-1,808**	**-1,665**	**+143**
Free cash flows	**2,535**	**499**	**-2,036**
Net cash provided by (used in) financing activities	**-1,102**	**-1,884**	**-782**
Effect of exchange rate change on cash and cash equivalents	-13	60	+73
Net increase (decrease) in cash and cash equivalents	1,420	-1,325	-2,744
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	-1	0	+1
Cash and cash equivalents at end of period	**7,539**	**6,970**	**-**

http://www.fhi.co.jp/english/ir/index.html 7

Moving on to the consolidated statement of cash flows, we see that net cash flow from operating activities amounted to an inflow of 216.4 billion yen due to a net income before taxes and minority interests of 298.8 billion yen, a 58.2-billion-yen increase in accrued expenses, as well as a payment of corporate income tax, etc. totaling 201.5 billion yen.

Net cash flow from investing activities amounted to an outflow of 166.5 billion yen for investments aimed primarily at boosting production capacity as well as payments of loans receivable.

Free cash flow totaled 49.9 billion yen.

Net cash flow from financing activities resulted in an outflow of 188.4 billion yen due to dividend payments, the repurchase of our own shares, and other expenditures.

3rd Quarter : Operating Results of Subsidiaries in U.S.

(Million US$)

SOA	Actual Results 3rd Quarter FYE 2016	Actual Results 3rd Quarter FYE 2017	Variance
Net sales	11,589	13,454	+1,865
Operating income	657	609	-48
Net income	404	376	-28
Retail sales (Thousand units)	449.9	481.6	+31.7

SIA	Actual Results 3rd Quarter FYE 2016	Actual Results 3rd Quarter FYE 2017	Variance
Net sales	3,967	5,293	+1,326
Operating income	135	132	-3
Net income	87	80	-7
Subaru production (Thousand units)	171.3	232.2	+60.9

SOA's retail sales climbed 31.7 thousand units year on year to reach a total of 481.6 thousand units as sales of the Outback and Legacy remained upbeat.

Net sales also jumped 1,865 million dollars to total 13,454 million dollars.

Operating income was down 48 million dollars year on year to total 609 million dollars. This decrease came from a loss of 304 million dollars due to higher SG&A expenses despite a gain of 256 million dollars from favorable sales volume and mix variances.

SIA saw net sales rise 1,326 million dollars year on year to hit 5,293 million dollars.

Operating income, on the other hand, dropped 3 million dollars year on year to reach 132 million dollars. The factors behind this decrease include a loss of 159 million dollars due to an increase in fixed costs despite a gain of 107 million dollars due to sales price and volume variances and a gain of 49 million dollars brought about by overall cost reduction efforts.

Forecasts for FYE 2017

Revised Plan FYE 2017 : Consolidated Unit Sales

(Thousand Units)

	Actual Results FYE 2016	Revised Plan FYE 2017	Variance
Passenger car	111.6	127.5	+15.9
Minicar	33.7	34.0	+0.3
Domestic total	**145.3**	**161.5**	**+16.2**
US	582.7	667.4	+84.7
Canada	47.6	52.9	+5.3
Russia	5.7	5.6	-0.1
Europe	41.8	41.1	-0.7
Australia	44.6	49.5	+4.9
China	44.4	44.0	-0.4
Others	45.8	45.6	-0.2
Overseas total	**812.6**	**906.1**	**+93.5**
Total	**957.9**	**1,067.5**	**+109.7**

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

※ China figures are consolidated on the calendar year basis from Jan to Dec. 10

Let's move on to our full-year forecasts.

Before we talk about the revisions to the forecast that was announced on November 2, 2016, let's take a look at year-on-year comparisons.

Consolidated automobile sales for the fiscal year ending March 2017 are projected to reach 1,067.5 thousand units, hitting a record high for the fifth consecutive year. Domestic sales are expected to rise 16.2 thousand units year on year to total 161.5 thousand units while overseas sales will be up 93.5 thousand units to reach 906.1 thousand units.

Revised Plan FYE 2017 : Consolidated Income Statements

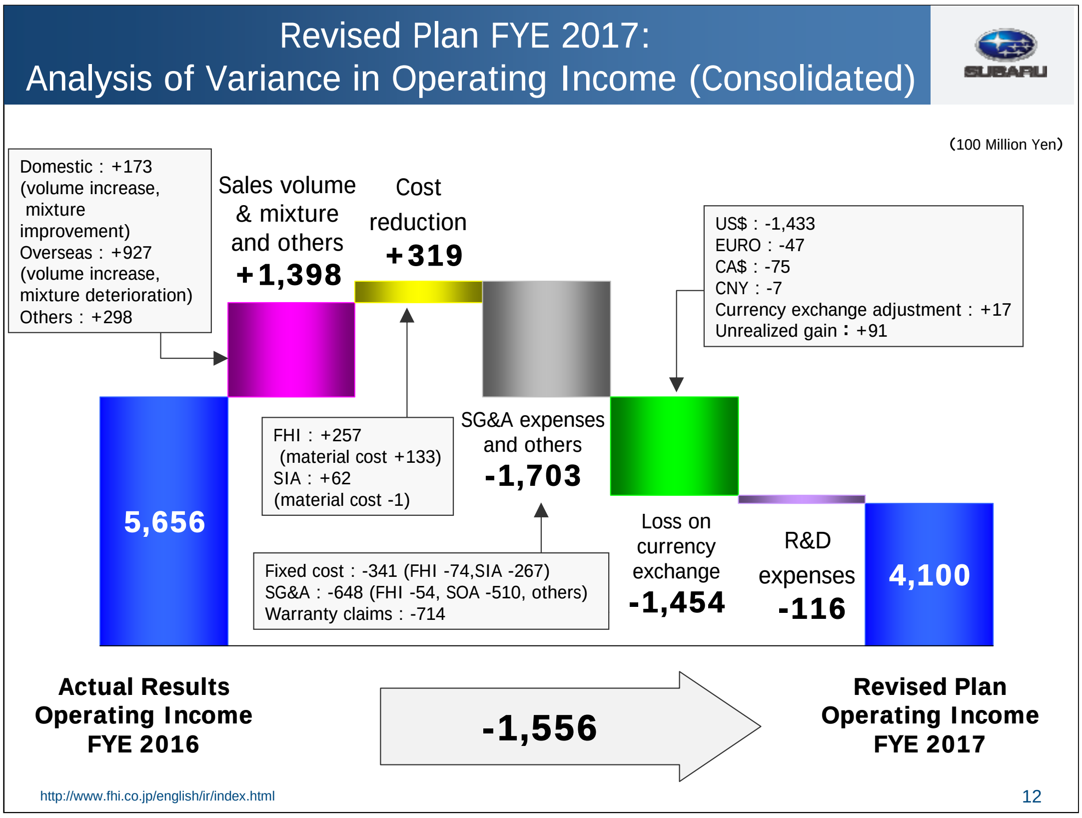
(100 Million Yen)

	Actual Results FYE 2016	Revised Plan FYE 2017	Variance
Net sales	**32,323**	**33,100**	**+777**
Domestic	6,054	6,511	+457
Overseas	26,269	26,589	+321
Operating income	**5,656**	**4,100**	**-1,556**
Ordinary income	**5,770**	**4,120**	**-1,650**
Income before taxes and minority interests	**6,190**	**4,120**	**-2,070**
Net income attributable to owners of parent	**4,367**	**2,900**	**-1,467**
FHI exchange rate	¥121/US$	¥108/US$	-¥13/US$

http://www.fhi.co.jp/english/ir/index.html 11

Moving on to our consolidated operating plan, we expect net sales to jump 77.7 billion yen year on year to total 3,310.0 billion yen. This uptick will come from a gain of 369.7 billion yen due to better sales mix variances resulting from increased sales volumes, a foreign exchange loss of 288.1 billion yen, as well as a 3.9 billion yen decrease in sales at FHI companies, etc. Operating income will fall 155.6 billion yen year on year to total 410.0 billion yen. Factors behind this drop will include higher R&D, SG&A, and other expenses as well as foreign exchange losses despite better sales mix variances and cost reduction.

Ordinary income will decrease 165.0 billion yen to reach 412.0 billion yen while income before taxes and minority interests will decline 207.0 billion yen to reach 412.0 billion yen. Net income attributable to owners of parent is expected to fall 146.7 billion yen to hit 290.0 billion yen.



Now let's look at the factors behind the projected year-on-year 155.6 billion yen decrease in operating income that will take us from 565.6 billion yen to 410.0 billion yen.

The primary factor that will bring operating income up is a gain of 139.8 billion yen due to better sales mix variances. This can be broken down into the following three areas: a gain of 17.3 billion yen associated with domestic sales of new models, a gain of 92.7 billion yen from sales of new models in overseas markets, and a gain of 29.8 billion yen due to inventory adjustments and other factors.

Another factor behind the jump in operating income will be a gain of 31.9 billion yen from cost cuts. This will include a gain of 25.7 billion yen coming from FHI as well as a gain of 6.2 billion yen at SIA.

FHI is expected to generate a gain of 12.4 billion yen through cost reductions and a gain of 13.3 billion yen in association with materials costs and other market factors.

SIA will yield a gain of 6.3 billion yen through cost reductions and a loss of 0.1 billion yen due to higher material prices, etc.

The main factor that will bring operating income down will be a loss of 170.3 billion yen due to increases in SG&A and other expenses. This can be broken down into the following three areas.

First, we will see a loss of 34.1 billion yen due to an increase in fixed manufacturing costs. This will include a loss of 7.4 billion yen at FHI as well as a loss of 26.7 billion yen coming from SIA. FHI is expected to see a gain of 1.1 billion yen due to lower costs for supplier dies and a loss of 8.5 billion yen due to higher fixed processing costs while SIA will see a loss of 4.4 billion yen due to increased costs for supplier dies and a loss of 22.3 billion yen due to higher fixed processing costs.

The second factor will be a loss of 64.8 billion yen due to an increase in SG&A expenses. This will include a loss of 5.4 billion yen at FHI, a loss of 2.1 billion yen at domestic dealers, a loss of 51.0 billion yen at SOA, a loss of 3.6 billion yen at our Canadian subsidiary, and a loss of 2.6 billion yen in our other operations. SOA is expected to suffer a loss of 0.2 billion yen from mounting advertising expenses, etc. along with a loss of 50.8 billion yen associated with sales incentives. The per-unit incentive amount will increase by 550 dollars year on year, rising from 900 to 1,450 dollars.

The third and last factor will include an increase in costs associated with warranty claims that will lead to a loss of 71.4 billion yen.

Another factor that will bring operating income down will be a foreign exchange loss of 145.4 billion yen. This decline will include a loss of 143.3 billion yen due to an approximate 13-yen appreciation against the U.S. dollar, a loss of 4.7 billion yen due to an approximate 14-yen appreciation against the euro, and a loss of 7.5 billion yen due to an approximate 10-yen appreciation against the Canadian dollar. On top of that, there will be a loss of 0.7 billion yen resulting from currency translations between the yen and the Chinese yuan, a gain of 1.7 billion yen due to foreign exchange adjustments for transactions between FHI and its overseas subsidiaries, as well as a gain of 9.1 billion yen from unrealized inventory.

Finally, an increase in R&D expenses will result in a loss of 11.6 billion yen.

All these factors combined will bring operating income for the fiscal year ending March 2017 down 155.6 billion yen to total 410.0 billion yen.

(Previous Plan vs. Revised Plan)
FYE 2017 : Consolidated Unit Sales

(Thousand Units)

	Previous Plan FYE 2017	Revised Plan FYE 2017	Variance
Passenger car	122.9	127.5	+4.6
Minicar	35.7	34.0	-1.7
Domestic total	**158.6**	**161.5**	**+2.9**
US	661.7	667.4	+5.8
Canada	52.5	52.9	+0.4
Russia	5.4	5.6	+0.3
Europe	41.9	41.1	-0.8
Australia	49.2	49.5	+0.3
China	44.5	44.0	-0.5
Others	48.7	45.6	-3.1
Overseas total	**903.8**	**906.1**	**+2.3**
Total	**1,062.4**	**1,067.5**	**+5.2**

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

Let's look at the revisions made to our previous forecasts.

We revised our consolidated automobile sales forecast upward by 5.2 thousand units, with a 2.9-thousand-unit increase in domestic sales and a 2.3-thousand-unit increase in sales overseas.

(Previous Plan vs. Revised Plan) FYE 2017 : Consolidated Income Statements

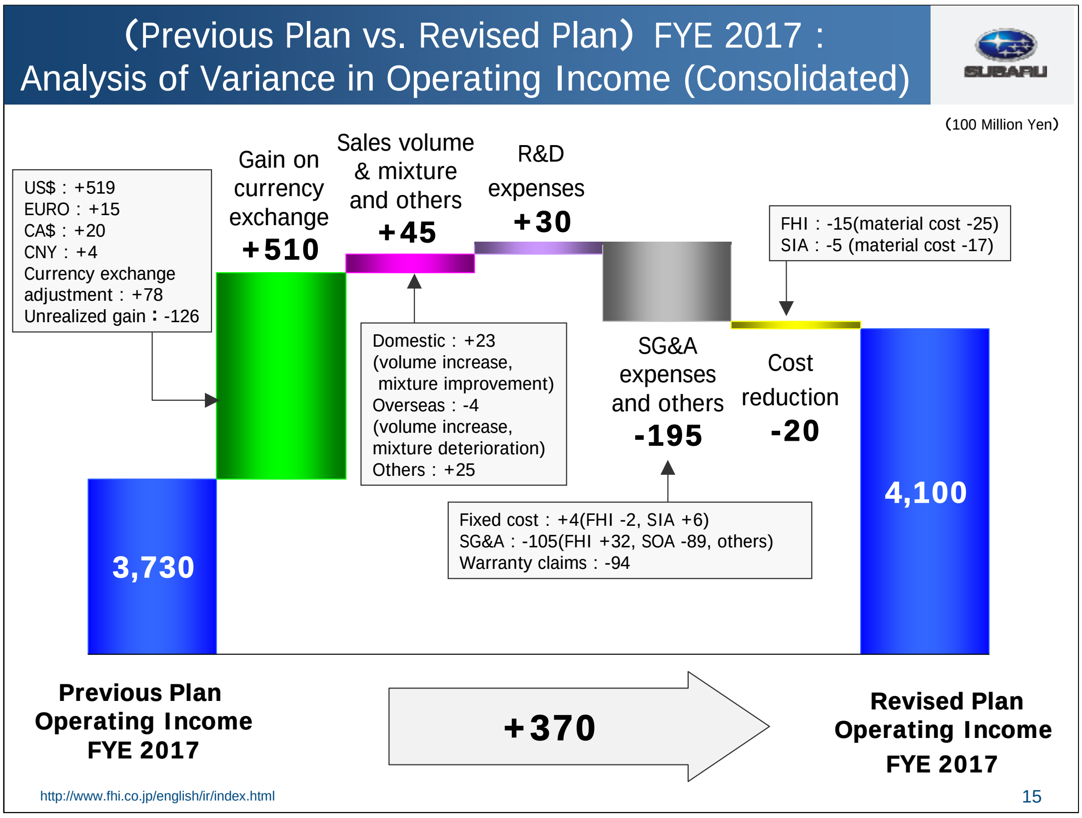
(100 Million Yen)

	Previous Plan FYE 2017	Revised Plan FYE 2017	Variance
Net sales	**31,800**	**33,100**	**+1,300**
Domestic	6,463	6,511	+48
Overseas	25,337	26,589	+1,252
Operating income	**3,730**	**4,100**	**+370**
Ordinary income	**3,970**	**4,120**	**+150**
Income before taxes and minority interests	**3,970**	**4,120**	**+150**
Net income attributable to owners of parent	**2,780**	**2,900**	**+120**
FHI exchange rate	¥104/US$	¥108/US$	+¥5/US$

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

14

We made upward revisions to our consolidated operating plan in light of the effects currency fluctuations will have, although SG&A and other expenses are expected to rise. These upward revisions include 130.0 billion yen in net sales, 37.0 billion yen in operating income, 15.0 billion yen in ordinary income, 15.0 billion yen in income before taxes and minority interests, and 12.0 billion yen in net income attributable to owners of parent.



Now let's look at the reasons behind the 37.0-billion-yen upward revision to our operating income forecast, bringing the total from 373.0 billion yen under the previous plan to 410.0 billion yen under the revised plan.

The main reason for the increase in operating income will be a foreign exchange gain of 51.0 billion yen. This will include a gain of 51.9 billion yen due to an approximate 5-yen depreciation against the U.S. dollar, a gain of 1.5 billion yen due to an approximate 4-yen depreciation against the euro, a gain of 2.0 billion yen due to an approximate 4-yen depreciation against the Canadian dollar, and a gain of 0.4 billion yen due to currency translations between the yen and the Chinese yuan. On top of that, there will be a gain of 7.8 billion yen due to foreign exchange adjustments for transactions between FHI and its overseas subsidiaries as well as a loss of 12.6 billion yen from unrealized inventory.

Another contributing factor that will bring operating income up is a favorable sales mix variance that will lead to a gain of 4.5 billion yen. This gain can be broken down into the following three areas: a gain of 2.3 billion yen associated with domestic sales of new models, a loss of 0.4 billion yen from sales of new models in overseas markets, and a gain of 2.5 billion yen due to inventory adjustments and other factors.

Finally, a decrease in R&D expenses will result in a gain of 3.0 billion yen.

The main factor that will bring operating income down will be a loss of 19.5 billion yen due to increases in SG&A and other expenses. This loss can be broken down into the following three areas.

First, we will see a gain of 0.4 billion yen due to a decrease in fixed manufacturing costs. This will include a loss of 0.2 billion yen at FHI as well as a gain of 0.6 billion yen coming from SIA. FHI is expected to generate a gain of 0.7 billion yen due to lower costs for supplier dies and a loss of 0.9 billion yen due to higher fixed processing costs while SIA will gain 0.6 billion yen due to lower fixed processing costs.

The second factor will be a loss of 10.5 billion yen due to an increase in SG&A expenses. This will include a gain of 3.2 billion yen at FHI, a loss of 0.7 billion yen at domestic dealers, a loss of 8.9 billion yen at SOA, a loss of 0.1 billion yen at our Canadian subsidiary, and a loss of 4.0 billion yen coming from other operations. SOA is expected to see a gain of 0.5 billion yen from lower advertising expenses, etc. along with a loss of 9.4 billion yen associated with sales incentives. The projected per-unit incentive has been revised upward to 1,450 dollars. That's an increase of 150 dollars over the 1,300 dollars it was under the previous plan.

The third factor will be an increase in costs associated with warranty claims that will lead to a loss of 9.4 billion yen.

The last factor behind the drop in operating income will be a loss of 2.0 billion yen associated with cost cuts. This will include a loss of 1.5 billion yen at FHI as well as a loss of 0.5 billion yen at SIA. FHI is expected to generate a gain of 1.0 billion yen through cost reductions and a loss of 2.5 billion yen due to increasing materials costs and other negative market factors. SIA will yield a gain of 1.2 billion yen through cost reductions and a loss of 1.7 billion yen due to materials prices, etc.

These factors combined will bring our projected consolidated operating income for the fiscal year ending March 2017 up 37.0 billion yen over what it was in the previous plan to total 410.0 billion yen.

Revised Plan FYE 2017: Operating Results of Subsidiaries in U.S.

(Million US$)

SOA	Actual Results FYE 2016	Revised Plan FYE 2017	Variance
Net sales	15,203	17,876	+2,673
Operating income	770	703	-67
Net income	480	437	-43
Retail sales (Thousand units)	581.4	640.1	+58.7

SIA	Actual Results FYE 2016	Revised Plan FYE 2017	Variance
Net sales	5,468	7,516	+2,048
Operating income	209	215	+6
Net income	134	133	-1
Subaru production (Thousand units)	236.0	335.2	+99.3

http://www.fhi.co.jp/english/ir/index.html 16

Now let's look at the performance of our U.S. subsidiaries.

Retail sales at SOA for this fiscal year are expected to jump 58.7 thousand units year on year for a total of 640.1 thousand units thanks to healthy sales of the Outback, Legacy, Crosstreck, and Forester.

Net sales will increase 2,673 million dollars year on year to reach 17,876 million dollars while operating income will fall 67 million dollars year on year to total 703 million dollars. This drop will come from a loss of 427 million dollars due to higher SG&A expenses despite a gain of 360 million dollars due to favorable sales volumes and mix variances.

SIA's net sales are expected to increase 2,048 million dollars year on year to reach 7,516 million dollars.

Operating income will rise 6 million dollars year on year to reach 215 million dollars. Factors for the increase will include a gain of 179 million dollars due to sales price and volume variances, a gain of 50 million dollars to be brought about by cost reduction efforts, as well as a loss of 223 million dollars due to an increase in fixed costs.

Capex / Depreciation / R&D / Interest bearing debt

(100 Million Yen)

	Actual Results 3rd Quarter FYE 2016	Actual Results FYE 2016 (a)	Actual Results 3rd Quarter FYE 2017	Revised Plan FYE 2017 (b)	Variance (b) - (a)
Capex	830	1,357	1,076	1,600	+243
Depreciation	473	650	541	800	+150
R&D	717	1,024	805	1,140	+116
Interest bearing debt	1,865	1,700	1,455	1,550	-150

http://www.fhi.co.jp/english/ir/index.html 17

Finally, let's look at capital expenditures, depreciation costs, R&D expenses, and interest bearing debt.

Capital expenditures and depreciation costs are expected to total 160.0 billion yen and 80.0 billion yen respectively just as projected in the previous forecast. R&D expenses are projected to total 114.0 billion yen, which is a 3.0-billion-yen drop from the previous forecast. Interest bearing debt will amount to 155.0 billion yen, which is 5.0 billion yen less than what it was in the previous forecast.

The projected amount of the annual dividend remains 144 yen per share as previously planned.

The following pages provide segment information, various KPIs, and other data for your reference.

This concludes the briefing on our financial results for the third quarter of the fiscal year ending March 2017.

Thank you very much.

Appendix(1)

- Non-operating income&expenses and extraordinary income&loss (3Q)
- Segment information by business & geographic (3Q)
- Overseas net sales (3Q)
- Non-consolidated unit sales (3Q)

3rd Quarter : Non-operating Income & Expenses and Extraordinary Income & Loss (Consolidated)

SUBARU

(100 Million Yen)

	Actual Results 3rd Quarter FYE 2016	Actual Results 3rd Quarter FYE 2017	Variance
Financial revenue and expenditure	19	20	+1
FOREX effects	-14	-91	-77
Other	-22	-24	-2
Total non-operating income & expenses	**-18**	**-96**	**-78**
Gain on sales of noncurrent assets	1	3	+2
Gain on sales of investment securities	2	101	+99
Reversal of allowance for doubtful accounts	296	-	-296
Loss on sales and retirement of noncurrent assets	-31	-32	-2
Loss on business liquidation	-	-50	-50
Other	196	-6	-202
Total extraordinary income & loss	**465**	**16**	**-449**

3rd Quarter : Net Sales and Operating Income by Business Segment (Consolidated)

(100 Million Yen)

	Net Sales			Operating Income		
	Actual Results 3rd Quarter FYE 2016	Actual Results 3rd Quarter FYE 2017	Variance	Actual Results 3rd Quarter FYE 2016	Actual Results 3rd Quarter FYE 2017	Variance
Automobile	22,772	23,053	+281	4,203	2,987	-1,216
Aerospace	1,102	964	-138	122	50	-72
Other*	312	262	-50	28	24	-4
Elimination & Corporate				5	7	+2
Total	24,186	24,279	+93	4,357	3,068	-1,290

*The "Industrial Products" segment has been included in "Other" since the 3rd quarter of FYE 2017 reporting.

3rd Quarter : Net Sales and Operating Income by Geographic Area (Consolidated)

(100 Million Yen)

	Net Sales			Operating Income		
	Actual Results 3rd Quarter FYE 2016	Actual Results 3rd Quarter FYE 2017	Variance	Actual Results 3rd Quarter FYE 2016	Actual Results 3rd Quarter FYE 2017	Variance
Japan	6,854	6,885	+31	3,314	1,940	-1,374
North America	15,370	15,480	+110	1,009	883	-126
Other	1,962	1,914	-48	8	66	+59
Elimination& Corporate				27	178	+151
Total	24,186	24,279	+93	4,357	3,068	-1,290

3rd Quarter : Overseas Net Sales (Consolidated)

(100 Million Yen)

	Actual Results 3rd Quarter FYE 2016	Actual Results 3rd Quarter FYE 2017	Variance
North America	16,221	16,180	-41
Europe	895	827	-69
Asia	1,616	1,581	-36
Other	1,172	1,242	+71
Total	19,904	19,830	-75

3rd Quarter : Non-consolidated Unit Sales

(Thousand Units)

	Actual Results 3rd Quarter FYE 2016	Actual Results 3rd Quarter FYE 2017	Variance
Domestic production	**530.2**	**543.1**	**+12.9**
Domestic sales	**108.4**	**113.8**	**+5.4**
Passenger cars	82.2	89.5	+7.3
Minicars	26.2	24.3	-1.9
Number of exported vehicles	**435.3**	**441.5**	**+6.2**
Components for overseas production	**176.3**	**259.0**	**+82.7**
Total	**720.0**	**814.3**	**+94.2**

* Domestic production figures include Toyota 86.

Appendix (2)

- 3rd quarter (3months) consolidated income statements
- 4th quarter (3months) consolidated income statements

3rd Quarter (3 months) : Consolidated Unit Sales

(Thousand Units)

	Actual Results 3rd Quarter (3 months) FYE 2016	Actual Results 3rd Quarter (3 months) FYE 2017	Variance
Passenger car	26.1	30.7	+4.6
Minicar	7.3	6.8	-0.5
Domestic total	**33.4**	**37.5**	**+4.1**
US	155.7	174.4	+18.7
Canada	10.6	12.0	+1.4
Russia	1.3	0.3	-1.0
Europe	9.0	11.3	+2.3
Australia	9.9	15.5	+5.6
China	9.6	10.2	+0.6
Others	10.4	12.5	+2.0
Overseas total	**206.6**	**236.3**	**+29.7**
Total	**240.0**	**273.8**	**+33.8**

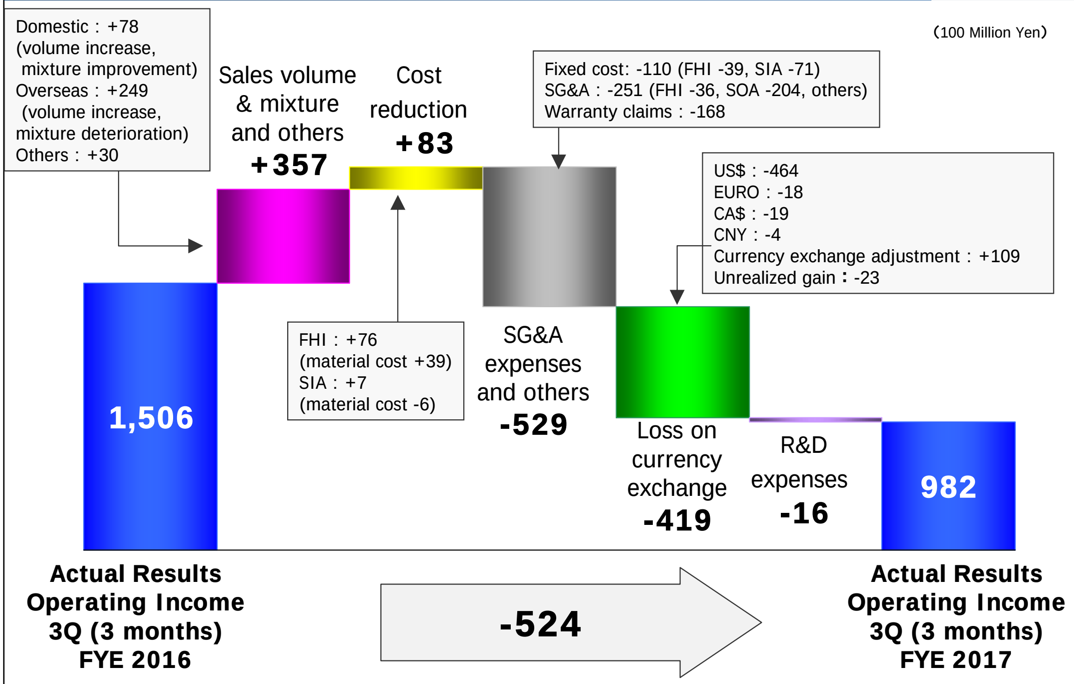
* China figures are consolidated on the calendar year basis from Jul. to Sep.

3rd Quarter (3 months) : Consolidated Income Statements

(100 Million Yen)

	Actual Results 3rd Quarter (3 months) FYE 2016	Actual Results 3rd Quarter (3 months) FYE 2017	Variance
Net sales	**8,172**	**8,502**	**+331**
Domestic	1,430	1,589	+159
Overseas	6,742	6,913	+172
Operating income	**1,506**	**982**	**-524**
Ordinary income	**1,490**	**694**	**-795**
Income before taxes and minority interests	**1,974**	**633**	**-1,341**
Net income attributable to owners of parent	**1,446**	**437**	**-1,009**
FHI exchange rate	¥121/US$	¥105/US$	-¥16/US$

3rd Quarter (3 months) : Analysis of Variance in Operating Income (Consolidated)



4th Quarter (3 months) : Consolidated Unit Sales

(Thousand Units)

	Actual Results 4th Quarter FYE 2016	Plan 4th Quarter FYE 2017	Variance
Passenger car	35.7	44.4	+8.7
Minicar	9.7	11.6	+1.8
Domestic total	**45.4**	**56.0**	**+10.6**
US	136.4	166.1	+29.7
Canada	10.9	12.4	+1.5
Russia	1.0	1.5	+0.6
Europe	13.2	11.3	-1.8
Australia	11.7	11.6	-0.1
China	14.3	12.0	-2.3
Others	12.9	10.8	-2.1
Overseas total	**200.3**	**225.8**	**+25.5**
Total	**245.7**	**281.7**	**+36.1**

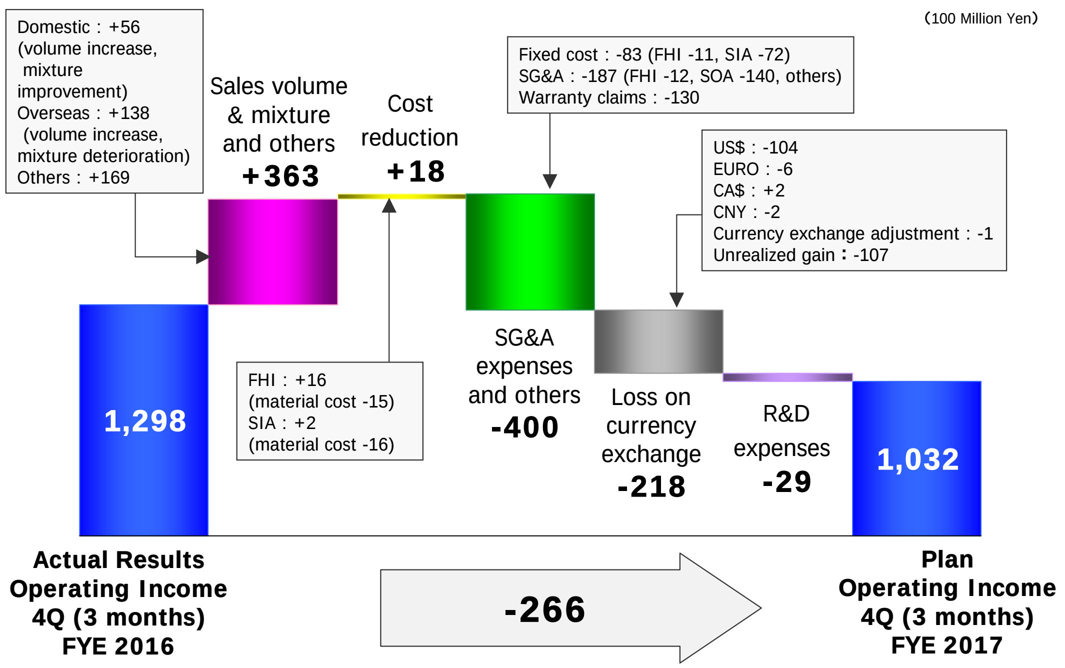
* China figures are consolidated on the calendar year basis from Oct. to Dec.

4th Quarter (3 months) : Consolidated Income Statements

(100 Million Yen)

	Actual Results 4th Quarter FYE 2016	Plan 4th Quarter FYE 2017	Variance
Net sales	**8,136**	**8,821**	**+685**
Domestic	1,772	2,062	+290
Overseas	6,364	6,759	+395
Operating income	**1,298**	**1,032**	**-266**
Ordinary income	**1,430**	**1,148**	**-282**
Income before taxes and minority interests	**1,385**	**1,132**	**-254**
Net income attributable to owners of parent	**989**	**825**	**-164**
FHI exchange rate	¥118/US$	¥113/US$	-¥4/US$

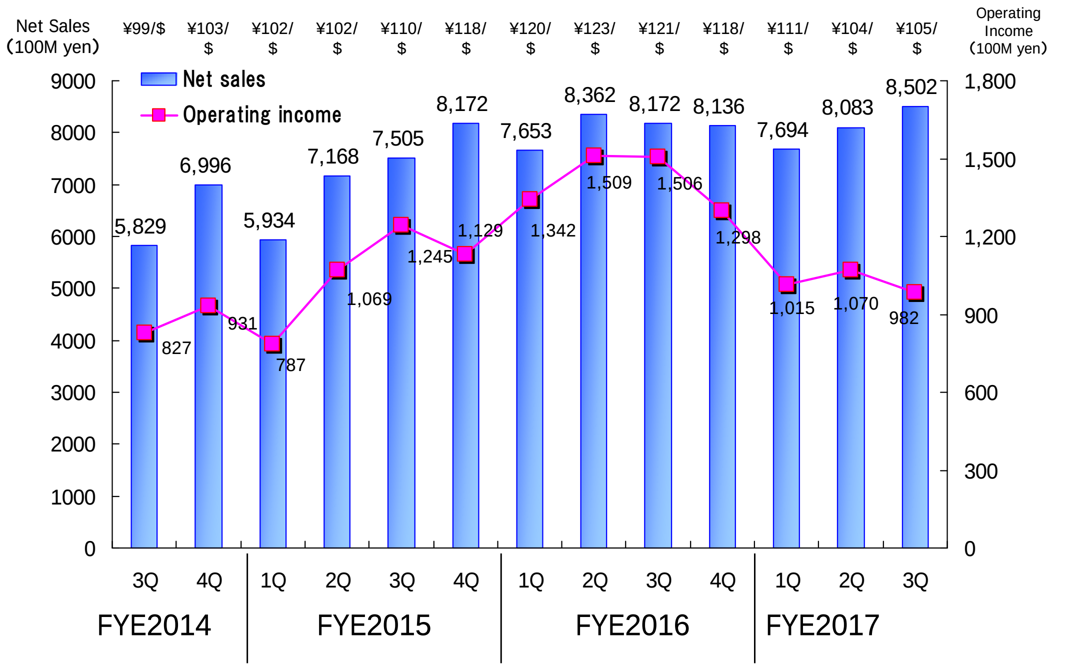
4th Quarter (3 months) : Analysis of Variance in Operating Income (Consolidated)



Appendix (3)

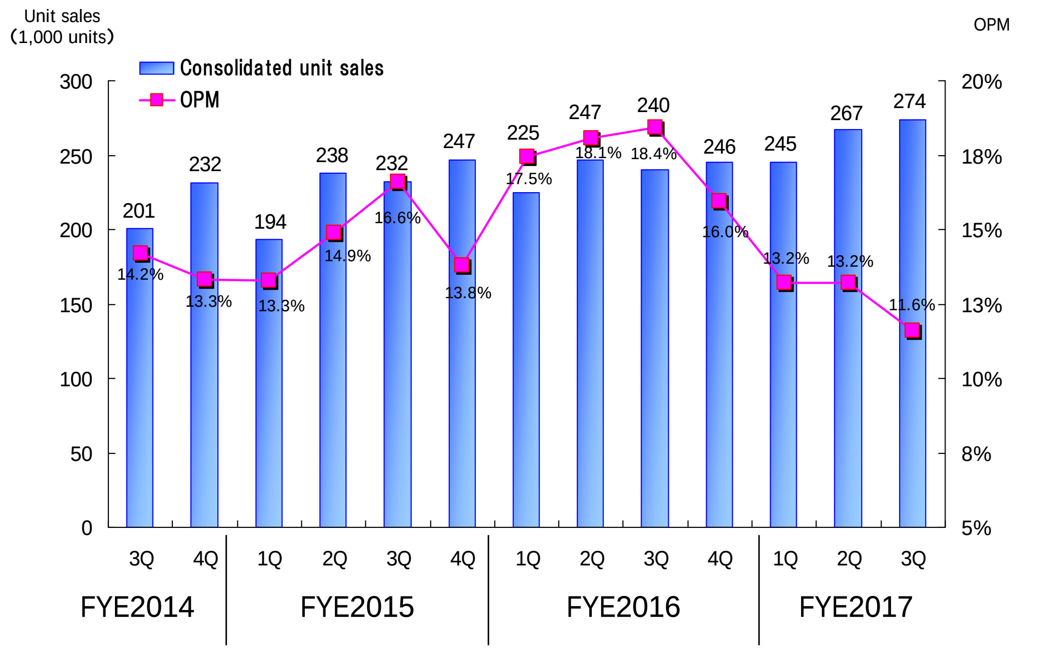
- Net sales / Operating income
- Consolidated unit sales / OPM
- Complete cars production / Retail sales units
- FCF / Shareholder's equity to total assets
- Interest-bearing debt / D/E ratio

Net Sales / Operating Income

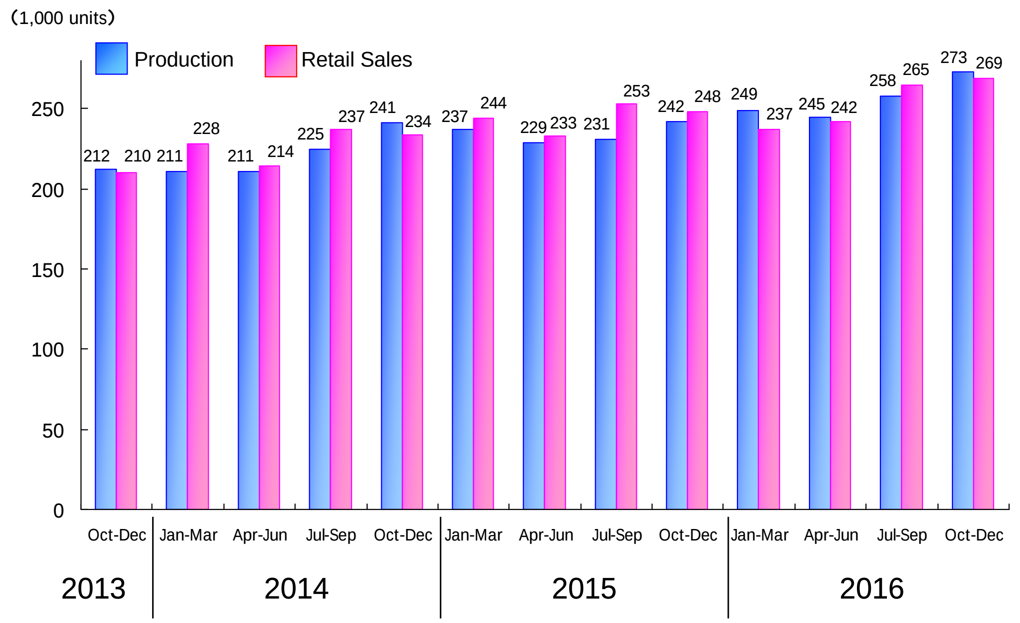


http://www.fhi.co.jp/english/ir/index.html

Consolidate Unit Sales / Operating Income Margin

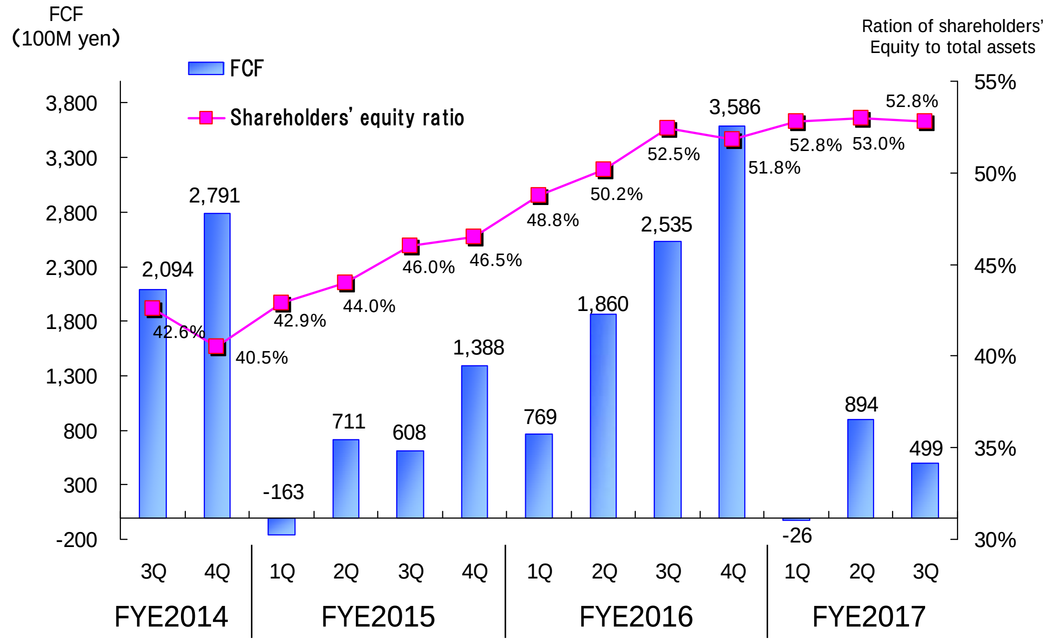


Complete Cars Production / Retail Sales Units



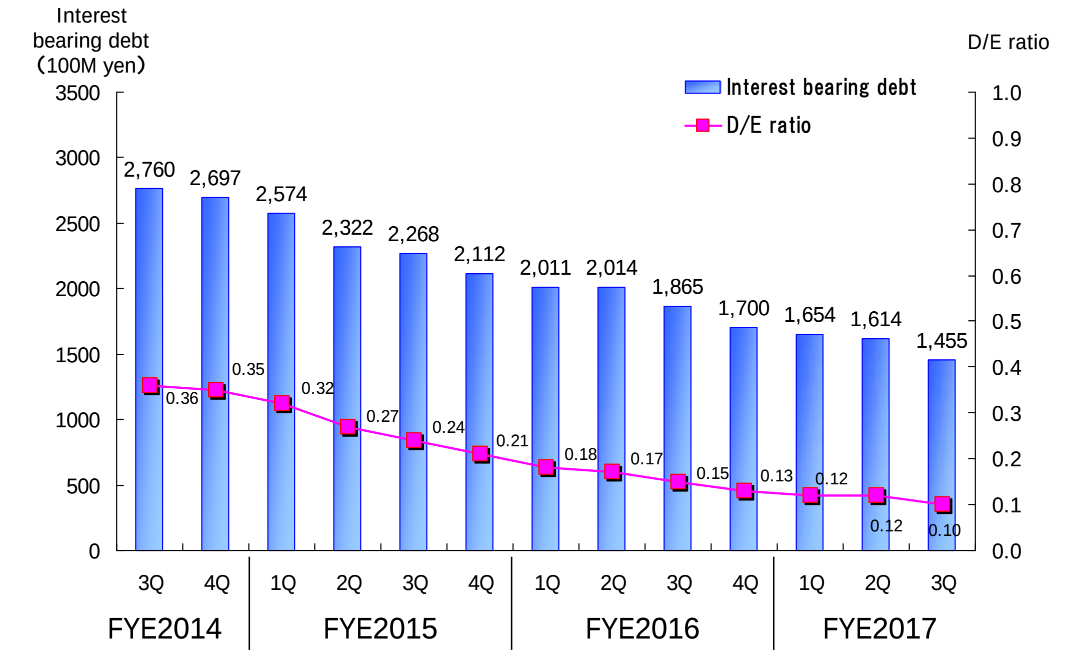
※ Production figures include Toyota 86

Free Cash Flows / Ratio of Shareholders' Equity to Total Assets



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

Interest Bearing Debt / D/E Ratio



Forward-looking statements including projections and future strategies mentioned in this presentation are based on currently available information and assumptions and are subject to risks and uncertainties.
Actual results may vary materially as a result of various factors including, without limitation, economic conditions, market demand and fluctuations in foreign exchange rates.
Investors are asked not to rely solely on the information in this presentation when they make their final investment decisions.

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

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