

Consolidated Financial Results

For the First Quarter of the Fiscal Year Ending March 31, 2018 (Japan GAAP)



August 3, 2017

Company Name : **SUBARU CORPORATION.** (Tokyo Stock Exchange First Section, Code No.7270)
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 Scheduled date of submitting Quarterly Report : August 9, 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 First Quarter of Fiscal Year 2018 (April 1, 2017 to June 30, 2017)

(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 FY2018 | 854,770 | 11.1% | 119,344 | 17.5% | 119,273 | 0.4% | 82,326 | 4.4% |
| 1st Quarter of FY2017 | 769,378 | 0.5% | 101,540 | (24.3)% | 118,795 | (8.7)% | 78,866 | (6.3)% |

Note: Comprehensive income 1st Quarter of FY2018: 85,354 million yen (85.1%) 1st Quarter of FY2017: 46,105 million yen (Minus51.4%)

| | Net income per share, basic (Yen) | Net income per share, diluted (Yen) |
|-----------------------|-----------------------------------|-------------------------------------|
| 1st Quarter of FY2018 | 107.38 | — |
| 1st Quarter of FY2017 | 101.06 | — |

(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 FY2018 | 2,781,207 | 1,495,531 | 53.5% |
| FY2017 | 2,762,321 | 1,464,888 | 52.8% |

Reference: Shareholders' equity As of June 30, 2017: 1,488,715 million yen As of March 31, 2017: 1,458,664 million yen

2. Dividends

| | Cash dividends per share (yen) | | | | |
|--------------------|--------------------------------|-------------|-------------|----------|--------|
| | 1st Quarter | 2nd Quarter | 3rd Quarter | Year-end | Annual |
| FY 2017 | — | 72.00 | — | 72.00 | 144.00 |
| FY 2018 | — | | | | |
| FY 2018 (Forecast) | | 72.00 | — | 72.00 | 144.00 |

Note: Revision of the forecasts in the first quarter of the fiscal year ending March 31, 2018: No

3. Projection of Consolidated Results for Fiscal Year 2018 (April 1, 2017 to March 31, 2018)

(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 | 1,689,000 | 7.1% | 210,000 | 0.7% | 210,000 | (7.8)% | 145,000 | (11.5)% | 189.13 |
| Full year | 3,420,000 | 2.8% | 410,000 | (0.2)% | 410,000 | 4.0% | 285,000 | 0.9% | 371.73 |

Note: Revision of the forecasts at the timing of announcement of the results of first quarter of the fiscal year ending March 31, 2018: No

4. Others

(1) Changes of significant subsidiaries in the first quarter of fiscal year 2018 : No

(2) Application of specific accounting for preparing the quarterly consolidated financial statements : Yes

Note: The details please refer to "2. Quarterly Consolidated Financial Statements (4) Note to Quarterly Consolidated Financial Statements (Application of Specific Accounting for Preparing the Quarterly Consolidated Financial Statements)" on page 10.

(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 : No

[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, 2017: 769,175,873 shares As of March 31, 2017: 769,175,873 shares

[2] Number of treasury stock As of June 30, 2017: 2,490,506 shares As of March 31, 2017: 2,490,224 shares

[3] Average number of shares (for three-month period) 1st Quarter of FY2018: 766,685,489 shares 1st Quarter of FY2017: 780,377,869 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 "1. Qualitative Information on Quarterly Financial Results (4) 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 in the Quarter under Review

Consolidated net sales for the first quarter of the current fiscal year increased ¥85.4 billion (11.1%) from the same period of the previous fiscal year to ¥854.8 billion mainly due to higher automobile unit sales and higher sales revenues owing to foreign exchange rate fluctuations.

Regarding the profit, operating income increased ¥17.8 billion (17.5%) from the same period of the previous fiscal year to ¥119.3 billion, mainly due to higher automobile unit sales and foreign exchange rate fluctuations, despite higher miscellaneous expenditure, mainly for selling expenses associated with rising interest rates in the U.S., and higher R&D expenses. Ordinary income increased ¥0.5 billion (0.4%) from the same period of the previous fiscal year to ¥119.3 billion. Net income attributable to owners of the parent increased ¥3.5 billion (4.4%) from the same period of the previous fiscal year to ¥82.3 billion.

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

| | Net Sales | Operating Income (Margin) | Ordinary Income (Margin) | Quarterly Net Income Attributable to Owners of the Parent (Margin) | Foreign Exchange Rate |
|-------------------------|-----------|------------------------------|-----------------------------|---|--------------------------|
| 1st Quarter of FYE 2018 | 854,770 | 119,344 | 119,273 | 82,326 | ¥112/US\$ |
| Profit Margin | | 14.0% | 14.0% | 9.6% | ¥122/EUR |
| 1st Quarter of FYE 2017 | 769,378 | 101,540 | 118,795 | 78,866 | ¥111/US\$ |
| Profit Margin | | 13.2% | 15.4% | 10.3% | ¥124/EUR |
| Change | 85,392 | 17,804 | 478 | 3,460 | |
| Percentage change | 11.1% | 17.5% | 0.4% | 4.4% | |

[Results by Business Segment]

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

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

| | Net Sales | | | | Segment Income | | | |
|-----------------|----------------------------|----------------------------|---------|----------------------|----------------------------|----------------------------|--------|----------------------|
| | 1st Quarter of FYE 2017 | 1st Quarter of FYE 2018 | Change | Percentage change | 1st Quarter of FYE 2017 | 1st Quarter of FYE 2018 | Change | Percentage change |
| Automobile Div. | 724,474 | 812,202 | 87,728 | 12.1% | 99,319 | 116,790 | 17,471 | 17.6% |
| Aerospace Div. | 35,217 | 33,942 | (1,275) | (3.6)% | 1,676 | 1,815 | 139 | 8.3% |
| Other | 9,687 | 8,626 | (1,061) | (11.0)% | 349 | 1,227 | 878 | 251.6% |
| Adjustment | — | — | — | — | 196 | (488) | (684) | — |
| Total | 769,378 | 854,770 | 85,392 | 11.1% | 101,540 | 119,344 | 17,804 | 17.5% |

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

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

[1] Automobile Division

In Japan, total unit sales increased 9 thousand units (29.9%) compared with the same period of the previous fiscal year to 40 thousand units as a result of strong sales of the Impreza and the all-new SUBARU XV in the registered cars category and of the Chiffon in the minicars category.

Overseas total unit sales increased 17 thousand units (7.9%) compared with the same period of the previous fiscal year to 231 thousand units mainly due to favorable conditions surrounding sales of the Impreza and Forester in North America, the key market of SUBARU.

By region, sales in North America increased 19 thousand units (11.1%) from the same period of the previous fiscal year to 189 thousand units, sales in Europe including Russia remained almost unchanged from the same period of the previous fiscal year at 10 thousand units, sales in

Australia increased 2 thousand units (17.3%) from the same period of the previous fiscal year to 14 thousand units, sales in China decreased 2 thousand units (16.0%) from the same period of the previous fiscal year to 8 thousand units, and sales in other regions decreased 2 thousand units (19.5%) from the same period of the previous fiscal year to 9 thousand units.

As a result, combined unit sales in Japan and overseas markets amounted to 271 thousand units, an increase of 26 thousand units (10.7%) from the same period of the previous fiscal year. Overall net sales increased ¥87.7 billion (12.1%) from the same period of the previous fiscal year to ¥812.2 billion. Segment income increased ¥17.5 billion (17.6%) from the same period of the previous fiscal year to ¥116.8 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)

| | 1st Quarter of FYE 2017 | 1st Quarter of FYE 2018 | Change | Percentage change |
|-----------------------|----------------------------|----------------------------|-----------|-------------------|
| Total in Japan | 31 | 40 | 9 | 29.9% |
| Passenger cars | 25 | 33 | 9 | 35.5% |
| Minicars | 7 | 7 | 1 | 8.9% |
| Total overseas | 214 | 231 | 17 | 7.9% |
| North America | 170 | 189 | 19 | 11.1% |
| Europe/ Russia | 11 | 10 | (0) | (4.2)% |
| Australia | 12 | 14 | 2 | 17.3% |
| China | 10 | 8 | (2) | (16.0)% |
| Other regions | 11 | 9 | (2) | (19.5)% |
| Grand total | 245 | 271 | 26 | 10.7% |

[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 P-1 patrol plane 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.

As a result, overall net sales decreased ¥1.3 billion (3.6%) compared with the same period of the previous fiscal year to ¥33.9 billion. Segment income increased ¥0.1 billion (8.3%) compared with the same period of the previous fiscal year to ¥1.8 billion.

[3] Other Businesses

Net sales decreased ¥1.1 billion (11.0%) compared with the same period of the previous fiscal year to ¥8.6 billion. Segment income increased ¥0.9 billion (251.6%) compared with the same period of the previous fiscal year to ¥1.2 billion.

(2) Explanation about Financial Position in the Quarter under Review

[1] Assets

Total assets increased ¥18.9 billion compared with the end of the previous fiscal year to ¥2,781.2 billion. Main factors included an ¥18.5 billion increase in combined funds on hand comprised of cash, deposits, and short-term investment securities, a ¥19.4 billion decrease in notes and accounts receivable-trade, and a ¥15.5 billion increase in property, plant and equipment.

[2] Liabilities

Total liabilities decreased ¥11.8 billion compared with the end of the previous fiscal year to ¥1,285.7 billion. Main factors included a ¥24.9 billion decrease in trade accounts payable

comprised of notes and accounts payable-trade and electronically recorded obligations, a ¥38.4 billion decrease in current portion of long-term loans payable, a ¥19.4 billion increase in income taxes payable, and a ¥12.0 billion increase in provision for bonuses, and other liabilities.

[3] Net Assets

Net assets increased ¥30.6 billion compared with the end of the previous fiscal year to ¥1,495.5 billion. Main factors included a ¥27.6 billion increase in retained earnings.

(3) Explanation about Cash Flows in the Quarter under Review

Cash and cash equivalents (hereinafter “Cash”) at the end of the first quarter of the current fiscal year totaled ¥746.7 billion.

[1] Net cash provided by operating activities

Net cash provided by operating activities was ¥141.1 billion (net cash provided in the same consolidated cumulative period of the previous fiscal year was ¥62.1 billion). Main factors included ¥118.2 billion in income before income taxes and minority interests.

[2] Net cash used in investment activities

Net cash used in investing activities was ¥38.4 billion (net cash used in the same consolidated cumulative period of the previous fiscal year was ¥64.7 billion). Main factors included ¥33.5 billion in expenditures for the purchase of property, plant and equipment (net basis against proceeds from sales of property, plant and equipment).

[3] Net cash used in financing activities

Net cash used in financing activities was ¥88.4 billion (net cash used in the same consolidated cumulative period of the previous fiscal year was ¥61.0 billion). Main factors included ¥38.4 billion in repayment of long-term loans payable (net basis against proceeds from long-term loans payable) and ¥54.0 billion in expenditures for cash dividends paid.

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

The consolidated results projection announced on May 9, 2017 remains unchanged.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Unit: Millions of yen)

| | FY2017 (as of March 31, 2017) | 1st Quarter of FY2018 (as of June 30, 2017) |
|---|----------------------------------|--|
| ASSETS | | |
| I Current assets | | |
| Cash and deposits | 658,822 | 732,128 |
| Notes and accounts receivable-trade | 158,454 | 139,052 |
| Lease investment assets | 18,538 | 17,879 |
| Short-term investment securities | 320,579 | 265,789 |
| Merchandise and finished goods | 205,991 | 206,760 |
| Work in process | 51,754 | 56,347 |
| Raw materials and supplies | 43,586 | 37,105 |
| Deferred tax assets | 109,600 | 108,726 |
| Short-term loans receivable | 176,433 | 180,142 |
| Other | 102,045 | 95,936 |
| Allowance for doubtful accounts | (551) | (400) |
| Total current assets | 1,845,251 | 1,839,464 |
| II Noncurrent assets | | |
| 1. Property, plant and equipment | | |
| Buildings and structures, net | 178,464 | 179,732 |
| Machinery, equipment and vehicles, net | 172,977 | 170,939 |
| Land | 183,477 | 184,194 |
| Vehicles and equipment on operating leases, net | 11,609 | 27,876 |
| Construction in progress | 45,416 | 48,855 |
| Other, net | 65,322 | 61,149 |
| Total property, plant and equipment | 657,265 | 672,745 |
| 2. Intangible assets | | |
| Other | 24,905 | 25,185 |
| Total intangible assets | 24,905 | 25,185 |
| 3. Investments and other assets | | |
| Investment securities | 105,510 | 112,741 |
| Net defined benefit asset | 931 | 227 |
| Deferred tax assets | 20,922 | 20,787 |
| Other | 110,848 | 113,507 |
| Allowance for doubtful accounts | (3,311) | (3,449) |
| Total investments and other assets | 234,900 | 243,813 |
| Total noncurrent assets | 917,070 | 941,743 |
| Total assets | 2,762,321 | 2,781,207 |

(Unit: Millions of yen)

| | FY2017 (as of March 31, 2017) | 1st Quarter of FY2018 (as of June 30, 2017) |
|--|----------------------------------|--|
| LIABILITIES | | |
| I Current liabilities | | |
| Notes and accounts payable-trade | 349,737 | 329,198 |
| Electronically recorded obligations-operating | 92,098 | 87,730 |
| Short-term loans payable | 43,205 | 44,058 |
| Current portion of long-term loans payable | 44,443 | 30,217 |
| Income taxes payable | 13,858 | 33,213 |
| Accrued expenses | 221,328 | 211,347 |
| Provision for bonuses | 23,678 | 35,701 |
| Provision for product warranties | 59,259 | 61,482 |
| Provision for loss on construction contracts | 65 | 202 |
| Provision for loss on business liquidation | 3,317 | 3,359 |
| Other | 162,750 | 186,302 |
| Total current liabilities | 1,013,738 | 1,022,809 |
| II Noncurrent liabilities | | |
| Long-term loans payable | 60,612 | 36,463 |
| Deferred tax liabilities | 29,802 | 28,199 |
| Provision for directors' retirement benefits | 536 | 418 |
| Net defined benefit liability | 18,615 | 19,057 |
| Other | 174,130 | 178,730 |
| Total noncurrent liabilities | 283,695 | 262,867 |
| Total liabilities | 1,297,433 | 1,285,676 |
| NET ASSETS | | |
| I Shareholders' equity | | |
| Capital stock | 153,795 | 153,795 |
| Capital surplus | 160,178 | 160,178 |
| Retained earnings | 1,173,277 | 1,200,845 |
| Treasury stock | (7,173) | (7,174) |
| Total shareholders' equity | 1,480,077 | 1,507,644 |
| II Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 8,099 | 9,040 |
| Foreign currency translation adjustment | (16,631) | (15,716) |
| Remeasurements of defined benefit plans | (10,996) | (10,371) |
| Remeasurements of other postretirement benefits of foreign consolidated subsidiaries | (1,885) | (1,882) |
| Total accumulated other comprehensive income | (21,413) | (18,929) |
| Non-controlling interests | 6,224 | 6,816 |
| Total net assets | 1,464,888 | 1,495,531 |
| Total liabilities and net assets | 2,762,321 | 2,781,207 |

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

(Unit: Millions of yen)

| | FY2017 (April 1, 2016 to June 30, 2016) | FY2018 (April 1, 2017 to June 30, 2017) |
|---|---|---|
| I Net sales | 769,378 | 854,770 |
| II Cost of sales | 555,084 | 597,078 |
| Gross profit | 214,294 | 257,692 |
| III Selling, general and administrative expenses | 112,754 | 138,348 |
| Operating income | 101,540 | 119,344 |
| IV Non-operating income | | |
| Interest income | 763 | 1,161 |
| Dividends income | 360 | 365 |
| Equity in earnings of affiliates | — | 174 |
| Foreign exchange gains | 5,808 | 5,685 |
| Gain on valuation of derivatives | 11,323 | — |
| Other | 389 | 190 |
| Total non-operating income | 18,643 | 7,575 |
| V Non-operating expenses | | |
| Interest expenses | 477 | 392 |
| Share of loss of entities accounted for using equity method | 62 | — |
| Loss on valuation of derivatives | — | 6,483 |
| Other | 849 | 771 |
| Total non-operating expenses | 1,388 | 7,646 |
| Ordinary income | 118,795 | 119,273 |
| VI Extraordinary income | | |
| Gain on sales of noncurrent assets | 15 | 115 |
| Gain on sales of investment securities | 52 | 92 |
| Other | 6 | 14 |
| Total extraordinary income | 73 | 221 |
| VII Extraordinary loss | | |
| Loss on sales and retirement of noncurrent assets | 1,026 | 1,219 |
| Other | 41 | 57 |
| Total extraordinary losses | 1,067 | 1,276 |
| Income before income taxes | 117,801 | 118,218 |
| Total Income taxes | 38,744 | 35,726 |
| Net income | 79,057 | 82,492 |
| Net income attributable to non-controlling interests | 191 | 166 |
| Net income attributable to owners of parent | 78,866 | 82,326 |

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

(Unit: Millions of yen)

| | FY2017 (April 1, 2016 to June 30, 2016) | FY2018 (April 1, 2017 to June 30, 2017) |
|---|---|---|
| Net income | 79,057 | 82,492 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (1,509) | 941 |
| Foreign currency translation adjustment | (32,250) | 1,263 |
| Remeasurements of defined benefit plans | 641 | 625 |
| Remeasurements of other postretirement benefits of foreign consolidated subsidiaries | 248 | 3 |
| Share of other comprehensive income of associates accounted for using equity method | (82) | 30 |
| Total other comprehensive income | (32,952) | 2,862 |
| Comprehensive income | 46,105 | 85,354 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 46,269 | 85,125 |
| Comprehensive income attributable to non-controlling interests | (164) | 229 |

(3) Quarterly Consolidated Statements of Cash Flows

(Unit: Millions of yen)

| | FY2017 (April 1, 2016 to June 30,2016) | FY2018 (April 1, 2017 to June 30,2017) |
|--|--|--|
| I Net cash provided by (used in) operating activities | | |
| Income (loss) before income taxes | 117,801 | 118,218 |
| Depreciation and amortization | 17,848 | 23,075 |
| Increase (decrease) in allowance for doubtful accounts | (12) | (2) |
| Interest and dividends income | (1,123) | (1,526) |
| Interest expenses | 477 | 392 |
| Loss (gain) on sales and retirement of noncurrent assets | 1,011 | 1,104 |
| Loss (gain) on sales and valuation of investment securities | (11) | (51) |
| Decrease (increase) in operating loans receivable | (1,275) | (2,338) |
| Decrease (increase) in notes and accounts receivable-trade | 9,898 | 15,933 |
| Decrease (increase) in inventories | (2,058) | (2,424) |
| Increase (decrease) in notes and accounts payable-trade | (18,075) | (24,286) |
| Increase (decrease) in accrued expenses | 17,805 | (9,885) |
| Other, net | 23,394 | 37,041 |
| Subtotal | 165,680 | 155,251 |
| Interest and dividends income received | 1,116 | 1,509 |
| Interest expenses paid | (574) | (479) |
| Income taxes paid | (104,171) | (15,221) |
| Net cash provided by (used in) operating activities | 62,051 | 141,060 |
| II Net cash provided by (used in) investing activities | | |
| Net decrease (increase) in time deposits | (10,731) | 152 |
| Purchase of short-term investment securities | (21,957) | (52,676) |
| Proceeds from sales of short-term investment securities | 11,958 | 54,254 |
| Purchase of non-current assets | (26,471) | (34,006) |
| Proceeds from sales of non-current assets | 612 | 502 |
| Purchase of investment securities | (8,498) | (13,337) |
| Proceeds from sales of investment securities | 5,165 | 8,867 |
| Payments of loans receivable | (39,334) | (32,664) |
| Collection of loans receivable | 24,627 | 30,431 |
| Other, net | (34) | 106 |
| Net cash provided by (used in) investing activities | (64,663) | (38,371) |
| III Net cash provided by (used in) financing activities | | |
| Net increase (decrease) in short-term loans payable | 14,360 | 4,358 |
| Proceeds from long-term loans payable | 2,200 | 3,400 |
| Repayments of long-term loans payable | (10,494) | (41,780) |
| Redemption of bonds | (10,000) | — |
| Cash dividends paid | (54,829) | (54,011) |
| Dividends paid to non-controlling interests | (1,944) | (46) |
| Other, net | (274) | (335) |
| Net cash provided by (used in) financing activities | (60,981) | (88,414) |
| IV Effect of exchange rate change on cash and cash equivalents | (19,822) | 637 |
| V Net increase (decrease) in cash and cash equivalents | (83,415) | 14,912 |
| VI Cash and cash equivalents at beginning of period | 829,461 | 728,616 |
| VII Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation | — | (534) |
| Increase (decrease) in cash and cash equivalents resulting from change in fiscal period of consolidated subsidiaries | — | 3,690 |
| VIII Cash and cash equivalents at end of period | 746,046 | 746,684 |

(4) Note to Quarterly Consolidated Financial Statements

(Notes on Premise of Going Concern)

FY2018 (April 1, 2017 to June 30, 2017)

Not Applicable

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

FY2018 (April 1, 2017 to June 30, 2017)

Not Applicable

(Significant changes in the Scope of Consolidation)

FY2018 (April 1, 2017 to June 30, 2017)

1. Significant changes in the scope of consolidation

Starting from the first quarter consolidated accounting period ended June 30, 2017, Robin America Inc. and Robin Europe GmbH Industrial Engine and Equipment are removed from scope of consolidated due to its decreased materiality.

2. Change in the reporting period of a consolidated subsidiary for consolidation purposes

The consolidated financial statements as of and for the fiscal year ended March 31, 2017 included the financial information of Subaru of China Ltd. as of and for the fiscal year ended December 31, 2016, with necessary adjustments to reflect any significant transactions from January 1, 2017 to March 31, 2017, because the difference between the reporting period end of the consolidated financial statements and Subaru of China Ltd. is within three months.

To synchronize the reporting period, Subaru of China Ltd. changed its reporting period for consolidation purposes by conducting a provisional book-closing from the first quarter consolidated accounting period ended June 30, 2017.

This change allows the consolidated financial statements of the first quarter as of and for the three months period ended June 30, 2017 to include the financial information of Subaru of China Ltd. in the same period. Net operating results of Subaru of China Ltd. from January 1, 2017 to March 31, 2017 have been reflected as a change in retained earnings in the consolidated balance sheet.

(Application of Specific Accounting for Preparing the Quarterly Consolidated Financial Statements)

FY2018 (April 1, 2017 to June 30, 2017)

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".

(Segment Information)

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

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 | Sub- Total | | | | |
| Net sales | | | | | | | |
| (1) Outside customers | 724,474 | 35,217 | 759,691 | 9,687 | 769,378 | — | 769,378 |
| (2) Inter-segment | 1,191 | — | 1,191 | 5,156 | 6,347 | (6,347) | — |
| Total sales | 725,665 | 35,217 | 760,882 | 14,843 | 775,725 | (6,347) | 769,378 |
| Operating income | 99,319 | 1,676 | 100,995 | 349 | 101,344 | 196 | 101,540 |

Note: *1. Other means the category which is not included into any business segment reported. It consists of Industrial products, 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 2018 (April 1, 2017 to June 30, 2017)

(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 | 812,202 | 33,942 | 846,144 | 8,626 | 854,770 | — | 854,770 |
| (2) Inter-segment | 763 | — | 763 | 5,025 | 5,788 | (5,788) | — |
| Total sales | 812,965 | 33,942 | 846,907 | 13,651 | 860,558 | (5,788) | 854,770 |
| Operating income | 116,790 | 1,815 | 118,605 | 1,227 | 119,832 | (488) | 119,344 |

Note: *1. Other means the category which is not included into any business segment reported. It consists of Industrial products, 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.

2. Changes in reporting segments

"Industrial Products", which had been formerly reported as a single segment, is included in "Other" segment from the fiscal year ended March 2017 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 three months period ended June 30, 2016 is presented in conformity with the change.

(Significant Subsequent Event)

Not Applicable



< Reference for 1st Quarter FYE2018 Consolidated Financial Results >

(Yen in 100 Millions, Units in Thousands)

| | RESULTS FYE2017 Q1 2016. 4-6 | RESULTS FYE2018 1st Qtr 2017. 4-6 | | FORECASTS FYE2018 1st Half 2017. 4-9 | | | FORECASTS FYE2018 Full Year 2017.4 - 2018.3 | | | |
|---|--------------------------------------|--|------|--|--|--------|---|---|-------|-------|
| | | Change | % | Change | % | Change | % | | | |
| Net sales | 7,694 | 8,548 | 854 | 11.1 | 16,890 | 1,113 | 7.1 | 34,200 | 940 | 2.8 |
| Japan | 1,303 | 1,605 | 302 | 23.2 | 3,286 | 426 | 14.9 | 6,680 | 176 | 2.7 |
| Overseas | 6,391 | 6,943 | 552 | 8.6 | 13,604 | 688 | 5.3 | 27,520 | 764 | 2.9 |
| Operating income | 1,015 | 1,193 | 178 | 17.5 | 2,100 | 15 | 0.7 | 4,100 | (8) | (0.2) |
| Profit margin (%) | 13.2 | 14.0 | | | 12.4 | | | 12.0 | | |
| Ordinary income | 1,188 | 1,193 | 5 | 0.4 | 2,100 | (178) | (7.8) | 4,100 | 157 | 4.0 |
| Profit margin (%) | 15.4 | 14.0 | | | 12.4 | | | 12.0 | | |
| Net income attributable to owners of parent | 789 | 823 | 35 | 4.4 | 1,450 | (188) | (11.5) | 2,850 | 26 | 0.9 |
| Profit margin (%) | 10.3 | 9.6 | | | 8.6 | | | 8.3 | | |
| Factors contributing to change in operating income | | | | | | | | | | |
| | | Improvements on model mix, etc | 223 | | Improvements on model mix, etc | 304 | | Improvements on model mix, etc | 328 | |
| | | Gain on currency exchange | 16 | | Gain on currency exchange | 147 | | Gain on currency exchange | 211 | |
| | | Cost reduction effort, etc | 3 | | Increase in SG&A exp, etc | (240) | | Increase in SG&A exp, etc | (278) | |
| | | Increase in SG&A exp, etc | (38) | | Increase in R&D exp | (147) | | Increase in R&D exp | (198) | |
| | | Increase in R&D exp | (26) | | Increase in raw material costs, | (49) | | Increase in raw material costs, | (71) | |
| Exchange rates | JPY/US\$ 111/US\$ JPY/EUR 124/EUR | 112/US\$ 122/EUR | | | 110/US\$ 120/EUR | | | 110/US\$ 120/EUR | | |
| Capital expenditures | 368 | 220 | | | 750 | | | 1,500 | | |
| Depreciation and amortization | 159 | 202 | | | 460 | | | 920 | | |
| R&D expenses | 236 | 262 | | | 680 | | | 1,340 | | |
| Interest bearing debts | 1,654 | 1,107 | | | 1,100 | | | 1,000 | | |
| Performance description | | - 6th consecutive year of net sales increase. - Profits increase for first time in 2 years. - 1st-quarter record unit sales and net sales. | | | - Net sales increase for first time in 2 years. - Operating income increase for first time in 2 years. - 1st-half record unit sales and net sales. | | | - 6th consecutive year of net sales increase. - 2nd consecutive year of operating income decrease. - Record unit sales and net sales. | | |
| Consolidated unit sales (Japan) | 31 | 40 | 9 | 29.9 | 83 | 15 | 21.4 | 172 | 13 | 8.3 |
| Passenger Cars | 25 | 33 | 9 | 35.5 | 65 | 13 | 24.2 | 134 | 8 | 6.2 |
| Minicars | 7 | 7 | 1 | 8.9 | 17 | 2 | 11.7 | 38 | 5 | 16.3 |
| Consolidated unit sales (Overseas) | 214 | 231 | 17 | 7.9 | 460 | 16 | 3.6 | 933 | 28 | 3.1 |
| North America | 170 | 189 | 19 | 11.1 | 365 | 10 | 2.7 | 742 | 22 | 3.0 |
| Europe | 11 | 10 | (0) | (4.2) | 23 | 1 | 5.0 | 46 | (0) | (1.0) |
| China | 10 | 8 | (2) | (16.0) | 22 | 0 | 0.5 | 42 | (2) | (3.9) |
| Other | 23 | 23 | (0) | (0.6) | 49 | 5 | 10.8 | 103 | 8 | 8.8 |
| Consolidated unit sales total | 245 | 271 | 26 | 10.7 | 542 | 30 | 5.9 | 1,106 | 41 | 3.8 |
| Production units total | 245 | 276 | 31 | 12.7 | 538 | 36 | 7.1 | 1,091 | 35 | 3.3 |
| Japan | 179 | 176 | (3) | (1.7) | 352 | (3) | (0.8) | 710 | (11) | (1.5) |
| U.S. | 65 | 99 | 34 | 52.6 | 186 | 39 | 26.2 | 381 | 46 | 13.7 |
| Net sales by business segment | | | | | | | | | | |
| Automobile | 7,245 | 8,122 | 877 | 12.1 | | | | | | |
| Aerospace | 352 | 339 | (13) | (3.6) | | | | | | |
| Other | 97 | 86 | (11) | (11.0) | | | | | | |
| Operating income by business segment | | | | | | | | | | |
| Automobile | 993 | 1,168 | 175 | 17.6 | | | | | | |
| Aerospace | 17 | 18 | 1 | 8.3 | | | | | | |
| Other | 3 | 12 | 9 | 251.6 | | | | | | |
| Elimination & Corporate | 2 | (5) | (7) | (349.0) | | | | | | |

* "Exchange rates" are the rates used for Subaru Corporation's non-consolidated sales recording.

* "Consolidated unit sales" include retail sales of Japanese consolidated dealers, wholesale sales of overseas consolidated distributors, and deliveries from Subaru Corporation 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. >



Subaru Corporation Announces Financial Results for the First Quarter of FYE2018

Tokyo, August 3, 2017 – Subaru Corporation today announced its consolidated financial results for the first quarter of fiscal year ending March 31, 2018.

< April-June 2017 Results: Consolidated Net Sales >

Global sales of Subaru vehicles for the first quarter rose 10.7% to 271,000 units. Unit sales in Japan increased 29.9% to 40,000 units, driven by growth in mini vehicle sales as well as strong sales of passenger cars led by the all-new Impreza and the all-new Subaru XV. Overseas unit sales grew 7.9% to 231,000 units, led by strong demand for the Forester and the all-new Impreza in North America.

Consolidated net sales increased 11.1% to 854.8 billion yen due to unit sales growth and foreign exchange gains. Consolidated net sales, global unit sales, overseas unit sales, and North American unit sales posted first-quarter records.*1

< April-June 2017 Results: Consolidated Profit and Loss >

Operating income rose 17.5% to 119.3 billion yen, as unit sales growth and foreign exchange gains offset increased R&D expenses and a rise in SG&A that included sales expenses associated with higher interest rates in the U.S. Ordinary income increased 0.4% to 119.3 billion yen and net income attributable to owners of parent grew 4.4% to 82.3 billion yen.

< FYE2018 Forecasts >

The full-year forecasts for FYE2018 remain unchanged from the previous forecasts announced on May 9, 2017.

Currency rate assumptions: 110 yen/US\$, 120 yen/euro

Previous Forecasts for FYE2018 (Announced on May 9, 2017)

Net sales: 3,420 billion yen

Operating income: 410 billion yen

Ordinary income: 410 billion yen

Net income attributable to owners of parent: 285 billion yen

Currency rate assumptions: 110 yen/US\$, 120 yen/euro

*1: Since fiscal year ended March 2004, when the company 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.