

Consolidated Financial Results

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



November 6, 2017

Company Name : **SUBARU CORPORATION.** (Tokyo Stock Exchange First Section, Code No.7270)
 URL : <https://www.subaru.co.jp/en/ir/>
 Representative : Yasuyuki Yoshinaga, President and CEO
 Contact for Inquiries : Katsuo Saitou, Corporate Vice President and General Manager of Administration Department,
 Corporate Administration Division Phone +81-3-6447-8825
 Scheduled date of submitting Quarterly Report : November 9, 2017
 Scheduled date for dividend payment : December 7, 2017
 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 Second Quarter of Fiscal Year 2018 (April 1, 2017 to September 30, 2017)

(1) Consolidated Results of Operations (for six-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	
2nd Quarter of FY2018	1,686,309	6.9%	212,125	1.7%	212,726	(6.6)%	85,005	(48.1)%
2nd Quarter of FY2017	1,577,652	(1.5)%	208,525	(26.9)%	227,772	(20.1)%	163,837	(15.2)%

Note: Comprehensive income 2nd Quarter of FY2018: 94,941 million yen (Minus21.6%) 2nd Quarter of FY2017: 121,133 million yen (Minus36.5%)

	Net income per share, basic (Yen)	Net income per share, diluted (Yen)
2nd Quarter of FY2018	110.87	—
2nd Quarter of FY2017	211.00	—

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

	Total assets	Net assets	Shareholders' equity to total assets (%)
2nd Quarter of FY2018	2,820,717	1,505,265	53.1%
FY2017	2,762,321	1,464,888	52.8%

Reference: Shareholders' equity As of September 30, 2017: 1,498,021 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	—	72.00			
FY 2018 (Forecast)			—	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)
Full year	3,380,000	1.6%	380,000	(7.5)%	382,000	(3.1)%	207,000 (26.7)%	269.99

Note: Revision of the forecasts at the timing of announcement of the results of second quarter of the fiscal year ending March 31, 2018: Yes

4. Others

(1) Changes of significant subsidiaries in the second 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 September 30, 2017: 769,175,873 shares As of March 31, 2017: 769,175,873 shares

[2] Number of treasury stock As of September 30, 2017: 2,453,318 shares As of March 31, 2017: 2,490,224 shares

[3] Average number of shares (for six-month period) 2nd Quarter of FY2018: 766,696,067 shares 2nd Quarter of FY2017: 776,466,176 shares

*The status of the implementation of the second quarterly review

The second 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 second quarter of the current fiscal year increased ¥108.7 billion (6.9%) from the same period of the previous fiscal year to ¥1,686.3 billion mainly due to higher sales revenues owing to foreign exchange rate fluctuations and higher automobile unit sales.

Regarding the profit, operating income increased ¥3.6 billion (1.7%) from the same period of the previous fiscal year to ¥212.1 billion, as the effect primarily of foreign exchange rate fluctuations and improvement in the automobile sales composition, despite higher miscellaneous expenditure, mainly for selling expenses associated with rising interest rates in the U.S., and higher R&D expenses. Ordinary income, on the other hand, decreased ¥15.0 billion (6.6%) from the same period of the previous fiscal year to ¥212.7 billion. Net income attributable to owners of parent decreased ¥78.8 billion (48.1%) from the same period of the previous fiscal year to ¥85.0 billion, mainly due to the posting of an extraordinary loss of ¥81.3 billion as provision for loss related to airbags.

(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 Parent (Margin)	Foreign Exchange Rate
2nd Quarter of FYE 2018 Profit Margin	1,686,309	212,125 12.6%	212,726 12.6%	85,005 5.0%	¥111/US\$ ¥125/EUR
2nd Quarter of FYE 2017 Profit Margin	1,577,652	208,525 13.2%	227,772 14.4%	163,837 10.4%	¥107/US\$ ¥120/EUR
Change	108,657	3,600	(15,046)	(78,832)	
Percentage change	6.9%	1.7%	(6.6)%	(48.1)%	

[Results by Business Segment]

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

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

	Net Sales				Segment Income			
	2nd Quarter of FYE 2017	2nd Quarter of FYE 2018	Change	Percentage change	2nd Quarter of FYE 2017	2nd Quarter of FYE 2018	Change	Percentage change
Automobile Div.	1,492,380	1,600,029	107,649	7.2%	203,296	205,283	1,987	1.0%
Aerospace Div.	66,766	68,009	1,243	1.9%	3,599	4,174	575	16.0%
Other	18,506	18,271	(235)	(1.3)%	1,190	2,364	1,174	98.7%
Adjustment	—	—	—	—	440	304	(136)	(30.9)%
Total	1,577,652	1,686,309	108,657	6.9%	208,525	212,125	3,600	1.7%

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

2. Adjustment to segment income is the elimination of transactions between segments.

[1] Automobile Division

In Japan, total unit sales increased 14 thousand units (21.0%) compared with the same period of the previous fiscal year to 82 thousand units as a result of strong sales of the Impreza and the SUBARU XV in the registered cars category, despite lower sales of minicars compared with the same period of the previous fiscal year.

Overseas total unit sales increased 5 thousand units (1.1%) compared with the same period of the previous fiscal year to 449 thousand units mainly due to favorable conditions surrounding sales of the Impreza and Forester in North America, the key market of SUBARU.

As a result, combined unit sales in Japan and overseas markets amounted to 531 thousand units, an increase of 19 thousand units (3.8%) from the same period of the previous fiscal year. Overall net sales increased ¥107.6 billion (7.2%) from the same period of the previous fiscal year to ¥1,600.0 billion. Segment income increased ¥2.0 billion (1.0%) from the same period of the previous fiscal year to ¥205.3 billion.

Consolidated unit sales by region in the second quarter of the current fiscal year are shown in the table below.

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

	2nd Quarter of FYE 2017	2nd Quarter of FYE2018	Change	Percentage change
Total in Japan	68	82	14	21.0%
Registered cars	52	67	15	28.2%
Minicars	16	15	(0)	(3.0) %
Total overseas	444	449	5	1.1%
North America	355	364	9	2.4%
Europe/Russia	22	21	(1)	(3.4) %
Australia	22	28	5	23.6%
China	22	14	(8)	(36.4) %
Other regions	22	22	(0)	(1.1) %
Grand total	512	531	19	3.8%

[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 development under way in earnest based on a contract for the new multi-purpose helicopter UH-X.

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 increased ¥1.2 billion (1.9%) compared with the same period of the previous fiscal year to ¥68.0 billion. Segment income increased ¥0.6 billion (16.0%) compared with the same period of the previous fiscal year to ¥4.2 billion.

[3] Other Businesses

Net sales decreased ¥0.2 billion (1.3%) compared with the same period of the previous fiscal year to ¥18.3 billion. Segment income increased ¥1.2 billion (98.7%) compared with the same period of the previous fiscal year to ¥2.4 billion.

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

[1] Assets

Total assets were ¥2,820.7 billion, an increase of ¥58.4 billion from the end of the previous fiscal year. Main factors included a ¥26.1 billion increase in combined funds on hand comprised of cash and deposits, and short-term investment securities and a ¥23.8 billion increase in property, plant and equipment.

[2] Liabilities

Total liabilities increased ¥18.0 billion compared with the end of the previous fiscal year to ¥1,315.5 billion. Main factors included a ¥53.2 billion decrease in trade accounts payable comprised of notes and accounts payable-trade and electronically recorded obligations-operating, a ¥39.2 billion decrease in long-term loans payable including current portion, a ¥12.6 billion increase in income taxes payable, and an ¥81.3 billion increase in provision for loss related to airbags.

[3] Net Assets

Net assets increased ¥40.4 billion compared with the end of the previous fiscal year to ¥1,505.3 billion. Main factors included a ¥30.2 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 second quarter of the current fiscal year totaled ¥737.5 billion.

[1] Net cash provided by operating activities

Net cash provided by operating activities was ¥207.8 billion (net cash provided in the same consolidated cumulative period of the previous fiscal year was ¥198.4 billion). Main factors included ¥128.5 billion in income before income taxes and minority interests and an ¥81.3 billion increase in provision for loss related to airbags.

[2] Net cash used in investment activities

Net cash used in investing activities was ¥101.4 billion (net cash used in the same consolidated cumulative period of the previous fiscal year was ¥109.0 billion). Main factors included a ¥14.0 billion increase in time deposits, ¥76.0 billion in expenditures for the purchase of property, plant and equipment (net basis against proceeds from sales of property, plant and equipment), and ¥11.8 billion in expenditures for the purchase of investment securities (net basis against proceeds from sales of investment securities).

[3] Net cash used in financing activities

Net cash used in financing activities was ¥103.3 billion (net cash used in the same consolidated cumulative period of the previous fiscal year was ¥116.7 billion). Main factors included a ¥39.2 billion in repayment of long-term loans payable (net basis against proceeds from long-term loans payable) and ¥55.2 billion in expenditures for cash dividends paid.

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

SUBARU has revised full year consolidated performance projections for the fiscal year ending March 31, 2018, which were released at the timing of consolidated financial results announcement on August 25, 2017, as stated below, in consideration of factors such as an expected decrease in automobile unit sales, despite the effects of foreign exchange rate and other factors.

Projections of full-year consolidated business results of the current fiscal year are based on assumed foreign exchange rates of ¥111/US\$ (previously ¥110/US\$) and ¥128/EUR (previously ¥120/EUR). Exchange rate assumptions for the second half of the current fiscal year are ¥110/US\$ and ¥130/EUR.

Consolidated Results Forecast for the FYE 2018 (April 1, 2017 to March 31, 2018)

	Net Sales	Operating Income	Ordinary Income	Net Income Attributable to Owners of Parent	Net Income per Share
Previous projection (A)	¥ million 3,420,000	¥ million 410,000	¥ million 410,000	¥ million 228,500	Yen 298.04
Revised projection (B)	3,380,000	380,000	382,000	207,000	269.99
Change in amount (B-A)	(40,000)	(30,000)	(28,000)	(21,500)	-
Percentage change (%)	(1.2) %	(7.3) %	(6.8) %	(9.4) %	-
(Supplemental information) Actual results of FYE 2017 (April 1, 2016 to March 31, 2017)	3,325,992	410,810	394,330	282,354	365.77

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Unit: Millions of yen)

	FY2017 (as of March 31, 2017)	2nd Quarter of FY2018 (as of September 30, 2017)
ASSETS		
I Current assets		
Cash and deposits	658,822	733,064
Notes and accounts receivable-trade	158,454	152,094
Lease investment assets	18,538	17,258
Short-term investment securities	320,579	272,426
Merchandise and finished goods	205,991	206,902
Work in process	51,754	58,877
Raw materials and supplies	43,586	42,117
Deferred tax assets	109,600	106,632
Short-term loans receivable	176,433	181,257
Other	102,045	91,440
Allowance for doubtful accounts	(551)	(343)
Total current assets	1,845,251	1,861,724
II Noncurrent assets		
1. Property, plant and equipment		
Buildings and structures, net	178,464	190,340
Machinery, equipment and vehicles, net	172,977	178,641
Land	183,477	184,127
Vehicles and equipment on operating leases, net	11,609	25,099
Construction in progress	45,416	42,893
Other, net	65,322	60,000
Total property, plant and equipment	657,265	681,100
2. Intangible assets		
Other	24,905	25,479
Total intangible assets	24,905	25,479
3. Investments and other assets		
Investment securities	105,510	119,319
Net defined benefit asset	931	230
Deferred tax assets	20,922	20,619
Other	110,848	115,564
Allowance for doubtful accounts	(3,311)	(3,318)
Total investments and other assets	234,900	252,414
Total noncurrent assets	917,070	958,993
Total assets	2,762,321	2,820,717

(Unit: Millions of yen)

	FY2017 (as of March 31, 2017)	2nd Quarter of FY2018 (as of September 30, 2017)
LIABILITIES		
I Current liabilities		
Notes and accounts payable-trade	349,737	318,668
Electronically recorded obligations-operating	92,098	69,939
Short-term loans payable	43,205	31,680
Current portion of long-term loans payable	44,443	31,611
Income taxes payable	13,858	26,505
Accrued expenses	221,328	221,615
Provision for bonuses	23,678	24,239
Provision for product warranties	59,259	63,478
Provision for loss on construction contracts	65	189
Provision for loss on business liquidation	3,317	3,513
Provision for loss related to airbags	—	81,261
Other	162,750	176,419
Total current liabilities	1,013,738	1,049,117
II Noncurrent liabilities		
Long-term loans payable	60,612	34,276
Deferred tax liabilities	29,802	28,064
Provision for directors' retirement benefits	536	442
Net defined benefit liability	18,615	19,641
Other	174,130	183,912
Total noncurrent liabilities	283,695	266,335
Total liabilities	1,297,433	1,315,452
NET ASSETS		
I Shareholders' equity		
Capital stock	153,795	153,795
Capital surplus	160,178	160,197
Retained earnings	1,173,277	1,203,525
Treasury stock	(7,173)	(7,047)
Total shareholders' equity	1,480,077	1,510,470
II Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,099	10,099
Foreign currency translation adjustment	(16,631)	(10,910)
Remeasurements of defined benefit plans	(10,996)	(9,744)
Remeasurements of other postretirement benefits of foreign consolidated subsidiaries	(1,885)	(1,894)
Total accumulated other comprehensive income	(21,413)	(12,449)
Non-controlling interests	6,224	7,244
Total net assets	1,464,888	1,505,265
Total liabilities and net assets	2,762,321	2,820,717

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

(Unit: Millions of yen)

	FY2017 (April 1, 2016 to September 30, 2016)	FY2018 (April 1, 2017 to September 30, 2017)
I Net sales	1,577,652	1,686,309
II Cost of sales	1,126,735	1,192,083
Gross profit	450,917	494,226
III Selling, general and administrative expenses	242,392	282,101
Operating income	208,525	212,125
IV Non-operating income		
Interest income	1,490	2,692
Dividends income	445	522
Equity in earnings of affiliates	—	399
Foreign exchange gains	22,316	5,751
Other	595	1,520
Total non-operating income	24,846	10,884
V Non-operating expenses		
Interest expenses	974	791
Share of loss of entities accounted for using equity method	155	—
Loss on valuation of derivatives	1,857	7,748
Other	2,613	1,744
Total non-operating expenses	5,599	10,283
Ordinary income	227,772	212,726
VI Extraordinary income		
Gain on sales of noncurrent assets	290	155
Gain on sales of investment securities	9,918	630
Other	11	17
Total extraordinary income	10,219	802
VII Extraordinary loss		
Loss on sales and retirement of noncurrent assets	2,066	2,899
Loss related to airbags	—	81,261
Other	347	884
Total extraordinary losses	2,413	85,044
Income before income taxes	235,578	128,484
Total Income taxes	70,921	43,043
Net income	164,657	85,441
Net income attributable to non-controlling interests	820	436
Net income attributable to owners of parent	163,837	85,005

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

(Unit: Millions of yen)

	FY2017 (April 1, 2016 to September 30, 2016)	FY2018 (April 1, 2017 to September 30, 2017)
Net income	164,657	85,441
Other comprehensive income		
Valuation difference on available-for-sale securities	(5,457)	2,000
Foreign currency translation adjustment	(39,926)	5,884
Remeasurements of defined benefit plans	1,278	1,252
Remeasurements of other postretirement benefits of foreign consolidated subsidiaries	295	(9)
Share of other comprehensive income of associates accounted for using equity method	286	373
Total other comprehensive income	(43,524)	9,500
Comprehensive income	121,133	94,941
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	121,188	94,284
Comprehensive income attributable to non-controlling interests	(55)	657

(3) Quarterly Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	FY2017 (April 1, 2016 to September 30,2016)	FY2018 (April 1, 2017 to September 30,2017)
I Net cash provided by (used in) operating activities		
Income (loss) before income taxes	235,578	128,484
Depreciation and amortization	37,920	48,555
Increase (decrease) in allowance for doubtful accounts	(58)	(178)
Interest and dividends income	(1,935)	(3,214)
Interest expenses	974	791
Loss (gain) on sales and retirement of noncurrent assets	1,776	2,744
Loss (gain) on sales and valuation of investment securities	(9,581)	(535)
Decrease (increase) in operating loans receivable	1,226	(3,164)
Decrease (increase) in notes and accounts receivable-trade	5,264	4,034
Decrease (increase) in inventories	(14,917)	(8,869)
Increase (decrease) in notes and accounts payable-trade	(8,582)	(54,292)
Increase (decrease) in accrued expenses	41,738	(409)
Increase (decrease) in provision for loss related to airbags	—	81,261
Other, net	26,500	37,413
Subtotal	315,903	232,621
Interest and dividends income received	2,492	3,564
Interest expenses paid	(1,031)	(862)
Income taxes paid	(118,989)	(27,501)
Net cash provided by (used in) operating activities	198,375	207,822
II Net cash provided by (used in) investing activities		
Net decrease (increase) in time deposits	(11,774)	(14,001)
Purchase of short-term investment securities	(45,081)	(67,856)
Proceeds from sales of short-term investment securities	24,894	71,597
Purchase of non-current assets	(67,629)	(76,586)
Proceeds from sales of non-current assets	715	627
Purchase of investment securities	(20,382)	(28,142)
Proceeds from sales of investment securities	31,734	16,359
Payments of loans receivable	(69,077)	(62,495)
Collection of loans receivable	53,903	60,278
Other, net	(6,269)	(1,213)
Net cash provided by (used in) investing activities	(108,966)	(101,432)
III Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	12,329	(8,422)
Proceeds from long-term loans payable	5,150	3,400
Repayments of long-term loans payable	(12,792)	(42,572)
Redemption of bonds	(10,000)	—
Cash dividends paid	(56,105)	(55,154)
Other, net	(55,243)	(579)
Net cash provided by (used in) financing activities	(116,661)	(103,327)
IV Effect of exchange rate change on cash and cash equivalents	(25,521)	2,708
V Net increase (decrease) in cash and cash equivalents	(52,773)	5,771
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	776,688	737,543

(4) Note to Quarterly Consolidated Financial Statements

(Notes on Premise of Going Concern)

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

Not Applicable

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

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

Not Applicable

(Significant changes in the Scope of Consolidation)

FY2018 (April 1, 2017 to September 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 second quarter as of and for the six months period ended September 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 September 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".

(Notes on Quarterly Consolidated Statements of Income)

1. Details of extraordinary losses is as follows:

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

Loss related to airbags

The loss was recognized due to the market measures concerning Takata airbag inflator not containing desiccant (hereinafter referred to as "the airbag"). It is quality-assurance expenses which further market measures relating to the airbags to be taken in the current fiscal year and beyond.

(Segment Information)

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

2nd Quarter of FY 2017 (April 1, 2016 to September 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	1,492,380	66,766	1,559,146	18,506	1,577,652	—	1,577,652
(2) Inter-segment	2,427	—	2,427	11,954	14,381	(14,381)	—
Total sales	1,494,807	66,766	1,561,573	30,460	1,592,033	(14,381)	1,577,652
Operating income	203,296	3,599	206,895	1,190	208,085	440	208,525

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.

2nd Quarter of FY 2018 (April 1, 2017 to September 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	1,600,029	68,009	1,668,038	18,271	1,686,309	—	1,686,309
(2) Inter-segment	1,548	—	1,548	9,839	11,387	(11,387)	—
Total sales	1,601,577	68,009	1,669,586	28,110	1,697,696	(11,387)	1,686,309
Operating income	205,283	4,174	209,457	2,364	211,821	304	212,125

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 six months period ended September 30, 2016 is presented in conformity with the change.

(Significant Subsequent Event)

Not Applicable



< Reference for the 1st Half of FYE2018 Consolidated Financial Results >

(Yen in 100 Millions, Units in Thousands)

	RESULTS FYE2017 1H 2016. 4-9	RESULTS FYE2018 1st Half 2017. 4-9			RESULTS FYE2017 '16.4-'17.3	FORECASTS FYE2018 2017.4 - 2018.3			PREVIOUS FORECASTS FYE2018 '17.4-'18.3
		Change	%	Change		%	Change	%	
Net sales	15,777	16,863	1,087	6.9	33,260	33,800	540	1.6	34,200
Japan	2,860	3,286	426	14.9	6,503	6,717	213	3.3	6,680
Overseas	12,916	13,577	661	5.1	26,756	27,083	327	1.2	27,520
Operating income	2,085	2,121	36	1.7	4,108	3,800	(308)	(7.5)	4,100
Profit margin (%)	13.2	12.6			12.4	11.2			12.0
Ordinary income	2,278	2,127	(150)	(6.6)	3,943	3,820	(123)	(3.1)	4,100
Profit margin (%)	14.4	12.6			11.9	11.3			12.0
Net income attributable to owners of parent	1,638	850	(788)	(48.1)	2,824	2,070	(754)	(26.7)	2,285
Profit margin (%)	10.4	5.0			8.5	6.1			6.7
Factors contributing to change in operating income									
		Gain on currency exchange	214			Gain on currency exchange	317		
		Improvements on model mix, etc.	142			Increase in SG&A exp, etc.	(252)		
		Increase in SG&A exp, etc.	(203)			Increase in R&D exp	(158)		
		Increase in R&D exp	(75)			Increase in raw material costs, etc.	(124)		
		Increase in raw material costs, etc.	(42)			Deterioration in model mix, etc.	(91)		
Exchange rates	JPY/US\$ 107/US\$ JPY/EUR 120/EUR	111/US\$ 125/EUR			108/US\$ 119/EUR	111/US\$ 128/EUR			110/US\$ 120/EUR
Capital expenditures	637	545			1,585	1,500			1,500
Depreciation and amortization	335	421			770	920			920
R&D expenses	534	609			1,142	1,300			1,340
Interest bearing debts	1,614	976			1,483	1,000			1,000
Performance description		- Net sales and operating income increased y/y for first time in 2 years. - Record consolidated unit sales for 6th consecutive year.				- Net sales to increase y/y for 6th consecutive year. - Operating income to decrease y/y for 2nd consecutive year. - Record consolidated unit sales for 6th consecutive year.			
Consolidated unit sales (Japan)	68	82	14	21.0	159	167	8	4.8	172
Passenger Cars	52	67	15	28.2	126	135	9	6.8	134
Minicars	16	15	(0)	(3.0)	33	32	(1)	(3.0)	38
Consolidated unit sales (Overseas)	444	449	5	1.1	906	901	(4)	(0.5)	933
North America	355	364	9	2.4	721	724	3	0.4	742
Europe	22	21	(1)	(3.4)	46	47	1	1.3	46
China	22	14	(8)	(36.4)	44	30	(14)	(32.2)	42
Other	45	50	5	11.3	95	101	6	6.8	103
Consolidated unit sales total	512	531	19	3.8	1,065	1,068	3	0.3	1,106
Production units total	502	525	23	4.5	1,056	1,053	(3)	(0.2)	1,091
Japan	355	346	(8)	(2.4)	721	702	(18)	(2.5)	710
U.S.	148	179	31	21.2	335	351	16	4.7	381
Net sales by business segment	Automobile 668 Other 185	14,924 680 183	16,000 12 (2)	7.2 1.9 (1.3)	31,520 1,388 353				
Operating income by business segment	Automobile Aerospace Other Elimination & Corporate	2,033 36 12 4	2,053 42 24 3	20 6 12 (1)	1.0 16.0 98.7 (30.9)	3,977 91 35 5			

* "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 Half of FYE2018

Tokyo, November 6, 2017 – Subaru Corporation today announced its consolidated financial results for the first half of fiscal year ending March 31, 2018.

< Results for April-September 2017: Consolidated Net Sales >

Global sales of Subaru vehicles rose 3.8% to 531,000 units. Unit sales in Japan grew 21.0% to 82,000 units, as a decline in mini vehicle sales was offset by strong sales of passenger cars driven by the Impreza and the Subaru XV. Overseas unit sales increased 1.1% to 449,000 units, led by strong demand for the Impreza and the Forester in North America and other markets.

Consolidated net sales increased 6.9% to 1,686.3 billion yen due to foreign exchange gains and unit sales growth. North American unit sales posted a first-half record for the 9th consecutive year.^{*1} Global unit sales and overseas unit sales marked first-half records for the 6th consecutive year.^{*1}

< Results for April-September 2017: Consolidated Profit and Loss >

Operating income rose 1.7% to 212.1 billion yen, as unit sales growth and foreign exchange gains offset an increase in R&D expenses and a rise in SG&A that mainly consisted of sales expenses associated with higher interest rates in the U.S. Ordinary income decreased 6.6% to 212.7 billion yen. Net income attributable to owners of parent decreased 48.1% to 85.0 billion yen, reflecting an extraordinary loss of 81.3 billion yen to account for airbag-related losses.

< Forecasts for FYE2018 >

Reflecting a downward revision to unit sales projections and a change in currency rate assumptions, the full-year forecasts for FYE2018 are revised from those previously announced on August 25, 2017 to net sales of 3,380 billion yen, operating income of 380 billion yen, ordinary income of 382 billion yen, and net income attributable to owners of parent of 207 billion yen.

North American unit sales and global unit sales are projected to post record highs for the 9th consecutive year and the 6th consecutive year, respectively.^{*2}

Currency rate assumptions: 111 yen/US\$, 128 yen/euro

Previous Forecasts for FYE2018 (Announced on August 25, 2017)

Net sales: 3,420 billion yen

Operating income: 410 billion yen

Ordinary income: 410 billion yen

Net income attributable to owners of parent: 228.5 billion yen

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

*1: Since fiscal year ended March 2001, when the company started half-year consolidated financial reporting

*2: Since fiscal year ended March 1986, when the company 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.