

FYE2018 Consolidated Financial Results

For the Year Ended March 31, 2018

(Japan GAAP)



May 11, 2018

Company Name : **SUBARU CORPORATION.** (Tokyo Stock Exchange First Section, Code No.7270)
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 Scheduled date of annual meeting of stockholders: June 22, 2018 Scheduled date for dividend payment: June 25, 2018
 Scheduled date of submitting Security Report : June 25, 2017
 Annual earnings supplementary explanatory documents : Yes
 Holding of annual 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. Performance in FYE2018 (April 1, 2017 to March 31, 2018)

(1) Consolidated Results of Operations (for twelve-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	
FYE2018	3,405,221	2.4%	379,447	(7.6)%	379,934	(3.7)%	220,354	(22.0)%
FYE2017	3,325,992	2.9%	410,810	(27.4)%	394,330	(31.7)%	282,354	(35.3)%

Note: Comprehensive income FYE2018: 206,042 million yen (26.2%) FYE2017: 279,352 million yen (31.1%)

	Net income per share, basic (Yen)	Net income per share, diluted (Yen)	Return on equity	Ratio of ordinary income (loss) to total assets	Ratio of operating income (loss) to sales
FYE2018	287.40	—	14.6%	13.5%	11.1%
FYE2017	365.77	—	20.2%	14.7%	12.4%

Reference: Equity income from affiliates FYE2018: 778 million yen FYE2017: 292 million yen

(2) Consolidated Financial Position

(Unit: Millions of yen, except for per share figures)

	Total assets	Net assets	Shareholders' equity to total assets (%)	Net assets per share (Yen)
FYE2018	2,884,313	1,561,023	53.8%	2,025.31
FYE2017	2,762,321	1,464,888	52.8%	1,902.56

Reference: Shareholders' equity FYE2018: 1,552,844 million yen FYE2017: 1,458,664 million yen

(3) Consolidated Cash Flows

(Unit: Millions of yen)

	Net cash provided by operating activities	Net cash provided by investment activities	Net cash provided by financing activities	Cash & cash equivalents at end of period
FYE2018	366,298	(150,711)	(170,937)	765,591
FYE2017	345,442	(254,252)	(189,044)	728,616

2. Dividends

	Cash dividends per share (yen)					Amount of dividends paid (Annual)	Dividend payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual			
FYE 2017	—	72.00	—	72.00	144.00	110,460	39.4%	7.9%
FYE 2018	—	72.00	—	72.00	144.00	110,466	50.1%	7.3%
FYE 2019 (Forecast)	—	72.00	—	72.00	144.00		50.2%	

3. Projection of Consolidated Results for FYE 2019 (April 1, 2018 to March 31, 2019)

(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	1,463,100 (13.2)%	110,000 (48.1)%	111,700 (47.5)%	79,100	(6.9)%	103.17
Full year	3,250,000 (4.6)%	300,000 (20.9)%	305,000 (19.7)%	220,000	(0.2)%	286.94

4. Others

- (1) Changes of significant subsidiaries in fiscal year 2018 : No
(Transfer of subsidiaries resulting in changes in the scope of consolidation)
- (2) Changes in accounting policies, procedures and methods of presentation for preparing the 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 : Yes
- [4] Restatements : No
- (3) Number of outstanding shares (Common Stock)
- [1] Number of outstanding shares (including treasury stock) As of March 31,2018: 769,175,873 shares As of March 31,2017: 769,175,873 shares
- [2] Number of treasury stock As of March 31,2018: 2,455,039 shares As of March 31,2017: 2,490,224 shares
- [3] Average number of shares (for twelve-month period) FYE2018: 766,707,785 shares FYE2017: 771,952,313 shares

(Reference) Non-consolidated Financial Results Highlights

Performance in FYE2018(April 1, 2017 to March 31, 2018)

(1) Non-consolidated Results of Operations (for twelve-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	
FYE2018	2,087,834	1.4%	256,015	(0.6)%	266,025	1.7%	153,496	(26.3)%
FYE2017	2,059,285	(1.2)%	257,510	(37.9)%	261,664	(40.3)%	208,252	(42.5)%

	Net income per share, basic (Yen)	Net income per share, diluted (Yen)
FYE2018	200.10	—
FYE2017	269.63	—

(2) Non-consolidated Financial Position

	Total assets	Net assets	Shareholders' equity to total assets (%)	Net assets per share (Yen)
FYE2018	1,943,951	1,156,068	59.5%	1,507.02
FYE2017	1,839,983	1,115,249	60.6%	1,453.88

Reference: Shareholders' equity FYE2018: 1,156,068 million yen FYE2017: 1,115,249 million yen

*The status of the implementation of the annual audit

This earnings report is not subject to audit procedures based upon the Financial Instruments and Exchange Act.

*Proper use of projection of operating results, and other information

The performance projections were 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. Please refer to page 5 in the attachments for assumptions used for the performance projection and other notes.

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1. Overview of Operating Results

(1) Overview of Operating Results for the Current Period under Review

As the employment and income environment improved supported by various policies, the Japanese economy continued on a gradual recovery path in the period under review. Global economy also recovered gradually led by the United States, although attention must be paid to the economic development in China and other Asian emerging markets; the impact from political uncertainties; and trends in the financial and capital markets. Given this backdrop, the exchange rate was mostly stable, with the yen against the US dollar getting slightly stronger in the fourth quarter.

Through initiatives set out in the Prominence 2020 mid-term management vision drawn up in 2014, which aims for SUBARU to have a prominent presence in the minds of its customers, the Subaru Group has made sustained effort for reliable automobile development and manufacturing and keep offering its customers “Enjoyment and Peace of Mind.”

The key North American market continued to drive global sales, and our initiatives brought steady results over the same period, including the achievement of record automobile unit sales.

Consequently, net sales increased by ¥79.2 billion (2.4%) from the previous fiscal year to a record ¥3,405.2 billion, owing to increased net sales from favorable foreign exchange rate and higher automobile unit sales.

Operating income decreased by ¥31.4 billion (7.6%) year-on-year to ¥379.4 billion, due to increases in selling expenses associated with rising interest rates in US, the effect of raw materials market, and higher R&D expenses, despite positive effect from the foreign exchange rate. Ordinary income decreased by ¥14.4 billion (3.7%) from the previous fiscal year to ¥379.9 billion. Net income attributable to owners of the parent decreased ¥62.0 billion (22.0%) year-on-year to ¥220.4 billion partly owing to airbag related extraordinary loss of ¥81.3 billion.

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

	Net Sales	Operating Income	Ordinary Income	Net Income Attributable to Owners of the Parent	Foreign Exchange Rate
FYE2018	3,405,221	379,447 (11.1)	379,934 (11.2)	220,354 (6.5)	¥111/US\$ ¥130/EUR
FYE2017	3,325,992	410,810 (12.4)	394,330 (11.9)	282,354 (8.5)	¥108/US\$ ¥119/EUR
Change	79,229	(31,363)	(14,396)	(62,000)	
Percentage Change	2.4%	(7.6) %	(3.7) %	(22.0) %	

Results for the period under review 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			
	FYE2017	FYE2018	Change	Percentage Change	FYE2017	FYE2018	Change	Percentage Change
Automobile Div.	3,151,961	3,234,866	82,905	2.6	397,657	361,454	(36,203)	(9.1)
Aerospace Div.	138,759	142,163	3,404	2.5	9,102	12,259	3,157	34.7
Other	35,272	28,192	(7,080)	(20.1)	3,512	5,066	1,554	44.2
Adjustments	—	—	—	—	539	668	129	23.9
Total	3,325,992	3,405,221	79,229	2.4	410,810	379,447	(31,363)	(7.6) %

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

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

(Automobile Division)

As to industry total automobile demand in Japan, compared with the previous fiscal year, passenger cars remained steady year-on-year while minicars increased to 5.197 million units (an increase of 2.3% from the previous fiscal year). Also, total automobile demand in the United States, which is a priority market for us, was 17.308 million units (decrease on 1.0% year-on-year), moving further from passenger vehicle to light trucks including SUVs.

Domestic sales of minicars decreased from the previous fiscal year, but passenger cars remained strong amid led by all-new SUBARU XV, resulting in sales increasing by 5 thousand units (2.8%) from the previous fiscal year to 163 thousand units.

Overseas, which is a priority market for us, unit sales stayed strong in the United States, reaching a record high for the ninth consecutive fiscal year, although total unit sales decreased by 2 thousand units (0.2%) year-on-year to 903 thousand units, due to the decrease in unit sales in China owing to fierce competition.

Combined domestic and overseas unit sales thus increased by 2 thousand units (0.2%) from the previous fiscal year to 1,067 thousand units, and net sales increased by ¥82.9 billion (2.6%) to ¥3,234.9 billion. Segment income decreased by ¥36.2 billion (9.1%) from the previous fiscal year to ¥361.5 billion.

Consolidated unit sales in the period under review are shown in the table below.

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

	FYE2017	FYE2018	Change	Percentage Change
Total in Japan	159	163	5	2.8
Passenger cars	126	133	6	4.9
Minicars	33	31	(2)	(5.1)
Total Overseas	906	903	(2)	(0.2)
North America	721	728	7	1.0
Europe/Russia	46	48	2	3.7
Australia	49	56	7	13.4
China	44	27	(17)	(38.9)
Other regions	46	45	(0)	(0.8)
Total	1,065	1,067	2	0.2

(Aerospace Division)

Deliveries to the Japan Ministry of Defense saw sales increase from 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 also increased from the previous fiscal year with the growth in production of Boeing 787 aircraft covering for the decline in production of Boeing 777 aircraft.

As a result, overall sales increased by ¥3.4 billion (2.5%) from the previous fiscal year to ¥142.2 billion. Segment income increased by ¥3.2 billion (34.7%) from the previous fiscal year to ¥12.3 billion.

(Other Businesses)

Net sales decreased by ¥7.1 billion (20.1%) from the previous fiscal year to ¥28.2 billion. Segment income also increased by ¥1.6 billion (44.2%) from the previous fiscal year to ¥5.1 billion.

(2) Overview of Financial Position in the Period under Review

[1] Assets

Total assets increased by ¥122.0 billion from the end of the previous fiscal year to ¥2,884.3 billion. Main factors included a ¥45.8 billion increase in property, plant, and equipment, a ¥28.6 billion increase in combined funds on hand comprised of cash, deposits, and short-term investment securities, and a ¥26.5 billion increase in deferred tax assets.

[2] Liabilities

Liabilities increased by ¥25.9 billion from the previous fiscal year to ¥1,323.3 billion. Main factors included a ¥64.7 billion increase in provision for loss related to airbags, a ¥34.6 billion increase in accounts payable, and a ¥62.1 billion decrease in short-term loans payable and long-term loans payable including the current portion.

[3] Net Assets

Net assets increased by ¥96.1 billion from the previous fiscal year to ¥1,561.0 billion. Main factors included a ¥110.3 billion increase in retained earnings.

(3) Overview of Cash Flow in the Period under Review

Cash and cash equivalents (hereinafter “cash”) at the end of the period under review totaled ¥765.6 billion.

[1] Net cash provided by operating activities

Net cash provided by operating activities increased by ¥366.3 billion (compared with ¥345.4 billion increase in the previous fiscal year). Main factors included ¥297.3 billion in income before income taxes, a ¥64.7 billion in provision for loss related to airbags.

[2] Net cash used in investment activities

Net cash used in investing activities decreased by ¥150.7 billion (compared with ¥254.3 billion decrease in the previous fiscal year). Main factors included ¥146.5 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 decreased by ¥170.9 billion (compared with ¥189.0 billion decrease in the previous fiscal year). Main factors included ¥110.3 billion in expenditures for cash dividends paid, ¥40.9 billion in repayment of long-term loans payable (net basis against proceeds from long-term loans payable), and ¥18.4 billion decrease in short-term loans payable.

(4) Future forecast

In the fiscal year ending March 31, 2019, the Company plans to achieve growth in automobile unit sales mainly in North America. However, due to the decline in profits from the effect of foreign exchange rate fluctuation and changes in accounting policies, the Company forecasts consolidated net sales of ¥3,250.0 billion.

In terms of income, despite the expected increase in automobile unit sales, the Company forecasts operating income of ¥300.0 billion, ordinary income of ¥305.0 billion, and net income attributable to owners of parent of ¥220.0 billion, due to the increase in selling expenses from higher interest rates in the U.S., and higher raw material costs.

Currency rate assumptions: 105 yen/US\$ (actual rate for previous fiscal period was 111 yen), 130 yen/euro (actual rate for previous fiscal period was 130 yen)

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

	Net Sales	Operating Income	Ordinary Income	Net Income Attributable to Owners of the Parent	Foreign Exchange Rate
FYE2019 (forecast)	3,250,000	300,000 (9.2)	305,000 (9.4)	220,000 (6.8)	¥105/US\$ ¥130/EUR
FYE2018 (actual results)	3,405,221	379,447 (11.1)	379,934 (11.2)	220,354 (6.5)	¥111/US\$ ¥130/EUR
Change	(155,221)	(79,447)	(74,934)	(354)	
Percentage Change	(4.6) %	(20.9) %	(19.7) %	(0.2) %	

(5) Basic Policy Regarding the Distribution of Profits and dividend payments in the current period under review and the next period

The Company considers the benefits of shareholders to be significant management issue and have adopted performance linked approach based on continuous dividend payouts, taking into account the business performance, investment plans, and business environment for each fiscal period. Dividends for each fiscal period is based on the consolidated dividend payout ratio of between 30% and 50%, determined by considering various circumstances.

Year-end dividend will be ¥72 per share, the same as the previous fiscal period. As a result, the per-share dividend for the full fiscal year is ¥144 including the interim dividend of ¥72 per share already distributed, which is the same as in the previous fiscal year.

The per-share dividend for the FYE March 2019, is projected to the same amount of ¥144 (interim dividend

¥72, year-end dividend ¥72).

2. Management Policies

(1) Basic Management Policies

We adhere to the following corporate philosophy:

1. We will strive to create advanced technology on an ongoing basis and provide consumers with distinctive products with the highest level of quality and customer satisfaction.
2. We will aim to continuously promote harmony between people, society, and the environment while contributing to the prosperity of society.
3. We will look to the future with a global perspective and aim to foster a vibrant, progressive company.

The Company changed its name to SUBARU CORPORATION effective from April 1, 2017. By integrating the company name and the brand name, we will further accelerate the enhancement of the SUBARU brand that we are currently working on under the Prominence 2020 mid-term management vision, and grow SUBARU into an attractive global brand in the automobile and aerospace businesses.

(2) Issues That Must Be Addressed

(Enhancing our fundamental strength)

The Company achieved steady growth owing to multiple factors in these few years. On the other hand, we came to acute realization that fundamental strength was lacking as a corporation. We believe it is necessary to enhance our fundamental strength by returning to the basics.

[1] Basic approach towards business/corporate culture reform

From nonconforming final vehicle inspections, we were given a fresh reminder that there was lack of awareness of public interest in and importance of our business; and lack of normative consciousness stemming from a culture that overemphasizes technology. Also, we reacknowledged that the platform for appropriate operation of business such as education, internal rules, communication and systems were inadequate.

To thoroughly implement preventative measures against the incidents identified and to deal with the cultural issues recognized this time, we have established the “Tadashii-Kaisha” Promotion Department and Compliance Office. We intend to fundamentally enhance our efforts to become a high-quality company and promote this with unwavering resolve. We are determined to transform ourselves into a “Tadashii-kaisha,” a company doing the right things in the right way, never to let another incident like this happen again.

[2] Initiatives on quality

As the production and unit sales figure rapidly increased, issues related to product quality such as airbags have continued to occur. Quality is the foundation of customers’ trust in SUBARU. We will treat quality as the top priority in our company-wide initiative and implement fundamental reforms led by the CQO (Chief Quality Officer). We will ensure the smooth supply of replacement parts, and increase work efficiency in the dealerships, among other measures, to enhance the quality of our customer service.

We deeply regret causing concerns and inconveniences to our stakeholders including our customers, will address the issues sincerely, and endeavor to enhance our fundamental strength.

(Enhancing brand value)

Both our automotive and aerospace businesses are not large in size, it is important to create added-value that is appreciated by our customers. We will engage in following efforts to expand the range of distinctive SUBARU products and strengthen our brand value:

- [1] Corporate activities that enhance customer trust and sympathy, that makes our customers smile
- [2] Expand the range of distinctive SUBARU products and services focused on “Enjoyment and Peace of Mind”
 - Roll-out of new multi-passenger SUV “Ascent” in North America Global launch of the all-new model

for our global mainstay product, Forester.

- Enhancement of connection services utilizing technologies such as telematics*

*Technology for providing various information and services by mounting and utilizing communication systems on mobile objects such as vehicles.

[3] Develop new safety/environmental technology that protects human life and global environment

- Continue to provide industry-leading safety functions by sustained development and refinement of safety technology
- Roll out electric vehicles to each market starting with plug-in hybrid vehicle in the U.S. market in 2018

We are committed to further development of our organization and human resources, which is essential for acceleration of these activities. In addition, we are aiming to expand and deepen collaboration with other companies.

Under the new management, the next mid-term management vision is scheduled for announcement during the summer of 2018.

3. Basic policy about the adoption of Accounting standards

We are planning to voluntarily adopt International Financial Reporting Standards (IFRS) to the Group's consolidated financial statements from the first quarter of the fiscal year ending March 31, 2020, instead of the Japanese Generally Accepted Accounting Principles currently adopted.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: Millions of yen)

	FYE2017 (as of March 31, 2017)	FYE2018 (as of March 31, 2018)
ASSETS		
I Current assets		
Cash and deposits	658,822	765,397
Notes and accounts receivable-trade	158,454	155,247
Lease investment assets	18,538	17,120
Short-term investment securities	320,579	242,573
Merchandise and finished goods	205,991	202,435
Work in process	51,754	52,307
Raw materials and supplies	43,586	42,448
Deferred tax assets	109,600	124,766
Short-term loans receivable	176,433	185,364
Other	102,045	107,893
Allowance for doubtful accounts	(551)	(340)
Total current assets	1,845,251	1,895,210
II Noncurrent assets		
1. Property, plant and equipment		
Buildings and structures, net	178,464	207,133
Machinery, equipment and vehicles, net	172,977	169,814
Land	183,477	184,339
Vehicles and equipment on operating leases, net	11,609	18,638
Construction in progress	45,416	55,908
Other, net	65,322	67,276
Total property, plant and equipment	657,265	703,108
2. Intangible assets		
Other	24,905	28,293
Total intangible assets	24,905	28,293
3. Investments and other assets		
Investment securities	105,510	113,465
Net defined benefit asset	931	82
Deferred tax assets	20,922	32,244
Other	110,848	115,273
Allowance for doubtful accounts	(3,311)	(3,362)
Total investments and other assets	234,900	257,702
Total noncurrent assets	917,070	989,103
Total assets	2,762,321	2,884,313

(Unit: Millions of yen)

	FYE2017 (as of March 31, 2017)	FYE2018 (as of March 31, 2018)
LIABILITIES		
I Current liabilities		
Notes and accounts payable-trade	349,737	320,137
Electronically recorded obligations-operating	92,098	64,863
Short-term loans payable	43,205	22,082
Current portion of long-term loans payable	44,443	42,982
Income taxes payable	13,858	45,372
Accrued expenses	221,328	255,914
Provision for bonuses	23,678	24,131
Provision for product warranties	59,259	34,743
Provision for loss on construction contracts	65	160
Provision for loss on business liquidation	3,317	3,098
Provision for loss related to airbags	—	64,711
Other	162,750	172,813
Total current liabilities	1,013,738	1,051,006
II Noncurrent liabilities		
Long-term loans payable	60,612	21,138
Deferred tax liabilities	29,802	20,305
Provision for product warranties	—	35,801
Provision for directors' retirement benefits	536	447
Net defined benefit liability	18,615	19,337
Other	174,130	175,256
Total noncurrent liabilities	283,695	272,284
Total liabilities	1,297,433	1,323,290
NET ASSETS		
I Shareholders' equity		
Capital stock	153,795	153,795
Capital surplus	160,178	160,197
Retained earnings	1,173,277	1,283,539
Treasury stock	(7,173)	(7,054)
Total shareholders' equity	1,480,077	1,590,477
II Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,099	7,038
Foreign currency translation adjustment	(16,631)	(36,193)
Remeasurements of defined benefit plans	(10,996)	(10,136)
Remeasurements of other postretirement benefits of foreign consolidated subsidiaries	(1,885)	1,658
Total accumulated other comprehensive income	(21,413)	(37,633)
Non-controlling interests	6,224	8,179
Total net assets	1,464,888	1,561,023
Total liabilities and net assets	2,762,321	2,884,313

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

(Unit: Millions of yen)

	FYE2017 (April 1, 2016 to March 31, 2017)	FYE2018 (April 1, 2017 to March 31, 2018)
I Net sales	3,325,992	3,405,221
II Cost of sales	2,386,266	2,442,706
Gross profit	939,726	962,515
III Selling, general and administrative expenses	528,916	583,068
Operating income	410,810	379,447
IV Non-operating income		
Interest income	3,131	6,812
Dividends income	1,485	1,374
Equity in earnings of affiliates	292	778
Gain on valuation of derivatives	—	2,266
Other	1,992	3,071
Total non-operating income	6,900	14,301
V Non-operating expenses		
Interest expenses	1,846	1,379
Foreign exchange losses	4,800	7,395
Loss on valuation of derivatives	4,248	—
Depreciation	956	1,025
Other	11,530	4,015
Total non-operating expenses	23,380	13,814
Ordinary income	394,330	379,934
VI Extraordinary income		
Gain on sales of noncurrent assets	908	563
Gain on sales of investment securities	10,144	4,618
Other	1,557	759
Total extraordinary income	12,609	5,940
VII Extraordinary loss		
Loss on sales and retirement of noncurrent assets	4,178	5,400
Loss on business liquidation	5,122	—
Loss related to airbags	—	81,261
Impairment loss	1,188	31
Other	1,756	1,842
Total extraordinary losses	12,244	88,534
Income before income taxes	394,695	297,340
Income taxes-current	123,591	113,155
Income taxes-deferred	(12,448)	(37,554)
Total income taxes	111,143	75,601
Net income	283,552	221,739
Net income (loss) attributable to non-controlling interests	1,198	1,385
Net income attributable to owners of parent	282,354	220,354

Consolidated Statements of Comprehensive Income (for twelve-month period)

(Unit: Millions of yen)

	FYE2017 (April 1, 2016 to March 31, 2017)	FYE2018 (April 1, 2017 to March 31, 2018)
Net income	283,552	221,739
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,245)	(1,061)
Foreign currency translation adjustment	(2,968)	(18,985)
Remeasurements of defined benefit plans	1,812	860
Remeasurements of other postretirement benefits of foreign consolidated subsidiaries	984	3,543
Share of other comprehensive income of associates accounted for using equity method	(783)	(54)
Total other comprehensive income	(4,200)	(15,697)
Comprehensive income	279,352	206,042
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	278,689	204,449
Comprehensive income attributable to non-controlling interests	663	1,593

(3) Consolidated Statements of Changes in Net Assets

FYE 2017 (April 1, 2016 to March 31, 2017)

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	153,795	160,071	1,049,016	(1,402)	1,361,480
Changes of items during the period					
Dividends from surplus	—	—	(111,446)	—	(111,446)
Net income attributable to owners of parent	—	—	282,354	—	282,354
Purchase of treasury stock	—	—	—	(52,744)	(52,744)
Disposal of treasury stock	—	1	(1)	0	0
Retirement of treasury stock	—	(46,973)	—	46,973	—
Adjustments due to change in fiscal year end of consolidated subsidiaries	—	—	—	—	—
Change of the scope of consolidation	—	—	—	—	—
Change of the scope of equity method	—	—	325	—	325
Transfer to capital surplus from retained earnings	—	46,972	(46,972)	—	—
Other	—	107	1	—	108
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the period	—	107	124,261	(5,771)	118,597
Balance at the end of current period	153,795	160,178	1,173,277	(7,173)	1,480,077

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Remeasurements of other postretirement benefits of foreign consolidated subsidiaries	Total accumulated other comprehensive income		
Balance at the beginning of current period	11,344	(13,415)	(12,808)	(2,869)	(17,748)	5,679	1,349,411
Changes of items during the period							
Dividends from surplus	—	—	—	—	—	—	(111,446)
Net income attributable to owners of parent	—	—	—	—	—	—	282,354
Purchase of treasury stock	—	—	—	—	—	—	(52,744)
Disposal of treasury stock	—	—	—	—	—	—	0
Retirement of treasury stock	—	—	—	—	—	—	—
Adjustments due to change in fiscal year end of consolidated subsidiaries	—	—	—	—	—	—	—
Change of the scope of consolidation	—	—	—	—	—	—	—
Change of the scope of equity method	—	—	—	—	—	—	325
Transfer to capital surplus from retained earnings	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	108
Net changes of items other than shareholders' equity	(3,245)	(3,216)	1,812	984	(3,665)	545	(3,120)
Total changes of items during the period	(3,245)	(3,216)	1,812	984	(3,665)	545	115,477
Balance at the end of current period	8,099	(16,631)	(10,996)	(1,885)	(21,413)	6,224	1,464,888

FYE 2018 (April 1, 2017 to March 31, 2018)

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	153,795	160,178	1,173,277	(7,173)	1,480,077
Changes of items during the period					
Dividends from surplus	—	—	(110,463)	—	(110,463)
Net income attributable to owners of parent	—	—	220,354	—	220,354
Purchase of treasury stock	—	—	—	(11)	(11)
Disposal of treasury stock	—	19	—	130	149
Retirement of treasury stock	—	—	—	—	—
Adjustments due to change in fiscal year end of consolidated subsidiaries	—	—	828	—	828
Change of the scope of consolidation	—	—	(355)	—	(355)
Change of the scope of equity method	—	—	922	—	922
Transfer to capital surplus from retained earnings	—	—	—	—	—
Other	—	—	(1,024)	—	(1,024)
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the period	—	19	110,262	119	110,400
Balance at the end of current period	153,795	160,197	1,283,539	(7,054)	1,590,477

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Remeasurements of other postretirement benefits of foreign consolidated subsidiaries	Total accumulated other comprehensive income		
Balance at the beginning of current period	8,099	(16,631)	(10,996)	(1,885)	(21,413)	6,224	1,464,888
Changes of items during the period							
Dividends from surplus	—	—	—	—	—	—	(110,463)
Net income attributable to owners of parent	—	—	—	—	—	—	220,354
Purchase of treasury stock	—	—	—	—	—	—	(11)
Disposal of treasury stock	—	—	—	—	—	—	149
Retirement of treasury stock	—	—	—	—	—	—	—
Adjustments due to change in fiscal year end of consolidated subsidiaries	—	—	—	—	—	—	828
Change of the scope of consolidation	—	—	—	—	—	—	(355)
Change of the scope of equity method	—	—	—	—	—	—	922
Transfer to capital surplus from retained earnings	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	(1,024)
Net changes of items other than shareholders' equity	(1,061)	(19,562)	860	3,543	(16,220)	1,955	(14,265)
Total changes of items during the period	(1,061)	(19,562)	860	3,543	(16,220)	1,955	96,135
Balance at the end of current period	7,038	(36,193)	(10,136)	1,658	(37,633)	8,179	1,561,023

(4) Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	FYE2017 (April 1, 2016 to March 31, 2017)	FYE2018 (April 1, 2017 to March 31, 2018)
I Net cash provided by (used in) operating activities		
Income (loss) before income taxes	394,695	297,340
Depreciation and amortization	85,653	102,102
Increase (decrease) in allowance for doubtful accounts	(189)	(149)
Increase (decrease) in provision for loss related to airbags	—	64,711
Interest and dividends income	(4,616)	(8,186)
Interest expenses	1,846	1,379
Loss (gain) on sales and retirement of noncurrent assets	3,270	4,837
Loss (gain) on sales and valuation of investment securities	(9,322)	(4,096)
Decrease (increase) in operating loans receivable	(3,898)	(7,799)
Decrease (increase) in notes and accounts receivable-trade	(19,684)	40
Decrease (increase) in inventories	(32,444)	(15,922)
Increase (decrease) in notes and accounts payable-trade	24,458	(54,159)
Increase (decrease) in accrued expenses	88,159	40,158
Other, net	22,320	20,336
Subtotal	550,248	440,592
Interest and dividends income received	5,236	8,397
Interest expenses paid	(1,852)	(1,446)
Income taxes paid	(208,190)	(81,245)
Net cash provided by (used in) operating activities	345,442	366,298
II Net cash provided by (used in) investing activities		
Net decrease (increase) in time deposits	(25,809)	(7,219)
Purchase of short-term investment securities	(135,061)	(143,418)
Proceeds from sales of short-term investment securities	98,133	168,525
Purchase of non-current assets	(163,774)	(149,897)
Proceeds from sales of non-current assets	1,327	3,413
Purchase of investment securities	(48,705)	(52,645)
Proceeds from sales of investment securities	46,585	34,272
Payments of loans receivable	(137,006)	(123,552)
Collection of loans receivable	117,687	120,383
Other, net	(7,629)	(573)
Net cash provided by (used in) investing activities	(254,252)	(150,711)
III Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	9,939	(18,393)
Proceeds from long-term loans payable	12,930	3,500
Repayments of long-term loans payable	(34,605)	(44,443)
Redemption of bonds	(10,000)	—
Purchase of treasury shares	(52,744)	(11)
Cash dividends paid	(111,435)	(110,326)
Other, net	(3,129)	(1,264)
Net cash provided by (used in) financing activities	(189,044)	(170,937)
IV Effect of exchange rate change on cash and cash equivalents	(2,991)	(10,831)
V Net increase (decrease) in cash and cash equivalents	(100,845)	33,819
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 the 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	728,616	765,591

(5) Notes to Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not Applicable

(Significant Accounting Policies in Preparing the Consolidated Financial Statement)

FYE2018(April 1, 2017 to March 31, 2018)

1. Significant changes in the scope of consolidation

Robin America Inc. was excluded from the scope of consolidation from the fiscal year ended March 31, 2018 due to sale of the shares in it. In addition, Robin Europe GmbH Industrial Engine and Equipment was excluded from the scope of consolidation due to its decreased materiality.

2. Significant changes in the scope of equity method

Nishino Machine Industries.Ltd and 5 other companies were included in the scope of the equity method from the fiscal year ended March 31, 2018 due to its increased materiality.

3. 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 consolidated fiscal year ended March 31, 2018.

This change allows the consolidated financial statements as of and for the 12 months period ended March 31, 2018 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.

(Changes in Accounting estimates)

(Provision for product warranties)

In the current consolidated fiscal year, there was a change in accounting estimate due to the fact that the expenses for after-sales services in the future can be estimated more precisely.

The effect of this change on profit and loss for current consolidated fiscal year is immaterial.

(Consolidated Statements of Income)

1 Extraordinary loss

FYE2017 (April 1, 2016 to March 31, 2017)

Loss on business liquidation

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

The loss consists of 2,524 million yen of loss on fixed assets, 2,127 million yen on inventory valuation, and 471 million yen on others.

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

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

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

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

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

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

Impairment loss

In addition to the impairment loss on production facilities referred to above, impairment losses on rental properties were recognized as follows.

Use	Location	Category	Impairment loss (millions of yen)
Rental properties	Konan City Shiga Prefecture	Land	1,175
		Other	10

Grouping unit for recognition and measurement of impairment loss is each rental property.

Due to the declining profitability and significant decline in market value, it is expected that future cash flows would fall below book values of those properties, the book values of those properties were written down to the recoverable amounts accordingly.

As a result, ¥ 1,185 million of impairment losses were recognized.

The recoverable amounts are measured at net realizable value, calculated based on real estate appraisal value.

FYE2018 (April 1, 2017 to March 31, 2018)

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. Outline of business segment

The business segments the Company reports are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic investigation to determine distribution of management resources and evaluate their business result.

The Company recognizes Automobile as its main business, and introduces an internal company system and recognizes Aerospace, and Other divisions. This framework makes clearer the responsibility of each division and accelerates business execution. The Company manages the subsidiaries on the basis of this classification. Therefore, the business segments consist of Automobile, Aerospace, and Other which does not belong to Automobile nor Aerospace.

Automobile segment manufactures and sells vehicles and related products. Aerospace segment manufactures and sells aircrafts, parts of space-related devices.

2. Method of calculating sales and income(loss), identifiable assets, and other items by business segment reported

Accounting method for business segment reported is almost the same as the accounting method to prepare for consolidated financial statements.

Segment income by business segment reported is calculated based on operating income.

Net sales - Inter-segment are calculated based on current market prices.

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

FYE 2017 (April 1, 2016 to March 31, 2017)

(Unit: Millions of yen)

	Business segment reported			Other *1	Total	Adjustment *2	Consolidated Statement of income *3
	Automobiles	Aerospace	Sub- Total				
Net sales							
Outside customers	3,151,961	138,759	3,290,720	35,272	3,325,992	—	3,325,992
Inter-segment	4,720	—	4,720	23,785	28,505	(28,505)	—
Total sales	3,156,681	138,759	3,295,440	59,057	3,354,497	(28,505)	3,325,992
Segment income	397,657	9,102	406,759	3,512	410,271	539	410,810
Identifiable assets by business segment	2,477,309	223,148	2,700,457	87,484	2,787,941	(25,620)	2,762,321
Other items							
Depreciation	80,058	3,663	83,721	1,932	85,653	—	85,653
Investment to equity- method affiliates	1,467	—	1,467	—	1,467	—	1,467
Increase of property, plant and equipment and intangible assets	180,469	14,699	195,168	1,448	196,616	—	196,616

Notes: *1. Other means the category which is not included into any business segment reported. It consists of Industrial product, real estate lease, etc.

*2. Adjustment of segment income refers to elimination of intersegment transaction.

*3. Segment income is adjusted on the operating income of the consolidated statements of income.

FYE 2018 (April 1, 2017 to March 31, 2018)

(Unit: Millions of yen)

	Business segment reported			Other *1	Total	Adjustment *2	Consolidated Statement of income *3
	Automobiles	Aerospace	Sub- Total				
Net sales							
Outside customers	3,234,866	142,163	3,377,029	28,192	3,405,221	—	3,405,221
Inter-segment	2,918	5	2,923	23,852	26,775	(26,775)	—
Total sales	3,237,784	142,168	3,379,952	52,044	3,431,996	(26,775)	3,405,221
Segment income	361,454	12,259	373,713	5,066	378,779	668	379,447
Identifiable assets by business segment	2,598,192	234,619	2,832,811	77,583	2,910,394	(26,081)	2,884,313
Other items							
Depreciation	95,193	5,298	100,491	1,611	102,102	—	102,102
Investment to equity- method affiliates	3,461	—	3,461	54	3,515	—	3,515
Increase of property, plant and equipment and intangible assets	185,056	8,316	193,372	417	193,789	—	193,789

Notes: *1. Other means the category which is not included into any business segment reported. It consists of Industrial product, real estate lease, etc.

*2. Adjustment of segment income refers to elimination of intersegment transaction.

*3. Segment income is adjusted on the operating income of the consolidated statements of income.

Information on Impairment Loss of Fixed Assets by Reporting Segment

FYE 2017 (April 1, 2016 to March 31, 2017)

(Unit: Millions of yen)

	Business segment reported			Other *	Adjustment	Total
	Automobile	Aerospace	Sub- Total			
Impairment Loss	3	-	3	2,386	-	2,389

Notes: * Other consists of Industrial product, real estate lease, etc.

FYE 2018 (April 1, 2017 to March 31, 2018)

(Unit: Millions of yen)

	Business segment reported			Other	Adjustment	Total
	Automobile	Aerospace	Sub- Total			
Impairment Loss	31	-	31	-	-	31

(Per Share Information)

	FYE2017 (April 1, 2016 to March 31, 2017)	FYE2018 (April 1, 2017 to March 31, 2018)
Net assets per share (yen)	1,902.56	2,025.31
Net income per share, basic (yen)	365.77	287.40

Notes: 1. Since there are no dilutive potential securities, diluted information is not presented.

2. The following shows the basis of calculating net income per share.

	FYE2017 (April 1, 2016 to March 31, 2017)	FYE2018 (April 1, 2017 to March 31, 2018)
Net income per share		
Net income attributable to owners of parent (millions of yen)	282,354	220,354
Monetary value not related to common shareholders (millions of yen)	—	—
Net income attributable to owners of parent related to common stock (millions of yen)	282,354	220,354
Number of weighted average common shares outstanding during the fiscal year (Thousands of shares)	771,952	766,708

3. The following shows the basis of calculating net assets per share.

	FYE2017 (as of March 31, 2017)	FYE2018 (as of March 31, 2018)
Total amount of net assets (millions of yen)	1,464,888	1,561,023
The amount deducted from total amount of net assets (millions of yen)	6,224	8,179
(Held by Non-controlling interests)(millions of yen)	(6,224)	(8,179)
Net assets related to common stock (millions of yen)	1,458,664	1,552,844
Number of common stock used in the calculation of net assets per share (Thousands of shares)	766,686	766,721

(Subsequent Event)

Not Applicable

5. Non-consolidated Financial Statements

(1) Non-consolidated Balance Sheet

(Unit: Millions of yen)

	FYE2017 (as of March 31, 2017)	FYE2018 (as of March 31, 2018)
ASSETS		
I Current assets		
Cash and deposits	453,026	601,440
Accounts receivable-trade	244,342	244,157
Short-term investment securities	197,499	102,499
Merchandise and finished goods	42,144	39,307
Work in process	47,124	47,567
Raw materials and supplies	15,997	15,663
Advance payments-trade	2,309	6,644
Prepaid expenses	7,732	6,957
Deferred tax assets	45,374	76,921
Short-term loans receivable to subsidiaries and affiliates	84,934	56,195
Current portion of long-term loans receivable from subsidiaries and affiliates	10,000	22,500
Deposits paid	28,115	30,759
Accounts receivable-other	32,828	36,845
Other	27,537	25,683
Allowance for doubtful accounts	(8)	(32)
Total current assets	1,238,953	1,313,105
II Noncurrent assets		
1. Property, plant and equipment		
Buildings, net	68,910	86,423
Structures, net	7,591	12,469
Machinery and equipment, net	99,051	99,248
Vehicles, net	1,904	1,771
Tools, furniture and fixtures, net	9,046	7,608
Land	80,003	80,002
Construction in progress	26,119	33,493
Other	1,795	1,737
Total property, plant and equipment	294,419	322,751
2. Intangible assets		
Software	16,285	20,008
Other	5,563	5,668
Total intangible assets	21,848	25,676
3. Investments and other assets		
Investment securities	13,339	9,371
Stocks of subsidiaries and affiliates	144,442	147,657
Investments in capital of subsidiaries and affiliates	2,436	2,436
Long-term loans receivable	704	604
Long-term loans receivable from subsidiaries and affiliates	81,838	71,885
Claims provable in bankruptcy, claims provable in rehabilitation and other	2,662	2,690
Prepaid pension cost	14,739	12,506
Deferred tax assets	7,243	17,208
Other	22,000	22,099
Allowance for doubtful accounts	(4,640)	(4,037)
Total investments and other assets	284,763	282,419
Total noncurrent assets	601,030	630,846
Total assets	1,839,983	1,943,951

(Unit: Millions of yen)

	FYE2017 (as of March 31, 2017)	FYE2018 (as of March 31, 2018)
LIABILITIES		
I Current liabilities		
Notes payable-trade	3,370	1,270
Accounts payable-trade	276,052	263,317
Electronically recorded obligations-operating	91,320	63,841
Current portion of long-term loans payable	41,100	40,100
Lease obligations	931	909
Accounts payable-other	28,383	29,374
Accrued expenses	121,840	144,607
Income taxes payable	9,932	42,294
Advances received	31,968	33,937
Deposits received	1,183	1,468
Provision for bonuses	15,763	15,686
Provision for product warranties	28,239	21,235
Provision for loss on construction contracts	65	160
Provision for loss on business liquidation	3,571	3,098
Provision for loss related to airbags	—	64,711
Asset retirement obligations	228	0
Other	11,169	9,594
Total current liabilities	665,114	735,601
II Noncurrent liabilities		
Long-term loans payable	52,700	16,000
Lease obligations	1,330	1,345
Provision for product warranties	—	30,380
Provision for retirement benefits	433	381
Deferred tax liabilities	32	16
Other	5,125	4,160
Total noncurrent liabilities	59,620	52,282
Total liabilities	724,734	787,883
NET ASSETS		
I Shareholders' equity		
Capital stock	153,795	153,795
Capital surplus		
Legal capital surplus	160,071	160,071
Other capital surplus	—	19
Total capital surplus	160,071	160,090
Retained earnings		
Legal retained earnings	7,901	7,901
Other retained earnings		
Reserve for reduction entry of land	990	990
General reserve	35,335	35,335
Retained earnings brought forward	759,170	802,203
Total retained earnings	803,396	846,429
Treasury stock	(7,173)	(7,054)
Total shareholders' equity	1,110,089	1,153,260
II Valuation and translation adjustments		
Valuation difference on available-for-sale securities	5,160	2,808
Total valuation and translation adjustments	5,160	2,808
Total net assets	1,115,249	1,156,068
Total liabilities and net assets	1,839,983	1,943,951

(2) Non-consolidated Statements of Income (for twelve-month period)

(Unit: Millions of yen)

	FYE2017 (April 1, 2016 to March 31, 2017)	FYE2018 (April 1, 2017 to March 31, 2018)
I Net sales	2,059,285	2,087,834
II Cost of sales	1,583,271	1,604,246
Gross profit	476,014	483,588
III Selling, general and administrative expenses	218,504	227,573
Operating income	257,510	256,015
IV Non-operating income		
Interest income	691	1,362
Interest on securities	84	38
Dividends income	16,660	19,523
Real estate rent	2,813	2,835
Gain on valuation of derivatives	—	2,266
Other	2,599	3,258
Total non-operating income	22,847	29,282
V Non-operating expenses		
Interest expenses	536	311
Depreciation	916	966
Foreign exchange losses	1,709	14,242
Loss on valuation of derivatives	4,248	—
Other	11,284	3,753
Total non-operating expenses	18,693	19,272
Ordinary income	261,664	266,025
VI Extraordinary income		
Gain on sales of noncurrent assets	244	46
Gain on sales of investment securities	9,500	4,256
Other	1,981	1,375
Total extraordinary income	11,725	5,677
VII Extraordinary loss		
Loss on sales and retirement of noncurrent assets	2,664	3,092
Loss on business liquidation	4,864	—
Loss related to airbags	—	81,261
Other	935	1,419
Total extraordinary losses	8,463	85,772
Income before income taxes	264,926	185,930
Income tax-current	71,752	72,913
Income taxes-deferred	(15,078)	(40,479)
Total income taxes	56,674	32,434
Net income	208,252	153,496

(3) Non-consolidated Statements of Changes in Net Assets

FYE 2017 (April 1, 2016 to March 31, 2017)

(Unit: Millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings			Total retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus		Other retained earnings			
					Reserve for reduction entry of land	General reserve	Retained earnings brought forward		
Balance at the beginning of current period	153,795	160,071	0	160,071	7,901	990	35,335	709,337	753,563
Changes of items during the period									
Dividends from surplus	—	—	—	—	—	—	—	(111,446)	(111,446)
Net income	—	—	—	—	—	—	—	208,252	208,252
Purchase of treasury stock	—	—	—	—	—	—	—	—	—
Disposal of treasury stock	—	—	1	1	—	—	—	(1)	(1)
Retirement of treasury shares	—	—	(46,973)	(46,973)	—	—	—	—	—
Transfer to capital surplus from retained earnings	—	—	46,972	46,972	—	—	—	(46,972)	(46,972)
Net changes of items other than shareholders' equity	—	—	—	—	—	—	—	—	—
Total changes of items during the period	—	—	(0)	(0)	—	—	—	49,833	49,833
Balance at the end of current period	153,795	160,071	—	160,071	7,901	990	35,335	759,170	803,396

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at the beginning of current period	(1,402)	1,066,027	9,598	9,598	1,075,625
Changes of items during the period					
Dividends from surplus	—	(111,446)	—	—	(111,446)
Net income	—	208,252	—	—	208,252
Purchase of treasury stock	(52,744)	(52,744)	—	—	(52,744)
Disposal of treasury stock	0	0	—	—	0
Retirement of treasury shares	46,973	—	—	—	—
Transfer to capital surplus from retained earnings	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	(4,438)	(4,438)	(4,438)
Total changes of items during the period	(5,771)	44,062	(4,438)	(4,438)	39,624
Balance at the end of current period	(7,173)	1,110,089	5,160	5,160	1,115,249

FYE 2018 (April 1, 2017 to March 31, 2018)

(Unit: Millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Retained earnings				
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			Total retained earnings
						Reserve for reduction entry of land	General reserve	Retained earnings brought forward	
Balance at the beginning of current period	153,795	160,071	—	160,071	7,901	990	35,335	759,170	803,396
Changes of items during the period									
Dividends from surplus	—	—	—	—	—	—	—	(110,463)	(110,463)
Net income	—	—	—	—	—	—	—	153,496	153,496
Purchase of treasury stock	—	—	—	—	—	—	—	—	—
Disposal of treasury stock	—	—	19	19	—	—	—	—	—
Retirement of treasury shares	—	—	—	—	—	—	—	—	—
Transfer to capital surplus from retained earnings	—	—	—	—	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—	—	—	—	—
Total changes of items during the period	—	—	19	19	—	—	—	43,033	43,033
Balance at the end of current period	153,795	160,071	19	160,090	7,901	990	35,335	802,203	846,429

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at the beginning of current period	(7,173)	1,110,089	5,160	5,160	1,115,249
Changes of items during the period					
Dividends from surplus	—	(110,463)	—	—	(110,463)
Net income	—	153,496	—	—	153,496
Purchase of treasury stock	(11)	(11)	—	—	(11)
Disposal of treasury stock	130	149	—	—	149
Retirement of treasury shares	—	—	—	—	—
Transfer to capital surplus from retained earnings	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	(2,352)	(2,352)	(2,352)
Total changes of items during the period	119	43,171	(2,352)	(2,352)	40,819
Balance at the end of current period	(7,054)	1,153,260	2,808	2,808	1,156,068



SUBARU

May 11, 2018
Subaru Corporation

< Reference for FYE2018 Consolidated Financial Results >

(Yen in 100 Millions, Units in Thousands)

	RESULTS FYE2017 2016.4 - 2017.3	RESULTS FYE2018 2017.4 - 2018.3		FORECASTS FYE2019 2018.4 - 2019.3			
		Change	%	Change	%		
Net sales	33,260	34,052	792	2.4	32,500	(1,552)	(4.6)
Japan	6,503	6,686	182	2.8	6,086	(600)	(9.0)
Overseas	26,756	27,367	610	2.3	26,415	(952)	(3.5)
Operating income	4,108	3,794	(314)	(7.6)	3,000	(794)	(20.9)
Profit margin (%)	12.4	11.1			9.2		
Ordinary income	3,943	3,799	(144)	(3.7)	3,050	(749)	(19.7)
Profit margin (%)	11.9	11.2			9.4		
Net income attributable to owners of parent	2,824	2,204	(620)	(22.0)	2,200	(4)	(0.2)
Profit margin (%)	8.5	6.5			6.8		
Factors contributing to change in operating income							
			Gain on currency exchange	327		Improvements on model mix, etc.	120
			Increase in SG&A exp, etc.	(442)		Decrease in SG&A exp, etc.	11
			Increase in raw material costs, etc.	(77)		Loss on currency exchange	(584)
			Increase in R&D exp	(69)		Increase in SG&A exp, etc.	(194)
			Deterioration in model mix, etc.	(53)		Increase in raw material costs, etc.	(147)
Exchange rates	JPY/US\$ 108/US\$ JPY/EUR 119/EUR		111/US\$ 130/EUR			105/US\$ 130/EUR	
Capital expenditures	1,585		1,414			1,300	
Depreciation and amortization	770		898			930	
R&D expenses	1,142		1,211			1,200	
Interest bearing debts	1,483		862			800	
Performance description			- Net sales increase for 6th consecutive year. - Profits decline for 2nd consecutive year. - Record unit sales and net sales.			- Net sales decrease for first time in 7 years. - Profits decline for 3rd consecutive year. - Record unit sales.	
Consolidated unit sales (Japan)	159	163	5	2.8	151	(13)	(7.8)
Passenger Cars	126	133	6	4.9	123	(10)	(7.4)
Minicars	33	31	(2)	(5.1)	28	(3)	(9.1)
Consolidated unit sales (Overseas)	906	903	(2)	(0.2)	950	46	5.1
North America	721	728	7	1.0	768	41	5.6
Europe	46	48	2	3.7	44	0	(8.2)
China	44	27	0	(38.9)	30	3	11.3
Other	95	101	6	6.6	107	6	6.4
Consolidated unit sales total	1,065	1,067	2	0.2	1,100	33	3.1
Production units total	1,056	1,050	(6)	(0.6)	1,056	6	0.6
Japan	721	701	(19)	(2.7)	672	(29)	(4.2)
U.S.	335	349	13	4.0	384	35	10.1
Net sales by business segment							
Automobile	31,520	32,349	829	2.6			
Aerospace	1,388	1,422	34	2.5			
Other	353	282	(71)	(20.1)			
Operating income by business segment							
Automobile	3,977	3,615	(362)	(9.1)			
Aerospace	91	123	32	34.7			
Other	35	51	16	44.2			
Elimination & Corporate	5	7	1	23.9			

* "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 Consolidated Financial Results for FYE2018

Tokyo, May 11, 2018 – Subaru Corporation today announced its consolidated financial results for the fiscal year ended March 31, 2018.

< FYE2018 Results: Consolidated Net Sales >

Global sales of Subaru vehicles increased 0.2% to 1,067,000 units.

Unit sales in Japan rose 2.8% to 163,000 units, as passenger car sales driven by the Impreza and the Subaru XV offset a decline in mini vehicle sales. Overseas unit sales decreased 0.2% to 903,000 units, as a decline in the competitive Chinese market offset growth led by the Impreza and the Subaru XV^{*1} in North America and other markets.

Consolidated net sales increased 2.4% to 3,405.2 billion yen due mainly to foreign exchange gains and unit sales growth.

Unit sales in North America marked an all-time record^{*2} for the 9th consecutive year.

Net sales and global unit sales posted all-time records^{*2} for the 6th consecutive year.

< FYE2018 Results: Consolidated Profit and Loss >

Operating income decreased 7.6% to 379.4 billion yen, as foreign exchange gains were offset by a rise in sales expenses due to higher interest rates in the U.S., higher costs of raw materials, an increase in R&D expenses, and other factors. Ordinary income decreased 3.7% to 379.9 billion yen. Net income attributable to owners of parent declined 22.0% to 220.4 billion yen, reflecting an extraordinary loss of 81.3 billion yen to account for airbag-related losses.

< FYE2019 Forecasts >

In prospect of further growth in North America and other regions, global unit sales are projected to increase 3.1% to 1,100,000 units.

Net sales are projected to decrease 4.6% to 3,250 billion yen, as unit sales growth is expected to be offset by factors including foreign exchange losses and accounting policy change.

The company projects operating income of 300 billion yen (down 20.9%), ordinary income of 305 billion yen (down 19.7%), and net income attributable to owners of parent of 220 billion yen (down 0.2%), as unit sales growth is expected to be offset by factors including foreign exchange losses, a rise in sales expenses due to higher interest rates in the U.S., and raw material cost increases.

Global unit sales, overseas unit sales, and North American unit sales are projected to post all-time records^{*2}.

Currency rate assumptions: 105 yen/US\$, 130 yen/euro

*1: Called "Crosstrek" in the North American market.

*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.