

FYE2019 Consolidated Financial Results

For the Year Ended March 31, 2019

(Japan GAAP)



May 10, 2019

Company Name : **SUBARU CORPORATION.** (Tokyo Stock Exchange First Section, Code No.7270)
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 Scheduled date of annual meeting of stockholders: June 21, 2019 Scheduled date for dividend payment: June 24, 2019
 Scheduled date of submitting Security Report : June 24, 2019
 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 FYE2019 (April 1, 2018 to March 31, 2019)

(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
FYE2019	3,160,514 (2.2)%	195,529 (48.5)%	196,239 (48.3)%	147,812 (32.9)%
FYE2018	3,232,695 (2.8)%	379,447 (7.6)%	379,934 (3.7)%	220,354 (22.0)%

Note: Comprehensive income FYE2019: 162,837 million yen (21.0%) FYE2018: 206,042 million yen (26.2%)

Note: Certain presentation methods used in FYE 2018 have been changed from FYE 2019. The changed methods are retrospectively applied to the amounts in FYE 2018 to conform FYE 2019 presentation.

	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
FYE2019	192.78	—	9.4%	6.7%	6.2%
FYE2018	287.40	—	14.6%	13.5%	11.7%

Reference: Equity income from affiliates FYE2019: 377 million yen FYE2018: 778 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)
FYE2019	2,982,725	1,612,825	53.8%	2,093.60
FYE2018	2,866,474	1,561,023	54.2%	2,025.31

Reference: Shareholders' equity FYE2019: 1,605,291 million yen FYE2018: 1,552,844 million yen

Note: Certain presentation methods used in FYE 2018 have been changed from FYE 2019. The changed methods are retrospectively applied to the amounts in FYE 2018 to conform FYE 2019 presentation.

(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
FY2019	174,006	(158,327)	(96,617)	702,328
FY2018	366,298	(150,711)	(170,937)	765,591

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 2018	—	72.00	—	72.00	144.00	110,466	50.1%	7.3%
FYE 2019	—	72.00	—	72.00	144.00	110,471	74.7%	7.0%
FYE 2020 (Forecast)	—	72.00	—	72.00	144.00		—%	

3. Projection of Consolidated Results for Fiscal Year 2020 (April 1, 2019 to March 31, 2020)

(In Japanese yen rounded to million, except for per share figures, percentage figures indicate a change from the previous fiscal year / period)

	Revenue	Operating profit	Profit before tax	Profit for the period attributable to owners of parent	Net income per share, basic (Yen)
Full year	3,310,000 —%	260,000 —%	270,000 —%	210,000 —%	273.68

Note: Due to voluntary application of International Financial Reporting Standards (IFRS) from the first quarter of the fiscal year ending March 2020, Projection of Consolidated Results for the fiscal year ending 2020 are calculated based on IFRS. Therefore, the percentage of fluctuation compared to the results based on the Japanese accounting standards for the fiscal year ended March 2019 is not stated.

4. Others

- (1) Changes of significant subsidiaries in fiscal year ended 2019 : No
(Change 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 : Yes
[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 31,2019: 769,175,873 shares As of March 31,2018: 769,175,873 shares
[2] Number of treasury stock As of March 31,2019: 2,414,841 shares As of March 31,2018: 2,455,039 shares
[3] Average number of shares (for twelve-month period) FYE2019: 766,748,664 shares FYE2018: 766,707,785 shares

(Reference) Non-consolidated Financial Results Highlights

Performance in FYE2019(April 1, 2018 to March 31, 2019)

(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	
FYE2019	1,929,791	(7.4)%	79,822	(68.8)%	82,619	(68.9)%	68,003	(55.7)%
FYE2018	2,083,284	1.2%	256,015	(0.6)%	266,025	1.7%	153,496	(26.3)%

	Net income per share, basic (Yen)	Net income per share, diluted (Yen)
FYE2019	88.64	—
FYE2018	200.10	—

(2) Non-consolidated Financial Position

	Total assets	Net assets	Shareholders' equity to total assets (%)	Net assets per share (Yen)
FYE2019	2,147,612	1,110,809	51.7%	1,447.95
FYE2018	1,943,951	1,156,068	59.5%	1,507.02

Reference: Shareholders' equity FYE2019: 1,110,809 million yen FYE2018: 1,156,068 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 4 in the attachments for "1.Overview of Operating Results (4) Future forecast".

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1. Overview of Operating Results

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

The global economy remained stable for the current fiscal year, while uncertainties due to trends in trade issues caused some slowdown. As the employment and income environment improved and consumer spending recovered, the Japanese economy also continued on a gradual recovery path, although worries about the impact of the uncertainty over the world economy persisted. In the meanwhile, the exchange rate was mostly stable.

With the aim of gaining the sympathy and confidence of customers through the provision of “Peace of mind and enjoyment”, the SUBARU Group set out a mid-term management vision called “STEP” which was released in July 2018. Based on the slogan: “From a company making things, to a company making people smile”, the following set of three goals was established as a vision for 2025:

Vision for 2025	
1.	Become a brand that is “different” from others by enhancing distinctiveness.
2.	Engage in business activities that resonate with customers by putting them center-stage.
3.	Fulfill corporate social responsibilities by contributing to diversifying social needs.

Based on the “STEP” prioritizing the corporate culture reforms to enhance the corporate quality (including with regard to the product quality) and dedicated to the protection of human life through safety measures aiming to achieve zero fatal road accidents* by 2030, the Group will intensify its efforts to build a strong brand and sustainable growth based on focus strategy.

*Reducing to zero the number of fatal accidents occurring while a driver or passenger in a Subaru and the number of fatalities among pedestrians, cyclists, and the like arising from collisions with a Subaru.

Net sales in the period under review decreased by ¥72.2billion (2.2%) from the previous fiscal year to ¥3,160.5 billion due to the fall in automobile unit sales.

The increase in quality-related expenses triggered by the recall in November 2018 and the decrease in automobile unit sales affected both operating income and ordinary income, which respectively dropped by ¥183.9 billion (48.5%) to ¥195.5 billion and by ¥183.7 billion (48.3%) to ¥196.2 billion compared with the previous fiscal year. Net income attributable to owners of the parent also fell by ¥72.5 billion (32.9%) from the previous fiscal year to ¥147.8 billion.

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

	Net Sales	Operating Income (Margin)	Ordinary Income (Margin)	Net income attributable to owners of parent (Margin)	Foreign Exchange Rate
FYE2019	3,160,514	195,529	196,239	147,812	¥111/US\$
Profit Margin		6.2%	6.2%	4.7%	¥129/EUR
FYE2018	3,232,695	379,447	379,934	220,354	¥111/US\$
Profit Margin		11.7%	11.8%	6.8%	¥130/EUR
Change	(72,181)	(183,918)	(183,695)	(72,542)	
Percentage Change	(2.2)%	(48.5)%	(48.3)%	(32.9)%	

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			
	FYE2018	FYE2019	Change	Percentage Change	FYE2018	FYE2019	Change	Percentage Change
Automobile Div.	3,062,340	3,014,476	(47,864)	(1.6)	361,454	184,947	(176,506)	(48.8)
Aerospace Div.	142,163	131,669	(10,494)	(7.4)	12,259	6,047	(6,212)	(50.7)
Other	28,192	14,369	(13,823)	(49.0)	5,066	3,846	(1,220)	(24.1)
Adjustments	-	-	-	-	668	689	21	3.1
Total	3,232,695	3,160,514	(72,181)	(2.2)	379,447	195,529	(183,918)	(48.5)

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

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

(Automobile Division)

Total automobile demand in the United States, which is a priority market for us, was 17.16 million units (decrease on 0.9% year-on-year) with decrease in passenger vehicle and increase in light trucks including SUVs compared with the previous fiscal year. As to the total automobile demand in Japan, compared with the previous fiscal year, passenger cars remained steady year-on-year while minicars increased to 5.26 million units (an increase of 1.2% from the previous fiscal year).

With such trends of total demand, overseas retail sales remained stable in North America, which is a priority market for us, contributed by strong sales of Ascent, a new model vehicle newly launched. However, total unit sales dropped by 39 thousand units (4.3%) from the previous fiscal year to 865 thousand units due to the decrease in shipment of Forester, which had not been fully remodeled for the first half of this fiscal year. Overall domestic sales also decreased by 28 thousand units (17.2%) from the previous fiscal year to 135 thousand units due to the decline in sales of Impreza, SUBARU XV and Levorg, while the sales of Forester, which was fully remodeled in July, grew steadily.

Combined domestic and overseas unit sales thus decreased by 67 thousand units (6.3%) from the previous fiscal year to 1 million units, with net sales dropping by ¥47.9 billion (1.6%) to ¥3,014.5 billion. Segment income also decreased by ¥176.5 billion (48.8%) from the previous fiscal year to ¥184.9 billion.

The production decreased to 989 thousand units (a decrease of 5.8% from the previous fiscal year), for the Company's Gunma plant related factors including changes in plant operation schedules implemented since the fall of 2018 to ensure quality-first production and inspection work as well as production halt in January 2019 due to a defect in the Electric Power Steering unit.

Unit sales by region in the period under review are as shown below.

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

	FYE2018	FYE2019	Change	Percentage Change
Total in Japan	16.3	13.5	(2.8)	(17.2)
Passenger cars	13.3	11.0	(2.3)	(17.2)
Minicars	3.1	2.6	(0.5)	(17.1)
Total Overseas	90.3	86.5	(3.9)	(4.3)
North America	72.8	71.7	(1.1)	(1.5)
Europe/Russia	4.8	4.0	(0.8)	(16.1)
Australia	5.6	4.2	(1.4)	(25.0)
China	2.7	2.3	(0.4)	(15.2)
Other regions	4.5	4.3	(0.2)	(4.3)
Total	106.7	100.0	(6.7)	(6.3)

(Aerospace Division)

Deliveries to the Japan Ministry of Defense saw sales decrease from the previous fiscal year, partly because the performance of a contract for the test production of a new multi-purpose helicopter for the Ground Self-Defense Force had been completed.

Affected by the decline in production of Boeing 777 aircraft, the sales in the civilian market also fell below the previous fiscal year.

As a result, overall sales decreased by ¥10.5 billion (7.4%) from the previous fiscal year to ¥131.7 billion. Segment income also fell by ¥6.2 billion (50.7%) from the previous fiscal year to ¥6 billion.

(Other Businesses)

Net sales decreased by ¥13.8 billion (49%) from the previous fiscal year to ¥14.4 billion. Segment income also dropped by ¥1.2 billion (24.1%) from the previous fiscal year to ¥3.8 billion.

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

[1] Assets

Total assets increased by ¥116.3 billion from the previous fiscal year to ¥2,982.7 billion. Main factors included ¥60.5 billion increase in property, plant and equipment, ¥47.1 billion increase in goods and products, ¥24 billion increase in raw materials and supplies, ¥13.4 billion increase in short-term loans receivable and ¥56.3 billion decrease in funds on hand (cash on hand, cash in bank and securities).

[2] Liabilities

Liabilities increased by ¥64.4 billion from the previous fiscal year to ¥1,369.9 billion. Main factors included ¥58.5 billion increase in reserve for product warranties, ¥31.9 billion increase in long-term loans payable (including those due within one year), ¥25.2 billion increase in long-term deferred revenue, ¥12.7 billion increase in accrued expenses, ¥40 billion decrease in accrued corporate tax, etc. and ¥17.7 billion decrease in short-term loans payable.

[3] Net Assets

Net assets increased by ¥51.8 billion from the previous fiscal year to ¥1,612.8 billion. This owes mainly to the increase in retained earnings and foreign exchange adjustment account, respectively by ¥36.6 billion and ¥15.5 billion.

(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 ¥702.3 billion.

[1] Net cash provided by operating activities

Net cash provided by operating activities increased by ¥174 billion (compared with ¥366.3 billion increase in the previous fiscal year). Main factors included ¥195.8 billion of net profit before tax and other adjustments, ¥102.7 billion of depreciation, ¥57.6 billion increase in reserve for product warranties, ¥100.3 billion of corporate tax, etc. paid and ¥90.4 billion increase in inventory assets.

[2] Net cash used in investment activities

Net cash used in investing activities decreased by ¥158.3 billion (compared with ¥150.7 billion decrease in the previous fiscal year). Main factors included ¥138.7 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 ¥96.6 billion (compared with ¥170.9 billion decrease in the previous fiscal year). Main factors included ¥110.4 billion in expenditures for cash dividends paid, ¥17.5 billion decrease in short-term loans payable, and ¥31.9 billion proceeds from long-term loans payable (net basis against repayment of long-term loans payable).

(4) Future forecast

Consolidated performance forecast of the SUBARU Group is calculated according to the International Financial Reporting Standards (IFRS) which the Group applies voluntarily from the first quarter of the fiscal year ending March 31, 2020, instead of the Japanese Generally Accepted Accounting Principles currently adopted (hereafter JGAAP).

Even with an anticipated increase in R&D expenditure, the consolidated performance in the first quarter of the fiscal year ending March 31, 2020 is expected to reach, reflecting the decrease in overhead and the increase in automobile unit sales, ¥3,310 billion in revenue, ¥260 billion in operating profit, ¥270 billion in profit before tax and ¥210 billion in profit for the period attributable to owners of parent.

Currency rate assumptions: 110 yen/US\$ (actual rate for previous fiscal period was 111 yen), 120 yen/euro (actual rate for previous fiscal period was 129 yen)

(In Japanese Yen in million)

	FYE2019 (actual results) [JGAAP]	FYE2020 (forecast) [IFRS]	◁For Reference▷ FYE2020 (forecast) [JGAAP]
Revenue	3,160,514	3,310,000	3,302,000
Operating profit	195,529	260,000	250,000
Profit before tax	195,838	270,000	252,000
Profit for the period attributable to owners of parent	147,812	210,000	200,000

Note 1: "Revenue" corresponds to "Net Sales" in JGAAP.

2. "Operating profit" corresponds to "Operating Income" in JGAAP.

3. "Profit before tax" corresponds to "Income before income taxes" in JGAAP.

4. "Profit for the period attributable to owners of parent" corresponds to "Net income attributable to owners of parent" in JGAAP.

2. 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.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: Millions of yen)

	FYE2018 (as of March 31, 2018)	FYE2019 (as of March 31, 2019)
ASSETS		
I Current assets		
Cash and deposits	765,397	831,700
Notes and accounts receivable-trade	155,247	148,832
Lease investment assets	17,120	14,731
Short-term investment securities	242,573	119,963
Merchandise and finished goods	202,435	249,558
Work in process	52,307	74,711
Raw materials and supplies	42,448	66,431
Short-term loans receivable	185,364	198,737
Other	107,893	121,903
Allowance for doubtful accounts	(340)	(347)
Total current assets	1,770,444	1,826,219
II Noncurrent assets		
1. Property, plant and equipment		
Buildings and structures, net	207,133	218,664
Machinery, equipment and vehicles, net	169,814	193,624
Land	184,339	187,052
Vehicles and equipment on operating leases, net	18,638	15,809
Construction in progress	55,908	31,334
Other, net	67,276	70,911
Total property, plant and equipment	703,108	717,394
2. Intangible assets		
Other	28,293	33,754
Total intangible assets	28,293	33,754
3. Investments and other assets		
Investment securities	113,465	122,453
Net defined benefit asset	82	—
Deferred tax assets	139,171	151,019
Other	115,273	135,132
Allowance for doubtful accounts	(3,362)	(3,246)
Total investments and other assets	364,629	405,358
Total noncurrent assets	1,096,030	1,156,506
Total assets	2,866,474	2,982,725

(Unit: Millions of yen)

	FYE2018 (as of March 31, 2018)	FYE2019 (as of March 31, 2019)
LIABILITIES		
I Current liabilities		
Notes and accounts payable-trade	320,137	315,026
Electronically recorded obligations-operating	64,863	63,772
Short-term loans payable	22,082	4,352
Current portion of long-term loans payable	42,982	7,592
Income taxes payable	45,372	5,367
Accrued expenses	148,945	161,661
Provision for bonuses	24,131	22,650
Provision for product warranties	206,423	256,814
Provision for loss on construction contracts	160	666
Provision for loss on business liquidation	3,098	1,575
Other	172,813	172,696
Total current liabilities	1,051,006	1,012,171
II Noncurrent liabilities		
Long-term loans payable	21,138	88,452
Deferred tax liabilities	2,466	5,040
Provision for product warranties	35,801	43,934
Provision for directors' retirement benefits	447	488
Net defined benefit liability	19,337	22,900
Long-term unearned revenue	132,270	157,446
Other	42,986	39,469
Total noncurrent liabilities	254,445	357,729
Total liabilities	1,305,451	1,369,900
NET ASSETS		
I Shareholders' equity		
Capital stock	153,795	153,795
Capital surplus	160,197	160,192
Retained earnings	1,283,539	1,320,177
Treasury stock	(7,054)	(6,910)
Total shareholders' equity	1,590,477	1,627,254
II Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,038	6,131
Foreign currency translation adjustment	(36,193)	(20,687)
Remeasurements of defined benefit plans	(10,136)	(10,631)
Remeasurements of other postretirement benefits of foreign consolidated subsidiaries	1,658	3,224
Total accumulated other comprehensive income	(37,633)	(21,963)
Non-controlling interests	8,179	7,534
Total net assets	1,561,023	1,612,825
Total liabilities and net assets	2,866,474	2,982,725

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

(Unit: Millions of yen)

	FYE2018 (April 1, 2017 to March 31, 2018)	FYE2019 (April 1, 2018 to March 31, 2019)
I Net sales	3,232,695	3,160,514
II Cost of sales	2,442,706	2,561,753
Gross profit	789,989	598,761
III Selling, general and administrative expenses	410,542	403,232
Operating income	379,447	195,529
IV Non-operating income		
Interest income	6,812	12,350
Dividends income	1,374	1,244
Equity in earnings of affiliates	778	377
Gain on valuation of derivatives	2,266	—
Other	3,071	3,609
Total non-operating income	14,301	17,580
V Non-operating expenses		
Interest expenses	1,379	732
Foreign exchange losses	7,395	199
Loss on valuation of derivatives	—	6,993
Depreciation	1,025	1,287
Plant shutdown related costs	—	2,532
Other	4,015	5,127
Total non-operating expenses	13,814	16,870
Ordinary income	379,934	196,239
VI Extraordinary income		
Gain on sales of noncurrent assets	563	1,274
Gain on sales of investment securities	4,618	3,659
Gain on sales of business	—	1,294
Other	759	726
Total extraordinary income	5,940	6,953
VII Extraordinary loss		
Loss on sales and retirement of noncurrent assets	5,400	5,610
Loss related to airbags	81,261	—
Other	1,873	1,744
Total extraordinary losses	88,534	7,354
Income before income taxes	297,340	195,838
Income taxes-current	113,155	56,942
Income taxes-deferred	(37,554)	(8,443)
Total income taxes	75,601	48,499
Net income	221,739	147,339
Net income (loss) attributable to non-controlling interests	1,385	(473)
Net income attributable to owners of parent	220,354	147,812

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

(Unit: Millions of yen)

	FYE2018 (April 1, 2017 to March 31, 2018)	FYE2019 (April 1, 2018 to March 31, 2019)
Net income	221,739	147,339
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,061)	(907)
Foreign currency translation adjustment	(18,985)	15,520
Remeasurements of defined benefit plans	860	(495)
Remeasurements of other postretirement benefits of foreign consolidated subsidiaries	3,543	1,566
Share of other comprehensive income of associates accounted for using equity method	(54)	(186)
Total other comprehensive income	(15,697)	15,498
Comprehensive income	206,042	162,837
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	204,449	163,482
Comprehensive income attributable to non-controlling interests	1,593	(645)

(3) Consolidated Statements of Changes in Net Assets

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
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
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
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
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

FYE 2019 (April 1, 2018 to March 31, 2019)

(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	160,197	1,283,539	(7,054)	1,590,477
Changes of items during the period					
Dividends from surplus	—	—	(110,468)	—	(110,468)
Net income attributable to owners of parent	—	—	147,812	—	147,812
Purchase of treasury stock	—	—	—	(5)	(5)
Disposal of treasury stock	—	(5)	—	149	144
Adjustments due to change in fiscal year end of consolidated subsidiaries	—	—	—	—	—
Change of the scope of consolidation	—	—	—	—	—
Change of the scope of equity method	—	—	158	—	158
Other	—	—	(864)	—	(864)
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the period	—	(5)	36,638	144	36,777
Balance at the end of current period	153,795	160,192	1,320,177	(6,910)	1,627,254

	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	7,038	(36,193)	(10,136)	1,658	(37,633)	8,179	1,561,023
Changes of items during the period							
Dividends from surplus	—	—	—	—	—	—	(110,468)
Net income attributable to owners of parent	—	—	—	—	—	—	147,812
Purchase of treasury stock	—	—	—	—	—	—	(5)
Disposal of treasury stock	—	—	—	—	—	—	144
Adjustments due to change in fiscal year end of consolidated subsidiaries	—	—	—	—	—	—	—
Change of the scope of consolidation	—	—	—	—	—	—	—
Change of the scope of equity method	—	—	—	—	—	—	158
Other	—	—	—	—	—	—	(864)
Net changes of items other than shareholders' equity	(907)	15,506	(495)	1,566	15,670	(645)	15,025
Total changes of items during the period	(907)	15,506	(495)	1,566	15,670	(645)	51,802
Balance at the end of current period	6,131	(20,687)	(10,631)	3,224	(21,963)	7,534	1,612,825

(4) Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	FYE2018 (April 1, 2017 to March 31, 2018)	FYE2019 (April 1, 2018 to March 31, 2019)
I Net cash provided by (used in) operating activities		
Income (loss) before income taxes	297,340	195,838
Depreciation and amortization	102,102	102,749
Increase (decrease) in allowance for doubtful accounts	(149)	(109)
Increase (decrease) in provision for product warranties	103,651	57,585
Interest and dividends income	(8,186)	(13,594)
Interest expenses	1,379	732
Loss (gain) on sales and retirement of noncurrent assets	4,837	4,336
Loss (gain) on sales and valuation of investment securities	(4,096)	(3,152)
Decrease (increase) in operating loans receivable	(7,799)	(8,179)
Decrease (increase) in notes and accounts receivable-trade	40	6,048
Decrease (increase) in inventories	(15,922)	(90,354)
Increase (decrease) in notes and accounts payable-trade	(54,159)	(8,825)
Increase (decrease) in accrued expenses	13,894	8,506
Other, net	7,660	9,801
Subtotal	440,592	261,382
Interest and dividends income received	8,397	13,717
Interest expenses paid	(1,446)	(798)
Income taxes paid	(81,245)	(100,295)
Net cash provided by (used in) operating activities	366,298	174,006
II Net cash provided by (used in) investing activities		
Net decrease (increase) in time deposits	(7,219)	14,028
Purchase of short-term investment securities	(143,418)	(131,019)
Proceeds from sales of short-term investment securities	168,525	120,940
Purchase of non-current assets	(149,897)	(144,164)
Proceeds from sales of non-current assets	3,413	5,469
Purchase of investment securities	(52,645)	(54,531)
Proceeds from sales of investment securities	34,272	36,549
Payments of loans receivable	(123,552)	(129,286)
Collection of loans receivable	120,383	126,753
Other, net	(573)	(3,066)
Net cash provided by (used in) investing activities	(150,711)	(158,327)
III Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(18,393)	(17,482)
Proceeds from long-term loans payable	3,500	75,300
Repayments of long-term loans payable	(44,443)	(43,382)
Purchase of treasury shares	(11)	(5)
Cash dividends paid	(110,326)	(110,384)
Other, net	(1,264)	(664)
Net cash provided by (used in) financing activities	(170,937)	(96,617)
IV Effect of exchange rate change on cash and cash equivalents	(10,831)	17,675
V Net increase (decrease) in cash and cash equivalents	33,819	(63,263)
VI Cash and cash equivalents at beginning of period	728,616	765,591
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	765,591	702,328

(5) Notes to Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not Applicable

(Significant Accounting Policies in Preparing the Consolidated Financial Statement)

FYE 2019(April 1, 2018 to March 31, 2019)

Significant changes in the scope of equity method

Newly established SUBARU-SBI Innovation Fund is included in the scope of the equity method from the consolidated accounting period ended March 31, 2019.

(Changes in Accounting Policies)

(Changes in accounting method for sales)

FYE 2019(April 1, 2018 to March 31, 2019)

The Group previously recorded sales incentives as selling, general and administrative expenses. From the consolidated fiscal year of FYE 2019, the group has changed the method to deduct from sales.

In the business environment surrounding the Group, as sales incentives tend to increase constantly, we reexamined the actual circumstances of the transactions. Sales incentives are taken into consideration when the terms of the transactions are decided and are considered as a part of selling price practically. In addition, the Group has improved business management system such as business process and system structure. It is so judged that the method of deducting sales incentives from sales is more appropriate under the circumstances.

The Group applied the changes in the accounting policy retrospectively, and reclassified in the consolidated financial statements of the previous fiscal year to reflect the changes. As a result, net sales and selling, general and administrative expenses in the consolidated statement of income for the consolidated previous fiscal year decreased by 172,526 million yen, respectively, compared to the amounts before the retroactive application. There is no effect on operating income, ordinary income and income before income taxes by the changes.

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

(Changes in depreciation method for tangible fixed assets)

FYE 2019(April 1, 2018 to March 31, 2019)

The Company and its major domestic consolidated subsidiaries changed depreciation method of certain tangible fixed assets from the declining-balance method to the straight-line method from the consolidated fiscal year of FYE 2019.

In recent years, with the expansion of the product lineup, shorter intervals of full model changes and acceleration of new products to the market, there is a tendency of less fluctuation in the number of units sold after the launch. In addition, it is expected that sharing production facilities among different models makes utilization stable over the useful life in the future. It is so judged that the equalized allocation of depreciation expenses of the tangible fixed assets over the useful life reflects the actual usage of tangible fixed assets.

As a result, compared with the previous method, operating income increased by 12,898 million yen, and ordinary income and income before income taxes increased respectively by 13,049 million yen.

(Changes in presentation methods)

(Consolidated Balance sheets)

(Provision for product warranties)

In the fiscal year ended March 31, 2018, recall expenses in the future were included in "Accrued expenses" and "Provision for loss related to airbags", and warranty expenses in the future were included in "Provision for product warranties". From the fiscal year ended March 31, 2019, in order to improve the perspicuity and clarity of provision for claims expenses, all of them are collectively shown as "Provision for product warranties". To reflect this change in presentation, the consolidated financial statements for the fiscal year ended March 31, 2018 have been reclassified.

As a result, the “Accrued expenses” of “Current liabilities” 106,969 million yen out of 255,914 million yen, “Provision for loss related to airbags” 64,711 million yen and “Provision for product warranties” 34,743 million yen in the Consolidated Balance Sheets of the fiscal year ended March 31, 2018 are aggregated and presented as “Provision for product warranties” 206,423 million yen.

(Long-term unearned revenue)

In the fiscal year ended March 31, 2018, “Long-term unearned revenue” was included in “Others” of “Noncurrent liabilities”. From the fiscal year ended March 31, 2019, it is presented as a separate balance sheet caption due to the increase in monetary significance. To reflect this change in presentation, the consolidated financial statements for the fiscal year ended March 31, 2018 have been reclassified.

As a result, the “Others” of “Noncurrent liabilities” 175,256 million yen in the Consolidated Balance Sheets of the fiscal year ended March 31, 2018 have been split to “Long-term unearned revenue” 132,270 million yen and “Others” 42,986 million yen.

(Changes according to application of Guidance on Accounting Standard for Tax Effect Accounting)

“Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, revised on February 16, 2018) has been applied from the first quarter of FYE 2019. Deferred tax assets are presented in the “Investment and other assets”, and Deferred tax liabilities are presented in the “Non-current liabilities” on the consolidated balance sheets.

As a result, the “Deferred tax assets” of “Current liabilities” 124,766 million yen, “Deferred tax assets” of “Investments and other assets” 32,244 million yen and “Deferred tax liabilities” of “Noncurrent liabilities” 17,839 million yen out of 20,305 million yen in the Consolidated Balance Sheet of the fiscal year ended March 31, 2018 are presented as “Deferred tax assets” of “Investments and other assets” 139,171 million yen and “Deferred tax liabilities” of “Noncurrent liabilities” 2,466 million yen.

(Consolidated Statements of Cash Flows)

“Increase (decrease) in provision for loss related to airbags” 64,711 million yen, “Increase (decrease) in accrued expenses” 26,264 million yen out of 40,158 million yen and “Other, net” 12,676 million yen of 20,336 million yen “Net cash provided by(used in) operating activities” section in the Consolidated Statements of Cash Flows of the fiscal year ended March 31, 2018 are aggregated and presented as “Increase (decrease) in Provision for product warranties” 103,651 million yen.

(Consolidated Statements of Income)

1. Extraordinary gain

FYE 2019 (April 1, 2018 to March 31, 2019)

Gain on sales on business

The gain is recognized due to the sale of retail business of other brand vehicles.

2. Extraordinary loss

FYE 2018 (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 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	3,062,340	142,163	3,204,503	28,192	3,232,695	—	3,232,695
Inter-segment	2,918	5	2,923	23,852	26,775	(26,775)	—
Total sales	3,065,258	142,168	3,207,426	52,044	3,259,470	(26,775)	3,232,695
Segment income	361,454	12,259	373,713	5,066	378,779	668	379,447
Identifiable assets by business segment	2,580,353	234,619	2,814,972	77,583	2,892,555	(26,081)	2,866,474
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.

FYE 2019 (April 1, 2018 to March 31, 2019)

(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	3,014,476	131,669	3,146,145	14,369	3,160,514	—	3,160,514
Inter-segment	3,134	804	3,938	26,822	30,760	(30,760)	—
Total sales	3,017,610	132,473	3,150,083	41,191	3,191,274	(30,760)	3,160,514
Segment income	184,947	6,047	190,994	3,846	194,840	689	195,529
Identifiable assets by business segment	2,656,560	275,866	2,932,426	76,818	3,009,244	(26,519)	2,982,725
Other items							
Depreciation	96,867	4,487	101,354	1,395	102,749	—	102,749
Investment to equity- method affiliates	3,362	—	3,362	1,321	4,683	—	4,683
Increase of property, plant and equipment and intangible assets	162,132	6,058	168,190	1,770	169,960	—	169,960

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.

4. Changes in Segment reported

(Changes in accounting method for sales)

As described in "(Changes in Accounting policies)", changes in accounting method for sales are retrospectively applied. As a result, sales of "Automobiles" decreased by 172,526 million yen in the FYE 2018.

(Changes in depreciation method for tangible fixed assets)

As described in "(Changes in Accounting policies)", the Company and its major consolidated subsidiaries changed the depreciation method for tangible fixed assets. Segment income of "Automobiles" increased by 11,731 million yen, "Aerospace" increased by 1,055 million yen and "Other" increased by 112 million yen respectively in the FYE 2019.

(Changes in classification of Deferred tax assets)

As described in "(Changes in presentation methods)", the Company changed classification of Deferred tax assets. As a result, identifiable assets by business segment of "Automobile" decreased by 17,839 million yen in the FYE 2018.

(Per Share Information)

	FYE2018 (April 1, 2017 to March 31, 2018)	FYE2019 (April 1, 2018 to March 31, 2019)
Net assets per share (yen)	2,025.31	2,093.60
Net income per share, basic (yen)	287.40	192.78

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.

	FYE2018 (April 1, 2017 to March 31, 2018)	FYE2019 (April 1, 2018 to March 31, 2019)
Net income per share		
Net income attributable to owners of parent (millions of yen)	220,354	147,812
Monetary value not related to common shareholders (millions of yen)	—	—
Net income attributable to owners of parent related to common stock (millions of yen)	220,354	147,812
Number of weighted average common shares outstanding during the fiscal year (Thousands of shares)	766,708	766,749

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

	FYE2018 (as of March 31, 2018)	FYE2019 (as of March 31, 2019)
Total amount of net assets (millions of yen)	1,561,023	1,612,825
The amount deducted from total amount of net assets (millions of yen)	8,179	7,534
(Held by Non-controlling interests)(millions of yen)	(8,179)	(7,534)
Net assets related to common stock (millions of yen)	1,552,844	1,605,291
Number of common stock used in the calculation of net assets per share (Thousands of shares)	766,721	766,761

(Subsequent Event)

Not Applicable

4. Non-consolidated Financial Statements

(1) Non-consolidated Balance Sheet

(Unit: Millions of yen)

	FYE2018 (as of March 31, 2018)	FYE2019 (as of March 31, 2019)
ASSETS		
I Current assets		
Cash and deposits	601,440	742,751
Accounts receivable-trade	244,157	261,785
Short-term investment securities	102,499	80,997
Merchandise and finished goods	39,307	48,330
Work in process	47,567	66,718
Raw materials and supplies	15,663	20,016
Advance payments-trade	6,644	14,924
Prepaid expenses	6,957	4,801
Short-term loans receivable to subsidiaries and affiliates	56,195	58,704
Current portion of long-term loans receivable from subsidiaries and affiliates	22,500	18,000
Deposits paid	30,759	30,540
Accounts receivable-other	36,845	38,594
Other	25,683	20,964
Allowance for doubtful accounts	(32)	(11)
Total current assets	1,236,184	1,407,113
II Noncurrent assets		
1. Property, plant and equipment		
Buildings, net	86,423	90,496
Structures, net	12,469	13,725
Machinery and equipment, net	99,248	118,217
Vehicles, net	1,771	2,774
Tools, furniture and fixtures, net	7,608	10,078
Land	80,002	81,612
Construction in progress	33,493	7,684
Other	1,737	3,050
Total property, plant and equipment	322,751	327,636
2. Intangible assets		
Software	20,008	22,863
Other	5,668	6,758
Total intangible assets	25,676	29,621
3. Investments and other assets		
Investment securities	9,371	3,673
Stocks of subsidiaries and affiliates	147,657	148,828
Investments in capital of subsidiaries and affiliates	2,436	3,634
Long-term loans receivable	604	504
Long-term loans receivable from subsidiaries and affiliates	71,885	80,949
Claims provable in bankruptcy, claims provable in rehabilitation and other	2,690	2,660
Prepaid pension cost	12,506	11,638
Deferred tax assets	94,129	111,639
Other	22,099	22,989
Allowance for doubtful accounts	(4,037)	(3,272)
Total investments and other assets	359,340	383,242
Total noncurrent assets	707,767	740,499
Total assets	1,943,951	2,147,612

(Unit: Millions of yen)

	FYE2018 (as of March 31, 2018)	FYE2019 (as of March 31, 2019)
LIABILITIES		
I Current liabilities		
Notes payable-trade	1,270	507
Accounts payable-trade	263,317	237,125
Electronically recorded obligations-operating	63,841	63,954
Current portion of long-term loans payable	40,100	5,500
Lease obligations	909	1,831
Accounts payable-other	29,374	17,398
Accrued expenses	37,638	38,269
Income taxes payable	42,294	912
Advances received	33,937	33,416
Deposits received	1,468	237,943
Provision for bonuses	15,686	14,294
Provision for product warranties	192,915	255,836
Provision for loss on construction contracts	160	666
Provision for loss on business liquidation	3,098	1,575
Asset retirement obligations	0	—
Other	9,594	4,261
Total current liabilities	735,601	913,487
II Noncurrent liabilities		
Long-term loans payable	16,000	85,200
Lease obligations	1,345	1,603
Provision for product warranties	30,380	33,046
Provision for retirement benefits	381	261
Asset retirement obligations	16	16
Other	4,160	3,190
Total noncurrent liabilities	52,282	123,316
Total liabilities	787,883	1,036,803
NET ASSETS		
I Shareholders' equity		
Capital stock	153,795	153,795
Capital surplus		
Legal capital surplus	160,071	160,071
Other capital surplus	19	14
Total capital surplus	160,090	160,085
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	802,203	759,738
Total retained earnings	846,429	803,964
Treasury stock	(7,054)	(6,910)
Total shareholders' equity	1,153,260	1,110,934
II Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,808	(125)
Total valuation and translation adjustments	2,808	(125)
Total net assets	1,156,068	1,110,809
Total liabilities and net assets	1,943,951	2,147,612

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

(Unit: Millions of yen)

	FYE2018 (April 1, 2017 to March 31, 2018)	FYE2019 (April 1, 2018 to March 31, 2019)
I Net sales	2,083,284	1,929,791
II Cost of sales	1,604,246	1,641,311
Gross profit	479,038	288,480
III Selling, general and administrative expenses	223,023	208,658
Operating income	256,015	79,822
IV Non-operating income		
Interest income	1,362	8,814
Interest on securities	38	37
Dividends income	19,523	3,531
Foreign exchange income	—	3,031
Real estate rent	2,835	2,868
Gain on valuation of derivatives	2,266	—
Other	3,258	4,544
Total non-operating income	29,282	22,825
V Non-operating expenses		
Interest expenses	311	3,926
Depreciation	966	1,233
Foreign exchange losses	14,242	—
Loss on valuation of derivatives	—	6,993
Plant shutdown related costs	—	2,532
Other	3,753	5,344
Total non-operating expenses	19,272	20,028
Ordinary income	266,025	82,619
VI Extraordinary income		
Gain on sales of noncurrent assets	46	95
Gain on sales of investment securities	4,256	3,214
Other	1,375	1,379
Total extraordinary income	5,677	4,688
VII Extraordinary loss		
Loss on sales and retirement of noncurrent assets	3,092	3,609
Loss related to airbags	81,261	—
Other	1,419	566
Total extraordinary losses	85,772	4,175
Income before income taxes	185,930	83,132
Income tax-current	72,913	31,362
Income taxes-deferred	(40,479)	(16,233)
Total income taxes	32,434	15,129
Net income	153,496	68,003

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

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	—	—	—	—	—
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
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

FYE 2019 (April 1, 2018 to March 31, 2019)

(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	19	160,090	7,901	990	35,335	802,203	846,429
Changes of items during the period									
Dividends from surplus	—	—	—	—	—	—	—	(110,468)	(110,468)
Net income	—	—	—	—	—	—	—	68,003	68,003
Purchase of treasury stock	—	—	—	—	—	—	—	—	—
Disposal of treasury stock	—	—	(5)	(5)	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—	—	—	—	—
Total changes of items during the period	—	—	(5)	(5)	—	—	—	(42,465)	(42,465)
Balance at the end of current period	153,795	160,071	14	160,085	7,901	990	35,335	759,738	803,964

	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	(7,054)	1,153,260	2,808	2,808	1,156,068
Changes of items during the period					
Dividends from surplus	—	(110,468)	—	—	(110,468)
Net income	—	68,003	—	—	68,003
Purchase of treasury stock	(5)	(5)	—	—	(5)
Disposal of treasury stock	149	144	—	—	144
Net changes of items other than shareholders' equity	—	—	(2,933)	(2,933)	(2,933)
Total changes of items during the period	144	(42,326)	(2,933)	(2,933)	(45,259)
Balance at the end of current period	(6,910)	1,110,934	(125)	(125)	1,110,809

< Reference for FYE2019 Consolidated Financial Results >

(Yen in 100 Millions, Units in Thousands)

	FYE2018 ^(Note 1) [2017.4 - 2018.3] RESULTS		FYE2019 ^(Note 1) [2018.4 - 2019.3] RESULTS			FYE2020 ^(Note 2) [2019.4 - 2020.3] FORECASTS				
	JGAAP		JGAAP			IFRS	JGAAP (Reference)			
	(a)	Originally-reported	(b)	Change (b-a)	%		(c)	Change (c-b)	%	
Revenue *1		32,327	34,052	31,605	(722)	(2.2)	33,100	33,020	1,415	4.5
	Japan	6,680	6,686	5,966	(714)	(10.7)	5,841	5,760	(206)	(3.4)
	Overseas	25,647	27,367	25,639	(8)	(0.0)	27,260	27,260	1,620	6.3
Operating profit *2		3,794		1,955	(1,839)	(48.5)	2,600	2,500	545	27.9
	Profit margin (%)	11.7	11.1	6.2			7.9	7.6		
Ordinary income		3,799		1,962	(1,837)	(48.3)		2,575	613	31.2
	Profit margin (%)	11.8	11.2	6.2				7.8		
Profit before tax *3		2,973		1,958	(1,015)	(34.1)	2,700	2,520	562	28.7
	Profit margin (%)	9.2	8.7	6.2			8.2	7.6		
Profit for the period attributable to owners of parent *4		2,204		1,478	(725)	(32.9)	2,100	2,000	522	35.3
	Profit margin (%)	6.8	6.5	4.7			6.3	6.1		
Factors contributing to change in operating income				Decrease in R&D exp	186		Accounting standard difference: 100	Decrease in SG&A exp, etc.	706	
				Increase in SG&A exp, etc.	(987)			Improvement in model mix, etc.	252	
				Deterioration in model mix, etc.	(874)			Increase in R&D exp	(173)	
				Increase in raw material costs, etc.	(107)			Effects of foreign exchange rates	(148)	
				Effects of foreign exchange rates	(57)			Increase in raw material costs, etc.	(92)	
Exchange rates	JPY/US\$	111/US\$		111/US\$				110/US\$		
	JPY/EUR	130/EUR		129/EUR				120/EUR		
Capital expenditures		1,414		1,135				1,400		
Depreciation and amortization		898		888				1,000		
R&D expenditures *5		1,211		1,027				1,200		
Interest bearing debts		862		1,004				1,450		
Performance description (Comparison on JGAAP basis)				- First decrease in net sales in 7 yrs.				- First increase in net sales in 2 yrs.		
				- Decrease in all profits for 3 consecutive yrs.				- First increase in all profits in 4 yrs.		
				- First decrease in consolidated unit sales in 7 yrs.				- First increase in consolidated unit sales in 2 yrs.		
Consolidated unit sales <Japan> *6		163		135	(28)	(17.2)	141 *5	138	2	1.7
	Passenger Cars	133		110	(23)	(17.2)	112 *5	110	0	0.3
	Minicars	31		26	(5)	(17.1)	28 *5	28	2	7.7
Consolidated unit sales <Overseas>		903		865	(39)	(4.3)	918	53	6.2	
	North America	728		717	(11)	(1.5)	753	37	5.1	
	Europe	48		40	(8)	(16.1)	46	6	15.0	
	China	27		23	(4)	(15.2)	25	2	10.6	
	Other	101		85	(16)	(15.7)	93	8	9.5	
Consolidated unit sales total		1,067		1,000	(67)	(6.3)	1,058	1,055	56	5.6
Production units total		1,050		989	(61)	(5.8)	1,056	67	6.8	
	Japan	701		617	(84)	(12.0)	668	51	8.2	
	U.S.	349		372	24	6.8	389	17	4.5	
Net sales by business segment	Automobile	30,623	32,349	30,145	(479)	(1.6)				
	Aerospace	1,422		1,317	(105)	(7.4)				
	Other	282		144	(138)	(49.0)				
Operating income by business segment	Automobile	3,615		1,849	(1,765)	(48.8)				
	Aerospace	123		60	(62)	(50.7)				
	Other	51		38	(12)	(24.1)				
	Elimination & Corporate	7		7	0	3.1				

Note 1: With effect from FYE2019, the Company has changed its accounting policies. In the new method, sales incentives are deducted from net sales, whereas they were previously recognized as SG&A expenses. For comparison purposes, net sales and SG&A of the previous year (FYE2018) have been recalculated according to the new policies. The recalculated figures are stated along with the originally-announced figures. There is no impact of the recalculation on FYE2018 profit figures. Performance description notes for FYE2019 are stated in comparison with the recalculated figures of FYE2018.

Note 2: As the Company is voluntarily adopting International Financial Reporting Standards (IFRS) from the fiscal year ending March 2020 in place of the Japanese generally accepted accounting principles (JGAAP) previously adopted, forecasts for FYE2020 are calculated based on IFRS. For the purposes of comparison with the previous year (FYE2019), forecast figures for FYE2020 based on JGAAP are also stated as a reference.

*1: "Net sales" in JGAAP is stated as "revenue" in IFRS.

*2: "Operating income" in JGAAP is stated as "operating profit" in IFRS.

*3: "Income before income taxes" in JGAAP is stated as "profit before tax" in IFRS.

*4: "Net income attributable to owners of parent" in JGAAP is stated as "profit for the period attributable to owners of parent" in IFRS.

*5: "R&D expenditures" are R&D activity related costs incurred during the reporting period. Under JGAAP, the amount of "R&D expenditures" matches that of "R&D expenses" on the Consolidated Statement of Income. Under IFRS, a part of "R&D expenditures" that meets capitalization criteria is recognized as an intangible asset and amortized over its estimated useful life. As such, the amount of "R&D expenditures" does not match that of "R&D expenses" on the Consolidated Statement of Income under IFRS.

*6: Under IFRS, revenue recognition timing for unit sales in Japan is on a delivery-to-customer basis, whereas it is on a vehicle registration basis under JGAAP.

- "Exchange rates" are the rates used for Subaru Corporation's non-consolidated revenue 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 Toyota 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 FYE2019

Tokyo, May 10, 2019 – Subaru Corporation today announced its consolidated financial results for the fiscal year ended March 31, 2019.

< Results for FYE2019: Consolidated Net Sales >

In overseas markets, Subaru kept strong momentum on retail sales, as the newly-introduced Ascent led sales in Subaru's largest North American market. On the other hand, consolidated overseas unit sales fell 4.3% to 865,000 units, for reasons including decreased deliveries of the Forester before the launch of its fully-redesigned version in the first half of the year.

Consolidated unit sales in Japan decreased 17.2% to 135,000 units, as sales of Impreza, Subaru XV and Levorg declined, offsetting strong demand for the fully-redesigned Forester launched in July 2018. Consolidated global unit sales of Subaru vehicles decreased 6.3% to 1,000,000 units.

Consolidated net sales declined 2.2% to 3,160.5 billion yen.*¹

Subaru's total production decreased 5.8% to 989,000 units, for the Company's Gunma plant related factors including changes in plant operation schedules implemented since the fall of 2018 to ensure quality-first production and inspection work as well as production halt in January 2019 due to a defect in the Electric Power Steering unit.

< Results for FYE2019: Consolidated Profit and Loss >

Operating income declined 48.5% to 195.5 billion yen for factors such as an increase in quality-related expenses due to recall campaigns notified in November 2018 and a decrease in consolidated unit sales. Ordinary income decreased 48.3% to 196.2 billion yen. Net income attributable to owners of parent fell 32.9% to 147.8 billion yen.

< Forecasts for FYE2020 >

As the Company is voluntarily adopting International Financial Reporting Standards (IFRS) for its consolidated financial statements from the fiscal year ending March 2020, forecasts for FYE2020 are calculated based on IFRS.*²

Consolidated global unit sales are projected to be 1,058,000 vehicles*³ in prospect of growth mainly in the North American market. The Company projects revenue*⁴ of 3,310 billion yen, operating profit*⁵ of 260 billion yen, profit before tax*⁶ of 270 billion yen, and profit for the period attributable to owners of parent*⁷ of 210 billion yen.

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

*1: With effect from the fiscal year ended March 2019, the Company has changed its accounting policies. In the new method, sales incentives are deducted from net sales, whereas they were previously recognized as SG&A expenses.

For comparison purposes, net sales and SG&A expenses of the previous fiscal year (FYE2018) have been recalculated according to the new policies. The recalculated figures of net sales and SG&A expenses for FYE2018 are 3,232.7 billion yen and 410.5 billion yen, respectively, a decrease of 172.5 billion yen each from the originally-reported figures announced on May 11, 2018. There is no impact of the recalculation on profit figures of the previous fiscal year.

*2: Percent changes from the previous year (FYE2018) for forecast figures are not stated, as results for the previous year are based on the Japanese generally accepted accounting principles (JGAAP).

*3: Under IFRS, revenue recognition timing for unit sales in Japan is on a delivery-to-customer basis, whereas it is on a vehicle registration basis under JGAAP.

*4: "Net sales" in JGAAP is stated as "revenue" in IFRS.

*5: "Operating income" in JGAAP is stated as "operating profit" in IFRS.

*6: "Income before income taxes" in JGAAP is stated as "profit before tax" in IFRS.

*7: "Net income attributable to owners of parent" in JGAAP is stated as "profit for the period attributable to owners of parent" in IFRS.

Note: Vehicle volume figures are rounded off to the nearest thousand.

Forward-looking statements in this document including financial and other forecasts are based on the information available at the time of announcement and are subject to various risks and uncertainties that could cause actual results to vary materially.