



Annual Report 2019

For the year ended March 31, 2019





CONTENTS

03	SUBARU Business Style	21	Business Overview
05	History	29	Directors, Auditors, and Executive Officers
07	Message from the CEO	31	Corporate Governance
13	Message from the CFO	41	The SUBARU Group's CSR
17	Financial and Non-Financial Highlights	59	Consolidated Ten-Year Financial Summary
19	Featured Topic: Report on Improprieties Relating to Final Vehicle Inspections	61	Five-Year Unit Sales
		63	Financial Review
		69	Corporate Information

Disclaimer Regarding Forward-Looking Statements

Statements herein concerning plans and strategies, expectations or projections about the future, SUBARU's efforts with regard to various management issues, and other statements, except for historical facts, are forward-looking statements. These forward-looking statements are subject to uncertainties that could cause actual results to differ materially from those anticipated. These uncertainties include, but are not limited to, general economic conditions, demand for and prices of SUBARU's products, SUBARU's ability to continue to develop and market advanced products, raw material prices, and currency exchange rates. SUBARU disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events, or otherwise.



Corporate Philosophy

1. We 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 aim to continuously promote harmony between people, society, and the environment while contributing to the prosperity of society.
3. We look to the future with a global perspective and aim to foster a vibrant, progressive company.

Corporate Code of Conduct

SUBARU CORPORATION sets down the Corporate Code of Conduct to comply with laws and regulations and to fulfill its social responsibilities based on its corporate philosophy. We will continue to strive to become a company loved by all and contribute to making society more affluent by respecting individuals and the Corporate Code of Conduct and acting on the same sense of values.

1. We develop and provide creative products and services while paying sufficient attention to the environment and safety.
2. We respect the rights and characteristics of individuals.
3. We promote harmony with society and contribute to the prosperity of society.
4. We meet social norms and act honestly and fairly.
5. We maintain global perspective and aim to be in harmony with international society.

Management Philosophy

Aiming to be a compelling company with a strong market presence built upon its customer-first principle.



Vision for 2025

From a company making things, to a company making people smile.

SUBARU, by no means a large automaker, is implementing a business model centered on selection and concentration of limited management resources, creating added value, and pursuing uncompromising differentiation.

Under the STEP mid-term management vision, we will swiftly, steadily, and powerfully, move forward and solidify our foundation for the sustained growth of both the automotive and aerospace businesses.



Strengthening of the management foundation

We will strengthen the management foundation by pursuing qualitative improvement in every aspect of the company, including products, services, culture, human resources, organizations, finance, and operations.



Focus business strategy to enhance strengths

Rather than pursue an omnidirectional business strategy, we have chosen to optimally focus our limited management resources on categories and markets in which we can leverage our strengths. In business development, our product focus is mainly on SUVs and sports models, and our market focus is on the United States and other developed countries in mature stages of motorization.

Achieve an industry-leading profit margin

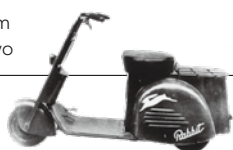
While continuously making strategic investments for future sustained growth, we will pursue a management approach that emphasizes a high operating margin, focusing on differentiation and value-added strategies. On that basis, we will aim for steady volume growth.

History

History of the SUBARU Group

SUBARU, which can trace some of its roots to Aircraft Research Laboratory, has continuously nurtured highly creative technologies and increased corporate value by pursuing business alliances to respond to major changes in the times. Here we outline the history of the SUBARU Group to date.

1917	Establishment of Aircraft Research Laboratory
1931	Establishment of Nakajima Aircraft Co., Ltd.
1945	Change of company name from Nakajima Aircraft to Fuji Sangyo






1946 Production of the first Rabbit Scooter

1953	Establishment of Fuji Heavy Industries Ltd. Start of aircraft production and automobile development
1960	Opening of the Gunma Main Plant
1960	Listing of shares on the Tokyo Stock Exchange
1966	Signing of a business alliance agreement with Isuzu Motors Ltd.

1968	Establishment of Subaru of America, Inc. (SOA)
1968	Dissolution of the business alliance with Isuzu Motors Ltd.
1968	Signing of a business alliance agreement with Nissan Motor Co., Ltd.
1968	Start of exports of Robin engines for snowmobiles to Polaris (USA)
1969	Start of operation of the Yajima Plant
1972	Release of the Leone 4WD Estate Van, the world's first mass-production 4WD passenger vehicle
1978	Conclusion of a 767 business agreement with Boeing
1983	Start of full-scale operation of the Oizumi Plant
1987	Release of the Justy model equipped with the world's first electro-continuously variable transmission (ECVT)
1987	Establishment of Subaru-Isuzu Automotive, Inc. (SIA) in the U.S. in a joint venture with Isuzu Motors Ltd.

SUBARU Models through the Years



<p>1958</p>  <p>SUBARU 360 released</p>	<p>1966</p>  <p>SUBARU 1000 four-door sedan released</p>	<p>1972</p>  <p>Rex released</p>	<p>1984</p>  <p>Justy released</p>
<p>1961</p>  <p>SUBARU Sambar truck released</p>	<p>1969</p>  <p>R-2 released</p>	<p>1977</p>  <p>Brat released</p>	<p>1985</p>  <p>Alcyone released</p>
	<p>1971</p>  <p>Leone coupe released</p>	<p>1983</p>  <p>Domingo released</p>	<p>1989</p>  <p>Legacy series released</p>

Origin of the SUBARU Name and Logo



“SUBARU” is Japanese for the Pleiades star cluster in the constellation Taurus. These stars are also known as “six-star group.” The name reflects the fact that Fuji Heavy Industries was formed from capital contributions from five companies that sprang from Nakajima Aircraft.

1989	Establishment of Subaru Canada, Inc. (SCI)
1989	Completion of Subaru Research & Testing Center (SKC)
1990	Subaru of America (SOA) made a wholly owned subsidiary
1991	Participation in the Boeing 777 program
1993	Start of operation of the Handa Plant
1999	Capital and business alliance with General Motors Corporation (GM) (USA)
1999	Business alliance with Suzuki Motor Corporation
2000	Dissolution of the business alliance with Nissan Motor Co., Ltd.
2002	Dissolution of the SIA joint venture with Isuzu Motors Ltd. and formal signing of a contract production agreement
2003	The Legacy wins the 2003–2004 Car of the Year Japan award
2003	Subaru of Indiana Automotive, Inc. (SIA) made a wholly owned subsidiary
2005	Participation in the Boeing 787 program Delivery of main wings for next-generation transport aircraft and next-generation fixed-wing patrol aircraft

2005	Dissolution of the alliance with GM, agreement to enter into a business alliance with Toyota Motor Corporation
2007	Start of production of Toyota cars (Camry) at SIA
2012	Start of knockdown production of the SUBARU XV in Malaysia
2012	Termination of production of mini-vehicles and shift to marketing on an OEM basis
2014	Signing of an agreement to participate in a project to develop and mass produce the Boeing 777X
2016	Termination of contract production of the Toyota Camry at SIA Transfer of production of Impreza vehicles for North America to SIA
2016	All-new Impreza Sport/GR wins the 2016–2017 Car of the Year Japan award
2017	Change of company name to SUBARU CORPORATION
2017	Termination of production and sales of SUBARU general-purpose engines and generators
2018	Introduction of the SUBARU BELL 412EPX helicopter

<p>1992</p>  <p>Vivio released</p>	<p>1998</p>  <p>Pleo released</p>	<p>2008</p>  <p>Exiga released</p>	<p>2014</p>  <p>Levorg released</p>
<p>1992</p>  <p>Impreza series released</p>	<p>2003</p>  <p>Outback released</p>	<p>2012</p>  <p>SUBARU BRZ released</p>	<p>2014</p>  <p>WRX released</p>
<p>1997</p>  <p>Forester released</p>	<p>2005</p>  <p>B9 Tribeca released</p>	<p>2012</p>  <p>SUBARU XV released</p>	<p>2018</p>  <p>Ascent released (Exclusively for North America)</p>



We must restore trust in quality,
the cornerstone of the SUBARU brand,
and rebuild a foundation for
sustained growth.

Representative Director of the Board,
President and CEO

Tomomi Nakamura

A Look Back at My First Year as President

During the fiscal year ended (FYE) March 2019, my first year as Representative Director, President and CEO, we swiftly moved ahead with various reforms under STEP, our new mid-term management vision, aimed at making SUBARU a company that is trusted by, and resonates with, customers. It was a very difficult year in terms of financial performance because of having to operate some domestic production lines at reduced speed as part of placing the highest priority on stable, high-quality production and inspections, as well as dealing with the occurrence of new quality problems. Nevertheless, there are positive signs that the corporate culture reforms, which we have made our top priority, have led to changes in our workplaces and to the mindsets of employees. FYE March 2019 was also a year in which latent issues at SUBARU came to light, which enabled us to confirm that we are moving in the right direction with corporate culture reforms, quality reforms, and the Make-a-Subaru project, the initiatives we have made the centerpiece of STEP. We will now proceed with rebuilding the foundation on which to achieve sustained growth for SUBARU by further accelerating these activities.

SUBARU is a brand that has been and is nurtured by customers. Why have customers chosen SUBARU? Why is the SUBARU brand loved? The basis for this affinity is trust in the SUBARU brand, and I believe that the source of that trust can be found in functional characteristics, such as drivability and safety, and high quality that includes vehicle durability. Nevertheless, recently the quality that is the cornerstone of the brand has slipped, and I consider it my mission to implement fundamental reforms to right the situation. I intend to heed the voice of customers, fully meet their expectations, and respond to their sentiments and will strive to enable SUBARU to regain the trust of our customers, shareholders, and other stakeholders as quickly as possible.

The Business Environment

Today's mobility society is in a once-in-a-century period of transformation, and to respond to this change, SUBARU is investing and pursuing development in the new technology fields known as CASE*. Nevertheless, as a relatively small player in the automotive industry, SUBARU cannot develop everything on its own. For SUBARU to compete into the future by enhancing its strengths and distinctive attributes, we must select sectors and domains on which to focus in-house development and allocate resources accordingly. In other fields, we want to efficiently and effectively respond by utilizing business alliances and collaborative initiatives with other companies. In the area of electrification, we have already introduced a plug-in hybrid in the U.S. in cooperation with Toyota Motor Corporation. Moreover, in June 2019 we announced that we will jointly develop with Toyota a platform dedicated to battery electric vehicles (BEVs) for the midsize and large passenger vehicle category and jointly develop a C-segment-class BEV SUV model for sale under each company's own brand. In connection with this agreement with Toyota, we will shift its existing BEV development resources to joint project and pursue greater efficiency in technology, development, procurement, and other areas. Our approach to automated driving is to focus mainly on advanced driver assist technologies that substantially alleviate driver burden, rather than on driverless systems, and we are further evolving the driver assist system EyeSight, which already enjoys widespread popularity. In the area of connectedness, we have begun development of new technologies and services that utilize connected car technologies and data, and will accelerate planning and development to meet expanding customer needs. Although SUBARU is not involved in car sharing at this time because we think that most of our customers prefer to own their own cars in order to enjoy active car lifestyles, I think that it will become necessary to consider an approach to car sharing if customer needs for it increase. At the end of June 2019 we announced a capital and business alliance with MONET Technologies as an initiative to realize and popularize mobility services. We intend to pursue "Enjoyment and Peace of Mind" appropriate to a new era and want to collaborate with other automakers to contribute to resolving social issues relating to mobility.

One change in the business environment we are carefully watching is the trend in trade negotiations between Japan and the U.S., which is a key market that accounts for a high proportion of SUBARU's sales. Although we have expanded local production in the U.S. in step with increases in unit sales in the market, even in 2018 about half of the vehicles we sold in the U.S. were exported from Japan, and we also export from Japan some parts used in locally assembled vehicles. SUBARU's business is expected to be affected depending on the outcome of trade negotiations, and we are envisioning various scenarios and considering responses.

* An acronym of the words: Connected, Autonomous, Shared & Services, and Electric

STEP Initiatives

In July 2018, SUBARU announced STEP, a new mid-term management vision, with the aim of making SUBARU a company that is trusted by, and resonates with, customers through the provision of “Enjoyment and Peace of Mind.” A variety of initiatives are set forth in STEP, and in FYE March 2019 we focused particularly on implementing corporate culture reforms and quality reforms. An explanation of these reforms follows.

Initiatives overview (9 Boxes + 1)					
0		“Change the Culture” Corporate culture reforms			Accelerate efforts to become “a company that does the right thing in the right way.” Continuous efforts aimed at corporate culture reforms.
		Mono-zukuri (Car-making)	Sales and service	New mobility domain	
1	Enhance corporate quality	Quality reforms	Enhance quality at customer contact points	Alliance enhancement	
2	Build a strong brand	More enjoyment, more peace of mind	From “A car you can love” to “A car, a brand, and people you can love”	Generate new value through connected car technologies	
3	Sustainable growth based on focus strategy	Launch “Make-a-Subaru” project	– Target 5% share in the U.S. – Steady growth in each region	Initiatives to create new technologies and businesses	

* Please refer to the SUBARU corporate website for details on the STEP mid-term management vision



STEP: the Mid-term Management Vision

<https://www.subaru.co.jp/en/ir/management/plan/>

Corporate Culture Reforms

We are implementing corporate culture reforms, the foundation of STEP, with the strong determination to never again cause problems such as the repeated improprieties in final vehicle inspections (see pages 19–20). I and other senior managers have visited plants and offices throughout the Group to directly communicate management’s firm resolve and engaged in communication with employees by holding discussion meetings to exchange views. We have also engaged in vigorous, constructive discussions in Japan with labor unions for the purpose of promoting corporate culture reforms and confirmed that labor and management will work together to accelerate reform initiatives. Workplace visits have given me many opportunities to sense a restoration of self-confidence and an increase in motivation among our employees, and I feel that a change of mindset has steadily progressed over the course of the year.

Of course, corporate culture cannot be changed overnight, and it is important to maintain a sense of urgency while continuing efforts to change the mindset of employees. To enable all employees to feel that SUBARU is an open and transparent company where people are free to speak their minds, I think that all managers, from senior management to frontline managers, must change their own mindset and behavior. I intend to actively solicit the views of individual employees and carry on with corporate culture reforms until they become deeply rooted and irreversible.



Quality Reforms

Quality reforms are the highest priority in STEP. SUBARU aims to be No. 1 in the kind of quality that makes our products suitable for long-term use with peace of mind, and we will pursue quality improvement in every business process, from product planning to production, sales, and service.

The number of recalls resulting from product defects occurring during design or manufacturing has increased recently. SUBARU caused considerable concern and inconvenience to customers because of numerous recalls, including major ones, in FYE March 2019. These recalls also had a major impact on financial performance because of the large number of vehicles and considerable expense involved. As I mentioned earlier, quality is the cornerstone of the SUBARU brand. I am keenly aware that fundamentally improving quality is an urgent task, and in FYE March 2019 we focused on implementing quality reforms in engineering and product development and in manufacturing. Our engineering and product development divisions have studied and begun implementing fundamental quality reforms starting from the development planning and design stages. These reforms include a review of development schedules and supplier selection and collaboration to enable reliable confirmation of quality, sharing of parts across models, updating of durability testing facilities, and increasing personnel. In manufacturing, we will achieve better quality production by making investments in facilities necessary to ensure quality, including updating aging facilities, reviewing and improving processes; making investments for the purpose of securing the necessary number of employees and for employee upskilling; and reviewing the approach to line operation and labor management.

Also, to instill a quality-first mindset in all employees, on April 1, 2019 we revised the Quality Policy (see page 53), which articulates a vision of quality that SUBARU should aspire to realize. As SUBARU makes a new start toward restoring trust, we conducted a top-to-bottom review to ensure that the revised policy can be continuously used for a long time and that it will serve as a guidepost for quality that all employees can share. Furthermore, we used language that is simpler and easier to understand than that of the previous policy to ensure that all employees thoroughly understand the policy content and can apply the new policy in their own daily work behavior. I am convinced that the way to change the company is to change the mindset and behavior of each employee.

Market Strategy

In STEP, we announced a target of unit sales of 1.3 million vehicles worldwide in 2025. Although trade-related concerns remain as an external factor to be considered, sales are strong in the U.S., the largest growth driver for SUBARU, and we will continue to press ahead to achieve sales of 1.3 million vehicles.

Although some say that overall demand in the U.S. has peaked, we consider the U.S. a market that continues to offer high potential. We forecast continued underlying strength in demand at a level of 17 million vehicles, supported by a robust economy. We are receiving highly positive feedback from the market. Sales of the Ascent, introduced in the middle of last year, are strong, and SUBARU has been able to acquire new customer segments. Although we are planning for sales at the 700,000 unit level (up 3% year on year) in calendar year 2019, we intend to ensure the success of the upcoming introduction of all-new versions of two key models, the Outback and Legacy, in the second half of the year and link that success to

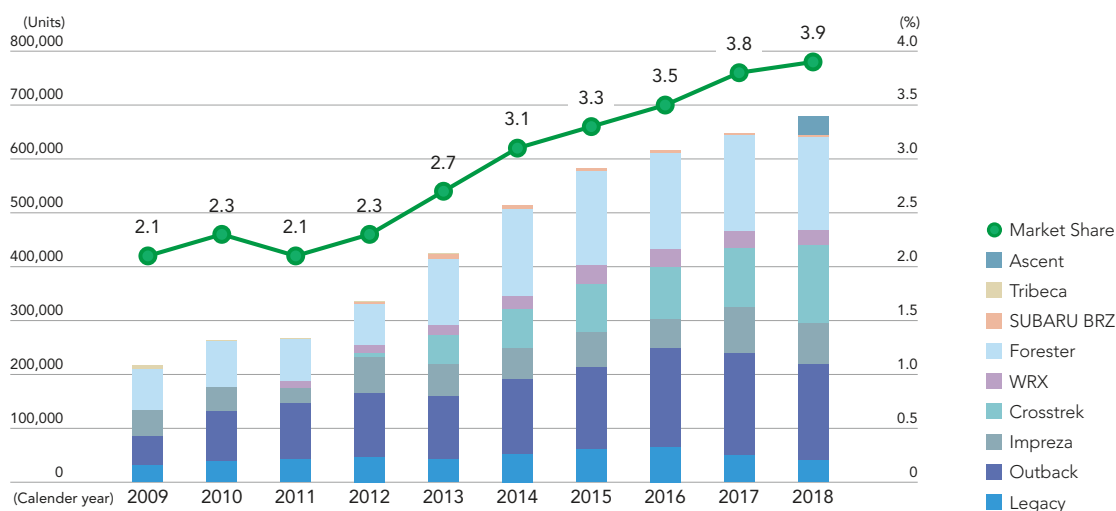


The all-new Outback (U.S. market specification) was announced on April 17, 2019 at the New York International Auto Show. The vehicle will be manufactured at Subaru of Indiana Automotive and is scheduled for launch in the U.S. and Canada in fall 2019

Message from the CEO

further sales expansion next year and beyond. Although we plan to expand the dealer network from the current 631 to about 650 dealers in the future, we have no intention of increasing dealers merely on the basis of numbers. Rather, we plan to develop our sales network by opening dealers to fill open points (areas with no dealers), mainly in the Sunbelt. To encourage dealers to invest in the SUBARU business, it is necessary to secure dealer income, and we consider it important to increase unit sales per dealer to accomplish this. A cooperative framework with dealers is essential for achieving our growth strategy, and we will grow together with our dealers and pursue U.S. market share of 5% in partnership with them.

Retail Unit Sales and Market Share in the U.S. Market



Source: MOTOR INTELLIGENCE "U.S. Market New Vehicle Deliveries" (2009–2018)

In the Japanese market, we are strengthening new proposals, using products such as all-new Forester and SUBARU XV (known as Crosstrek in North America) models equipped with e-BOXER and special edition vehicles as a hook, and stepping up communication with customers using media messaging and exhibitions. Also, by improving and supporting the dealer network, the actual point of contact with customers, as well as the work performed by dealer staff and the working environment, we aim to make SUBARU a brand whose products, dealers, and dealer staff are loved by people. In so doing, we will restore customer trust. Although total demand in Japan is contracting, we want to maintain annual passenger car sales of approximately 120,000 vehicles.

Although extremely strict environmental regulations make China and Europe difficult markets for SUBARU, which does business mainly in the U.S., we will aim to utilize all-new Forester and SUBARU XV models equipped with the e-BOXER system to support sales in these markets. These are the first SUBARU hybrid models to be introduced in Europe, and I think their reputation in the market will represent a new departure in our sales strategy.

With regard to production capacity, we believe we have a foundation in place to support sales of 1.3 million vehicles. Although future changes in the business environment may necessitate changes to our production plans, there is no major change in our existing plans at this time.

Aerospace Business

FYE March 2019 marked the start of a number of new projects in the aerospace business, including the center wing section of the Boeing 777X and complete products such as helicopters. We intend to carefully nurture each of these projects and develop them into pillars that will support the growth of the Aerospace Company. Aerospace is a growth industry, and the aerospace business requires leading-edge technologies in all areas of development and manufacturing. The mutual utilization of strengths is progressing within the SUBARU Group in ways such as the application of leading-edge technologies from the aerospace business in automobile development and introduction in the aerospace business of expertise in cost-cutting and other areas cultivated in the automotive business. We will continue efforts to generate new synergies and aim to contribute to overall business growth by further utilizing the strengths of both business units.

Initiatives to Enhance Corporate Value

SUBARU considers it necessary to promote and ensure the penetration of CSR initiatives on a group-wide, global scale to contribute to solving social issues through our businesses and meet stakeholder expectations and demands. We have defined Six Priority Areas for CSR in STEP and are implementing initiatives aimed at achieving a balance between creating a sustainable society and achieving sustained growth. By applying the Six Priority Areas for CSR in our business activities, we will contribute to diversifying social needs and fulfill our social responsibilities as a corporation. In so doing, the SUBARU Group will become a corporate group trusted by society as a truly global company and contribute to the creation of a more affluent and sustainable society.

The SUBARU Group has made the automotive and aerospace businesses the pillars of its business operations. In the SUBARU Environmental Policies, revised in April 2017, we defined SUBARU's fields of business as the earth, the sky and nature and made protecting the Earth's environment a key priority in business activities. The Group aims to reduce direct CO₂ emissions* by 30% compared to FYE March 2017 levels by FYE March 2031 and is currently implementing reduction initiatives group-wide. In addition to installing a captive-consumption solar power system and purchasing CO₂ emissions-free hydropower, we have initiated new CO₂ emissions reduction measures. We forecast reduction of approximately 20,000 t-CO₂, equivalent to around 3% of annual emissions, by FYE March 2021.

In product-related environmental measures, in addition to focusing on improving the environmental performance of existing models, we will shift to joint development of BEVs with Toyota Motor Corporation and expand our line of products with enhanced environmental performance.

SUBARU considers corporate governance one of the management's top priorities. To strengthen management oversight of business execution, we obtained approval at the 88th Ordinary General Meeting of Shareholders to increase the number of outside directors from two to three. As a result, outside directors now make up one-third of the Board of Directors (three of nine members). In addition, we have appointed SUBARU's first female officer (an outside corporate auditor) and are promoting diversity management. In April 2019, we reorganized the departments responsible for oversight of business execution, established the Risk Management Group under the direction of a Chief Risk Management Officer (CRMO), and clarified reporting lines. This will enable us to increase the effectiveness of group-wide internal controls and risk management.

* CO₂ directly emitted from SUBARU Group plants and offices (Scope 1 and 2)



Director of the Board,
Executive Vice President and CFO

Toshiaki Okada

We will identify and prioritize the necessary resources in the categories and markets in which SUBARU can leverage its strengths and link them to the improvement of medium- and long-term corporate value and sustained growth.

Business Performance in FYE March 2019

Consolidated unit sales in FYE March 2019 decreased by some 67,000 units year on year to 1,000,000 units. Unit sales in overseas markets decreased by 39,000 units to 865,000 units as a result of factors including a decrease in unit shipments of the Forester in the first half of the year ahead of a full model change. This decrease was also despite strong retail sales boosted by the impact of the all-new Ascent, which was introduced in the summer of 2018 in the key U.S. market, and continued strong performance from the Crosstrek (known as the SUBARU XV outside North America). Unit sales in the domestic market decreased by 28,000 to 135,000 units as a result of factors including lower sales of the Impreza, SUBARU XV, and Levorg, despite strong sales of the Forester, which underwent a full model change in July 2019.

Since fall 2018, the Gunma Plant has placed the highest priority on maintaining stable quality in both production and inspections so that the plant's continuing operation at lower production line speeds, as well

as halt in production in January 2019 following the occurrence of defects in purchased parts and other issues, lead to a unit production decrease by 61,000 units year on year to 989,000 units. Consolidated unit sales were consequently affected due to insufficient supply.

As a result, consolidated net sales decreased¹ by 2.2% to 3,160.5 billion yen. Operating income decreased by 48.5% to 195.5 billion yen because of the unit sales decrease, cost increases in areas relating to quality, caused chiefly by recalls, and a decline in profit per unit attributable to costs related to environmental response initiatives. Ordinary income decreased by 48.3% to 196.2 billion yen, and net income attributable to owners of parent decreased by 32.9% to 147.8 billion yen.

Outlook for FYE March 2020

Since SUBARU is voluntarily applying the International Financial Reporting Standards (IFRS) from the beginning of FYE March 2020, forecasts are calculated based on IFRS.

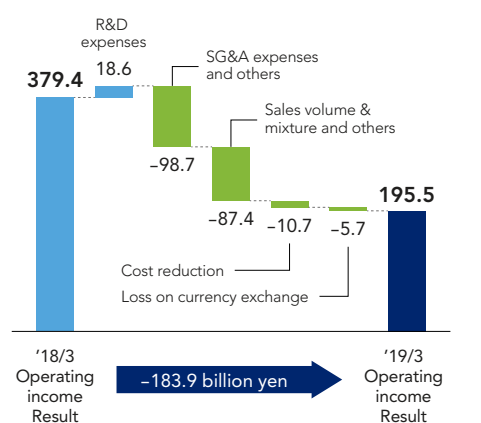
We forecast strong sales of the Ascent, Forester, and Crosstrek in the key market of North America and a new-model effect for the Forester in other markets and, as a result, have planned for consolidated unit sales of 1,058,000 vehicles.

We have also planned for consolidated revenue² of 3,310.0 billion yen. Although we have factored into the forecast improvement in sales volume and mixture due to a projected increase in unit sales, as well as a projected decrease in quality-related costs, in light of increases in R&D expenses and SG&A expenses—as well as the impact of exchange rates and higher raw material prices—we are planning for operating profit³ of 260.0 billion yen, profit before tax⁴ of 270.0 billion yen, and profit for the period attributable to owners of parent⁵ of 210.0 billion yen. In the second half of the year, we are projected to start the restoration of production line speed at the Gunma Plant. Consequently, we forecast higher consolidated unit sales, revenue, and operating profit in the second half than in the first half and will aim for operating profit at an annualized level of 300.0 billion yen from the second half of the year.

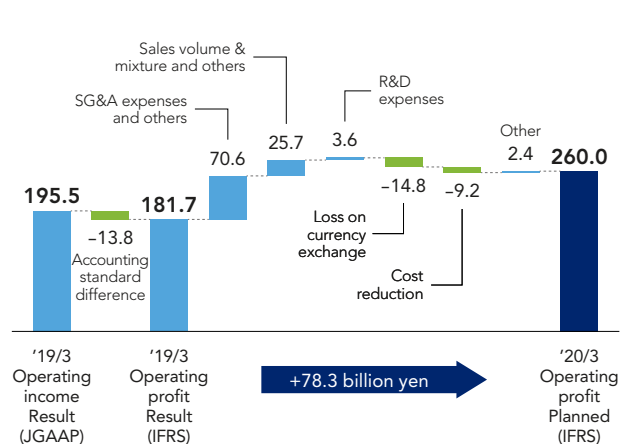
We plan for incentives per vehicle in the U.S. of 2,200 U.S. dollars, an increase of 100 U.S. dollars year on year. We plan to begin sales of all-new versions of the Legacy and Outback in the North American market in the fall, and the main reason for the 100-U.S. dollar increase is a planned effort to boost sales before the model change. Sales of the Ascent, Forester, and Crosstrek remain strong, and incentives for these three models are being controlled at low levels. However, while the interest rate environment is improving, we think it will be necessary to boost incentives due to factors such as changes in the competitive environment. We also intend to closely monitor the status of sales, supply, and inventory as well as carefully manage expenses.

- 1 An accounting policy change (deduction of sales incentives from net sales) was implemented beginning in FYE March 2019. Figures for comparison years have been calculated by applying the revised policy
- 2 "Net sales" under Japanese Generally Accepted Accounting Principles (JGAAP)
- 3 "Operating income" under JGAAP
- 4 "Income before income taxes" under JGAAP
- 5 "Net income attributable to owners of parent" under JGAAP

FYE March 2019: Analysis of Increase and Decrease in Operating Income Changes
(Consolidated)



FYE March 2020: Analysis of Increase and Decrease in Operating Profit Changes
(Consolidated)



Progress with STEP

We have made quality reforms the highest priority in STEP, SUBARU's mid-term management vision, and are undertaking fundamental improvement of quality, which is the basis of customer trust. We have set a five-year investment framework of 150.0 billion yen for enhancement of total quality, from product planning and production to points of contact with customers. Quality enhancement initiatives at each department have begun, such as augmentation of facilities and personnel in R&D and production as well as improvement of the workplace environment and employee work styles.

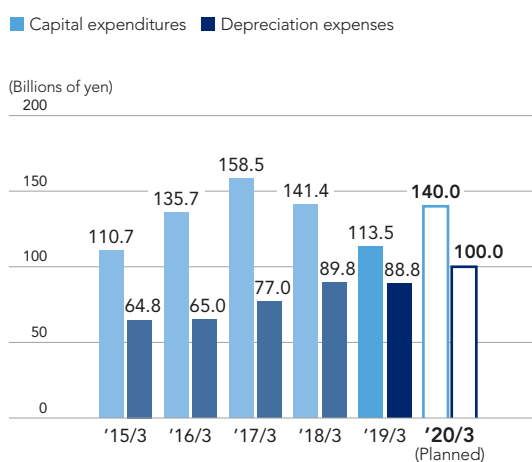
With regard to the profit plan, we think it will be difficult to achieve the planned three-year (FYE March 2019 to FYE March 2021) operating profit of 950.0 billion yen (exchange rate assumption of ¥105 to US\$1.00) because of an increase in temporary quality-related costs due to the occurrence of a major recall and in costs related to complying with environmental regulations, changes in plant operation schedules, and other factors. Nevertheless, by steadily implementing the initiatives set out in STEP, we intend to first of all solidify the profit foundation to enable us to achieve single-year operating profit of approximately 300.0 billion yen, and in the future aim for an operating margin of 10%. Going forward, further cost increases will be unavoidable due to the tightening of environmental regulations, and we recognize that we must now consider how to carry out vehicle mono-zukuri (car-making) in order to secure profits, in addition to how to evolve our current business model and enhance our brand power while communicating with the market.

Financial and Capital Strategies

The Company engages in business management with return on capital, financial soundness, and shareholder returns as the three key indicators of capital policy. Specifically, the Company has declared a policy of providing appropriate shareholder returns while maintaining a high degree of balance between return on equity (ROE) and the shareholders' equity ratio over the medium and long term. We have set a minimum shareholders' equity ratio of 50% and want to secure cash reserves equivalent to two months' sales. We have set a target of maintaining ROE of 10% and will aim for ROE of 15% or higher. Although we recognize that we currently have ample cash reserves, we expect the level of reserves to decline somewhat due to factors including expenditures accompanying performance of recall work that occurred up to FYE March 2019.

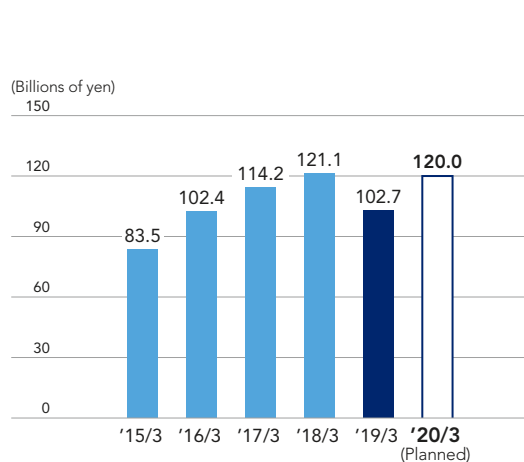
With regard to profit distribution, we ensure balanced distribution of profits to all stakeholders and provide continuous, stable shareholder returns, with dividend payments as the primary component of returns. Although the level of profits declined sharply in FYE March 2019, since we judged that the main reasons for the decline are temporary, we declared an annual dividend payment for FYE March 2019 of

Capital Expenditures/Depreciation Expenses



* FYE March 2020: IFRS figures
Capital expenditures, amortization expenses, and lease obligations pertaining to lease transactions and intangible assets are not included

R&D Expenditures



* The figures represent expenditures pertaining to R&D activities that occurred during the reporting periods
Since under IFRS, the portion of such expenditures for which asset value is recognized is recorded as intangible assets and amortized based on estimated useful life, the figure differs from "Research and development expenses" on the consolidated income statement (corresponding to "Research and development expenses" on the consolidated statements of income under JGAAP)

144 yen per share (half-year dividend of 72 yen and year-end dividend of 72 yen), the same as for FYE March 2018. We plan to maintain a dividend of 144 yen per share (half-year dividend of 72 yen and year-end dividend of 72 yen) again in FYE March 2020. Although concerns about a global slowdown due to trade friction are heightening, there is no change in our policy of making a dividend payment of 144 yen the basis of shareholder returns and conducting flexible share repurchases while taking into account cash flow.

The automotive industry is in a period of transition to a new era, and social demands for the new technologies called CASE* are increasing against a backdrop of tightening local environmental performance regulations, tax systems, and safety performance assessments. At the same time, since the commercial viability of these technologies is by no means high at this time, we recognize that the industry is entering a difficult business phase.

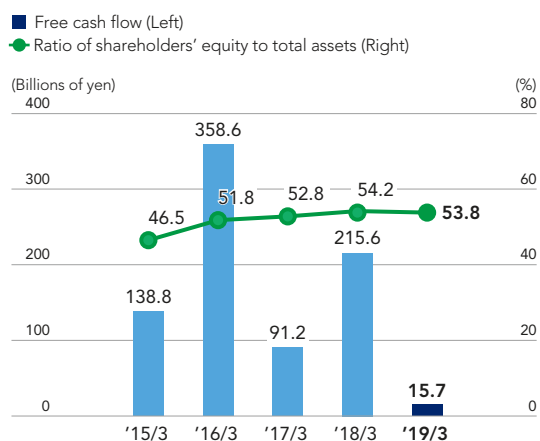
In this business environment, it is important for SUBARU, by no means a large automaker, to determine the business sectors in which it can leverage its strengths and intensively invest in necessary resources with a view to the improvement of medium- and long-term corporate value and sustained growth. In my role as CFO, I will work to meet the expectations of our shareholders and other stakeholders by supporting improvement of medium- and long-term corporate value and sustained growth through an appropriate response to financial risks and financial strategies, including utilization of the SUBARU Group's funds through centralized management and both optimal allocation and timely investment in growth sectors. I request your further understanding and support in the coming years.

* An acronym of the words: Connected, Autonomous, Shared & Services, and Electric

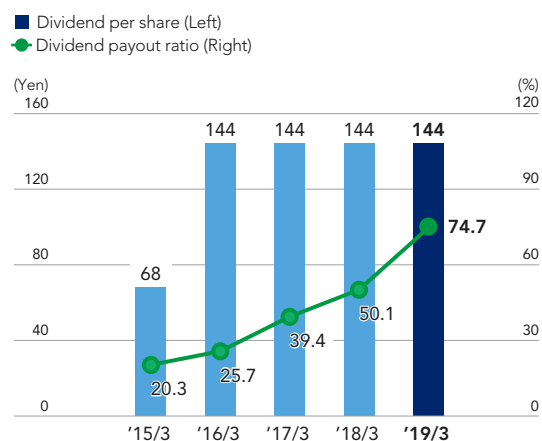
Capital Policy

Net cash	Two months' worth of net sales at minimum	
Ratio of shareholders' equity to total assets	50% at minimum	
ROE	Minimum	10%
	Target	15%
Shareholder returns	Yearly dividend per share	144 yen
	Share repurchases	To conduct flexibly

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



Dividend per Share/ Dividend Payout Ratio



* Application of Partial Amendments to Accounting Standard for Tax Effect Accounting, effective from FYE March 2019
Retroactively applied to the figures for FYE March 2018

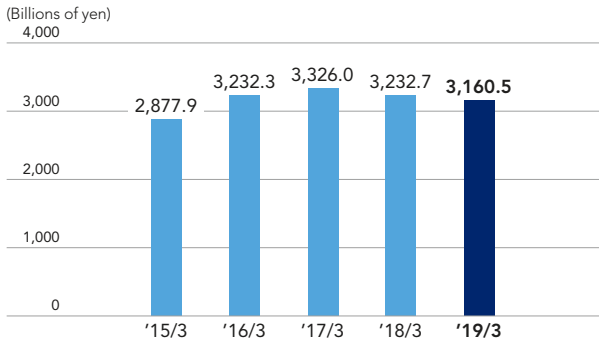
Financial and Non-Financial Highlights

Years ended March 31

Financial Highlights

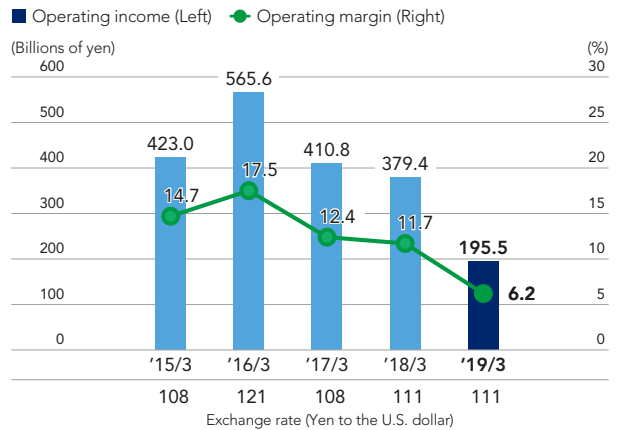
SUBARU CORPORATION and its consolidated subsidiaries

Net Sales

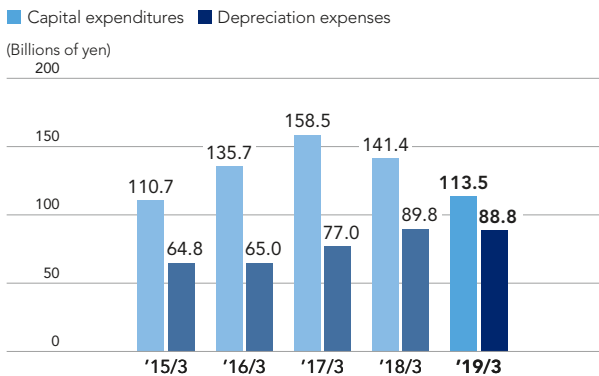


* Change of accounting policy effective from FYE March 2019 (deduction of sales incentives from net sales) Retroactively applied to the figures for FYE March 2018

Operating Income / Operating Margin

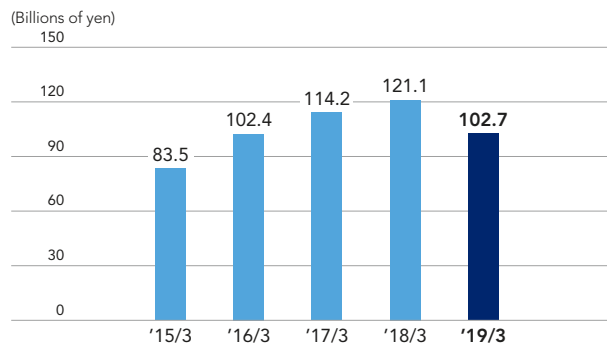


Capital Expenditures / Depreciation Expenses



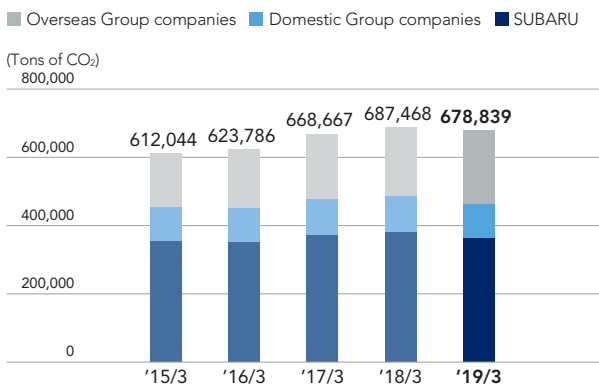
* Accompanying a change in accounting policy effective from the FYE March 2019, change of depreciation method for certain tangible fixed assets of the Company and its major domestic consolidated subsidiaries from the declining-balance method to the straight-line method

R&D Expenses



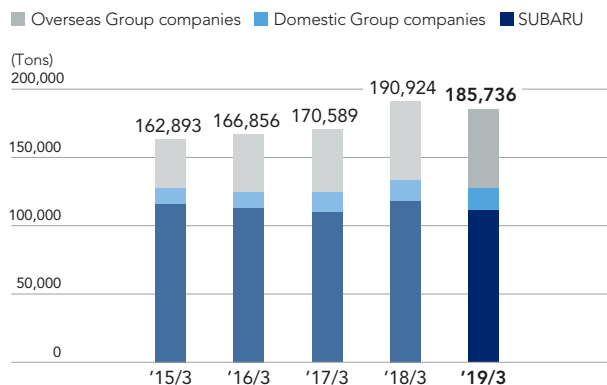
Non-Financial Highlights

Direct CO₂ Emissions (Scope 1 and Scope 2)



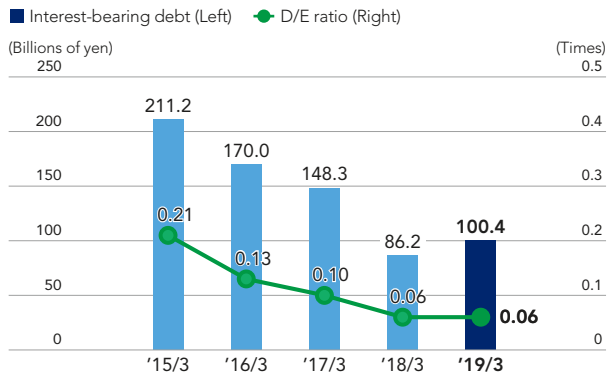
* Beginning in FYE March 2019, the reporting basis of SUBARU's CO₂ emissions has changed from "non-adjusted greenhouse gas emissions" to "adjusted greenhouse gas emissions," which are based on the Act on Promotion of Global Warming Countermeasures. The change has been retroactively applied to emissions since FYE March 2015. CO₂ reduction initiatives are described on page 45

Waste Generation

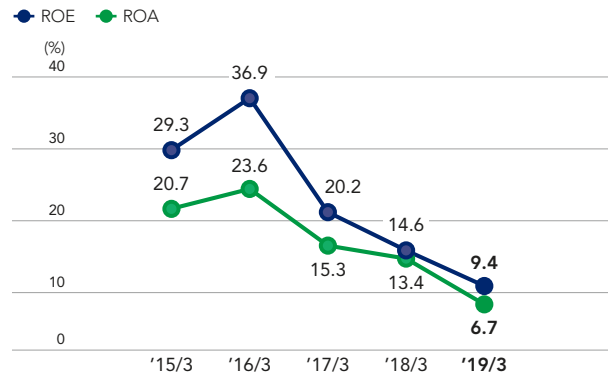


* Includes scrap metal sold

Interest-Bearing Debt / D/E Ratio

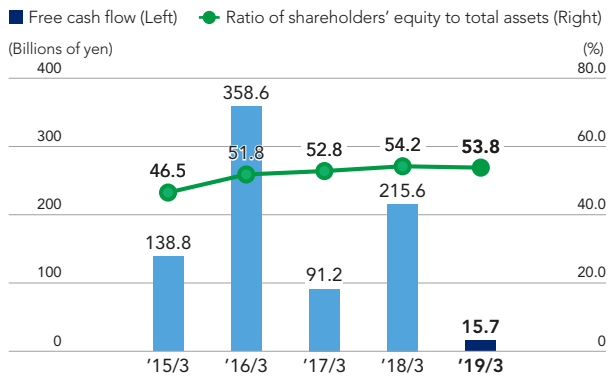


ROE / ROA



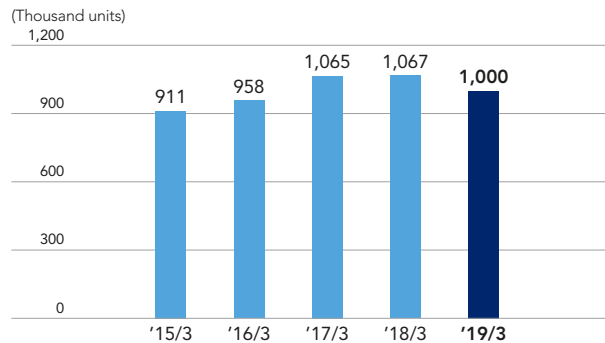
* ROA = Operating income / Total assets
(average at the beginning and end of the term)

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



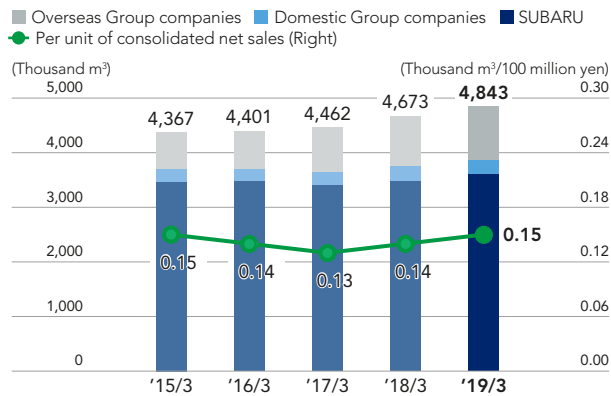
* Application of Partial Amendments to Accounting Standard for Tax Effect Accounting, effective from FYE March 2019
Retroactively applied to the figures for FYE March 2018

Consolidated Unit Sales

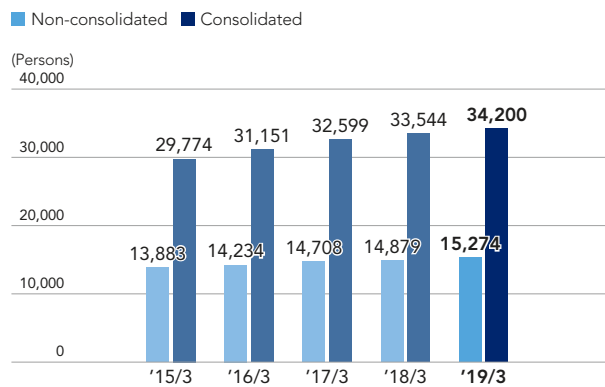


* Automobile unit sales of SUBARU CORPORATION and its consolidated subsidiaries

Water Consumption



Number of Employees



* Excluding executive officers, advisors, and dispatches

Report on Improprieties Relating to Final Vehicle Inspections

Here, we provide an overview of improper conduct during final vehicle inspections and SUBARU's response to those instances, and report on specific measures to prevent any reoccurrence.



Please refer to the SUBARU corporate website for details.

<https://www.subaru.co.jp/en/jpfvi/top.html>

Overview of Improprieties Relating to Final Vehicle Inspections

On December 19, 2017 and April 27, 2018, SUBARU reported to the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) about improper conduct during final vehicle inspections discovered in October 2017. On June 5, 2018, SUBARU was required by the MLIT to conduct a thorough investigation and develop measures to prevent any reoccurrence of improprieties in connection with vehicle fuel economy and emissions sampling procedures and other final vehicle inspections. In response to this, SUBARU commissioned a team of external professionals, including an attorney, to conduct a thorough investigation from an objective and neutral perspective. The investigation newly identified inappropriate conduct in connection with final vehicle inspections and on September 28, 2018 SUBARU released the investigation report. Furthermore, an internal investigation triggered by an on-site inspection conducted by the MLIT in October 2018 found that some inappropriate conduct had continued.

Since the end of 2017, SUBARU has reinforced education for final vehicle inspectors, reviewed personnel assignments, and promptly implemented feasible facilities modifications, updating of inspection equipment software, and various other measures. Taking this all into account, executives and managers spent considerable time participating in inspections at final inspection sites, holding discussions with final vehicle inspectors, and verifying the effect of various measures already implemented to prevent reoccurrence of improper conduct, and worked to ensure compliance. Subsequently, as a result of halting production lines to verify the effect of preventive measures, on October 26, 2018 SUBARU found that the preventive measures function effectively and that the soundness of the final vehicle inspection process had been ensured, and SUBARU confirmed that the identified improper conduct had ended. No improper conduct similar to that identified in the investigations conducted to date has been discovered since the resumption of production.

Given the background to the above repeated improprieties, on November 14, 2018 SUBARU received from the Minister of Land, Infrastructure, Transport and Tourism a recommendation of actions, such as a review and thorough implementation of prevention measures. Also, on December 19, 2018, MLIT notified the Tokyo District Court to apply a civil fine against SUBARU pursuant to the Road Transport Vehicle Act, since part of the improper sampling tests constituted a case of partial non-implementation of important final vehicle inspections. As a result, on March 8, 2019, the Tokyo District Court imposed a non-penal fine of 83.4 million yen.

Response to Improprieties Relating to Final Vehicle Inspections

The Company takes the current situation resulting from repeated improper conduct extremely seriously. We have resolved to recover the trust of all stakeholders as quickly as possible by further accelerating activities to become "a company that does the right thing in the right way." We are boldly implementing corporate culture reforms and have implemented various measures to prevent a reoccurrence of improper conduct, which can be divided into the following four categories.

- Measures that strengthen management's sense of ownership and clarify its responsibility for compliance and quality assurance
- Measures to detect and prevent improper work
- Development of a structure to promptly correct improper work when it occurs
- Measures that are promptly implemented and continuously operated in the future

SUBARU has further subdivided the abovementioned preventive measures into 65 items and is currently implementing the measures. Implementation of 57 items has been completed as of April 23, 2019, when the quarterly progress report was submitted to the MLIT. SUBARU will continue to mount a group-wide effort to implement measures to prevent any reoccurrence of improper conduct and to constantly improve and increase the reliability of those measures.

Status of Implementation of Measures to Prevent any Reoccurrence of Improprieties Related to Final Vehicle Inspections

Changing Our Mindset, Starting with Management

Senior management is taking the initiative in ascertaining the situation on the ground, ensuring that a change in employee mindset reaches every corner of the workplace, and engaging in activities to foster a corporate culture that places the highest priority on quality.

In addition to regular efforts to raise awareness of quality and compliance through an in-house newsletter, SUBARU uses feature articles and extra issues of the in-house newsletter to convey senior management's commitment to corporate culture reform throughout the Group. Also, SUBARU holds discussions between senior management and employees for the purpose of invigorating communication with frontline workers.

Since November 2018, President Nakamura has visited plants and offices throughout the Group, including the Gunma Plant and Aerospace Company Utsunomiya Plant, to communicate face to face with employees about management's firm resolve to prevent any reoccurrence of the repeated final vehicle inspection problems and to recover trust. Also, SUBARU has implemented organizational changes in order to steadfastly and more robustly implement measures to prevent any reoccurrence of the final inspection problems, including establishment of the Vehicle Inspection Department within the Quality Assurance Division effective December 1, 2018 and institution of a new organizational structure with respect to the director in charge of manufacturing, effective January 1, 2019.

Improvement of Communication

At final inspection sites, team leaders and final vehicle inspectors review each day's work together and mutually confirm whether inspections have been carried out in accordance with standard operations and whether the standard operations themselves are appropriate. Also, to realize various improvements, senior personnel and inspectors periodically hold meetings to discuss improvements to all aspects of work and consider improvement measures. Furthermore, department general managers hold monthly regular meetings at all workplaces, at which they directly confirm the status of improvement of inspection sites and individual problems and concerns, introduce best practice examples from other worksites, and discuss problems for which improvement has been delayed. In this way, following sharing of workplace problems at each level of management, workplace-level measures for improvement are rapidly implemented. Furthermore, measures for improvement that, according to their nature, must be implemented beyond the workplace level are realized through discussion with team leaders, assistant managers, section managers, or department general managers. This daily communication is contributing to raising the awareness of final vehicle inspectors and to continuous improvement activities.

Improvement of Facilities

SUBARU has implemented various improvements in the final vehicle inspection process to ensure reliable inspections and quality. One example of a facilities improvement is the conversion of a device used in speedometer tests. Whereas previously a monitor constantly displayed the speed being measured, now only the speedometers' measurement results are displayed, enabling inspectors to focus their attention on the speedometers. In addition, final vehicle inspector trainees wear different colored caps and helmets to clearly indicate that they are trainees. Work training is conducted at actual production lines on a one-to-one basis by inspectors with trainer qualifications. Through these improvements, SUBARU is developing a reliable inspection system and rigorously ensuring quality.

Note: This is an English translation of the original Japanese text. If there are any discrepancies between this text and the original Japanese text, the original Japanese text prevails

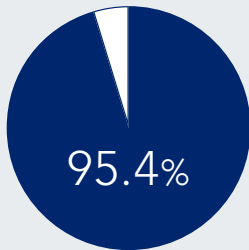


Automotive Business Unit

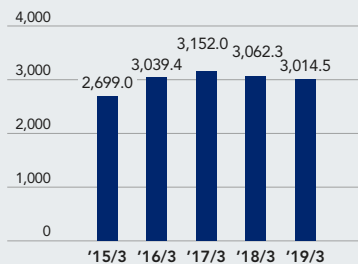
SUBARU continues to develop cars that promise total driving enjoyment and safety for all passengers.



Consolidated Net Sales Contribution Ratio of the Automotive Business Unit

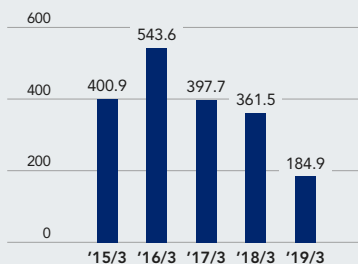


Net Sales (Billions of yen)



* Change of accounting policy effective from FYE March 2019 (deduction of sales incentives from net sales)
Retroactively applied to the figures for FYE March 2018

Operating Income (Billions of yen)



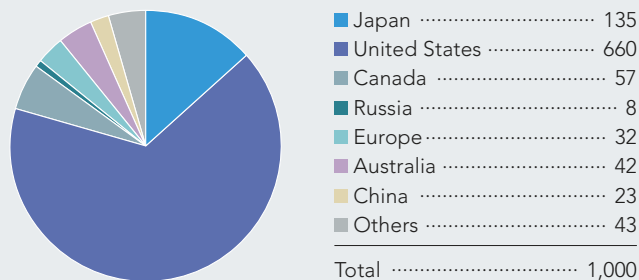
The launch of the SUBARU 360 in 1958 marked SUBARU's start as an automaker. Ever since, we have contributed to the development of Japan's automotive industry by creating a succession of distinctive cars equipped with creative technologies such as the horizontally opposed engine and Symmetrical All-Wheel Drive. We continue to take on new challenges in order to provide all of our customers with "Enjoyment and Peace of Mind." For example, we continue to evolve the EyeSight driver assist system, have improved safety performance and driving performance by adopting the Subaru Global Platform, our next-generation vehicle platform, and were the first Japanese automaker to use a pedestrian protection airbag.

Overview of FYE March 2019

- Consolidated global unit sales decreased by 6.3% year on year to 1,000,000 units.
- Sales in Japan were 135,000 units. Overseas sales were 865,000 units.

* Vehicle volume figures are rounded off to the nearest thousand

Consolidated Automobile Sales by Region (Thousand units)



Product Lineup

Legacy Series

LEGACY



OUTBACK



Consolidated unit sales: 260,000 units
Sales regions: Japan, North America, Russia, Europe, Australia, China, and other

FORESTER



Consolidated unit sales: 260,000 units
Sales regions: Japan, North America, Russia, Europe, Australia, China, and other

WRX



Consolidated unit sales: 41,000 units
Sales regions: Japan, North America, Russia, Europe, Australia, and other

Impreza Series

IMPREZA



(SEDAN)



(5 Door)

SUBARU XV

(North America: CROSSTREK)



Consolidated unit sales: 322,000 units
Sales regions: Japan, North America, Russia, Europe, Australia, China, and other

LEVORG



Consolidated unit sales: 15,000 units
Sales regions: Japan, Europe, Australia, and other

SUBARU BRZ



Consolidated unit sales: 7,000 units
Sales regions: Japan, North America, Europe, Australia, and other

ASCENT

(Exclusively for North America)



Consolidated unit sales: 67,000 units
Sales region: North America

OEM Models

JUSTY



CHIFFON



STELLA



PLEO+ PLUS



DIAS WAGON



SAMBAR



Consolidated unit sales: 28,000 units
Sales region: Japan
(OEM supply from Daihatsu Motor Co., Ltd.)

* For the period from April 1, 2018 to March 31, 2019

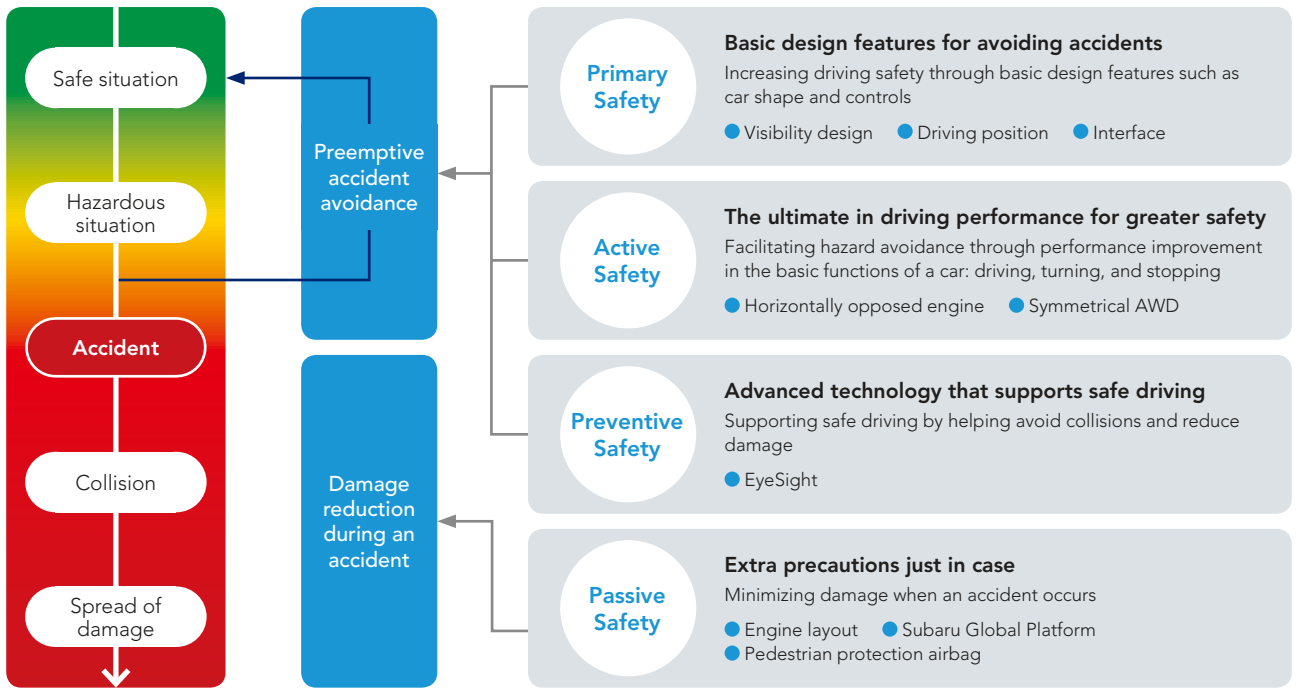
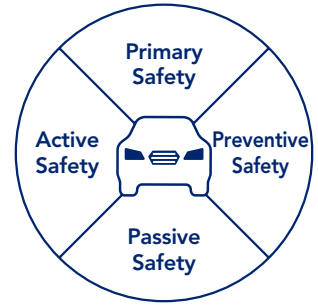
* Automobile sales of SUBARU CORPORATION and its consolidated subsidiaries

Automotive Business Unit

The SUBARU Concept of All-Around Safety

Aiming for the highest level of peace of mind and safety for all passengers

SUBARU pursues automobile safety performance from every perspective and is refining and perfecting core technologies on the basis of four safety criteria: primary safety, active safety, preventive safety, and passive safety.



Safety Performance Recognized Worldwide

SUBARU has received the highest rating in the NCAP¹ conducted by the authorities in Japan, the U.S., Australia, and other countries, as well as in the safety performance assessment conducted by the IIHS² in the U.S.³

In the IIHS safety performance assessment, all models equipped with EyeSight and specific headlights received the 2019 Top Safety Pick Plus (TSP+) rating. The 2019 TSP+ awards only apply to the North America models.



- JNCAP ASV+++ rated models: Impreza/SUBARU XV and Forester (models equipped with EyeSight) in 2018
- JNCAP 5-star rated and first prize models: Forester in 2018
- 2019 IIHS TSP+ rated models: 2019 Impreza, Crosstrek, Legacy, Outback, WRX, Ascent, and Forester (models equipped with EyeSight and specific headlights)
- UN-NCAP 5-star rated models: 2019 Impreza, Crosstrek, Legacy, Outback, Ascent, and Forester
- Euro NCAP 5-star rated models: Impreza and SUBARU XV in 2017
- ANCAP 5-star rated models: Forester in 2019

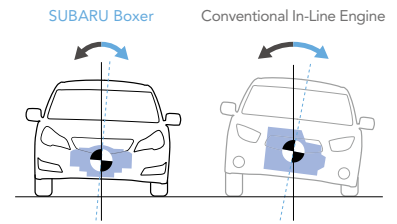
1 NCAP: New Car Assessment Program
2 IIHS: Insurance Institute for Highway Safety
3 For ratings details, please refer to rating agency websites

SUBARU Core Technologies

Horizontally-Opposed Engine (Boxer engine)

Compact, low center of gravity

The horizontally opposed engine has pistons arranged symmetrically to the left and right of the crankshaft. Since the opposed pistons mutually cancel out engine vibrations, the engine can rotate smoothly, which reduces vibrations conveyed to the vehicle interior. The engine's low height and compact design contribute to low vehicle center of gravity. The stable attitude provides a high sense of security during driving.



Symmetrical All-Wheel Drive (AWD)

Superior overall weight distribution

The combination of the low center of gravity provided by the horizontally opposed engine and superior longitudinal-transverse weight balance achieved by placing the transmission near the center of the vehicle maximizes all-wheel drive capability and delivers superb driving performance in various conditions. SUBARU has been committed to Symmetrical AWD as a core technology that drivers can depend on in every situation from day-to-day town use to high-speed highway driving.



Symmetrical All-Wheel Drive (AWD)

Subaru Global Platform

A next-generation vehicle platform designed with the future in mind, looking ahead to 2025

SUBARU is sequentially introducing the Subaru Global Platform, starting with the all-new Impreza launched in October 2016. The new vehicle platform substantially increases body and chassis rigidity and further lowers vehicle center of gravity, raising the level of active safety and passive safety and delivering responsive handling performance and a comfortable ride with reduced unpleasant vibration and noise.



Subaru Global Platform

EyeSight Driver Assist System

Stereo cameras for advanced object recognition capabilities

The use of two cameras positioned to the left and right, like human eyes, contributes to preventive safety by helping avoid accidents, reduce impact, and alleviate driver burden by enabling three-dimensional recognition of cars, pedestrians, and other objects in front of the vehicle and accurate recognition of the distance, shape, and speed of movement of these objects. SUBARU began development of a driver assist system using stereo cameras in 1989. Application of research results and experience accumulated over many years since then has culminated in EyeSight, a system that anyone can use with peace of mind. In 2017, we introduced EyeSight Touring Assist, which dramatically reduces driver fatigue by automatically assisting accelerator, brake, and steering operation at a wide range of speeds from 0 to approximately 120 km/h for expressway driving.

SUBARU pursues "protecting people's lives" and evolves preventive safety technologies with the aim of eliminating fatal accidents involving SUBARU vehicles* by 2030.



Stereo cameras

* Elimination of accidents resulting in the death of drivers or passengers in SUBARU vehicles and accidents resulting in the death of pedestrians, cyclists, or other persons due to collision with SUBARU vehicles



Debut of the All-New **FORESTER**

As a top-selling model in the SUBARU lineup, the all-new fifth-generation Forester is positioned as a key part of the company's global strategy. The new model offers packaging that balances excellent handling with a spacious interior as well as easy-to-use features, bringing comfort and enjoyment for all passengers. Under SUBARU's design philosophy "Dynamic x Solid," we have created the new design for the Forester that imparts a feeling of the toughness of an SUV and easy-to-use functionality.

- Incorporates the Driver Monitoring System,¹ SUBARU's first-ever occupant recognition technology
- Equipped with the e-BOXER² power unit system, which makes even everyday driving enjoyable thanks to smooth acceleration from a motor assist function
- Incorporates the Subaru Global Platform, which provides top-of-class comfort and safety performance
- Pedestrian protection airbags and EyeSight Touring Assist, the latest advanced safety equipment, come standard³ in all models

1 A safety feature designed to alert an inattentive driver, not to prevent driver inattention or accidents
2 A hybrid system that combines a horizontally-opposed engine and electric-drive technology for eco-friendly performance in addition to SUBARU's signature driving enjoyment
3 The Forester specifications shown on this page are the specifications in Japan

2018-2019

Car Assessment (JNCAP)
**Received
the Grand Prix Award
for collision safety
performance**



The Forester won the Grand Prix Award in the collision safety performance assessment for earning the highest score in the 2018–2019 Japan New Car Assessment Program (JNCAP) collision safety performance assessment. It also received Advanced Safety Vehicle Triple Plus (ASV +++) rating, the highest rating in the preventive safety performance assessment. The Forester's high safety performance in a wide range of areas from accident risk reduction to collision damage reduction has been demonstrated once again.

The Head of Development's Uncompromising Attention to Detail that is Winning the Forester Worldwide Acclaim

Concept of the All-New Forester

We defined the SUBARU value proposition that shaped development of the Forester as "Trust in Forester—Able to go anywhere, suitable for use in any situation." We created the product by following the core concept of the previous model and adding new value concepts. We sought to add two new value concepts. The first is the ability to share comfort and a dynamic space, for all passengers alike—the driver and loved ones. The second is that through owning or riding in the vehicle, drivers will feel able to embark on an exciting adventure and that all passengers, regardless of generation, can feel a sense of adventure. These two value concepts are the key development themes for the new Forester.

Comfort for Loved Ones

When I considered what makes a comfortable car, I thought of the Japanese expression *fukuyoka* (meaning "well-rounded"). As an example, for the door trim, we used soft-touch materials all the way up to the top of the window shoulder and, for areas that come into contact with the body, we devised a way of expressing interior richness with a spacious seating area and plush interior surfaces. As a result of thinking through how to provide comfort, we concentrated on creating comfort with an emphasis on the back-seat area. For instance, we created spacious legroom by using nearly all of the added wheelbase length of the new platform for the rear seats and also enhanced the comfort of the rear-seat environment. Furthermore, although the Driver Monitoring System (DMS) was initially conceived for the purpose enhancing safety and peace of mind, such as through preventing the driver from dozing off, since a key objective was to create a comfortable car, we brainstormed ways of utilizing the DMS to enhance vehicle comfort. We came up with an idea to increase the customer value of the DMS by utilizing the facial recognition software to automatically adjust the driver's seat position and mirror angles to preset individual preferences.

Stir of Adventure

The word "adventure" can mean many things: for instance, the sense of expectation when the driver straps into the driver's seat or the feeling of excitement about going on a new journey together with loved ones. First, we thought about how to embody the notion of adventure in a car and decided to do everything we could to achieve this. One example of this is the cargo area, designed to contribute to a sense of excitement. The engineers and designers drew up plans and considered together how to create a cargo area that looks spacious from the rear and has a large luggage area with room to stow everything needed for a family picnic. The result is a cargo area with a 1,300-mm extra-wide rear gate opening, which is exciting in its potential.

The e-BOXER power unit was first conceived with the idea of using an electric motor to enhance traditional SUBARU strengths, not simply to improve fuel economy. However, following repeated discussion among the project team members, we decided to use a motor to compensate for the weaknesses of gasoline engines. The advantage of a motor is that since it runs on electricity, it can be simply switched off and on. Using an electric motor for functions for which a gasoline engine is ill suited, resulted in much smoother driving performance. We also considered whether we could use the motor to further improve driving performance on uneven road surfaces. Getting just the right amount of engine power using the accelerator is most difficult at the slow speeds required for rough and bumpy terrain. Since (unlike a gasoline engine) motor operation varies linearly with the accelerator pedal position, cars equipped with the e-BOXER power unit become a great deal easier to drive. By combining e-BOXER with X-MODE⁴ and concentrating on using the motor to assist when the accelerator pedal is pressed, we were able to evolve X-MODE to make it easier to drive even on bad roads. I think that the development of e-BOXER has allowed us to create a car that really supports a sense of adventure.

⁴ X-MODE is an AWD control function. Appropriately controlling the driving force of the four wheels, braking, and other vehicle functions makes it possible to smoothly escape from bad road conditions



Project General Manager
Product & Portfolio Planning Division

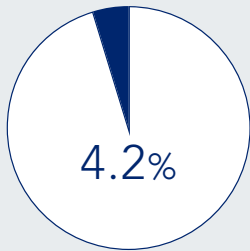
Tomoyuki Nunome



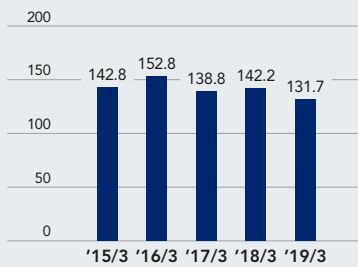
Aerospace Company

Leveraging tradition and innovative technologies to develop and produce a wide variety of aircraft.

Consolidated Net Sales Contribution Ratio of the Aerospace Company

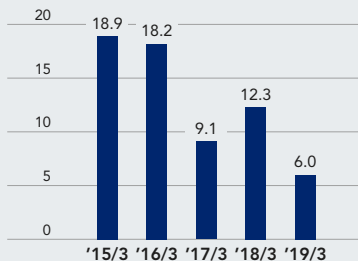


Net Sales (Billions of yen)



* Change of accounting policy effective from FYE March 2019 (deduction of sales incentives from net sales)
Retroactively applied to the figures for FYE March 2018

Operating Income (Billions of yen)



SUBARU's roots trace to 1917 and Aircraft Research Laboratory, later to become Nakajima Aircraft. The Aerospace Company, which has inherited Nakajima Aircraft's manufacturing technologies and spirit, leads Japan's aerospace industry and develops and produces a wide variety of aircraft.

In the defense program, we develop, manufacture, maintain, repair, and provide technical support for products such as the UH-1J utility helicopter used by the Japan Ground Self-Defense Force for disaster relief and other purposes, the T-5 Maritime Self-Defense Force trainer, unmanned aerial vehicles (more than 15 models developed over a half century), and flight simulators. In the commercial program, we participate in many international joint development projects for Boeing. For the 777X, Boeing's newest large passenger airliner, we are responsible for the Center Wing and its integration with main landing gear (MLG) wheel well, as well as MLG doors and Wing-to-Body Fairings (forward). In addition, taking advantage of an alliance with Bell Textron, we jointly developed the SUBARU BELL 412EPX and have started sales.

By further refining our technologies through involvement in a wide variety of aircraft programs, we will continue to take on additional challenges for growing into an aircraft manufacturer with a global presence.



Boeing 777X



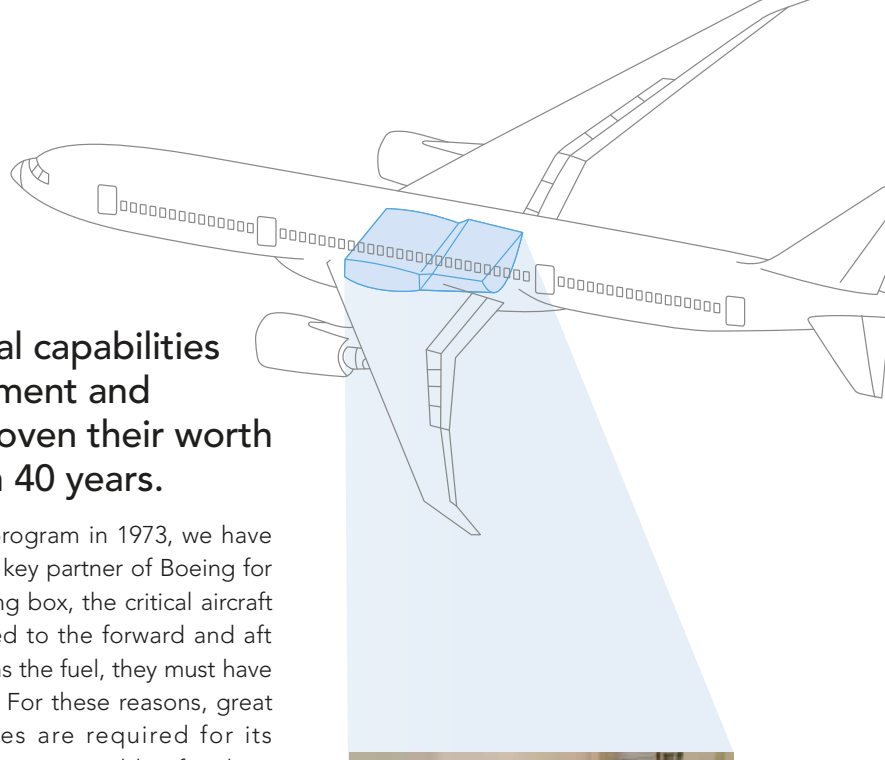
SUBARU BELL 412EPX

Overview of Center Wing Box and SUBARU's Technology

SUBARU's advanced technological capabilities continue to support the development and production of wings that have proven their worth in the world's skies for more than 40 years.

Since first participating in the Boeing passenger program in 1973, we have been involved in development and production as a key partner of Boeing for more than 40 years. We manufacture the center wing box, the critical aircraft section where the right and left wings are attached to the forward and aft fuselage sections. Since the center wing box contains the fuel, they must have high mechanical strength and high fluid tightness. For these reasons, great accuracy and advanced assembly technologies are required for its manufacture, and SUBARU is one of the few companies capable of making them. The Handa Plant, where center wing boxes are manufactured, is a global-level production center that produces these parts for the new Boeing 777X as well as for the Boeing 777 large airliner, the Boeing 787 mid-size airliner, the Ministry of Defense's P-1 maritime patrol aircraft, and the C-2 transport aircraft.

SUBARU's advanced technological capabilities are recognized worldwide. For example, we engage in development on the "Drop test for Simplified Evaluation of Non-symmetrically Distributed sonic boom" Project (D-SEND) together with Japan Aerospace Exploration Agency (JAXA).



A center wing box (Handa Plant)



President
Aerospace Company

Shoichiro Tozuka

Message from the Company President

The Aerospace Company will contribute to the enhancement of the SUBARU brand.

We are a start-to-finish aircraft builder with a wide-range of integration capability from aircraft development and manufacturing to flight testing. Flight safety is an important factor for aircraft, and for many years we have fostered a culture in which quality and safety are recognized as inextricably linked and uncompromisingly pursued. This total safety concept is at the core of SUBARU's DNA.

In the commercial airplane business, the production rate of the Boeing 787, which is our major product, has reached 14 shipsets per month. Meanwhile, for the Boeing 777X, the latest derivative of the Boeing 777 series, we have completed delivery of components for test airplanes and expect full-scale production to start.

In the defense program, we have successfully made the first flight and delivered the prototype of a New Utility Helicopter for Japan Ground Self-Defense Force in FYE March 2019. We have begun production of the SUBARU BELL 412EPX, which is based on the New Utility Helicopter, and will engage in full-scale production and sales from FYE March 2020.

We will continue to hone and perfect every aspect of our business and pursue further growth with the aim of expanding the SUBARU brand to the sky and space.

Directors, Auditors, and Executive Officers

(As of August 8, 2019)

Directors of the Board



Director of the Board
Yasuyuki Yoshinaga



Representative
Director of the Board
Tomomi Nakamura



Representative
Director of the Board
Kazuo Hosoya



Director of the Board
Toshiaki Okada



Director of the Board
Yoichi Kato



Director of the Board
Tetsuo Onuki



Outside Director
Shigehiro Aoyama



Outside Director
Yasuyuki Abe



Outside Director
Natsunosuke Yago

Auditors



Standing Corporate Auditor
Akira Mabuchi



Standing Corporate Auditor
Shuzo Haimoto



Outside Corporate Auditor
Shigeru Nosaka



Outside Corporate Auditor
Kyoko Okada

Executive Officers

Chairman	Yasuyuki Yoshinaga	
President	Tomomi Nakamura	CEO (Chief Executive Officer)
Deputy President	Kazuo Hosoya	Chief General Manager of Manufacturing Div. and Gunma Plant
Executive Vice President	Toshiaki Okada	CFO (Chief Financial Officer)
Executive Vice President	Yoichi Kato	CRMO (Chief Risk Management Officer)
Executive Vice President	Katsuyuki Mizuma	Chief General Manager of Overseas Sales & Marketing Div. 1 and Overseas Sales & Marketing Div. 2
Executive Vice President	Tetsuo Onuki	CTO (Chief Technology Officer)
Executive Vice President	Atsushi Osaki	CQO (Chief Quality Officer) Chief General Manager of Quality Assurance Div.
Senior Vice President	Hideaki Matsuki	Chief General Manager of Parts & Accessories Div.
Senior Vice President	Hiroshi Tsutsumi	General Manager of Human Resources Dept.
Senior Vice President	Shoichiro Tozuka	Company President of Aerospace Company
Senior Vice President	Takuji Dai	CIO (Chief Information Officer) Chief General Manager of IT Strategy Div., Senior General Manager of Corporate Planning Div.
Senior Vice President	Fumiaki Hayata	Chief General Manager of Corporate Planning Div.
Senior Vice President	Tatsuro Kobayashi	Chief General Manager of Purchasing Div.
Senior Vice President	Eiji Ogino	President of SIA ¹
Vice President	Katsuo Saito	General Manager of General Administration Dept. and Investor Relations Dept.
Vice President	Yasushi Nagae	Chief General Manager of Customer Service Div.
Vice President	Jinya Shoji	Senior General Manager of Overseas Sales & Marketing Div. 1, EVP ² of SOA ³
Vice President	Yoichi Sato	Chief General Manager of Japan Sales & Marketing Div.
Vice President	Takeshi Seiyama	SIA ¹ Senior Vice President of SIA, Senior General Manager of Purchasing Div.
Vice President	Osamu Eriguchi	Chief General Manager of Engineering Div. 2
Vice President	Tomoaki Emori	Senior General Manager of Corporate Planning Div.
Vice President	Tatsuya Okuno	Chief General Manager of Engineering Div. 1
Vice President	Tamotsu Inui	Chief General Manager of Cost Planning & Management Div.
Vice President	Tetsuo Fujinuki	Chief General Manager of Engineering Management Div., Senior General Manager of Engineering Div. 1, and Technical Research Center
Vice President	Hiroshi Wakai	Company Vice President of Aerospace Company, Senior General Manager of Engineering & Development Center
Vice President	Kazuhiro Abe	Chief General Manager of Product Planning Div.

¹ Subaru of Indiana Automotive, Inc.

² Executive Vice President

³ Subaru of America, Inc.

Corporate Governance

Basic Policy on Corporate Governance

- In accordance with the corporate philosophy and management philosophy (see page 02), SUBARU has articulated the vision "From a company making things, to a company making people smile" and is working to enhance corporate governance to gain the satisfaction and trust of all its stakeholders by achieving sustainable growth and improving its corporate value in the medium to long term as a top management priority.
- SUBARU clearly separates management decision-making and oversight from business execution and aims to realize efficient management by expediting decision-making.
- SUBARU ensures proper decision-making and oversight of corporate management and the execution of business operations as well as enhancing compliance and its risk management systems through the monitoring of its management and operations and advice provided by outside officers.
- SUBARU provides proper and timely disclosure of information in order to improve transparency of management.

Management Organization

The Company has chosen a company with a board of corporate auditors as its corporate governance structure. The Board of Directors decides and supervises important matters of business execution, and the Board of Corporate Auditors audits the execution of duties by directors.

With regard to the business operation system, the Company has established the Executive Management Board Meeting as a preliminary consultation body to conduct deliberations on company-wide management strategies and the execution of important business before their presentation at the Board of Directors' Meeting. In addition, the Company has adopted a vice president system and established the Executive Board Meeting as the decision-making body of each business department, and converted the Aerospace division into an internal company in order to clarify responsibilities and accelerate the execution of business operations.

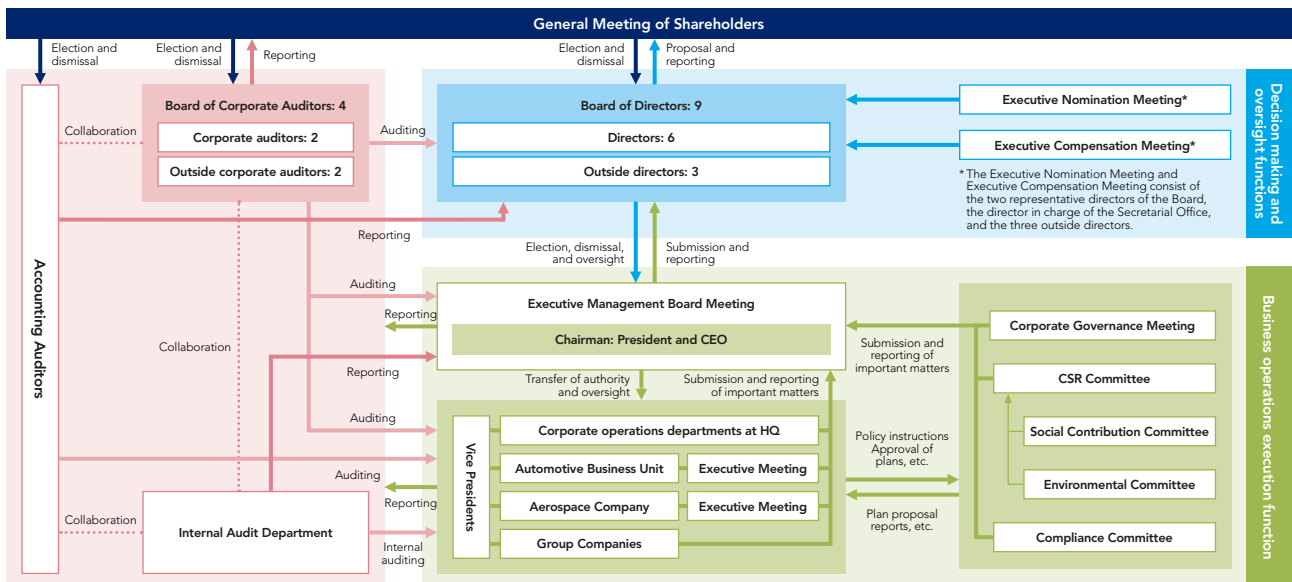
The Board of Directors is composed of nine directors, and the Company has sought to strengthen governance by appointing three outside directors among them.

The outside directors provide sound advice about decisions on important matters of business execution and monitor all aspects of management on the basis of a wealth of knowledge and experience concerning corporate management.

The Board of Corporate Auditors is composed of four corporate auditors, two of whom are outside corporate auditors. The outside corporate auditors perform a management oversight function independent from senior management, performing a role of auditing from the viewpoint of legality and appropriateness on the basis of broad and advanced knowledge.

The Company appoints as outside directors and outside corporate auditors persons who meet the criteria for independence established by the Tokyo Stock Exchange and the Company's independently established criteria for independence.

System of Corporate Governance



The Company currently has one advisor, who is not a retired president or CEO. The principle role of the advisor is to be available on a regular basis to provide business advice upon request. The advisor does not participate in meetings and is not involved in management. In principle, the term of office of the advisor is one year.

SUBARU has abolished the Senior Advisor System.

Policy and Procedure for Nominating Candidates for Director and Corporate Auditor

For the purpose of realizing the Company's corporate philosophy, effective corporate governance, and sustained growth and improvement of corporate value in the medium and long term, the Board of Directors nominates as candidates for directors and corporate auditors persons with a wealth of experience, high levels of ability and insight, and advanced expertise appropriate to a director or corporate auditor of the Company. The Board of Directors considers matters such as diversity within the Board and appoints two or more independent outside directors in the interest of ensuring monitoring and oversight of management from an independent perspective, improving management transparency, and enhancing shareholder value.

The Company has established the Executive Nomination Meeting as a voluntary committee. To ensure fairness and transparency in decisions on executive appointments, the Executive Nomination Meeting, in accordance with inquiries from the Board of Directors, submits to the Board of Directors proposals on the nomination, appointment, and dismissal of officers sufficiently deliberated on and approved by its members, who include the independent outside directors. These personnel matters are decided by resolution of the Board of Directors. Explanations of matters such as the candidate's background, the status of concurrent positions, insight, and expected roles at the Company are provided for each nomination and appointment. Approval of the Board of Corporate Auditors is obtained for nominations of candidates for corporate auditor.

The Executive Nomination Meeting consists of the two representative directors, the director in charge of the Secretarial Office, and the three outside directors, and is chaired by Representative Director of the Board, Tomomi Nakamura. The Executive Nomination Meeting was convened five times in FYE March 2019 and submitted reports mainly on the executive structure and appointments, the division of duties of executives, and the appointment of representatives of major subsidiaries.

Promotion of Diversity Management

Despite a process of selecting officer candidates, in which the Company identifies and shortlists candidates without regard to gender or nationality and considers the capabilities and other attributes of candidates, the Board of Directors is currently composed entirely of men. For this reason, the Company is implementing initiatives to ensure gender diversity on the Board of Directors. In particular, in order to encourage diversity among everyone who works in the SUBARU Group, the Company has made promoting active roles for women a top priority and set a target of increasing the number of female managers in 2020 by at least five times the number in 2014, the year the target was set, in accordance with a policy of promotion through merit based on demonstrated ability. The rate of target achievement was 90% as of March 31, 2019. Furthermore, we have set a new target for 2025 of at least 12 times the number in 2014. Through these activities, we will expand the pool of female candidates for executive officer, vice president, department general manager, and section manager and encourage diversity within the Board of Directors and throughout the Company.

In addition, as part of the promotion of diversity management, a female outside corporate auditor was elected at the 88th Ordinary General Meeting of Shareholders as SUBARU's first female officer.

Board of Directors' Meeting Participation Rate

Category	FYE March 2015	FYE March 2016	FYE March 2017	FYE March 2018	FYE March 2019
Number of meetings held	14 times	15 times	15 times	17 times	16 times
Attendance rate	100%	96.3%	96.3%	99.0%	98.4%

* Attendance rates for newly elected directors are calculated based on the number of Board of Directors' meetings held after they assumed office

So that the directors and corporate auditors fully discharge their duties, the Company holds study meetings to continuously provide them with information and knowledge related to business activities necessary for management oversight. In addition, to continuously provide the outside officers with information about SUBARU's management philosophy, corporate culture, and business environment, etc., the Company provides business reports from the operating divisions and opportunities for plant tours and has prepared an environment that encourages sharing of information and exchange of ideas among executives.

Reasons for Appointing the Outside Officers

Outside Directors

Name	Independent Officer Status ¹	Reasons for Appointing	Meeting Attendance (FYE March 2019)		Significant Concurrent Positions ²
			Board of Directors	Board of Corporate Auditors	
Shigehiro Aoyama	○	Mr. Shigehiro Aoyama has served in significant posts at Suntory Holdings Limited. He has abundant experience and broad knowledge and expertise in business management, as well as advanced knowledge in the field of marketing. He has served three years as an independent outside director for the Company as of the conclusion of the 88th Ordinary General Meeting of Shareholders. During his tenure, Mr. Aoyama has provided valuable advice on the management of the Company based on his abundant experience and extensive knowledge as a business manager as well as his deep insight into corporate social responsibility. Therefore, the Company has appointed Mr. Aoyama with the expectation that he will continue to provide sufficient advice and oversight of all aspects of the Company's management from an independent perspective.	Attended 16 of 16 meetings	—	External Director, Takamatsu Construction Group Co., Ltd. Outside Director, Miraca Holdings Inc. President, the Distribution Economics Institute of Japan
Yasuyuki Abe	○	As representative director and senior executive operating officer of Sumitomo Corporation, Mr. Yasuyuki Abe has been involved in management in both a supervisory and executional capacity, possesses extensive experience and knowledge in business management, and has an advanced understanding of the IT field. Mr. Abe has served three years as an independent outside corporate auditor for the Company as of the conclusion of the 88th Ordinary General Meeting of Shareholders. During his tenure, he has supervised the execution of duties conducted by directors, as well as understood the true nature of the problems facing the Company and offered his frank opinions to senior management in a timely and appropriate manner. Therefore, the Company has appointed Mr. Abe with the expectation that he will provide sufficient advice and oversight of all aspects of the Company's management from an independent perspective when he assumes office as an outside director of the Company.	Attended 14 of 16 meetings	Attended 12 of 13 meetings	Director of the Board (External), Chairman of the Board, JVC KENWOOD Corporation Advisor, ORANGE AND PARTNERS CO., LTD.
Natsunosuke Yago	○	Mr. Natsunosuke Yago served successively as president and representative director and chairman of the Board at Ebara Corporation, and has extensive experience and knowledge in business management. Mr. Yago is especially knowledgeable in the areas of internal control and governance, and the Company has appointed him with the expectation that he will provide sufficient advice and oversight of all aspects of the Company's management from an independent perspective when he assumes office as an outside director of the Company.	—	—	President, Ebara Hatakeyama Memorial Foundation

In addition to the number of Board of Directors' meetings shown in the above table, there was one written resolution passed that has been deemed equivalent to a Board of Directors' meeting, pursuant to Article 370 of the Companies Act and the Articles of Incorporation.

Outside Corporate Auditors

Name	Independent Officer Status ¹	Reasons for Appointing	Significant Concurrent Positions ²
Shigeru Nosaka	○	Mr. Shigeru Nosaka has been involved in management in both a supervisory and executional capacity as a director and executive vice president and vice chairman of the Board at Oracle Corporation Japan and possesses extensive experience and knowledge in business management. Also, Mr. Nosaka has served as chief financial officer of Oracle Corporation Japan for many years and has ample knowledge of finance and accounting. The Company has appointed him with the expectation that he will appropriately perform the duties when he assumes office as of an outside corporate auditor of the Company.	Vice Chairman of the Board, Oracle Corporation Japan (Planned retirement in August 2019)
Kyoko Okada	○	Ms. Kyoko Okada has accumulated extensive experience and knowledge in areas such as CSR and corporate culture at Shiseido Co., Ltd. and has a career in management auditing as a corporate auditor at Shiseido. Ms. Okada has worked at a company that offers numerous products for women, and the Company has appointed her with the expectation that she will appropriately perform the duties when she assumes office as an outside corporate auditor of the Company, including providing advice concerning the Company's challenges from her unique viewpoint as a woman	Director, Japan Cancer Society Outside Audit & Supervisory Board Member, NS Solutions Corporation

¹ Outside directors and outside corporate auditors unlikely to have conflicts of interest with general shareholders as stipulated by the Tokyo Stock Exchange

² As of June 30, 2019

Messages from the Outside Directors



Applying External Management Knowledge
as an Advocate for Stakeholders to
Contribute to the Evolution of
Risk Management at SUBARU

Shigehiro Aoyama

Outside Director
Appointed as outside director in June 2016

Initiatives in connection with reform of the Corporate Governance Code have greatly accelerated in recent years. In particular, companies have been strongly urged to recognize the importance of outside officers. One factor in this is that shareholders and other stakeholders sense the limitations of the theory that management knows the industry and company better than anyone else and can run a company on that internal logic. The kind of governance change that is being called for involves the incorporation of outside management knowledge and corporate reform plans through the infusion of “outside blood.”

The most important prerequisite for outside directors is independence. Since outside directors have no relationships of interest or connections to corporate officers with executive functions, they are in a position to speak their minds without hesitation. Outside directors are expected to say things they consider beneficial for the company without fear of conflict, even if their opinions differ from views within the company. In essence, there is a requirement for a governance structure in which officers who are non-executive directors devote themselves to oversight, and the result of that oversight can be reflected in resolutions of the Board of Directors.

Outside directors must have a certain level of insight based on previous experience and skills gained as executives, and be able to offer incisive comments to management as both advocates for all stakeholders, and importantly, from the perspective of shareholders. For this reason, I consider it important for outside directors to refine their ability to observe the status of management execution and ask questions to confirm that it does not unknowingly include any conventional wisdom or risks specific to the company or industry. Also, since all experience and skill becomes obsolete with the passage of time, insight that relies solely on one’s own experience and skills is dangerous. Outside directors must refine and update their insight by recognizing that their skills must be dynamic rather than static.

However, even if outside directors maintain their independence and engage in activities to refine their insight on corporate value enhancement, it is meaningless if the company does not accept it. I think there must be a relationship built on trust by which the outside directors express their views based on a sense of loyalty to the company or, simply, a commitment to increasing corporate value by any means. In addition, the inside directors must accept those views with humility and endeavor to make changes. Although the most important mission of outside directors is, of course, to provide oversight of the management of the inside directors, along with checks and balances, I think that a relationship built on trust between the inside officers and outside directors is the starting point for corporate governance today.

From my perspective as an outside director, there is no doubt that SUBARU has a corporate culture of earnestness and sincerity, but I feel that a couple of issues for SUBARU are how little it communicates with the outside world and how late it has been in addressing certain business challenges that are pertinent to the times.

SUBARU’s entire industry faces today’s changes, such as those represented by CASE, and the changing social needs for mobility. Impelled by a sense of urgency that comes with the shifting industry, it is important to have a mentality that allows us to speedily embrace the challenge of technological development and innovation. SUBARU must refine and perfect what it considers its greatest strengths.

SUBARU has evolved top-of-class safety technologies, such as EyeSight, and is enthusiastically committed to the issue of safety. The aim of eliminating fatal traffic accidents involving SUBARU vehicles by 2030, set forth in the mid-term management vision, concretely expresses SUBARU’s responsibility as a manufacturer.

I think this is an example of what SUBARU can do to contribute to the creation of a sustainable society.

In closing, I consider risk management to be the single most important aspect of corporate management today and express this view at every opportunity. Risk management involves recognizing risk factors that the company faces and always considering countermeasures. As a matter of fact, emphasizing and ensuring compliance is the most critical requirement for risk management. Like a small leak that sinks a great ship, a seemingly insignificant compliance violation can bring down a company. Furthermore, a company should realize that there is risk in simply continuing the conventional ways of thinking about and carrying out business operations, work practices, and strategy, and that these need to be transformed. It is precisely this sort of transformation that is the greatest management challenge today, and a company will evolve if they consider risk management to consist of the continuous probing of its current activities and internal logic. Therefore, I think that it is more important than ever to bring in outside ideas and outside blood, and that outside directors have a major role to play.



Applying the Experience Gained through Networking with a Variety of Industry Sectors for Deeper company-wide Discussion to Promote the Sustained Growth of SUBARU and Increase Corporate Added Value

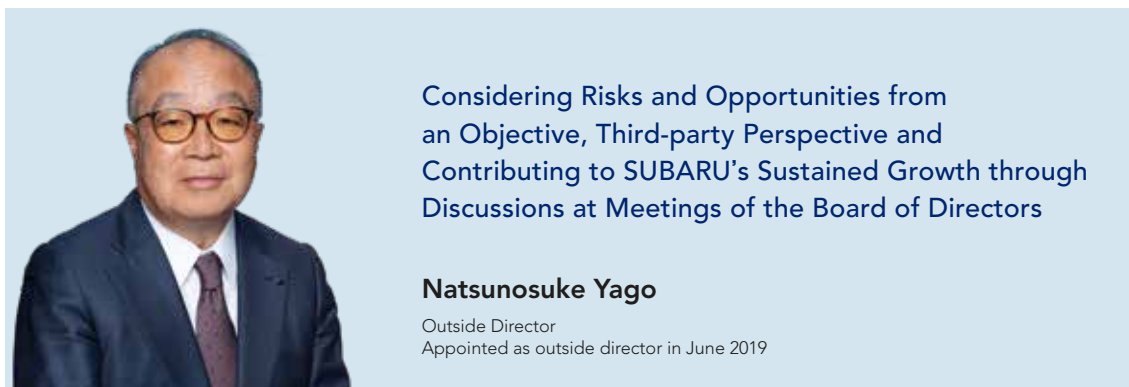
Yasuyuki Abe

Outside Director
Served as outside corporate auditor from June 2016 to June 2019
Appointed as outside director in June 2019

One important role of outside directors is to maximize corporate value from the perspective of shareholders and other stakeholders. I have been newly appointed as an outside director, but my three years of service as a SUBARU outside corporate auditor has enabled me to ascertain the company's current strengths as well as the challenges it faces. For this reason, I think I will be able to contribute more comprehensively to discussions about future management challenges and other matters. My previous activities at a trading company span many years, and I have worked particularly within the global information industry in the fields of finance, distribution, and in other new businesses. As a matter of course, I feel that I have a slightly different point of view from SUBARU's inside corporate officers, who have mainly specialized in the automotive business. In my capacity as an outside corporate auditor, I primarily focused on confirming whether the company was functioning properly. My standpoint will now change, and as a director I will fulfill the role of more actively obtaining information from outside sources and feeding it back to the Company.

One issue I have observed at SUBARU is that, although the company sincerely and earnestly deals with any issues it may have, I feel SUBARU has little contact with other companies in the automotive or other industries and is seldomly proactive in seeking information from outside sources. There are certainly business opportunities to be found in the outside world, and it is also important to experience outside stimuli. Even if the benefits of contact with external parties do not immediately appear, that contact may become the starting point for diverse ideas. Also, as SUBARU continues its mono-zukuri (car-making) activities, seeing the world from a broader perspective and thinking flexibly may lead to new businesses. I see no need for SUBARU to limit and narrowly define its business domains when its business opportunities are limitless. Since a company is like a living thing, it cannot live long without maintenance. A company that grows will naturally change, and it must also undergo guided change. I strongly hope that SUBARU will shift its way of thinking, take advantage of the strengths and potential afforded by its business scale, and continue to take on challenges even if it means changing its business model. At the same time, I want SUBARU to continue to honestly pursue the delivery of "Enjoyment and Peace of Mind" to customers, while accelerating its current activities to become "a company that does the right thing in the right way." I'm convinced that in so doing, SUBARU will achieve further development at a new stage.

My strength as an outside director is the connections I have obtained through networking and interacting with various industry sectors. I want to share the information I can obtain from those connections to deepen company-wide discussion in preparation for SUBARU's sustained growth, and contribute to increasing corporate added value.



I consider it the primary role of outside directors to bring the objective eye of a third party to meetings of the Board of Directors. Our role is to contribute to correct management decisions by identifying discussion points that inside directors tend to overlook and expanding the scope of discussion at Board meetings. The integration of the automotive industry with the information and communication industry is expected to advance at an accelerated rate due to the introduction of fifth-generation (5G) mobile communication systems, as well as the development of artificial intelligence. These are expected to give rise to an unprecedented seismic shift within the automotive industry and I think the Board of Directors will be required to discuss issues from a more long-term perspective. In such discussions, I want to consider risks and opportunities from an objective perspective and help guide the Board of Directors to reasonable conclusions.

When I make decisions as a business executive, I like to emphasize the risks of not taking action. It is the role of executives to make final decisions on whether or not to do something. Moreover, they are required to make decisions one after another (and quickly). I consider the risks of not taking action (problems that will occur because of not taking action), and if I judge that there are no such risks, or that a problem can be solved using an existing method, I make the decision to not do something. Of course, if I judge that a significant risk (including loss of opportunities) will occur if no action is taken, I make the decision to go ahead. Compared to the decision-making approach of considering the benefits and risks of taking action, I think this makes it easier to narrow down what should really be done. In addition, I'd like to share two proverbs I have followed in the past when I make business decisions: "First, start from small things" when beginning a project, and "Fortune is unpredictable and changeable" when a project has ended. The first saying reminds me to start with what I can do in order to accomplish the final objective, and the second saying helps me moderate my emotions so that when I evaluate results I am not carried away by success or excessively discouraged by failure.

I have high expectations that SUBARU will steadily grow as a company by protecting and achieving wider penetration of its brand image. Rather than aiming for the expansion of scale (sales) or a simple maximization of (short-term) profit, I think this can be achieved by prioritizing investment in R&D and human resources in order to increase customer satisfaction. Brand value is not something achieved overnight, but something built up over a long period of time in the history of a company. SUBARU's brand image in the market (including among the industry, consumers, and investors) is excellent, and the brand itself increases corporate value. At a time when a major seismic shift is about to occur across the entire automotive industry, I am convinced that a highly valuable brand image will ensure SUBARU's existence as a company.

Policy and Procedure for Determining the Amount of Compensation for Directors and the Calculation Method

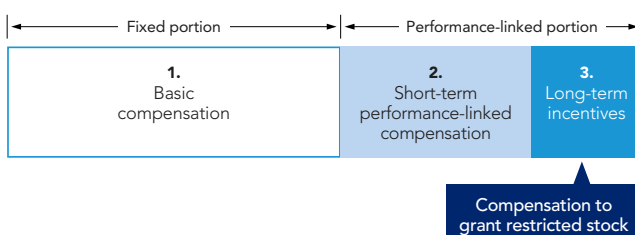
Compensation, etc., of directors is determined in view of the following items.

- Compensation, etc., is at a level commensurate with the roles and responsibilities of directors and is appropriate, fair, and balanced.
- The compensation structure is determined by giving consideration to providing motivation for sustained improvement in corporate performance and corporate value and securing talented personnel.

The specific composition of compensation, etc., is as described below. The total amount of compensation and level of each compensation type are set according to job responsibilities and status as inside or outside director by utilizing survey data from external specialist organizations and other sources.

Compensation System for Directors (Excluding Outside Directors)

1. Basic compensation	A fixed portion with the specific amount determined based on job position, taking into consideration elements such as the business environment
2. Short-term performance-linked compensation	A performance-linked portion with the specific amount determined based on consolidated ordinary income for the current fiscal year, taking into consideration personnel development and the business environment, and adjusted according to the matrix of combined ROE and improved shareholders' equity ratio, which are both performance indicators aligned with the Company's capital policy
3. Long-term incentives	Compensation to grant restricted stock for the purpose of providing an incentive for sustained improvement of the Company's corporate value and further value sharing with the shareholders



In view of the role of outside directors in the monitoring and oversight of management from an independent standpoint, the Company does not provide short-term performance-linked compensation or long-term incentives to outside directors.

By a resolution passed at the 85th Ordinary General Meeting of Shareholders, held on June 28, 2016, the maximum total amount of annual compensation, etc., for directors is 1.2 billion yen (including 200 million yen for outside directors). The maximum total amount of monetary compensation related to long-term incentives is 200 million yen per year, within the abovementioned limitation. The maximum number of directors provided for in the Company's Articles of Incorporation is 15.

The Company has established the Executive Compensation Meeting as a voluntary committee. To ensure fairness and transparency in decisions on executive compensation, the Executive Compensation Meeting, on the basis of delegation by the Board of Directors, determines specific compensation amounts, including the compensation system, following sufficient deliberation by its members, who include the independent outside directors. With regard to revisions of the compensation system and other matters pertaining to compensation overall, proposals approved by the Executive Compensation Meeting are deliberated and decided on by the Board of Directors. The Executive Compensation Meeting is composed of the two representative directors, the director in charge of the Secretarial Office, and the three outside directors, and is chaired by Representative Director of the Board, Tomomi Nakamura.

In STEP, the mid-term management vision announced on July 10, 2018, the Company set forth a profit plan that includes operating income of 950.0 billion yen for the three-year period from FYE March 2019 to FYE March 2021. The Company aims to achieve a ratio of shareholders' equity to total assets of 50% and to maintain a minimum ROE of 10% while aiming for ROE of 15% or higher. For FYE March 2019, consolidated ordinary income was 196.2 billion yen, the ratio of shareholders' equity to total assets was 53.8% (down 0.4% year on year), and ROE was 9.4%. On the basis of these results, the Executive Compensation Meeting, under the authority of the Board of Directors, determined the amount of short-term performance-linked compensation to pay to each director.

By a resolution passed at the 75th Ordinary General Meeting of Shareholders, held on June 27, 2006, the maximum total amount of annual compensation, etc., for corporate auditors is 100 million yen. An amount determined through discussion among the corporate auditors based on position, taking into consideration the business environment, is paid as basic compensation for corporate auditors. The maximum number of corporate auditors provided for in the Company's Articles of Incorporation is five.

Total Amount of Compensation by Officer Category, Total Amount by Compensation Type, and Number of Eligible Officers

Classification	Number	Total compensation (millions of yen)			
		Basic compensation (paid in fixed monthly installments)	Performance-linked compensation		
			Short-term performance-linked compensation	Long-term incentives	
Directors (excluding outside directors)	9	291	80	51	422
Corporate auditors (excluding outside corporate auditors)	2	56	—	—	56
Outside executive officers	4	46	—	—	46
Total	15	393	80	51	524

Note: The above table includes four directors who retired by the last day of FYE March 2019
At the end of FYE March 2019, there were seven directors (including two outside directors) and four corporate auditors (including two outside corporate auditors)

Development of Internal Control Systems

The Company has adopted, by resolution of the Board of Directors, a basic policy on development of a system to ensure that execution of duties by directors complies with laws and regulations and the Articles of Incorporation, as well as on the development of other systems stipulated by ordinance of the Ministry of Justice as necessary to ensure the properness of operations of a stock company and a corporate group consisting of the stock company and its subsidiaries. The Company plans, develops, and applies revisions to this basic policy as needed.

Status of Auditing by Corporate Auditors

SUBARU's corporate auditors attend meetings of the Board of Directors and other important meetings, inspect business sites and subsidiaries, interview members of the Internal Audit Department, and audit the execution of duties by directors and others in accordance with the audit policy and audit plan established by the Board of Corporate Auditors.

(Status of initiatives by the corporate auditors to ensure effectiveness of auditing)

The Company's corporate auditors attend meetings of the Board of Directors, Executive Management Board Meeting, Compliance Committee, CSR Committee, and other important meetings, express their opinions as necessary, and ensure the effectiveness of auditing. They also conduct executive interviews with directors and vice presidents, perform on-site audits of important business sites and affiliated companies, and confirm the status of development and operation of internal control systems. The corporate auditors receive monthly reports from the Internal Audit Department and Legal Department and receive reports on the status of subsidiaries from the departments in charge as needed. In addition, they hold conferences with the corporate auditors of major subsidiaries. The corporate auditors cooperate with the accounting auditors through quarterly exchanges of information and opinions and discuss the appointments of the accounting auditors.

Status of Internal Auditing

SUBARU has established the Internal Audit Department as an internal auditing organization and conducts internal audits of business execution at SUBARU and its domestic and overseas Group companies. At the beginning of the fiscal year, the department prepares an internal audit plan for the fiscal year that takes into consideration the internal control status of the Group as a whole and systematically implements the plan. The department prepares and distributes to the directors, corporate auditors, and concerned parties audit reports on the results of internal audits and reports on a quarterly basis at the Executive Management Board Meeting.

The Internal Audit Department and corporate auditors work to deepen collaboration and strengthen the auditing function through monthly internal audit report meetings held by the department and quarterly dialogues about internal control that include the director in charge of the department. The department and corporate auditors endeavor to strengthen the auditing function through quarterly information sharing with the accounting auditors.

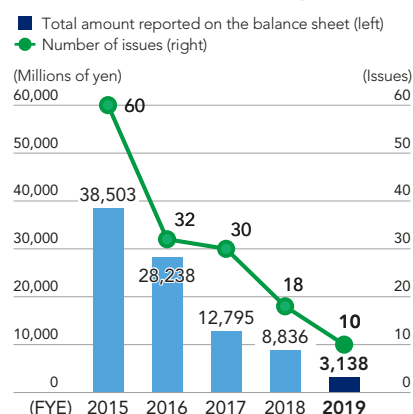
Policy on Cross-Shareholdings

Regarding major listed stocks held by the Company as cross-shareholdings, each year the Board of Directors examines each instance of cross-shareholding to determine whether its purpose and the benefits derived from it justify the capital cost. If the Board of Directors judges that cross-shareholding will contribute to management and business strategies in the medium and long term, the Company continues to hold the shares. The Company has been steadily reducing cross-shareholdings of listed shares since the Corporate Governance Code went into effect, and the number of issues was 10 as of March 31, 2019.

Number of Issues of Cross-Shareholdings and Total Amount Reported on the Balance Sheet

Category		FYE March 2015	FYE March 2016	FYE March 2017	FYE March 2018	FYE March 2019
Number of issues (Issues)	Listed	60	32	30	18	10
	Unlisted	31	31	32	31	31
	Total	91	63	62	49	41
Amount reported on the balance sheet (Millions of yen)	Listed	38,503	28,238	12,795	8,836	3,138
	Unlisted	552	526	544	535	535
	Total	39,055	28,764	13,339	9,371	3,673

Listed Cross-Shareholdings



Evaluation Results of the Effectiveness of the Board of Directors

In accordance with the Corporate Governance Guidelines, the Company’s Board of Directors analyzes and evaluates the effectiveness of the Board, then considers and implements measures to improve any issues identified. In FYE March 2019, the Board’s analysis and evaluation centered on confirmation of measures to address issues identified in previous evaluations in addition to fixed-point observation from the FYE March 2018 evaluation. A report on the analysis results follows.

Evaluation and Analysis Methods

Timing of implementation: March 2019

Respondents: All directors and corporate auditors (11 in total, including outside officers)

Implementation procedure: Self-evaluation using a questionnaire prepared by a third-party body

- 1) A third-party body conducted a self-evaluation questionnaire survey of all directors and corporate auditors using an anonymous questionnaire.
- 2) The third-party body aggregated and analyzed the questionnaire data.
- 3) A report received from the third-party body was verified and discussed by the Board of Directors.

Questionnaire items:

- 1) Board of Directors’ management structure
- 2) Board of Directors’ oversight function
- 3) Shareholder dialogue
- 4) Addressing of issues identified in the FYE March 2018 evaluation

Each director performed a self-evaluation by answering questions using a four-point rating scale and provided their own thoughts on points of excellence relating to SUBARU’s Board of Directors and the necessary points to further increase the Board’s effectiveness, before submitting the completed questionnaire directly to the third-party body.

Evaluation Results

The Board of Directors received an evaluation report from the commissioned third-party body as described below.

- As was the case with the evaluation results up to FYE March 2018, it was confirmed that free and open discussion is conducted from a company-wide perspective at meetings of the Board of Directors.
- On the other hand, the results of this fiscal year’s evaluation were generally the same as the previous year or less positive than the previous year. (Please refer to the aggregated questionnaire responses.) The Board attributes this to increased recognition of the need for further improvement amid a series of instances of inappropriate conduct and the Company has responded.
- It was confirmed that there is strong awareness that successor training and information provision to outside officers are areas in which further improvement and functional enhancement is expected.

Issues Identified in the Previous Fiscal Year’s Evaluation

The Company addressed in FYE March 2019 the following issues identified in the previous fiscal year’s evaluation.

1. Reinforcing risk identification and management systems
Efforts to review and reinforce the risk identification and management systems in response to the improprieties have progressed, and the need to continue such efforts and firmly establish the system was confirmed.
2. Enhancing discussion of medium- to long-term management strategy
There was consensus on the need to further increase opportunities to discuss the Company’s medium- to long-term vision and business strategy.

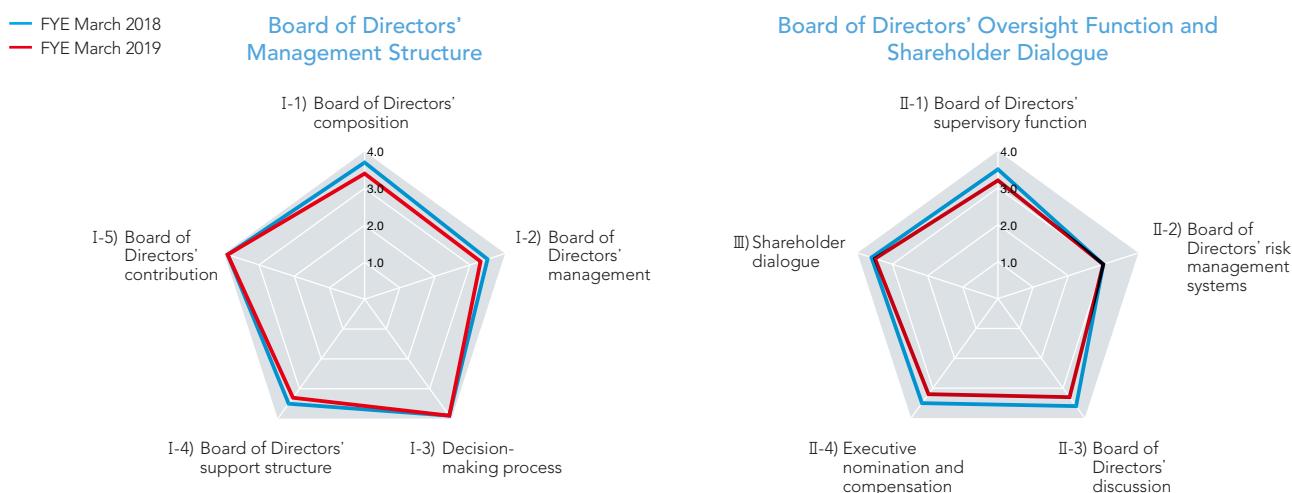
Effective April 1, 2019, the Company newly established the Corporate Planning Division for the purpose of accelerating management strategy planning and implementation, and the Market Strategy Department and Logistics Management Department under the Corporate Planning Division. The Company also established the position of Chief Risk Management Officer (CRMO) for the purpose of enhancing the effectiveness of internal controls and risk management, and the Risk Management & Compliance Office under the control of the CRMO.

Future Initiatives

In response to the evaluation report received from the third-party body, the Board of Directors verified and discussed future initiatives. As a result, the Board confirmed that it will continue its efforts to reinforce risk identification, bolster management systems, and establish a firm foundation for the corresponding practices and enhance discussion of medium- to long-term management strategy. It also confirmed that it will discuss policy for succession planning and successor development.

The Board of Directors will improve Board functions, strengthen corporate governance, and promote continuous enhancement of corporate value by continuing to evaluate its effectiveness.

Aggregated Questionnaire Responses



Questions

Category	Matters Examined		
I. Board of Directors' management structure			
1) Board of Directors' composition	Board of Directors' size	Board of Directors' composition (proportion of inside and outside directors)	Board of Directors' composition (diversity and specialty)
2) Board of Directors' management	Frequency, duration, and distribution of meetings	Appropriateness of agenda	Quality and quantity of documents
	Timing of document distribution	Pre-meeting explanation	Content of explanations and reports
3) Decision-making process	Chair's leadership	Adequate discussion	
4) Board of Directors' support structure	Environment and systems for providing information	Provision of information to outside directors	Training of outside directors
	Training of inside directors		
5) Board of Directors' contribution	Stance toward initiatives	Company-wide perspective	Mutual respect
	Diverse values	Stakeholder perspective	
II. Board of Directors' oversight function			
1) Board of Directors' supervisory function	Reporting systems	Supervision of management	
2) Board of Directors' risk management systems	Risk management systems	Subsidiary management systems	Information-sharing on risks and risk response
	Systems for managing progress of response measures	Thorough awareness of compliance issues	
3) Board of Directors' discussion	Discussion of management strategy	Discussion of capital policy	Discussion of cross-shareholdings
	Discussion on strengthening governance	Responses to social and environmental issues	
4) Executive nomination and compensation	Composition of Executive Nomination Meeting and Executive Compensation Meeting	Successor development	Incentive-based compensation
III. Shareholder dialogue			
Shareholder dialogue	Sharing shareholder and investor views	Enhancement of shareholder and investor dialogue	

The SUBARU Group's CSR

CSR

The SUBARU Group engages in CSR activities with the aim of contributing to society through its business and achieving a sustainable society.

Our Approach to CSR

The world faces a great many social issues and challenges, such as global warming, human rights issues, and an aging and declining population, and there are rising expectations that corporations will help resolve these issues. Initiatives to address a variety of social issues are required in the SUBARU Group's business domains, such as efforts to reduce environmental impact, prevent traffic accidents, and alleviate traffic congestion.

Therefore, as a corporate citizen we not only develop, manufacture, and sell products with outstanding safety and environmental performance and quality, but we also engage in CSR activities to meet the needs of society and address social challenges. The automotive industry has entered a once-in-a-century transition period and the social environment is constantly changing. We consider it necessary to promote and ensure the penetration of CSR initiatives on a Group-wide, global scale to contribute to society through our businesses and meet stakeholder expectations and demands. To that end, in FYE March 2019 we reviewed the Eight CSR Action Items and newly defined Six Priority Areas for CSR.

By applying the thought process behind the Six Priority Areas for CSR to how we conduct business, we will fulfill our social responsibilities as a corporation and continue to provide "Enjoyment and Peace of Mind" to our customers and other stakeholders. In so doing, the SUBARU Group will become a corporate group trusted by society and contribute to the creation of a more affluent, sustainable society as a truly global company.



CSR Policy (Revised in June 2009)

1. We respect the laws and regulations, human rights, international standards of behavior and the rights and morals of stakeholders under our Corporate Code of Conduct.
2. We become involved as a corporate citizen in addressing social issues facing society today.

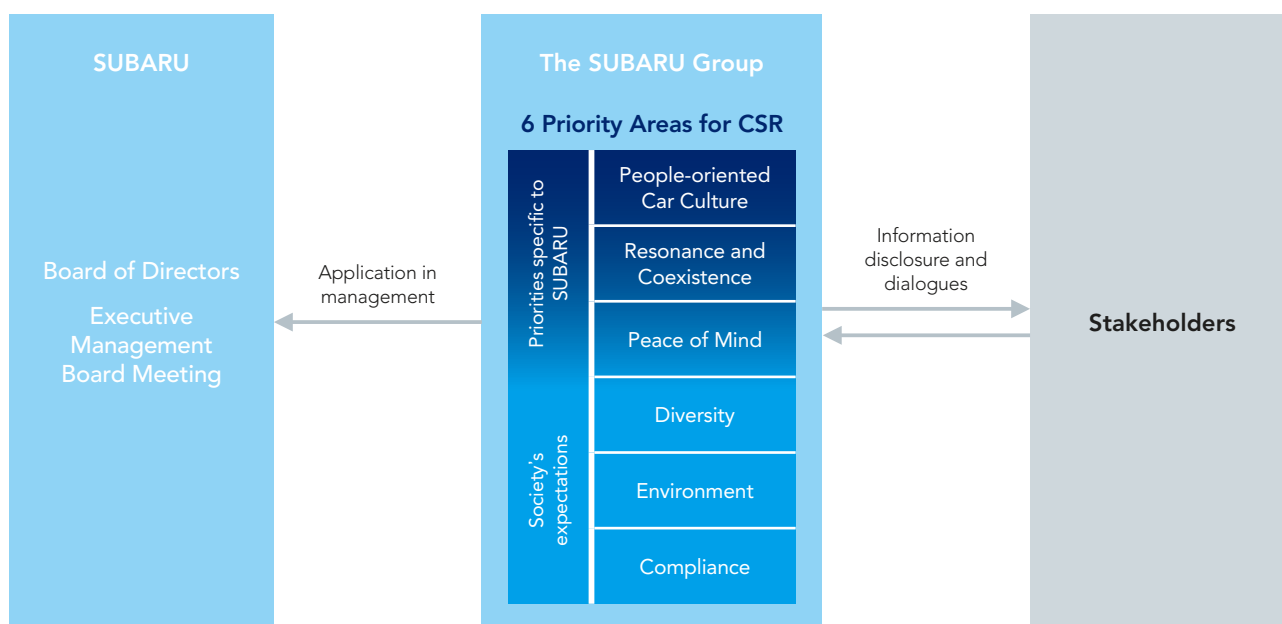
The Process of Formulating the Six Priority Areas for CSR

In conjunction with STEP, the mid-term management vision, the SUBARU Group has reviewed the previous Eight CSR Action Items and newly selected Six Priority Areas for CSR: people-oriented car culture, resonance and coexistence, peace of mind, diversity, environment, and compliance.

In selecting the priority areas, we first identified 41 CSR priority topics for which social needs were high and then conducted a questionnaire survey of experts and investors in North America and Japan. Finally, we considered CSR from two perspectives: areas for contributing to society by taking advantage of business strengths, and areas for meeting the expectations of society. As a result, we selected people-oriented car culture, resonance and coexistence, peace of mind, and diversity as areas for contributing to society by taking advantage of business strengths. We selected peace of mind, diversity, environment, and compliance as areas for meeting the expectations of society. Although peace of mind and diversity overlap, we selected peace of mind because it is an area in which the needs of society and the SUBARU Group's business strengths coincide and selected diversity because we broadly define it as including not only the diversity required by society but also diversity in the products we provide to our customers.

Since information disclosure and dialogue with stakeholders and reflection of stakeholder feedback in management are essential for restoring trust, we will implement what we call "6M+1E" initiatives: the Six Priority Areas ("6M," with "M" standing for materiality) plus information disclosure and dialogue with stakeholders and reflection of feedback in management ("1E," with "E" standing for engagement).

Application of the Six Priority Areas for CSR in Management

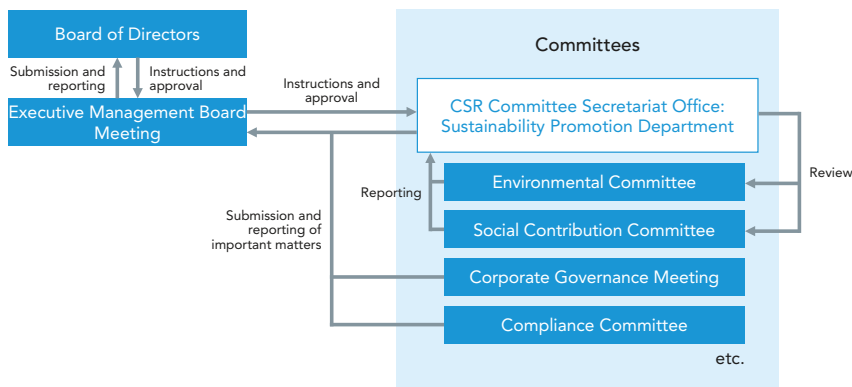


Our Six Priority Areas for CSR and Basic Approach

People-oriented Car Culture	SUBARU believes that a car is more than just a means of transport. SUBARU will foster a sustainable mobility culture by providing customers with added value in the form of products and services which make the car a partner that enriches people's lives and minds, while cherishing the human emotions of enjoyment and peace of mind.
Resonance and Coexistence	SUBARU will become a company that is trusted by, and resonates and coexists with both individual customers and society as a whole by engaging seriously with their voices through greater person-to-person communication.
Peace of Mind	SUBARU will become a company that provides all stakeholders with the utmost peace of mind.
Diversity	The SUBARU Group's approach to promoting diversity has two key elements: offering products that respect diverse forms of market value, and respecting and reflecting the diverse values of all those who work for the SUBARU Group.
Environment	In order to pass on "The earth, the sky and nature," SUBARU's fields of business, to future generations, we provide utmost care to the environment with our company-wide activities.
Compliance	SUBARU will become a company that operates in accordance with laws, regulations, and societal norms, ensuring that our focus on compliance as a priority permeates throughout and is practiced by all those who work for the SUBARU Group.

CSR Promotion System

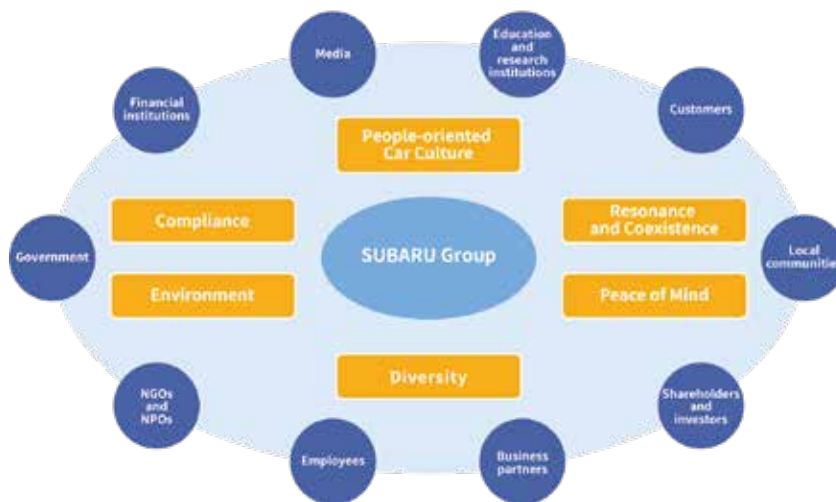
The CSR Committee (secretariat office: Sustainability Promotion Department) meets twice a year as a forum for discussing CSR initiatives, and confirms the status of the PDCA cycle of each specialized committee and department. The CSR Committee, which is chaired by SUBARU's representative director of the Board and president and includes all executive officers as members, considers and discusses the social aspects of SUBARU's businesses and works to strengthen CSR initiatives.



Relationship to Stakeholders

The SUBARU Group believes that its CSR initiatives must place importance on the relationship with stakeholders and that disclosing information to stakeholders, engaging in dialogue with them, and reflecting this in the management of the business are all essential. In order to realize our vision of becoming "A Compelling Company with a Strong Market Presence" as stated in our management philosophy, the SUBARU Group will continue to make efforts to gain trust from our stakeholders, and to make useful social contributions while at the same time increasing our corporate value.

Subaru Group's Stakeholders and Their Relationship with Six Priority Areas for CSR



Initiatives for the Sustainable Development Goals

The SUBARU Group recognizes the importance of responding to the Sustainable Development Goals (SDGs), which provide a roadmap for achieving a sustainable future by 2030. To respond to climate change, we aim to reduce the SUBARU Group's direct CO₂ emissions (Scope 1 and 2) to 30% below FYE March 2017 levels (based on a total emissions volume basis) by FYE March 2031, and we expect to reduce CO₂ emissions by an amount equivalent to 3% of annual emissions by FYE March 2021. To reduce traffic accident fatalities and injuries, we continue to implement initiatives to achieve our target of eliminating fatal accidents involving SUBARU vehicles* by 2030. Through these initiatives, we are contributing to the creation of a sustainable society.

* Elimination of accidents resulting in the death of drivers or passengers in SUBARU vehicles and accidents resulting in the death of pedestrians, cyclists, or other persons due to collision with SUBARU vehicles

SUBARU Environmental Policies

SUBARU Sustainability Principles

“The earth, the sky and nature” are SUBARU’s fields of business.

With the automotive and aerospace businesses as the pillars of SUBARU’s operations, our fields of business are the earth, the sky and nature. Preservation of the ecosystem of our planet, the earth, the sky and nature, is of utmost importance to ensure the future sustainability of both society and our organization. We align our business strategy to enhance these global goals in all of our operations.

1. We develop and deliver products to meet societal needs and contribute to the environment through advanced technologies.

By striving to create advanced technologies that put the environment and safety first, we will develop and deliver products that can contribute to protecting the earth’s environment.

2. We focus on efforts aimed at coexistence with nature.

Together with efforts to reduce carbon-dioxide emissions in all of our operations, we will promote active engagement with nature by stressing forest conservation.

3. We take on challenges as one through an all-SUBARU approach.

Utilizing our unique organizational character that allows us to oversee the entire supply chain, all of us together will take on the challenges of environmental protection of our planet through an all-SUBARU approach.

Environmental Principles

SUBARU’s fields of business are the earth, the sky and nature. SUBARU understands that the health and preservation of biodiversity and controlling climate change are critical to ensuring a sustainable future for our planet earth, nature, communities, and businesses.

Products

We develop our products and conduct R&D in light of the lifecycle environmental impacts of our products.

Purchasing

Our purchasing activities reflect consideration for biodiversity and other aspects of environmental protection.

Production

We strive to minimize our environmental impact through improving energy efficiency and waste management.

Logistics

We strive to minimize our environmental impact through enhancing energy efficiency and promoting pollution prevention.

Sales

We endeavor to recycle resources efficiently and reduce waste.

Management

We will strive to improve our sustainability program through contributions that meet societal needs and by publicizing our activities as Team SUBARU.

[Established: April 1998, Revised: April 2017]

Basic Approach to Climate Change and Specific Initiatives

Basic Approach to Climate Change

SUBARU has declared that “The earth, the sky and nature” are our fields of business, and the gifts of nature are essential for our businesses and products. Recently, the problem of climate change, as exemplified by increasingly frequent and damaging abnormal weather, is a common threat to humanity. We consider the reduction of greenhouse gases emitted by human activities (hereafter expressed as CO₂ equivalents in the interest of convenience), which have been identified as a cause of climate change, an essential activity for realizing sustainable growth for both society and SUBARU.

In accordance with this belief, to help achieve the goal adopted in the Paris Agreement of 2015 of limiting global warming to less than 2°C above pre-Industrial levels, we will not only work to improve the environmental performance of our products, but also strive to protect the global environment throughout product lifecycles, from mining raw materials for automobiles to manufacturing, transport, use, and disposal.

Product Initiatives

SUBARU believes that the question of how to improve fuel economy, a measure of product environmental performance, is important for reducing CO₂ emissions, which are said to be a cause of global warming. Even as we pursue improving fuel economy in existing gasoline engine vehicles, we will actively work to reduce CO₂ emissions by expanding our lineup of electrified vehicle models and, furthermore, by pursuing EV development with an eye on the increasingly stringent fuel economy regulations in various countries.

SUBARU will also utilize the alliance with Toyota Motor Corporation as a strategic move to prepare for the coming era of full-scale electrification. In June 2019, we announced that we have agreed to jointly develop with Toyota a platform dedicated to battery electric vehicles (BEVs) for midsize and large passenger vehicles and a C-segment-class BEV SUV model. By combining the technological strengths of both companies—for instance, the electrification technologies that Toyota is employing to bring together other companies that share its aspirations, and the all-wheel drive (AWD) technologies that Subaru has cultivated for many years—we will seek to create products that feature the unique appeal of BEVs and aim to launch them in the first half of the 2020s.

Partnership with Communities: SUBARU Forest Project

To conserve the natural capital of local communities, SUBARU is focusing on activities to conserve forests, a key source of CO₂ absorption. Specifically, we have undertaken the SUBARU Forest Project, in which we are working to conserve local forests under agreements with Gunma Prefecture, Utsunomiya City in Tochigi Prefecture, and Bifuka Town in Hokkaido, localities closely connected with our business.

Initiatives at the Production Stage

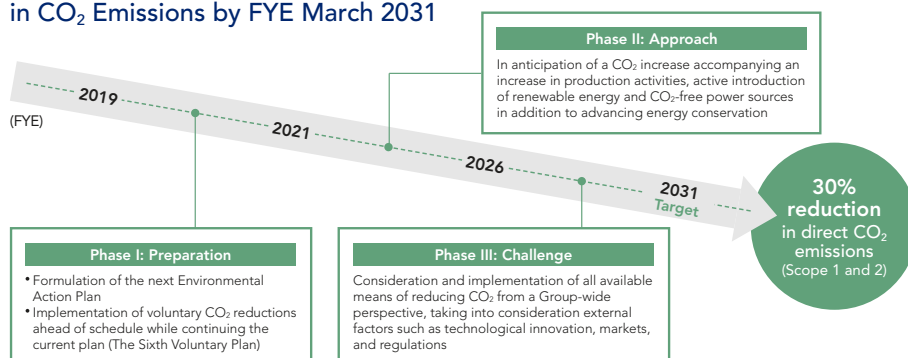
The SUBARU Group's direct CO₂ emissions (Scope 1 and 2) are quite low in comparison with total emissions, including Scope 3 emissions. However, we have set forth an environmental policy of global environmental protection throughout the entire value chain and believe that taking the initiative in efforts to reduce direct CO₂ emissions will lead to further enhancement of the all-SUBARU approach to environmental protection.

Therefore, in the Environmental Action Plan for FYE March 2022 and beyond, we have set a target of reducing the SUBARU Group's direct CO₂ emissions to 30% below FYE March 2017 levels (based on a total emissions volume basis) by FYE March 2031. Furthermore, in Phase I: Preparation of the action plan, we intend to implement CO₂ reductions ahead of schedule. Through measures such as the introduction of renewable energy, we will aim for CO₂ emissions reduction of approximately 20,000 t-CO₂, which is an amount equivalent to approximately 3% of annual emissions, by FYE March 2021.

Direct CO₂ Emissions Reduction Targets

Target achievement year	Target
FYE March 2021	Reduction of approx. 20,000 t-CO₂ Equivalent to approx. 3% of annual emissions
FYE March 2031	30% reduction from FYE March 2017 levels based on a total emissions volume basis

Roadmap for 30% Reduction in CO₂ Emissions by FYE March 2031



SUBARU's Principal Initiatives for a Reduction of 20,000 t-CO₂ by FYE March 2021

Installation of captive-consumption solar power system



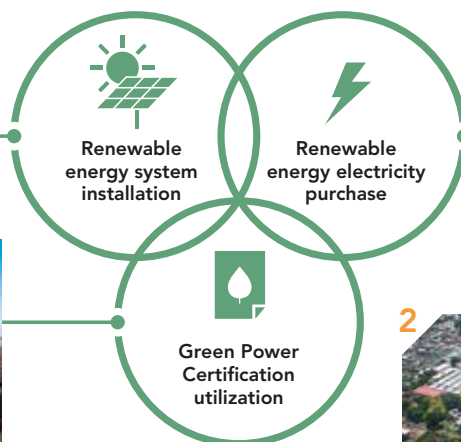
Gunma Oizumi Plant
(projected reduction: 2,600 t-CO₂)



Facilities in Oizumi including Subaru Accessory Center, etc.
(projected reduction: 330 t-CO₂)



Head office and training center in Tokyo
(projected reduction: 1,000 t-CO₂)



Purchase of electricity from hydroelectric power generation



Utsunomiya South Plant and 2nd South Plant
(projected reduction: 5,400 t-CO₂)



Tokyo Office in Mitaka
(projected reduction: 4,000 t-CO₂)



Gunma Main Plant
(projected reduction: 6,200 t-CO₂)

New Initiatives

1 Installation of a Solar Power System at SUBARU Facilities in Oizumi, Gunma Prefecture (Projected reduction: 330 t-CO₂)

We will install a captive-consumption solar power system at SUBARU facilities in Oizumi, Gunma Prefecture. We aim to complete the system, with expected power output of 1 MW (generating 1,145 MWh of electricity annually), in FYE March 2020. We plan to use the power generated by the system at the Subaru Accessory Center and the Kanto PDI Center, which is projected to reduce emissions by 330 t-CO₂, approximately 40% of the CO₂ emitted from these facilities.

2 CO₂ Emissions-Free Hydropower Introduction of Aqua Premium (Projected reduction: 10,200 t-CO₂)

We will introduce Aqua Premium, an electricity rate plan under which only CO₂ emissions-free hydropower is sold, to purchase a portion of the electric power used at the Main Plant in Gunma and Tokyo Office in Mitaka. This is projected to reduce emissions by approximately 10,200 t-CO₂ (annual output: 21 GWh equivalent).

3 Utilization of Green Power Certification (Projected reduction: 1,000 t-CO₂)

At the Head Office in Ebisu and the Subaru Training Center in Hachioji, we aim to realize CO₂ emissions-free offices by utilizing the Green Power Certification and Green Heat Certification systems.

Existing initiatives

4 Installation of One of Japan's Largest Captive-Consumption Solar Power Systems (Projected reduction: 2,600 t-CO₂)

We are installing a solar power system that will be among the largest captive-consumption solar power systems in Japan¹ at the Gunma Oizumi Plant (Gunma Prefecture).

The facility, which will have expected power output of approximately 5.6 MW (generating 6,100 MWh of electricity annually), is scheduled to be completed and start operation by FYE March 2020. This is projected to reduce emissions by approximately 2,600 t-CO₂, equivalent to some 2% of the plant's annual CO₂ emissions.

5 "Tochigi Furusato Denki" Program for Local Production and Local Consumption of Electricity (Projected reduction: 5,400 t-CO₂)

In April 2018, we introduced the Tochigi Furusato Denki program², Japan's first program for local electricity production and consumption, which uses a hydropower plant owned by Tochigi Prefecture as a power source, at the Aerospace Company Utsunomiya South Plant and 2nd South Plant (Tochigi Prefecture).

Participation in the program is projected to reduce emissions by approximately 5,400 t-CO₂, equivalent to some 15% of the SUBARU Aerospace Company's total annual CO₂ emissions. Under the program, part of the electricity charges paid by SUBARU will be used for environmental protection initiatives in Tochigi Prefecture.

¹ Based on a study by Japan Facility Solutions, Inc.

² A program offered by the Tochigi Prefecture Public Enterprise Bureau and TEPCO Energy Partner, Inc. to provide electric power generated by eight hydroelectric power plants owned by Tochigi Prefecture that emit no CO₂ during power generation. Participating companies are able to eliminate CO₂ emissions associated with their electricity usage.

For further information, please see the program website (in Japanese): http://www.pref.tochigi.lg.jp/j03/furusato/furusatodenki_top.html

Principal Risks and Opportunities Relating to Climate Change

Approach to Risks and Opportunities

Failure to take climate change countermeasures would seriously affect SUBARU's markets in Japan, North America, and elsewhere, and SUBARU would be unable to continue business operations. SUBARU has set a level well below 2°C, in line with the purpose of the Paris Agreement, as a long-term temperature increase goal and is analyzing short-term and medium-term scenarios for achieving the goal, taking into account various factors.

The SUBARU Group's CSR

We are considering various product scenarios, keeping in mind the fuel efficiency regulations determined by national governments in the countries where we do business and comprehensively taking into consideration factors such as the electrification scenarios of the International Energy Agency (IEA) and related governments, progress with electrification in the automotive markets, the status of social infrastructure development, technologies capable of withstanding actual use by customers, securing of reasonable profits, and progress with decarbonization in upstream and downstream product processes.

We have prepared FYE March 2031 targets related to production, taking into consideration factors including Japan's Nationally Determined Contribution (NDC), stability of supply and procurement prices of low-carbon energy in Japan and the U.S., progress with the energy mix promoted by the Japanese government, and carbon pricing. We are currently formulating initiatives (an Environmental Action Plan) based on energy conservation activities, which takes into consideration the installation of energy-saving equipment and the introduction of renewable energy.

Principal Identified Risk*

● Product-Related Risks

- 1) Failure to comply with fuel efficiency regulations in Japan, the U.S., Europe, or China could result in negative incentives, such as penal or administrative fines for violation of laws and regulations or carbon credit purchases, and SUBARU could incur additional costs or losses. Also, failure to reach a certain level of fuel economy could limit product sales opportunities.
- 2) Rapid electrification of vehicles that does not meet customer needs could cause SUBARU to incur unnecessary development costs not aligned with needs or cause a decrease in customer satisfaction, which could lead to not only unforeseen losses and loss of sales opportunities, but also delays in product electrification.
- 3) In the transition to electrified vehicles, it is important to low-carbonize/zero-carbonize in all processes from procurement through to use and disposal while securing profitability. If overall decarbonization initiatives involving SUBARU products upstream and downstream processes do not progress, SUBARU may be unable to achieve the targets throughout product lifecycles.
- 4) From a medium- to long-term perspective, SUBARU believes that electrification will steadily advance and sudden market penetration might happen at a certain stage. Failure to have appropriate technologies and products in place at that point in time could have a significant impact on product sales opportunities.

● Risks at the Production Stage

- 1) If SUBARU vehicles continue to use energy derived from fossil fuels, SUBARU will be subject to geopolitical factors, such as oil availability, as well as government-imposed carbon taxes or emissions reduction regulations, and costs could rise.
- 2) From a medium- to long-term perspective, SUBARU believes that renewable energy will become mainstream. However, at this time there are issues with respect to cost and stability of supply, and it is necessary to consider cost effectiveness.

● Risks Related to Overall Business Operation

- 1) Insufficient efforts to achieve low-carbon/zero-carbon operations could damage SUBARU's brand value and have an adverse effect on employee recruitment and sales. This could also make it difficult to procure funds from investors over the medium to long term and lead to an increase in the cost of capital.
- 2) Some say that achieving the Paris Agreement's current national emissions targets of below 2°C will not be enough, so if countries adopt more stringent targets, SUBARU's business could be severely affected.

Principal Identified Opportunities*

- 1) If SUBARU's efforts to make products more environmentally friendly and climate change adaptation and mitigation progress on a global scale all appropriately proceed, SUBARU may be able not only to maintain its key markets, but also to gain further support for the safe products that provide peace of mind at which SUBARU excels, and sales opportunities could also increase through the creation of new markets, even in the face of the extreme weather conditions that can not, to some extent, be avoided in certain parts of the world.
- 2) Meeting expectations with respect to climate change could lead to an increase in SUBARU's brand value and have a positive impact on employee recruitment and sales. This could facilitate procurement of funds from investors over the medium to long term and lead to a decrease in the cost of capital.
- 3) Transitioning to renewable energy while taking cost effectiveness into consideration could free SUBARU from the price fluctuation risk inherent in energy derived from fossil fuels and prevent future cost increases.

* The above risks and opportunities are based on historical facts and currently available information and may change significantly due to factors such as future economic trends and the business environment surrounding SUBARU

Risk Management

Status of Development of the Risk Management System

The SUBARU Corporate Planning Department, which is responsible for functions common to each business, plays a central role in efforts by the corporate departments to strengthen risk management in close collaboration with each business unit.

Furthermore, the Internal Audit Department periodically audits business execution at each business unit and affiliated company. In addition, to contribute to development of the internal control system, SUBARU has set up and operates a system and organization to ensure compliance, which is considered the most fundamental aspect of risk management.

To promote the practice of compliance Group-wide, SUBARU has established the Compliance Committee to conduct deliberations and discussions, make decisions on important compliance matters, engage in information exchange and communication, and endeavor to implement compliance fairly and effectively. SUBARU has assigned compliance officers and compliance staff to each business unit and organized a system for meticulously practicing compliance at the workplace level. SUBARU systematically and routinely provides education and training for officers and employees and promotes compliance awareness through in-house publications and other means as necessary. To promote the practice of compliance in the SUBARU Group, SUBARU provides education and training and compliance information through those in-house publications to affiliated companies and increases the effectiveness of compliance by promoting participation in the SUBARU internal reporting system (Compliance Hotline).

Effective April 1, 2019, SUBARU newly established the Risk Management & Compliance Office for the purpose of strengthening initiatives to address legal compliance and corporate culture reform issues facing SUBARU. The Risk Management & Compliance Office, General Administration Department, Group Company Management Department, Sustainability Promotion Department, Legal Department, and Internal Audit Department together constitute the Risk Management Group, which is overseen by the Chief Risk Management Officer (CRMO).

Message from the CRMO



Director of the Board
Executive Vice President
and CRMO

Yoichi Kato

In an organizational change effective April 1, 2019, SUBARU newly established the Risk Management Group and the position of Chief Risk Management Officer (CRMO), who oversees this Group. Although this reorganization is part of efforts to strengthen internal control, which has been strongly required of companies in Japan and abroad since the 2000s, I consider this a matter of particular importance for SUBARU, which was shaken by final vehicle inspection problems. Although to date SUBARU has taken several measures to strengthen internal control, such as establishment of the Corporate Administration Division, by once again clarifying reporting lines concerning risk management and internal control and clearly defining the communication route between workplaces and management, SUBARU is attempting to reduce the sense of distance between them and enhance and strengthen management involvement in internal control, in both form and substance. Since there were serious concerns about the risk management response level under the previous organizational structure, SUBARU newly established the Risk Management & Compliance Office to put in place a system for systematically engaging in Group-wide risk management. SUBARU combined the Risk Management & Compliance Office with the Legal Department, the Sustainability Promotion Department (the former CSR & Environment Department), and other departments closely involved with risk management and with the General Administration Department, which serves as the secretariat office of the Emergency Response Headquarters, to form an organization overseen by the CRMO.

The automotive industry is said to be facing a once-in-a-century transition period. Managing a business in such turbulent circumstances is like navigating a ship in a fog that limits visibility. I believe that at such a time risk management fulfills the role of a sea captain who helps keep the ship on a steady and sure course. I will devote myself each day to ensuring that the Risk Management Group provides guidance to enable maintenance of sustainable management.

Compliance

Basic Approach and Policy

In the Corporate Governance Guidelines, SUBARU has designated the practice of compliance as one of the most important management priorities. We are keenly aware that rigorous Group-wide compliance forms the foundation for the Group's management, and we will instill in each employee not only compliance with all laws, ordinances, and internal regulations required in business activities, but also rigorous pursuit of open and fair business activities that conform to the ethical principles, common practices, and norms of society at large. To link the Corporate Governance Guidelines to action, SUBARU has set up and operates a compliance system and organization and engages in compliance activities, such as various types of training.

Corporate Code of Conduct and Conduct Guidelines

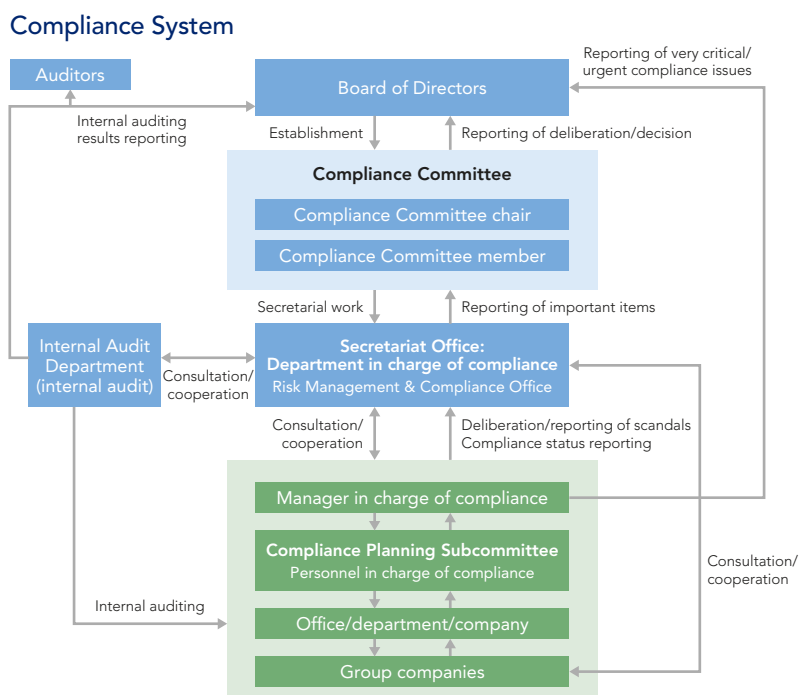
SUBARU has established the Corporate Code of Conduct (see page 02) and Conduct Guidelines as compliance standards for the practice of compliance-oriented corporate activities. In FYE March 2018, we revised the content of the Conduct Guidelines to further promote Group compliance. We explain the Code and Guidelines in detail in the Compliance Manual, which is distributed to all employees of the SUBARU Group, and concisely explain the main points in the Compliance Manual: Compliance Essentials, and strive to ensure compliance in our employees' day-to-day actions.

Compliance Regulations

In 2001, with the approval of the Board of Directors, SUBARU instituted the Compliance Regulations as basic regulations that stipulate the system, organization, and methods of operation related to compliance. In FYE March 2019, following deliberation by the Compliance Committee and with the approval of the Board of Directors, we revised the regulations in order to reflect the content of revisions to the Corporate Governance Guidelines and realize flexible operation of the Compliance Committee to ensure more rigorous compliance practice.

Compliance System, Organization, and Operation

SUBARU established the Compliance Committee as a Group-wide committee to promote compliance. The Committee deliberates, discusses, decides, and exchanges information on important compliance matters. Each department institutes its own compliance action plan (compliance program) each year to promote compliance and engages in continuous and systematic autonomous activities. Following the discovery of improprieties relating to final vehicle inspections at SUBARU, in FYE March 2019 the director of the board and chairman became the chairman of the Compliance Committee, and since the start of FYE March 2020 a director of the board and executive vice president who serves as Chief Risk Management Officer (CRMO), a newly established position, has chaired the committee, which is fundamentally reviewing and implementing compliance-related initiatives.



Establishment of the Risk Management & Compliance Office

After deep reflection on the improprieties relating to final vehicle inspections at SUBARU discovered in FYE March 2018, with the aim of preventing any repetition of similar mistakes, in FYE March 2019 SUBARU established the Compliance Office as an independent organization to strengthen company-wide compliance-oriented initiatives. Furthermore, in FYE March 2020 we reorganized the Compliance Office as the Risk Management & Compliance Office, expanding its role to that of a hands-on organization that plans and implements Group-wide internal control and risk management. The Risk Management & Compliance Office principally engages in the following work.

- Planning and implementation of internal control and risk management for the entire SUBARU Group
- Planning and operation relating to compliance promotion for the entire SUBARU Group (including matters relating to the Compliance Committee's secretariat office), planning and operation of compliance training, education, and internal awareness activities, and operation of the SUBARU Group's internal reporting system (Compliance Hotline)

Improvement of the Compliance Hotline System

In addition to seeking solutions through their superiors, regular and temporary employees who work in the SUBARU Group have the option of using the Compliance Hotline to seek consultation about any compliance-related problems they have discovered within the Group.

The Hotline Desk has been set up within the Company, and employees assigned to the Hotline Desk in accordance with internal rules directly accept reports by post, telephone, and e-mail, conduct fact-finding investigations, and respond to reports. The names and departments of persons making reports are kept strictly confidential and are not disclosed without their consent, and consideration is given to ensuring that they suffer no disadvantage due to the consultation. Since April 2008, we have added an external specialist organization as a point of contact and worked to make the system easier to use by extending its hours and reinforcing the mechanisms that ensure the confidentiality of the names and departments of persons seeking consultation. To publicize the Compliance Hotline System, we have distributed cards that provide information on how the hotline system works and contact details to employees of SUBARU and Group companies and put up posters in workplaces. We have included an explanation of the service provided by the external specialist in the posters and also posted information on the Company intranet.

Compliance Hotline (from Consultation to Solution)



Compliance Hotline card

The Compliance Hotline received 199 consultation requests in FYE March 2019, and the general manager of the Compliance Office (or, since FYE March 2020, the general manager of the Risk Management & Compliance Office due to a change of organization name) played a central role in efforts to expeditiously solve problems following fact-finding investigations. Matters reported to the Compliance Hotline are reported to management or the Compliance Committee as necessary, and measures are taken to prevent any reoccurrence of problems.

In FYE March 2019, we redesigned the awareness card and posters to include the message that SUBARU wants employees to use the Compliance Hotline system to report even minor matters if they feel that something is wrong. We also provided various types of compliance training and prepared and distributed compliance-related tools. Thanks to these initiatives, operation of the system improved, with efforts to increase employee compliance awareness, including encouraging a mindset of actively using the system, leading to increases in the number of consultation requests from employees and in the number of reports that lead to an appropriate response and solution.

Compliance Activity Achievements

Compliance Training

In the belief that the entire SUBARU Group must work in harmony to achieve rigorous compliance, we provide compliance training and practical legal training to employees of all Group companies. This training is organized by the Legal Department, Risk Management & Compliance Office, and human resource and education departments. Each department and affiliated company incorporates its own education program into its action program (compliance program) and complements this education by holding study meetings on important work-related laws and ordinances and providing compliance awareness training conducted by Legal Department and Risk Management & Compliance Office personnel and others. In FYE March 2019, some 7,700 persons participated in these training programs organized or supported by the Legal Department and Compliance Office (reorganized as the Risk Management & Compliance Office in April 2019).

SUBARU prepares and provides various support tools to promote the day-to-day practice of compliance, including tools specifically intended for affiliated companies such as SUBARU distributors in Japan. In addition, we distribute urgent information on a timely basis in the form of Compliance Information and work to raise compliance awareness Group-wide. In FYE March 2019, we provided Compliance Awareness Training for SUBARU Group managers, shared information on the causes and background of the occurrence of improprieties relating to final vehicle inspections at SUBARU, and promoted measures in each department to prevent the occurrence of similar improprieties. We also expanded the scope of company-wide compliance education provided to managers every year in October, which is designated as Compliance Month, to section heads and other employees and implemented initiatives to broaden the base of compliance. Furthermore, in FYE March 2019 we newly prepared the Compliance Manual: Compliance Essentials as a tool to contribute to the practice of compliance-oriented corporate activities and distributed it to all employees of the SUBARU Group.



Compliance training (Tokyo Office)



Compliance Manual: Compliance Essentials

Approach to Quality

To make SUBARU a company that is trusted by, and resonates with, customers through the provision of “Enjoyment and Peace of Mind,” under the banner of a new quality policy and with Quality First as our watchword, all SUBARU employees actively promote the provision of high-quality products and services that inspire customers. In addition, SUBARU’s affiliated companies in Japan and overseas establish quality policies in accordance with the business content of each company and regional characteristics and carry out quality control based on these policies.

Message from the CQO



Executive Vice President
and CQO

Atsushi Osaki

Quality is the foundation of “Enjoyment and Peace of Mind,” SUBARU’s core value, and delivering quality is one of our most fundamental responsibilities to our customers. Quality can be broadly defined to include everything from product quality to customer service quality, the quality of the day-to-day work of individual employees, and the quality of corporate activities, and it is important to steadily improve these dimensions of quality. To ensure that SUBARU moves forward with the creation of high-quality products that are attuned to customer lifestyles and further enriches people’s lives and with improvement of service quality, I intend to play a leading role in instilling a standard so that SUBARU Group employees make quality the highest priority above all else.

Airbag defects and other problems that lead to recalls and service campaigns have continued to occur, and I deeply regret that we have caused concern and inconvenience to our shareholders, customers, and many other stakeholders. Although we have seen steady improvement in the results of third-party quality assessments for the U.S. market, our relative quality ratings in comparison with other automakers are regrettably declining, and I consider this a critical issue.

In response to these problems and issues, in new vehicle development we aim to eliminate recalls and service campaigns by further reinforcing milestone management at each stage of development and systematically working to prevent any reoccurrence of past defects. We will make high-quality products that are easy for customers to understand and use, taking into account customer usage conditions, and simultaneously work to minimize vehicle downtime and increase customer satisfaction by undertaking call center expansion, building a system for the smooth provision of replacement parts and repair parts, and improving efficiency in service operations.

Quality reforms are a top priority in STEP, SUBARU’s mid-term management vision. For this reason, we are reviewing all business processes, from product planning and parts procurement by supplier to production and shipping at our plants, and implementing reforms. To ensure that the departments involved in these processes do not waver in the philosophy that quality is key, we will also strengthen the authority of the CQO and rigorously reinforce quality management systems across all product development and manufacturing functions.

In addition, we will invest in facilities for quality-related technology development, in simulators and other control-related evaluation facilities, and in facilities with modifiable temperature and atmospheric pressure control for environmental and durability evaluation. In manufacturing, whereas until now we have made capital expenditures mainly for the purpose of increasing capacity, from now on we will invest heavily in the renewal of aging facilities and the enhancement of traceability to raise the level of quality, while also utilizing IoT. We will actively invest in areas that contribute to quality improvement, including human resources investment, and aim to be No. 1 in the kind of quality that makes our products suitable for long-term use with peace of mind.

Initiatives to Instill the Mindset that Quality is the Top Priority

SUBARU is continuing various initiatives to promote a change of mindset and behavior on the part of each individual employee for the purpose of making quality the highest priority. A prime example of these initiatives is the Quality Policy revision implemented in April 2019.

Quality Policy

At SUBARU, quality is our highest priority as we earn the trust of our customers.

1. We will deliver long lasting products that our customers can use with peace of mind.
2. We will continually improve our products and services by always listening closely to our customers' voice.
3. We will be a good corporate citizen in all markets where we do business by ensuring compliance with all internal rules, local laws, regulations and social norms.

Revised in April 2019

Points of Emphasis in Revising the Quality Policy

Communicate the powerful message that "Quality is important above all else"

Align the direction and focus of all activities toward customers

Promote a change of mindset and behavior by engaging with individuals in an easy to understand way

Clearly express the importance of compliance

Under the leadership of top management, all employees will apply this policy in their day-to-day work.

In addition to this revision to the Quality Policy, SUBARU will continue the following activities that support quality reforms.

1. Education activities involving periodic posting of quality reform-related articles in Shuho, SUBARU's in-house magazine
2. Holding of a "Quality Caravan" event in November (designated as Quality Month) to directly convey SUBARU's quality situation and customer feedback to employees at all business sites and to suppliers, beginning in FYE March 2019
3. Addition of a quality awareness course to the employee level-specific education curriculum, beginning in FYE March 2020

Through these activities, we are working to foster among employees the mindset that quality is the highest priority. Although we believe that employees' quality awareness has steadily increased due to these initiatives, we will thoroughly inculcate this quality-first mindset and ensure that it is not transitory.

Quality Management System

1. Establish Quality Management System (QMS) based on the Quality Policy and ISO9001 Standard and put it into practice for orderly and effective operations.
2. Aim to increase customer satisfaction by ensuring conformity with customer requirements and legal and regulatory requirements.
3. Undertake continuous improvement of the QMS through business process improvement.

Operation of Quality Management Cycle

With its QMS, SUBARU works to assure quality in each process from design and development to sales as well as creating a cycle to create even higher quality products. In addition, SUBARU strives to work through this cycle swiftly in order to meet customer needs without any delay.

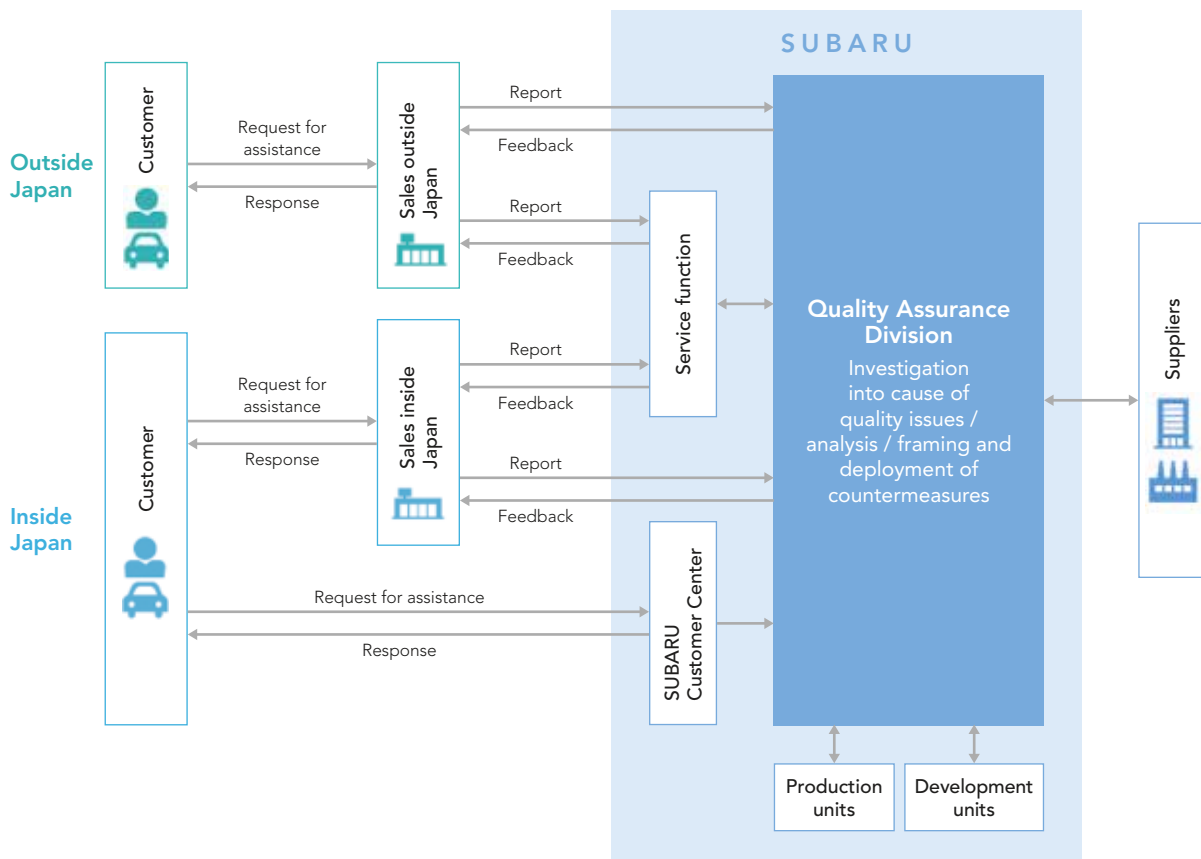
Quality Management Cycle



Development of a System for Improving Quality

SUBARU has established a quality improvement system centered on the Quality Assurance Division in order to analyze after-sales quality defects and customer requests to realize higher-quality development and production. On the basis of customer feedback collected from around the world, SUBARU is identifying quality-related issues, investigating causes, and formulating countermeasures together with relevant departments and suppliers.

Quality Improvement System



Human Resources

Approach to Human Resources Development

In STEP, the mid-term management vision, SUBARU set forth the vision "From a company making things, to a company making people smile." As part of realizing this vision, we consider human resources development a critically important priority. We assist highly motivated employees in pursuing individual growth by utilizing a personnel system that consists of occupational skill certification programs, a performance assessment system, a goal management system, personnel rotation, and an education and training system as a tool for the development of human resources. In addition, SUBARU's affiliated companies in Japan and overseas promote initiatives in accordance with the business content of each company and regional characteristics.

Approach to Diversity

For SUBARU Group to continue offering customers its unique value, each SUBARU employee needs to be able to express his or her unique abilities as an individual with various values and characteristics. This is why the SUBARU Group values diversity in gender, nationality, culture, lifestyle, and other attributes and strives to create workplace environments where everyone finds it comfortable to work. In addition, SUBARU's affiliated companies in Japan and overseas promote initiatives in accordance with the business content of each company and regional characteristics. We established the Diversity Promotion Office in January 2015 to promote diversity at SUBARU even more proactively. The office has designated "promoting active roles of female employees," "employing people with disabilities," "planning and promoting employment of non-Japanese," and "promoting employment of the elderly" as priority themes. Among them, SUBARU has placed particular emphasis on efforts to promote active roles of female employees.

Approach to Work-Life Balance

The SUBARU Group believes that it is important to create an environment that increases employee job satisfaction and enables individuals to fully demonstrate their abilities so that our employees can bring smiles to the faces of customers.

SUBARU respects employee diversity, promotes diversity in work styles to achieve work-life balance, and is enhancing programs that support a healthy work-life balance. In addition, SUBARU's affiliated companies in Japan and overseas promote initiatives to support work-life balance in accordance with the business content of each company and regional characteristics.

Approach to Ensuring Respect for Human Rights

SUBARU states "We respect the rights and characteristics of individuals" in the Corporate Code of Conduct (see page 02), and we respect the human rights of all stakeholders involved in our business activities. To enable employees to fully demonstrate their individual abilities, we pursue diversity in gender, sexual orientation (LGBT status), age, nationality, culture, and lifestyle. Our basic approach to ensuring respect for human rights is to strive to create safe and comfortable workplace environments within the SUBARU Group and our supply chains, which includes zero tolerance of forced labor and child labor.

Diversity

Promoting Active Roles for Female Employees

SUBARU set a 2020 target of increasing the number of female managers by at least five times the number in 2014, and we expect to achieve this target by April 2020. (The number of female managers at SUBARU Corporation was four in 2014 and is 18 as of April 2019.) We have now set a new 2025 target of increasing the number of female managers by at least 12 times the number in 2014, and we are further strengthening initiatives to develop female managers.

Support for Women's Career Development

In addition to a mentoring program for female managers and manager candidates, SUBARU has provided career advancement training for female team leaders since FYE March 2017 for the purpose of systematically developing the next generation of female manager candidates. In FYE March 2019, 46 female employees received the training. We plan to further step up personnel rotation, which expands the scope of employees' work and contributes to personal growth.

We have also instituted a rehiring assistance program for employees who left the company for unavoidable reasons, such as the job transfer of a spouse. We began candidate registration in FYE March 2010, and to date 10 employees have utilized this program to return to work.

Initiatives at Special Subsidiary SUBARU Bloom Co., Ltd.

SUBARU Bloom Co., Ltd., which obtained accreditation as a special subsidiary in FYE March 2015, continued to actively engage in the employment of persons with disabilities in FYE March 2019. As of April 2019, 67 employees and 17 instructors engage in cleaning work at SUBARU's employee dormitories and plants.

In addition to employing persons with disabilities, in FYE March 2019 SUBARU Bloom once again actively welcomed people from nearby areas for visits and tours and, at the request of the Gunma Prefecture Board of Education, introduced its initiatives to persons involved in local special needs education. Since FYE March 2017, SUBARU Bloom has been registered as a Supporter Company for Employment of People with Disabilities, which is a program for cooperating companies that actively promote employment of persons with disabilities that is sponsored by the Department of Employment Support for People with Disabilities of Gunma Prefecture.

Going forward, SUBARU Bloom will continue efforts to improve the management stability and work quality of special subsidiaries while expanding its network with other companies involved in employment of persons with disabilities. True to its name, SUBARU Bloom will aspire to be a company that helps the individuality of every employee to bloom and strive for increased employment, retention, and community contributions.

Initiatives for Non-Japanese Employees

SUBARU recruits both new graduates and mid-career employees regardless of nationality, and employs foreign nationals as regular employees and temporary workers. We translate safety and quality policies, work procedure manuals, and other documents into multiple languages to promote understanding by non-Japanese employees. In particular, the Gunma Plant, which employs many foreign nationals, retains interpreters for English, Portuguese, Tagalog, Spanish, and Chinese to facilitate communication with non-Japanese employees.

SUBARU provides language training and overseas training for Japanese employees and engages in initiatives to enhance employees' ability to communicate with people from other countries and understand cultures different from their own. International personnel exchanges also help energize SUBARU's corporate culture and contribute to securing human resources.

SUBARU appropriately manages the Technical Intern Training Program for foreign technical interns. We engage in safety- and quality-based initiatives that contribute to the success of technical interns after they return to their home countries. Overseas business sites and affiliated companies independently recruit human resources and strive to secure personnel suited to their specific policies and businesses.



Certificate for Supporter Company for Employment of People with Disabilities (sponsored by Gunma Prefecture)



Manual translated into five languages

Work-Life Balance

Initiatives for Work-Style Reform

SUBARU's Status of Compliance with the Work-Style Reform Act*

Category	Details
Accurate monitoring of working hours	Introduction in July 2018 of a company-wide attendance system with centrally managed electronic records (PC log-in and time-card recording of entry and exit times) to enable accurate monitoring of working hours
Promotion of utilization of 5 days of annual paid leave	Start of an initiative covering all employees in FYE March 2019. Goal of achieving utilization of at least 5 days of leave within 7 months of granting of leave by employees newly granted 10 days or more of leave. Institution of an operating rule to ensure utilization of 5 days by all employees
Maximum limit on overtime work	Establishment and operation of a more rigorous standard than required by law (maximum of 590 hours per year and 79 hours per month)
Increase in the pay rate for overtime work exceeding 60 hours per month	In compliance since FYE March 2011

* The Work-Style Reform Act is a law passed in June 2018 to amend labor-related laws for the purpose of promoting work-style reforms

Initiatives to Reduce Long Working Hours

SUBARU has created an environment to reduce long working hours through measures such as the introduction of a flextime work system and designation of regular-hour business days (no-overtime days). In addition to the previous designation of no-overtime days, in FYE March 2016 we began to designate at all business sites an "ultra no-overtime day" on which all employees, including managers, leave work at a set time. In FYE March 2018, we began the practice of locking the doors to the work floors at 10 pm to ensure that employees leave work, mainly at the Gunma Plant and for the Tokyo Office development departments. In FYE March 2019, we expanded the scope of this initiative to include all back-office departments at the Gunma Plant. Clearly indicating the maximum overtime hours permitted has increased employee awareness of work hours.

Assistance with Balancing Work and Childcare

SUBARU believes that it is important to create an environment that enables employees to continue their careers with a sense of security, without having to leave employment because of childcare, and has instituted support systems that meet or exceed statutory requirements to achieve a balance between work and childcare. SUBARU has stipulated that the childcare leave system can be extended to the end of the first April after a child turns two years old, and has also made the short work-time system for childcare available until the start of a child's fourth grade of elementary school, while making it possible to use the system together with flextime (core time of two hours). This policy has had a tremendous effect in back-office departments, where now nearly no one leaves employment due to childcare. We are currently stepping up initiatives to assist employees in pursuing career advancement while balancing childcare and work.

SUBARU believes that it is necessary for the Gunma Plant to create a workplace environment that enables shift workers in production who return to their jobs after childcare leave to work with peace of mind. In FYE March 2019, on a trial basis, we opened an on-site conference room for use by a qualified childcare worker to provide early morning daycare until the daycare center opens. We introduced this system on a full-scale basis in FYE March 2020.

We explain the content of these support systems in level-specific employee training and are publicizing the existence of various systems and promoting their use through the Maternity Leave and Childcare Handbook on the intranet.

Number of Employees Taking Childcare Leave (SUBARU non-consolidated)

Measure	Overview	FYE March 2015	FYE March 2016	FYE March 2017	FYE March 2018	FYE March 2019	
Leave system available to employees caring for children	Childcare leave (persons)	Male	2	6	8	10	21
		Female	91	101	88	88	80
		Total	93	107	96	98	101
	Rate of returning to work after childcare leave (%)	Male	100	100	100	100	100
		Female	100	98	100	100	97.5
	Retention rate one year after returning to work (%)	Male	100	100	87.5	83.3	100
Female		98.9	95	100	97.2	90	

Respect for Human Rights

Activities to Raise Awareness of Human Rights

SUBARU's Conduct Guidelines (see page 49) clearly state, "We do not unfairly discriminate on grounds of gender, LGBT status, age, place of birth, nationality, race, ethnicity, beliefs, religion, social status, physical disability, disease, or any other pretext." In order to raise awareness regarding respect for human rights, since FYE March 2016 we have deepened understanding of the need for diversity and SUBARU's diversity initiatives through new employee training and manager training. In FYE March 2019, we held 10 training sessions attended by 435 employees.

Preventing Harassment

To prevent all forms of harassment, SUBARU has prohibited harassment in the Rules of Employment and instituted guidelines. To prevent workplace harassment, we have prepared the Explanatory Booklet on Workplace Harassment and informed all SUBARU employees of it. In addition, we have distributed to all managers and supervisors the Workplace Harassment Prevention Handbook, which contains precautions and suggestions for creating workplaces free from harassment.

SUBARU has prepared an environment for all employees, including employees of Group companies, to seek consultation and advice by establishing the Compliance Hotline and Harassment Hotline, which provide internal and external points of contact for consultation about harassment. By creating easily accessible systems, we encourage employees to feel free to seek consultation and strive for the early detection and resolution of problems.

Consolidated Ten-Year Financial Summary

SUBARU Corporation and its consolidated subsidiaries
Years ended March 31

		'10/3	'11/3	'12/3	'13/3
--	--	-------	-------	-------	-------

Operating results (for the year)

Net sales ¹	Millions of yen	¥1,428,690	¥1,580,563	¥1,517,105	¥1,912,968
Cost of sales	Millions of yen	1,152,763	1,241,427	1,222,419	1,501,809
Gross profit	Millions of yen	275,927	339,136	294,686	411,159
Selling, general and administrative expenses ¹	Millions of yen	248,577	255,001	250,727	290,748
Operating income (loss)	Millions of yen	27,350	84,135	43,959	120,411
Income (loss) before income taxes	Millions of yen	(443)	63,214	52,879	93,082
Net income (loss) attributable to owners of parent	Millions of yen	(16,450)	50,326	38,453	119,588
Depreciation/amortization ²	Millions of yen	65,785	56,062	58,611	61,544
Capital expenditures ³	Millions of yen	89,077	67,378	67,035	94,986
R&D expenses	Millions of yen	37,175	42,907	48,115	49,141

Financial position (at year-end)

Net assets	Millions of yen	381,893	413,963	451,607	596,813
Shareholders' equity	Millions of yen	380,587	412,661	450,302	595,365
Total assets ⁴	Millions of yen	1,231,367	1,188,324	1,352,532	1,577,454
Ratio of shareholders' equity to total assets ⁴	%	30.9	34.7	33.3	37.7

Cash flows

Net cash provided by (used in) operating activities	Millions of yen	176,734	138,208	54,865	166,715
Net cash provided by (used in) investing activities	Millions of yen	(62,656)	(51,109)	(26,602)	(71,370)
Free cash flow	Millions of yen	114,078	87,099	28,263	95,345
Net cash provided by (used in) financing activities	Millions of yen	(18,560)	(39,408)	2,586	(60,766)

Per share

Net income (loss) (EPS)	Yen	(21.11)	64.56	49.27	153.23
Net assets (BPS)	Yen	488.58	528.88	576.97	762.87
Dividends	Yen	0	9	9	15

Other information

Non-consolidated exchange rate	Yen to the U.S. dollar	93	86	79	82
Number of shares issued	Thousands of shares	782,865	782,865	782,865	782,865
Number of shareholders ⁵	Persons	39,223	34,240	33,139	28,890
Number of employees (parent only)	Persons	12,483	12,429	12,359	12,717
Number of employees (consolidated)	Persons	27,586	27,296	27,123	27,509

Number of units

Consolidated automobile unit sales ⁶	Thousand units	563	657	640	724
SUBARU vehicle unit production	Thousand units	557	624	635	692
Domestic	Thousand units	453	459	465	511
U.S. (SIA) ⁷	Thousand units	104	165	171	181

1 Change of accounting policy effective from FYE March 2019 (deduction of sales incentives from net sales); Retroactively applied to the figures for FYE March 2018

2 Accompanying a change in accounting policy effective from the FYE March 2019, change of depreciation method for certain tangible fixed assets of the Company and its major domestic consolidated subsidiaries from the declining-balance method to the straight-line method

3 Increase in property, plant and equipment and intangible assets

4 Application of Partial Amendments to Accounting Standard for Tax Effect Accounting, effective from FYE March 2019; Retroactively applied to the figures for FYE March 2018

(Thousands of U.S. dollars)⁸

'14/3	'15/3	'16/3	'17/3	'18/3	'19/3	'19/3
¥2,408,129	¥2,877,913	¥3,232,258	¥3,325,992	¥3,232,695	¥3,160,514	\$28,470,534
1,728,271	2,017,490	2,187,136	2,386,266	2,442,706	2,561,753	23,076,777
679,858	860,423	1,045,122	939,726	789,989	598,761	5,393,757
353,369	437,378	479,533	528,916	410,542	403,232	3,632,393
326,489	423,045	565,589	410,810	379,447	195,529	1,761,364
328,865	392,206	619,003	394,695	297,340	195,838	1,764,146
206,616	261,873	436,654	282,354	220,354	147,812	1,331,518
61,486	71,821	72,938	85,653	102,102	102,749	925,583
98,537	135,346	168,338	196,616	193,789	169,960	1,531,033
60,092	83,535	102,373	114,215	121,084	102,719	925,313
770,071	1,030,719	1,349,411	1,464,888	1,561,023	1,612,825	14,528,645
765,544	1,022,417	1,343,732	1,458,664	1,552,844	1,605,291	14,460,778
1,888,363	2,199,714	2,592,410	2,762,321	2,866,474	2,982,725	26,868,976
40.5	46.5	51.8	52.8	54.2	53.8	—
313,024	311,543	614,256	345,442	366,298	174,006	1,567,480
(33,903)	(172,780)	(255,676)	(254,252)	(150,711)	(158,327)	(1,426,241)
279,121	138,763	358,580	91,190	215,587	15,679	141,239
(63,011)	(110,546)	(126,190)	(189,044)	(170,937)	(96,617)	(870,345)
						(U.S. dollars)
264.76	335.57	559.54	365.77	287.40	192.78	1.74
980.98	1,310.15	1,721.90	1,902.56	2,025.31	2,093.60	18.86
53	68	144	144	144	144	1.30
100	108	121	108	111	111	—
782,865	782,865	782,865	769,175	769,175	769,175	—
51,386	70,942	79,594	76,471	132,570	133,879	—
13,034	13,883	14,234	14,708	14,879	15,274	—
28,545	29,774	31,151	32,599	33,544	34,200	—
825	911	958	1,065	1,067	1,000	—
772	887	929	1,033	1,036	977	—
609	681	693	698	687	605	—
164	207	236	335	349	372	—

5 Number of shares per trading unit: 100 shares

6 Automobile unit sales of SUBARU CORPORATION and its consolidated subsidiaries

7 U.S. production base Subaru of Indiana Automotive, Inc.

8 U.S. dollar figures have been translated from yen, for convenience only, at the rate of ¥111.01 to US\$1.00, the approximate rate of exchange at March 31, 2019

Five-Year Unit Sales

Years ended March 31

Consolidated Automobile Sales

(Number of units)

	'15/3	'16/3	'17/3	'18/3	'19/3
Domestic units					
Legacy	13,845	11,358	11,065	9,328	5,864
Impreza	39,462	39,794	51,592	66,748	46,838
Forester	21,103	22,044	24,239	18,139	32,941
Levorg	40,559	23,555	23,775	21,342	12,878
WRX	7,514	6,956	6,552	8,252	7,060
Exiga	1,937	4,498	4,284	3,498	23
SUBARU BRZ	1,890	1,995	2,253	1,879	1,241
OEM	1,127	884	2,066	2,889	2,712
Others	439	502	567	480	147
Passenger cars	127,876	111,586	126,393	132,555	109,704
Minicars	34,876	33,702	32,542	30,889	25,615
Domestic total	162,752	145,288	158,935	163,444	135,319

Overseas units by region

U.S.	527,630	582,674	667,613	670,931	659,702
Canada	42,439	47,579	53,061	56,820	56,826
Russia	11,559	5,723	5,338	7,729	8,120
Europe	35,730	41,778	40,915	40,228	32,133
Australia	38,889	44,611	49,106	55,674	41,731
China	53,821	44,388	44,000	26,872	22,776
Others	37,875	45,824	45,574	45,231	43,287
Overseas total	747,943	812,577	905,607	903,485	864,575

Overseas units by model

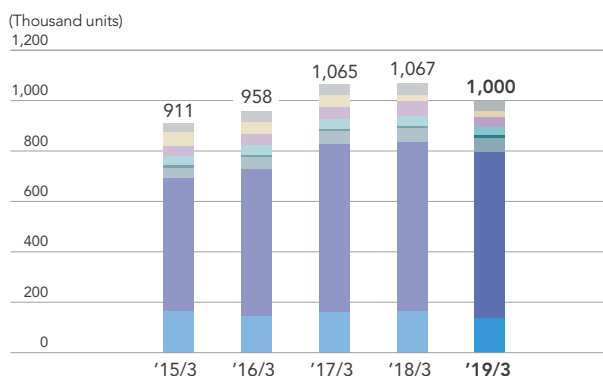
Legacy	235,791	286,979	333,339	281,846	253,860
Impreza	196,403	217,272	238,858	306,673	275,089
Forester	269,649	250,072	272,768	260,853	226,756
Levorg	0	7,713	6,823	3,913	2,160
WRX	37,982	43,120	47,185	42,739	33,861
Ascent	0	0	0	0	67,177
Tribeca	64	34	7	1	0
SUBARU BRZ	7,914	7,387	6,627	7,460	5,672
OEM	135	0	0	0	0
Others	5	0	0	0	0
Overseas total	747,943	812,577	905,607	903,485	864,575

Grand total	910,695	957,865	1,064,542	1,066,929	999,894
--------------------	----------------	----------------	------------------	------------------	----------------

*Automobile sales of SUBARU CORPORATION and its consolidated subsidiaries

Consolidated Automobile Sales by Region

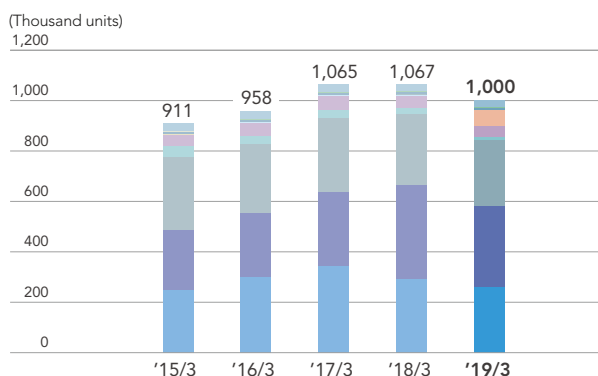
Japan U.S. Canada Russia
Europe Australia China Others



*Automobile sales of SUBARU CORPORATION and its consolidated subsidiaries

Consolidated Automobile Sales by Model

Legacy Impreza Forester Levorg WRX
Exiga Ascent Tribeca SUBARU BRZ
OEM Others Minicars



*Automobile sales of SUBARU CORPORATION and its consolidated subsidiaries

Non-Consolidated Automobile Sales

(Number of units)

	'15/3	'16/3	'17/3	'18/3	'19/3
Domestic units					
Legacy	14,734	11,665	11,529	9,753	6,091
Impreza	40,277	41,137	53,136	68,937	49,117
Forester	21,569	22,631	24,231	19,000	34,553
Levorg	41,832	24,014	24,626	22,525	13,328
WRX	7,991	7,181	6,724	8,284	7,206
Exiga	2,016	4,797	4,356	3,833	7
SUBARU BRZ	1,941	2,070	2,394	1,999	1,256
OEM	1,224	904	2,575	2,862	2,843
Passenger cars	131,584	114,399	129,571	137,193	114,401
Minicars	35,563	35,642	34,124	31,717	26,344
Domestic total	167,147	150,041	163,695	168,910	140,745
Export units					
Legacy	34,344	50,353	39,719	32,122	26,073
Impreza	199,770	218,866	191,873	214,631	197,657
Forester	265,072	249,202	278,963	254,397	230,136
Levorg	0	7,880	6,805	3,813	2,060
WRX	37,865	43,177	46,730	44,053	30,590
Exiga	5	0	0	0	0
SUBARU BRZ	8,418	7,005	6,653	7,451	4,980
OEM	135	0	0	0	0
Export total	545,609	576,483	570,743	556,467	491,496
Complete knockdown (CKD) overseas					
Total	222,513	242,424	353,770	348,144	402,985
Grand total	935,269	968,948	1,088,208	1,073,521	1,035,226

U.S. Retail Sales (Calendar Year: January to December)

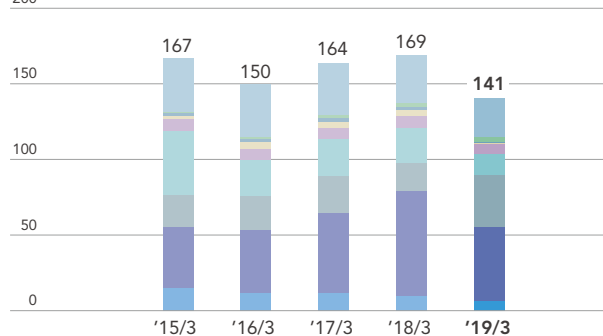
(Number of units)

	'14	'15	'16	'17	'18
Legacy	191,060	212,741	248,204	238,723	218,963
Impreza	128,952	155,712	150,915	196,181	220,784
Forester	159,953	175,192	178,593	177,563	171,613
WRX	25,492	33,734	33,279	31,358	28,730
Ascent	0	0	0	0	36,211
Tribeca	732	0	0	0	0
SUBARU BRZ	7,504	5,296	4,141	4,131	3,834
U.S. total	513,693	582,675	615,132	647,956	680,135

Non-Consolidated Domestic Automobile Sales by Model

Legend: Legacy (Blue), Impreza (Dark Blue), Forester (Light Blue), Levorg (Teal), WRX (Purple), Exiga (Yellow), SUBARU BRZ (Dark Teal), OEM (Green), Minicars (Light Teal)

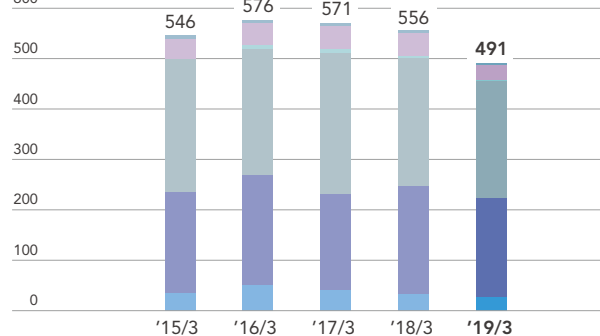
(Thousand units)
200



Non-Consolidated Automobile Export Units by Model

Legend: Legacy (Blue), Impreza (Dark Blue), Forester (Light Blue), Levorg (Teal), WRX (Purple), Exiga (Yellow), SUBARU BRZ (Dark Teal), OEM (Green)

(Thousand units)
600



Financial Review

Business Segments and Scope of Consolidation

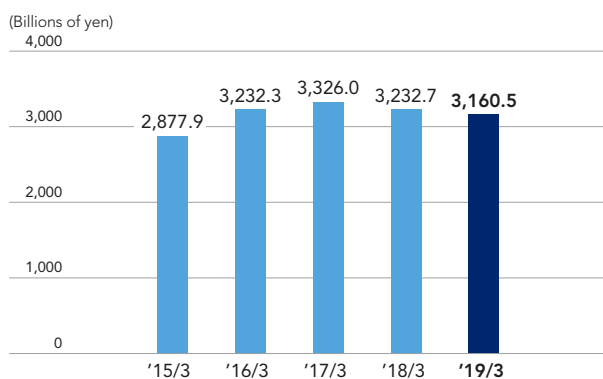
The SUBARU Group (“the Group”) consists of three business segments: the core Automotive Business Unit, which accounts for approximately 95% of consolidated net sales; the Aerospace Company; and Other Businesses, consisting of businesses that do not belong to either of the other two segments. In the fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019; the “fiscal year under review”), SUBARU CORPORATION (“the Company”), 78 subsidiaries, and 10 equity-method affiliated companies were included in the scope of consolidation.

Overview of Business Performance

The global economy remained stable during the fiscal year under review, while uncertainties due to trends in trade issues caused some slowdown in the second half of the year. The Japanese economy also continued on a gradual recovery path, as the employment and income environment improved and consumer spending recovered, although concerns over the impact of the uncertainty over the world economy persisted. Meanwhile, the exchange rate was mostly stable.

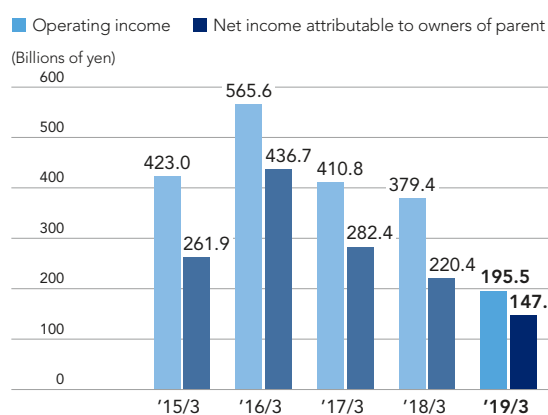
Consolidated net sales for the fiscal year under review decreased by 72.2 billion yen (2.2%) from the previous fiscal year to 3,160.5 billion yen mainly due to the fall in automobile unit sales. The increase in quality-related expenses triggered by the recall of engine parts in November 2018 and the decrease in automobile unit sales affected consolidated operating income, which dropped by 183.9 billion yen (48.5%) to 195.5 billion yen compared with the previous fiscal year. Net income attributable to owners of parent also fell by 72.5 billion yen (32.9%) from the previous fiscal year to 147.8 billion yen.

Net Sales

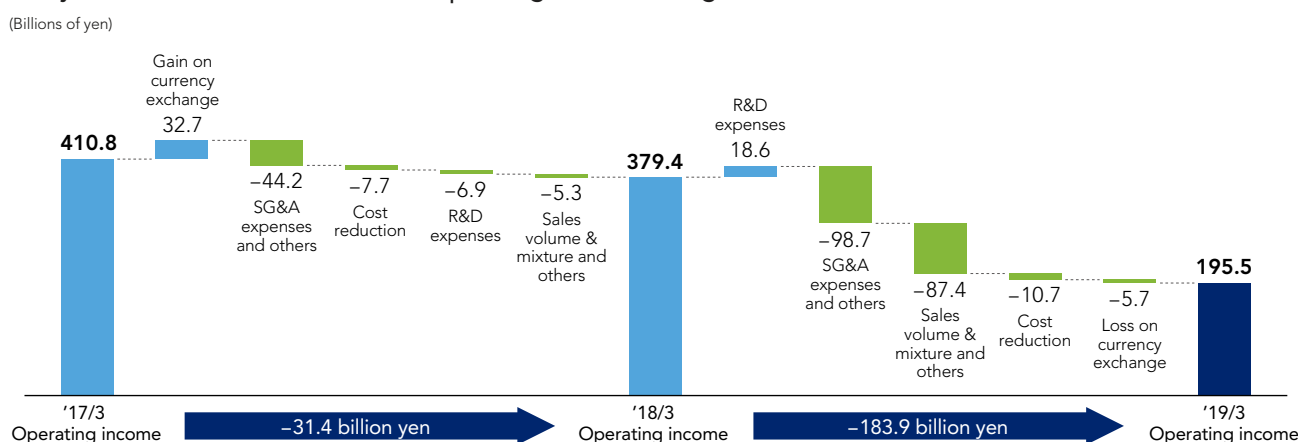


* Change of accounting policy effective from FYE March 2019 (deduction of sales incentives from net sales) Retroactively applied to the figures for FYE March 2018

Operating Income / Net Income Attributable to Owners of Parent



Analysis of Increase and Decrease in Operating Income Changes (Consolidated)



Segment Information

Automotive Business Unit

Net sales from the Automotive Business Unit were 3,014.5 billion yen, down by 47.9 billion yen (1.6%), and segment income was 184.9 billion yen, down by 176.5 billion yen (48.8%), compared with the previous fiscal year. Consolidated global unit sales decreased by 67,000 vehicles (6.3%) year on year to 1,000,000 units.

<Domestic Market>

Total automobile demand in Japan in the fiscal year under review increased by 1.2% year on year to 5,260,000 units due to factors including continued steady sales of passenger cars and increased minicar sales compared with the previous fiscal year. The Group's unit sales in Japan decreased by 28,000 units (17.2%) year on year to 135,000 units, comprising 110,000 passenger cars (down by 23,000 or 17.2% year on year) and 26,000 minicars (down by 5,000 or 17.1% year on year). While the sales of Forester, which was fully remodeled in July 2018, grew steadily, those of Impreza, SUBARU XV, and Levorg declined.

<Overseas Market>

Total automobile demand in the U.S., which is our key market, was 17.16 million units, down by 0.9% year on year, with a decrease in passenger cars and an increase in light trucks including SUVs compared with the previous fiscal year.

The Group's overseas unit sales marked a decrease of 39,000 units (4.3%) to 865,000 units. By region, sales volume decreased by 11,000 units (1.5%) year on year to 717,000 units in North America, decreased by 8,000 units (16.1%) to 40,000 units in Europe and Russia, decreased by 14,000 units (25.0%) to 42,000 units in Australia, decreased by 4,000 units (15.2%) to 23,000 units in China, and decreased by 2,000 units (4.3%) to 43,000 units in other regions. In North America, retail sales remained stable, contributed to by the strong sales of the Ascent, a new model vehicle recently launched, although shipments declined for the Forester, which had not been fully remodeled for the first half of the fiscal year under review.

Aerospace Company

Net sales from the Aerospace Company were 131.7 billion yen, down by 10.5 billion yen (7.4%), and segment income was 6.0 billion yen, down by 6.2 billion yen (50.7%), compared with the previous fiscal year. Sales of products for the Japan Ministry of Defense declined from the previous fiscal year, mainly due to the fulfillment of the contract for the test production of a new multi-purpose helicopter for the Ground Self-Defense Force. Sales of products for the commercial sector also decreased year on year, affected by the decrease in the production of the Boeing 777.

Other Businesses

Net sales from Other Businesses were 14.4 billion yen, down by 13.8 billion yen (49.0%), and segment income was 3.8 billion yen, down by 1.2 billion yen (24.1%), compared with the previous fiscal year.

Net Sales by Segment

(Billions of yen)

	'15/3	'16/3	'17/3	'18/3	'19/3
Automotive	2,699.0	3,039.4	3,152.0	3,062.3	3,014.5
Aerospace	142.8	152.8	138.8	142.2	131.7
Industrial products	29.0	—	—	—	—
Other	7.1	40.0	35.3	28.2	14.4
Total	2,877.9	3,232.3	3,326.0	3,232.7	3,160.5

Operating Income by Segment

(Billions of yen)

	'15/3	'16/3	'17/3	'18/3	'19/3
Automotive	400.9	543.6	397.7	361.5	184.9
Aerospace	18.9	18.2	9.1	12.3	6.0
Industrial products	0.8	—	—	—	—
Other	1.9	3.0	3.5	5.1	3.8
Corporate and elimination	0.6	0.8	0.5	0.7	0.7
Total	423.0	565.6	410.8	379.4	195.5

* Change of accounting policy effective from FYE March 2019 (deduction of sales incentives from net sales); Retroactively applied to the figures for FYE March 2018

* Following the decision in November 2016 to terminate the Industrial Products business, the said business has been included in the Other Businesses segment since FYE March 2017. Figures for FYE March 2016 in the tables above have been restated to comply with the new segment classification

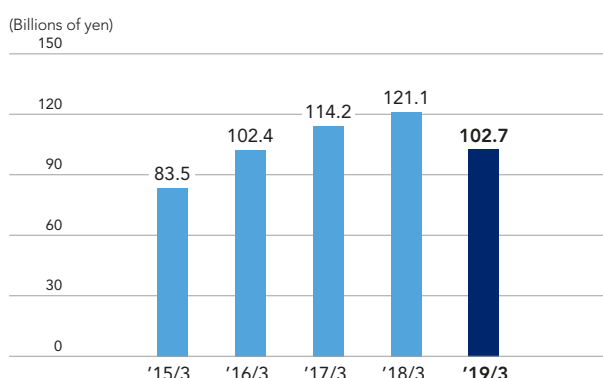
R&D Expenses

In the fiscal year under review, R&D expenses decreased by 18.4 billion yen (15.2%) compared with the previous fiscal year to 102.7 billion yen. Of that amount, 101.1 billion yen was related to the Automotive Business Unit. In FYE March 2020, the Group plans to raise its R&D expenditures spending by 17.3 billion yen (16.8%) year on year to 120.0 billion yen.

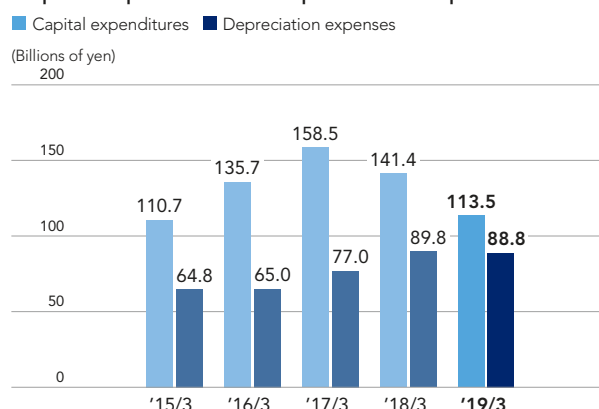
Capital Expenditures and Depreciation Expenses

In the fiscal year under review, the Group made capital expenditures of 113.5 billion yen, a decrease of 27.9 billion yen (19.7%) compared with the previous fiscal year. Among the total capital expenditures, 106.4 billion yen has been spent in relation to the Automotive Business Unit. The Company made investments of 37.7 billion yen mainly for the improvement and maintenance of production and inspection lines, production facilities for new products, R&D facilities, and sales networks. Subaru of Indiana Automotive, Inc. (SIA), our production base in the U.S., also made investments of 36.8 billion yen, mainly for the production facilities to handle new products and for production capacity expansion. Depreciation expenses in the fiscal year under review declined by 1.0 billion yen (1.1%) year on year to 88.8 billion yen. Capital expenditures in FYE March 2020 are projected to increase by 26.5 billion yen (23.4%) year on year to 140.0 billion yen, and depreciation expenses to increase by 11.2 billion yen (12.6%) to 100.0 billion yen. The actual and planned figures in this section do not include, as before, the capital expenditures and depreciation expenses related to lease transactions and intangible assets.

R&D Expenses



Capital Expenditures / Depreciation Expenses



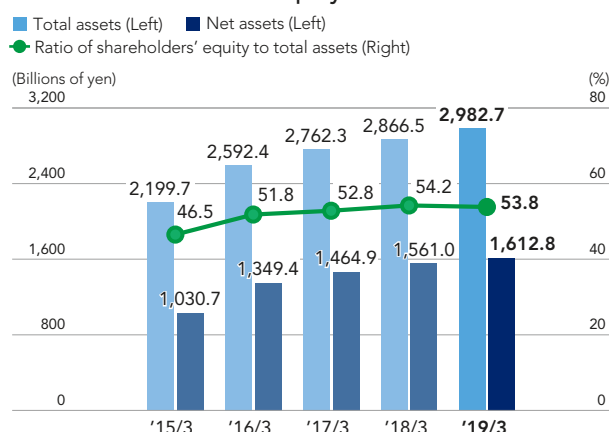
* Accompanying a change in accounting policy effective from the FYE March 2019, change of depreciation method for certain tangible fixed assets of the Company and its major domestic consolidated subsidiaries from the declining-balance method to the straight-line method

Liquidity and Source of Funds

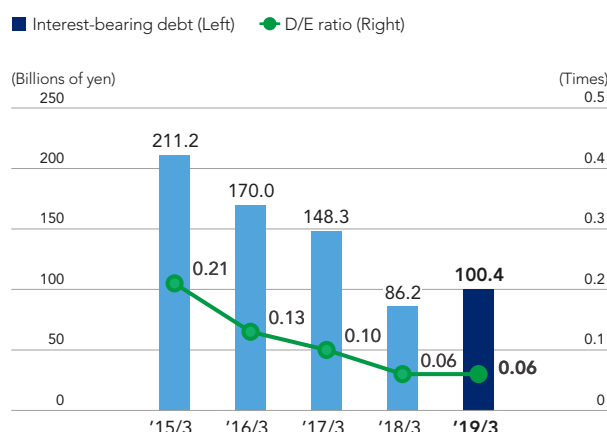
Financial Position

Total assets as of March 31, 2019 were 2,982.7 billion yen, an increase of 116.3 billion yen compared with the previous fiscal year-end. While funds in hand (the sum of cash and deposits and short-term investment securities) saw a decrease of 56.3 billion yen, there were increases in non-current assets of 60.5 billion yen, merchandise and finished goods of 47.1 billion yen, raw materials and supplies of 24.0 billion yen, work in process of 22.4 billion yen, and short-term loans receivable of 13.4 billion yen. Total liabilities amounted to 1,369.9 billion yen, up by 64.4 billion yen from the previous fiscal year-end. Although accrued income taxes and short-term loans payable declined by 40.0 billion yen and 17.7 billion yen, respectively,

Total Assets / Net Assets / Ratio of Shareholders' Equity to Total Assets



Interest-Bearing Debt / D/E Ratio

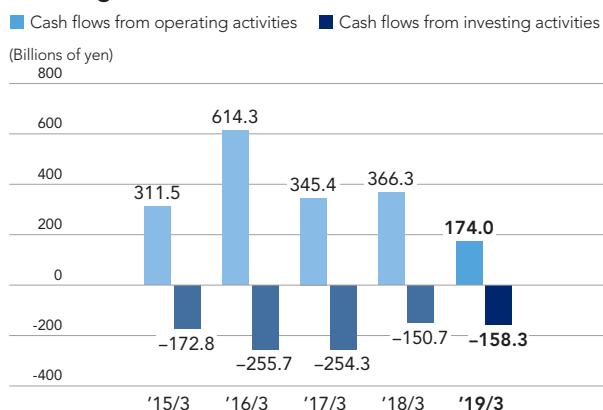


such decreases were surpassed by increases including: provision for product warranties of 58.5 billion yen, long-term debts including current portion of 31.9 billion yen, long-term unearned revenue of 25.2 billion yen, and accrued expenses of 12.7 billion yen. The fiscal year-end balance of interest-bearing debt increased by 14.2 billion yen from the previous fiscal year-end to 100.4 billion yen. The debt/equity ratio (interest-bearing debt over shareholders' equity) was 0.06, remaining at a safe level. Net assets stood at 1,612.8 billion yen, an increase of 51.8 billion yen compared with the previous fiscal year-end, mainly due to an increase in retained earnings of 36.6 billion yen. The shareholders' equity ratio resulted in 53.8%.

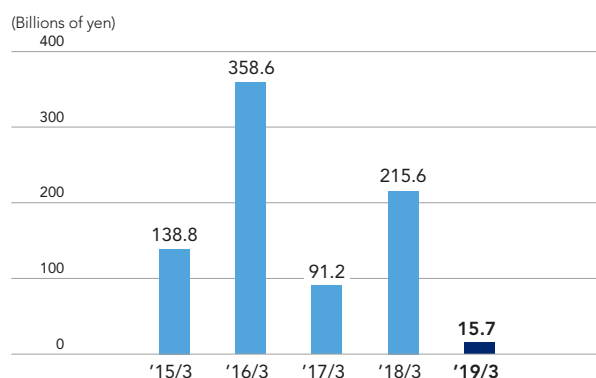
Cash Flows

In the fiscal year under review, net cash provided by operating activities was 174.0 billion yen. Major cash in-flow items were income before income taxes of 195.8 billion yen, depreciation and amortization of 102.7 billion yen, increase in provision for product warranties of 57.6 billion yen, income taxes paid of 100.3 billion yen and increase in inventories of 90.4 billion yen. Net cash used in investing activities was 158.3 billion yen. Major cash out-flow items included purchase of non-current assets (net of proceeds from sales) of 138.7 billion yen. As a result, free cash flow for the fiscal year under review resulted in a cash in-flow of 15.7 billion yen. Net cash used in financing activities totaled 96.6 billion yen. Major cash out-flow items were cash dividends paid of 110.4 billion yen and net decrease in short-term loans payable of 17.5 billion yen. On the other hand, major cash in-flow items included proceeds from long-term loans payable (net of repayments) of 31.9 billion yen. As a result of the above cash flows, including the effect of translation adjustments, cash and cash equivalents at the end of the fiscal year under review amounted to 702.3 billion yen.

Cash Flows from Operating Activities and Investing Activities



Free Cash Flow



Basic Policy on Profit Distribution and Dividends

The Company regards shareholder interests as an important management priority. Our basic measure of shareholder returns is dividend payment, and the Company applies a performance-linked approach with an emphasis on continuity, by considering the business performance of each fiscal year, investment plans, and the business environment. In our mid-term management vision STEP announced in July 2018, the Company has set its capital policy for three years to pay annual dividend payment of 144 yen per share as a basis of shareholder returns, adding agile buyback (of its own stock) when cash flow status allows. Accordingly, the Company paid an annual dividend of 144 yen per share (including an interim dividend of 72 yen per share) for the fiscal year under review, the same as the previous fiscal year. Internal reserves are allocated to investments for future growth, such as strengthening production and sales systems as well as research and development activities for the purpose of offering appealing products, while bolstering the financial position.

Outlook for FYE March 2020

The consolidated performance forecast of the Group is calculated according to the International Financial Reporting Standards (IFRS), which the Company applies voluntarily from FYE March 2020. Consolidated global unit sales are projected to be 1,058,000 vehicles in prospect of growth mainly in North America, our key market. As an aggregate decrease in expenses and an increase in the number of unit sales are expected, the Company forecasts revenue of 3,310.0 billion yen, operating profit of 260.0 billion yen, profit before tax of 270.0 billion yen, and profit for the period attributable to owners of parent of 210.0 billion, for FYE March 2020. The exchange rate assumptions used for the full-year forecast of consolidated business performance are ¥110 to US\$1.00 and ¥120 to €1.00.

Business Risks

Operational and other risks that could significantly influence the decisions of investors are set out below.

Based on information available to the Group as of the end of the consolidated fiscal year under review, the enumerated risks include forward-looking statements, but do not encompass every possible risk posed to the Group.

(1) Economic Trends

Economic trends in countries and regions that comprise important markets for the Group could potentially impact the Group's business performance. In Japan and North America, key markets for the Group, economic recession, decreasing demand, or increasing price competition could undermine the sales and profitability of the Group's products and services.

(2) Currency Exchange Rate Fluctuations

The Group's ratio of overseas net sales stood at 81.1%. The Group's consolidated financial statements, which are presented in Japanese yen, are affected by translation of overseas net sales, operating income, and assets from local currencies, particularly U.S. dollars, into yen. Accordingly, in the event that discrepancies arise between projected exchange rates in full-year forecasts and actual rates at the time of account settlement, the Group's business performance and financial position may be adversely affected when the yen appreciates or positively affected when the yen depreciates.

The Company uses forward exchange rate contracts and other circumstance-appropriate risk hedges to minimize the Group's sensitivity to such currency exchange risks. However, the effect of severe fluctuations in currency exchange rates at the end of the fiscal year could result in a loss on valuation of derivatives and have a major impact on non-operating expenses.

(3) Dependence on Certain Businesses

The Group is mainly comprised of the Automotive Business Unit and Aerospace Company. However, the Automotive Business Unit accounts for the overwhelming majority of the Group's business operations. Accordingly, in the event that automobile-related demand, market conditions, price competition with other automakers, or other factors exceed projected levels, the entire Group's overall business performance and financial position could be significantly affected.

(4) Changes in Market Appraisal

The Group develops, manufactures, and releases new products based on appropriate timing and pricing in line with product planning that reflects market demand and customer needs. Such actions are the most important factors in maintaining stable increases in Group business performance. In the event that market appraisals of new model vehicles and other new products do not meet sales plan expectations, or that the obsolescence rate of current products exceeds forecasts, the Group's business performance and financial position could be significantly affected.

(5) Dependence on Specific Suppliers, Raw Materials, and Components

The Group procures raw materials, components, and other items from numerous suppliers. However, there are cases in which the Group relies on certain items and/or a limited number of suppliers. Due to tightening supply and demand or other factors, the inability to procure supplies in a manner that ensures stable costs, delivery dates and quality could seriously impact the Group's business performance and financial position.

(6) Protection of Intellectual Property

The Group is strongly committed to protecting its intellectual property in areas, such as technologies and expertise, that ensure product differentiation. However, in cases where a third party makes unauthorized use of the Group's intellectual property to manufacture similar products and in cases where a dispute relating to intellectual property arises and a decision disadvantageous to the Company is made, the Group's business results and financial condition may be significantly affected.

(7) Product Defects

The Group places the highest priority on the safety of the products it develops, manufactures, and sells. However, completely avoiding defects and recalls, etc. regarding all products and services is impossible. The substantial cost, damage to our brand image, etc. associated with a major recall could significantly affect the Group's business performance and financial position.

(8) Retirement Benefit Obligations

The Group's employee retirement benefit costs and obligations are calculated based on the following assumptions: retirement benefit obligation discount rates and the expected long-term rate of return on pension assets, both of which are established based on mathematical calculations. However, in the event that actual performance differs from the assumptions, the Group's business performance and financial position could be affected over the long term.

(9) Environmental and Other Legal Regulations

The Group is subject to various domestic and overseas legal regulations in relation to automobile fuel efficiency, exhaust emissions, energy conservation, noise, recycling, the level of pollutants emitted from manufacturing facilities, and the safety of automobiles and other products. The Group's business performance and financial position could be affected by cost increases due to future tightening of such regulations.

(10) Impact of Natural Disasters, War, Terror, Strikes, and Other Events

The occurrence of natural disasters such as major earthquakes, typhoons, etc., and diseases, wars, terrorist attacks, or other events, could impede the Group's business activities as well as delay or suspend raw material/component purchases, production, product sales/transport, and the provision of services. The Group's business performance and financial position could be affected in the event that such delays or suspensions are prolonged.

(11) International Business Activities

Though the Group focuses on the U.S., it does business in countries around the world. Business activities in overseas markets entail the following types of risk. If any of these risks materializes, the Group's business performance and financial position could be adversely affected.

- Unfavorable political or economic factors
- Difficulties arising from changes in laws or regulations
- Revisions to taxes, tariffs, or other taxation systems
- Difficulties in hiring and retaining personnel

(12) Impact of Information Security

The Group uses various kinds of information technology, networks, and systems in product development, production, sales, and other business activities. Although safety measures have been implemented with respect to information technology, networks, and systems, interruption of important work or services, data corruption or loss, leaks of confidential information, or other problems could occur due to cyberattacks, hacking, computer virus attacks, or the like. This could damage the brand image or adversely affect the Group's business performance and financial position.

(13) Compliance and Reputation

The Group considers rigorous compliance one of the most important management priorities and strives to avoid or minimize compliance risks through compliance with all laws, ordinances, and internal regulations required in corporate activities and the execution of fair and equitable corporate activities in conformity with social norms. Nevertheless, the occurrence of a material legal violation could have a significant impact on the Group and adversely affect the Group's business performance and financial position due to loss of customer confidence and trust, or damage to the Group's reputation in society.

Corporate Information

Domestic Facilities

Name		Location	Land Area (Thousand m ²)	Building Area (Thousand m ²)	Number of Employees (Persons)	Main Products	
Head Office	Head Office (Ebisu)	Tokyo	4	14	656	—	
	SUBARU Training Facility (SUBARU Academy)		Tokyo	10	13	33	—
	Other	Parts Distribution Center, Pre Delivery Inspection Center, parking lot, Vicinity of Oizumi Plant, etc.		Gunma	571 [12]	173	150
Automotive Business Unit	Tokyo Office		Tokyo	158	79	1,664	—
	Gunma Plant	Gunma Main Plant	Gunma	635 [14]	332	4,521	LEVORG, IMPREZA, SUBARU XV, WRX, and SUBARU BRZ
		Gunma Yajima Plant	Gunma	550	327	3,136	LEGACY, OUTBACK, IMPREZA, SUBARU XV, and FORESTER
		Gunma Oizumi Plant	Gunma	304	238	2,797	Automobile engines and transmissions
		Gunma Ota North Plant	Gunma	44	25	0	—
		SUBARU R&E Center (Sano)	Tochigi	1,081	25	171	—
		SUBARU R&E Center (Bifuka)	Hokkaido	3,614	0	0	—
Aerospace Company	Utsunomiya Plant		Tochigi	572	228	1,822	Aircraft
	Handa Plant		Aichi	59	31	282	Aircraft
	Handa West Plant		Aichi	51	13	42	Aircraft
Subtotal (1)			7,653	1,498	15,274		
Other	The site of airport		Gunma	626	0		
	Utsunomiya airstrip		Tochigi	105	0		
	Welfare facility		—	220	98		
	Lease to affiliates		Aichi	37	8		
	Isesaki business office		Gunma	184	66		
	Eco Utsunomiya factory		Tochigi	6	1		
	Saitama Plant		Saitama	143	72		
Subtotal (2)			1,321	245			
Total (1)+(2)			8,974	1,743			

1. []: area of tenancy

2. Welfare facility includes 37 sites of dormitories and company houses

3. Number of employees excludes executive officers, advisors, and dispatches

Main Subsidiaries (Domestic)

(As of April 1, 2019)
(Number of employees: as of March 31, 2019)

Name	Established	Location	Representative	Capital (Millions of yen)	Equity Interest* (%)	Number of Employees (Persons)	FYE March 2019 Net sales (Millions of yen)	Operations
Fuji Machinery Co., Ltd.	1950. 7. 18	Gunma	Tamaki Kamogawa	480	100.0	455	40,401	Manufacture and sales of automobile parts, industrial product parts and agricultural transmissions
Ichitan Co., Ltd.	1951. 2. 2	Gunma	Satoshi Maeda	480	100.0	231	18,330	Manufacture and sales of forging parts of automobile and industrial machinery
KIRYU INDUSTRY Co., Ltd.	1960.12.23	Gunma	Toshiaki Tamegai	400	97.7	276	10,993	Manufacture of specially-equipped SUBARU automobiles, engines, sheet metal repair parts and remanufacture of transmissions
Subaru Tecnica International Inc.	1988. 4. 2	Tokyo	Yasuo Hiraoka	250	100.0	100	5,203	Management of motor sports activities, sales of motor sports parts and merchandise, technical development, R&D support, and automobile maintenance
Subaru Used cars Sales & Marketing Co., Ltd.	1988. 4. 2	Kanagawa	Masahiro Maeda	100	100.0	20	3,045	Tack-related operation of used cars, head office of SUAA Kanto, sales of supplies
Subaru Auto Accessories Ltd.	1987. 3. 9	Saitama	Toshio Masuda	70	100.0	72	13,058	Sales, research & development, licensing of technology and import-export business of automobile accessories, parts and service materials
Subaru Logistics Co., Ltd.	1986. 3.27	Gunma	Masaki Okawara	96	100.0	365	23,204	Shipping, land freight, warehousing, maintenance and insurance for automobiles and their components
H. B. C. Co., Ltd.	1983. 8.29	Kanagawa	Kei Ono	490	68.0	9	781	Storing and shipping of automobiles for international sales
Subaru Finance Co., Ltd.	1988. 7. 1	Tokyo	Mitsuru Takahashi	2,000	100.0	221	23,080	Leasing and rental of SUBARU automobiles, credit, financing and sales of auto insurance
SUBARU TECHNO CORPORATION	1985. 3. 2	Tokyo	Tatsuhiko Mukawa	70	100.0	904	8,600	Design, plan, research, experiment, examination and compile technical material of automobile, aircraft, general-purpose engine and environmental tool
Subaru Intelligent Service Ltd.	2005. 3. 1	Tokyo	Yoshinori Saito	40	75.0	57	2,775	Development of technical service documents including service manuals and owners manuals
Yusoki Kogyo K. K.	1950. 7. 15	Aichi	Eiji Tanikawa	100	100.0	132	1,977	Manufacture and sales of aircraft parts
Fuji Aircraft Maintenance Co., Ltd.	1988.10.31	Tokyo	Takayuki Kobayashi	30	100.0	179	1,427	Inspection, service and maintenance of aircraft and onboard equipment
Fuji Aerospace Corporation	1991. 6. 14	Tochigi	Yasuhiro Hamanaka	30	100.0	142	1,527	Processing and assembly of aircraft parts
Fuji Aerospace Technology Co., Ltd.	1994. 4. 1	Tochigi	TBD	20	100.0	103	2,583	Contract design, drafting, translation, calculation, analytical testing and software development for aircraft
Fuji Heavy Industries House Co., Ltd.	1999. 9. 1	Gunma	Kazuo Terauchi	200	87.2	39	2,455	Rental/lease/sales of temporary houses, transport and set up of temporary houses, deal of used houses
Subaru Kohsan Co., Ltd.	1977. 2. 2	Tokyo	Yasuo Kosakai	675	100.0	76	6,828	Deal/rental of real estate, administrative operation of rental hall and conference room, administrative operation/rental of parking ground, travel agency
SUBARU IT CREATIONS CORPORATION	1993. 4. 1	Saitama	Nozomu Oyama	100	100.0	279	17,537	Development, maintenance and operation of information systems and related consulting services; sales and leasing of information equipment
Subaru Living Service Co., Ltd.	1988. 4. 2	Tokyo	Masami Iida	20	100.0	365	17,780	Sales of office supplies and daily commodities, real estate services, and personal import services

*Shareholdings of SUBARU Corporation

Main Subsidiaries (Overseas)

(As of April 1, 2019)
(Number of employees: as of March 31, 2019)

Region	Name	Established	Address	Representative	Equity Interest (%)	Number of Employees (Persons)	Operations
North America	Subaru of America, Inc.	1968.2	One Subaru Drive, Camden, NJ 08103, U.S.A.	Thomas J. Doll	100	1,365	Sales of SUBARU vehicles and supplies
	Subaru of Indiana Automotive, Inc.	1987.3	5500 State Road 38 East, Lafayette, IN 47905, U.S.A.	Eiji Ogino	100	6,015	Manufacture of SUBARU vehicles, purchasing of parts, sales for Subaru of America, Inc.
	North American Subaru, Inc.	1985.9	C/O Subaru of America, Inc. One Subaru Drive, Camden, NJ 08103, U.S.A.	Makoto Ikemura	100	73	Technical research on SUBARU vehicles in North American market, government relations
	Subaru Research & Development, Inc.	1986.6	3995 Research Park Drive, Ann Arbor, MI 48108, U.S.A.	Tetsuo Onuki	100	83	Compiling of technical information about automobile market of North America, research and development of SUBARU vehicles
			6431 Global Drive Cypress, CA 90630, U.S.A. 14382 Chambers Road, Tustin, CA 92780, U.S.A. 46718 Fremont Blvd, Fremont, CA 94538, U.S.A. C/O Subaru of Indiana Automotive, Inc. 5500 State Road 38 East, Lafayette, IN 47905, U.S.A.				
Subaru Canada, Inc.	1989.1	560 Suffolk Court Mississauga, Ontario, L5R 4J7, Canada	Yasushi Enami	100	152	Sales of SUBARU vehicles and supplies	
Europe	Subaru Europe N.V./S.A.	2002.3	Leuvensesteenweg 555 B/8, 1930 Zaventem, Belgium	Takeshi Kubota	100	45	Sales of SUBARU vehicles and supplies
	Subaru Italia S.p.A.	1985.7	Via Montefeltro, 6/A, 20156 Milano, Italy	Kunichika Koshimizu	100	52	Sales of SUBARU vehicles and supplies
	N.V. Subaru Benelux	1974.3	Leuvensesteenweg 555 B/1, 1930 Zaventem, Belgium	Shunsuke Sawada	100	35	Sales of SUBARU vehicles and supplies
	Subaru Vehicle Distribution B.V.	2001.5	Merseyweg 40, 3197 KG Botlek, Netherlands	Shunsuke Sawada	50	1	Contract of discharging and transporting inland for dealers in Middle Europe, PDI operation
Asia	Subaru of China Ltd.	2006.3	Beijing Landmark Towers Office Building 2-1501, 8 North Dongsanhuan Road, Chaoyang District, Beijing 100004, China	Hiroaki Takahashi	60	197	Sales of SUBARU vehicles and supplies
	Subaru Technology Beijing Co., Ltd.	2013.6	Beijing Landmark Towers Office Building 1-802, 8 North Dongsanhuan Road, Chaoyang District, Beijing 100004, China	Hisato Imamura	100	42	Authentication, research and development of SUBARU vehicles in Chinese market

Sales Agents (Domestic)

(As of April 1, 2019)

Area	Group	Head	Agent	Subsidiary	Location	President	New Car Base
Hokkaido Tohoku area (9)			Kushiro Subaru Inc.		Hokkaido	Hiroshi Uehara	1
			Obihiro Subaru Inc.		Hokkaido	Takashi Ishihara	1
			Hokkaido Subaru Inc.	○	Hokkaido	Tomoo Takenaka	20
	Tohoku region	○	Miyagi Subaru Inc.	○	Miyagi	Makoto Hada	11
			Aomori Subaru Inc.	○	Aomori	Kenichi Kobayashi	6
			Iwate Subaru Inc.	○	Iwate	Yasuo Watanabe	9
			Akita Subaru Inc.	○	Akita	Takaharu Mitsui	6
			Yamagata Subaru Inc.	○	Yamagata	Toshiki Sugihara	5
			Fukushima Subaru Inc.	○	Fukushima	Ryoichi Uchida	11
Kanto Hokushinetsu area (12)	Hoku Shinetsu region	○	Niigata Subaru Inc.	○	Niigata	Tatsuya Yamano	11
			Subaru Shinshu Inc.	○	Nagano	Kinya Abe	10
			Hokuriku Subaru Inc.	○	Ishikawa	Shiro Ohta	12
			Nanshin Subaru Inc.		Nagano	Hirotda Shibata	1
			Fuji Subaru Inc.		Gunma	Wataru Miyata	17
			Tochigi Subaru Inc.		Tochigi	Kazumasa Kodaira	12
			Ibaraki Subaru Inc.		Ibaraki	Naoki Otsuki	10
			Saitama Subaru Inc.		Saitama	Hiroshi Yoshizawa	16
			Kanagawa Subaru Inc.	○	Kanagawa	Katsuhisa Iiyama	26
			Chiba Subaru Inc.	○	Chiba	Tsuguto Nakamura	20
	Tokyo/Yamanashi		Tokyo Subaru Inc.	○	Tokyo	Hiroki Kurihara	32
			Yamanashi Subaru Inc.	○	Yamanashi	Hirohiko Kumada	3
Chubu Kinki area (11)			Shizuoka Subaru Inc.		Shizuoka	Shinichi Ishida	12
		○	Nagoya Subaru Inc.	○	Aichi	Takumi Ogasawara	21
			Gifu Subaru Inc.	○	Gifu	Koichi Numa	9
			Mie Subaru Inc.	○	Mie	Masato Yachida	7
	Tokai region		Subaru Higashi Aichi Inc.		Aichi	Yasuo Nishikawa	3
			Fukui Minami Subaru Inc.		Fukui	Satoshi Okada	1
			Nara Subaru Inc.		Nara	Shinichi Takagi	5
	Kinki region	○	Osaka Subaru Inc.	○	Osaka	Motoya Yamamoto	26
			Kyoto Subaru Inc.	○	Kyoto	Tetsuo Inoue	8
			Shiga Subaru Inc.	○	Shiga	Tomio Sogou	7
			Hyogo Subaru Inc.	○	Hyogo	Masamichi Kudo	18
Chugoku Shikoku Kyushu area (12)	Chugoku/ Shikoku region	○	Hiroshima Subaru Inc.	○	Hiroshima	Ken Fukuda	9
			Sanin Subaru Inc.	○	Tottori	Nobuhiro Mori	7
			Okayama Subaru Inc.	○	Okayama	Sadayuki Hata	7
			Yamaguchi Subaru Inc.	○	Yamaguchi	Wataru Ishihara	7
			Higashi Shikoku Subaru Inc.	○	Kagawa	Hiromi Fujita	8
			Shikoku Subaru Inc.	○	Ehime	Tsukasa Morita	7
	Kyushu region	○	Fukuoka Subaru Inc.	○	Fukuoka	Kazuto Sakamoto	16
			Nishi Kyushu Subaru Inc.	○	Nagasaki	Makoto Kimura	7
			Kumamoto Subaru Inc.	○	Kumamoto	Tetsuya Matsumoto	8
			Oita Subaru Inc.	○	Oita	Eiji Akamine	5
			Minami Kyushu Subaru Inc.	○	Kagoshima	Kenichi Hasegawa	10
			Okinawa Subaru Inc.	○	Okinawa	Koichi Okazaki	3
Total		6	44	33	—	—	451

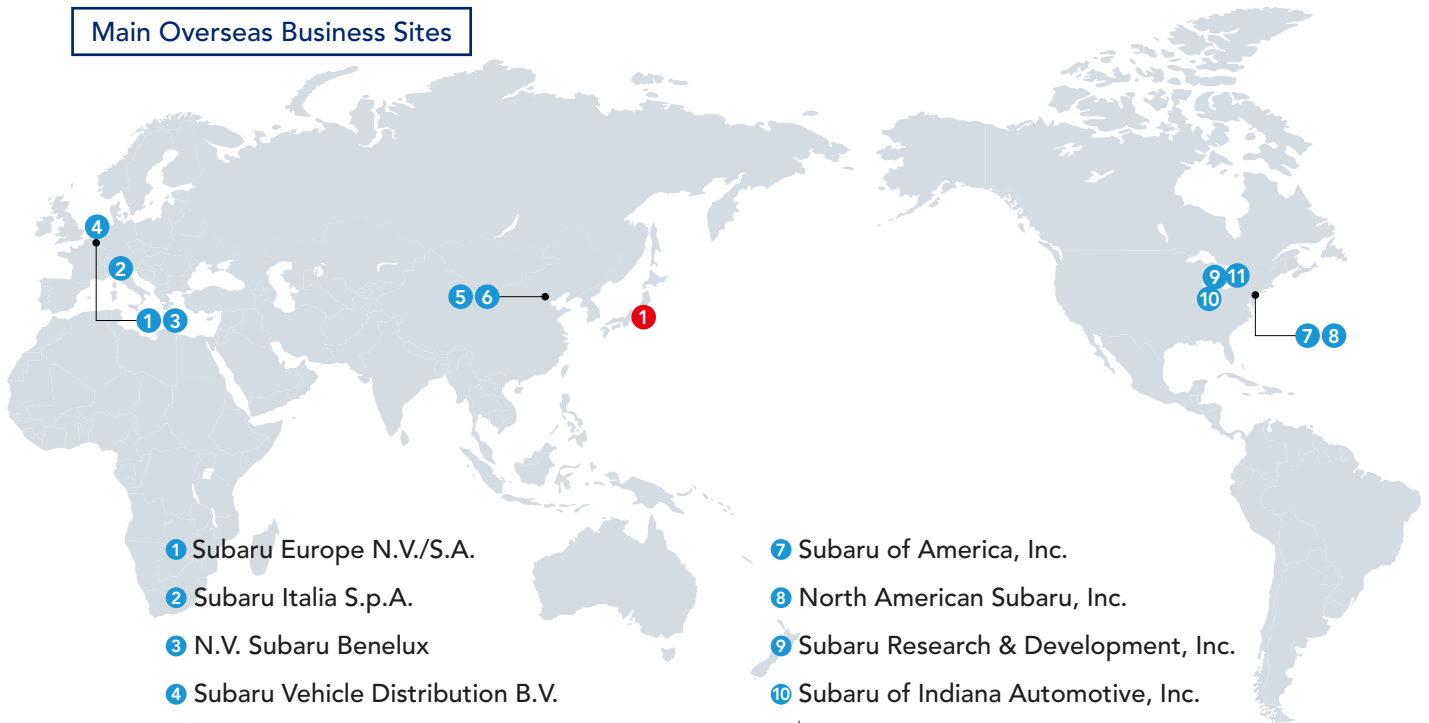
Distributors (Overseas)

(As of April 1 2019)
(Dealer numbers: as of December 31, 2018)

Region	Market	Company	Location	Number of Dealers	SUBARU Ownership
North America	U.S.	Subaru of America, Inc.	Camden, NJ, U.S.A.	632	100%
	Canada	Subaru Canada, Inc.	Mississauga, Ontario, Canada	93	100%
Total	2 countries			—	—
Europe	Germany	SUBARU DEUTSCHLAND GMBH	Friedberg, Germany	163	29%
	Switzerland	SUBARU SCHWEIZ AG	Safenwil, Switzerland	141	0%
	Sweden	Subaru Nordic AB	Arlöv, Sweden	130	0%
Total	32 countries			—	—
CIS, the Middle East, and Africa	Israel	Japanauto-Israel Auto Corporation Ltd.	Petah Tikva, Israel	13	0%
	Russia	SUBARU MOTOR (RUSSIA) LLC	Moscow, Russia	49	33%
	Egypt	ABOU GHALY MOTORS	Cairo, Arab Republic of Egypt	31	0%
Total	16 countries			—	—
Oceania	Australia	Subaru (Aust) Pty Ltd.	Sydney, Australia	119	8%
	New Zealand	Subaru of New Zealand	Auckland, New Zealand	16	0%
Total	8 countries			—	—
Latin America	Chile	Inchcape Automtriz Chile S.A.	Santiago, Chile	29	0%
	Peru	Inchcape Latam Perú S.A.	Lima, Peru	11	0%
	Mexico	SGM Automotoriz de México S.A. de C.V.	Mexico, D.F., Mexico	13	0%
Total	24 countries			—	—
Asia	Taiwan	Subaru of Taiwan Co.,Ltd.	Taoyuan City, Taiwan	24	35%
	Philippines	Motor Image Philipinas, Inc.	Pasig City, Metro Manila, Philippines	18	0%
	Singapore	Motor Image Enterprises Pte Ltd	Singapore	2	0%
Total	10 countries			—	—
	China	Subaru of China Ltd.	Beijing, China	170	60%
Total	1 country			—	—

Global Network

Main Overseas Business Sites



- 1 Subaru Europe N.V./S.A.
- 2 Subaru Italia S.p.A.
- 3 N.V. Subaru Benelux
- 4 Subaru Vehicle Distribution B.V.
- 5 Subaru of China Ltd.
- 6 Subaru Technology Beijing. Co., Ltd.

- 7 Subaru of America, Inc.
- 8 North American Subaru, Inc.
- 9 Subaru Research & Development, Inc.
- 10 Subaru of Indiana Automotive, Inc.

Production Models:
Legacy, Outback, Impreza, and Ascent

- 11 Subaru Canada, Inc.

Main Domestic Business Sites

Automotive Business Unit

Gunma Plant

Plant	Production Models
Main Plant	Levorg, Impreza, SUBARU XV, WRX, and SUBARU BRZ
Yajima Plant	Legacy, Outback, Impreza, SUBARU XV, and Forester
Oizumi Plant	Automobile engines and transmissions

Aerospace Company

Handa Plant
Handa West Plant

Aerospace Company

Utsunomiya Plant



1 Head Office

Tokyo Office

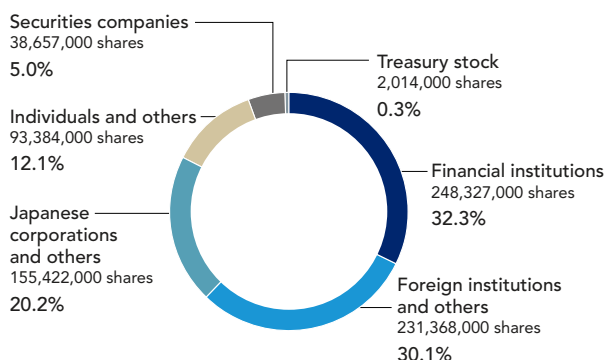
Corporate Data (As of March 31, 2019)

Company Name	SUBARU CORPORATION	Main Businesses	Automotive: The manufacture, sale, and repair of passenger cars and their components
Established	July 15, 1953		Aerospace: The manufacture, sale, and repair of airplanes, aerospace-related machinery, and their components
Paid-In Capital	¥153,795 million		
Fiscal Year-End	March 31		
Accounting Auditors	KPMG AZSA LLC		
		Number of Affiliates	78 consolidated subsidiaries and 10 equity-method affiliated companies
		Number of Employees	15,274 (consolidated: 34,200) (excluding executive officers, advisors and dispatches)
		Website Addresses	Corporate website: https://www.subaru.co.jp/en/ Investor information website: https://www.subaru.co.jp/en/ir/

Stock Information (As of March 31, 2019)

Common Stock Authorized	1,500,000,000 shares
Common Stock Issued	769,175,873 shares
Number of Shareholders	140,393
Number of Shares per Trading Unit	100 shares
Stock Exchange Listing	Tokyo Stock Exchange
Securities Code	7270
Transfer Agent	Mizuho Trust & Banking Co., Ltd. 2-1, Yaesu 1-chome, Chuo-ku, Tokyo 103-8670, Japan Telephone: 0120-288-324 (toll-free)

Breakdown of Shareholders



Major Shareholders

Name	Number of Shares Held (in thousands)	Percentage of Total Shares Held
Toyota Motor Corporation	129,000	16.82%
The Master Trust Bank of Japan, Ltd. (Trust account)	58,090	7.57%
Japan Trustee Services Bank, Ltd. (Trust account)	40,855	5.33%
BNYM TREATY DTT 15	24,933	3.25%
Japan Trustee Services Bank, Ltd. (Trust account 5)	12,183	1.59%
Japan Trustee Services Bank, Ltd. (Trust account 4)	10,974	1.43%
Mizuho Bank, Ltd.	10,078	1.31%
MIZUHO SECURITIES ASIA LIMITED-CLIENT A/C	10,062	1.31%
Sompo Japan Nipponkoa Insurance Inc.	9,726	1.27%
STATE STREET BANK WEST CLIENT-TREATY 505234	9,535	1.24%

*Number of shares held are rounded down to the nearest thousand shares

*The percentage of total shares held is calculated based on the number of shares excluding treasury stock of 2,014,841 shares

Contact for Inquiries:

Investor Relations Dept., SUBARU CORPORATION
Address: Ebisu Subaru Bldg., 1-20-8, Ebisu, Shibuya-ku,
Tokyo 150-8554, Japan
Telephone: +81-3-6447-8000 (switchboard)



SUBARU CORPORATION

Ebisu Subaru Bldg., 1-20-8, Ebisu, Shibuya-ku,
Tokyo 150-8554, Japan
Phone & Fax: +81-3-6447-8000
<http://www.subaru.co.jp/en/ir/>



Consolidated Balance Sheets

SUBARU CORPORATION AND CONSOLIDATED SUBSIDIARIES

As of March 31, 2019 and 2018

ASSETS	Millions of yen		Thousands of U.S. dollars
	2019	2018	(Note 1) 2019
Current assets:			
Cash and deposits (Note 4 and 5)	¥831,700	¥765,397	\$7,492,118
Notes and accounts receivable-trade (Note 5)	148,832	155,247	1,340,708
Lease investment assets (Note 5 and 18)	14,731	17,120	132,700
Short-term investment securities (Notes 4, 5 and 6)	119,963	242,573	1,080,650
Merchandise and finished goods	249,558	202,435	2,248,068
Work in process	74,711	52,307	673,011
Raw materials and supplies	66,431	42,448	598,424
Short-term loans receivable (Note 5)	198,737	185,364	1,790,262
Other current assets	121,903	107,893	1,098,126
Allowance for doubtful accounts	(347)	(340)	(3,126)
Total current assets	1,826,219	1,770,444	16,450,941
Property, plant and equipment (Notes 7 and 9)	1,740,853	1,698,491	15,681,948
Accumulated depreciation	(998,902)	(968,876)	(8,998,306)
Accumulated impairment loss	(24,557)	(26,507)	(221,215)
Total property, plant and equipment	717,394	703,108	6,462,427
Investments and other assets:			
Intangible assets	33,754	28,293	304,063
Investment securities (Note 5 and 6)	115,811	106,964	1,043,248
Investments in non-consolidated subsidiaries and affiliated companies	10,971	9,817	98,829
Net defined benefit assets (Note 11)	-	82	-
Deferred tax assets (Note 12)	151,019	139,171	1,360,409
Other assets	130,803	111,957	1,178,300
Allowance for doubtful accounts	(3,246)	(3,362)	(29,241)
Total investments and other assets	439,112	392,922	3,955,608
Total assets	¥2,982,725	¥2,866,474	\$26,868,976

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Current liabilities:			
Notes and accounts payable-trade (Note 5)	¥315,026	¥320,137	\$2,837,816
Electronically recorded obligations-operating (Note 5)	63,772	64,863	574,471
Short-term loans payable (Note 5 and 7)	4,352	22,082	39,204
Current portion of long-term debts (Note 5 and 7)	7,592	42,982	68,390
Accrued income taxes (Note 5 and 12)	5,367	45,372	48,347
Accrued expenses (Note 5)	161,661	148,945	1,456,274
Provision for bonuses	22,650	24,131	204,036
Provision for product warranties	256,814	206,423	2,313,431
Provision for loss on business liquidation	1,575	3,098	14,188
Other current liabilities (Note 5, 7 and 12)	173,362	172,973	1,561,679
Total current liabilities	1,012,171	1,051,006	9,117,836
Long-term liabilities:			
Long-term debts (Note 5 and 7)	88,452	21,138	796,793
Net defined benefit liability (Note 11)	22,900	19,337	206,288
Deferred tax liabilities (Note 12)	5,040	2,466	45,401
Provision for product warranties	43,934	35,801	395,766
Long-term unearned revenue	157,446	132,270	1,418,305
Other long-term liabilities (Note 7)	39,957	43,433	359,942
Total long-term liabilities	357,729	254,445	3,222,495
Contingent liabilities (Note 20)			
Net assets: (Note 13)			
Shareholders' equity:			
Capital stock			
Authorized— 1,500,000,000 shares			
Issued — 769,175,873 shares	153,795	153,795	1,385,416
Capital surplus	160,192	160,197	1,443,041
Retained earnings	1,320,177	1,283,539	11,892,415
Less—treasury stock, at cost,	(6,910)	(7,054)	(62,247)
2019— 2,414,841 shares			
2018— 2,455,039 shares			
Total shareholders' equity	1,627,254	1,590,477	14,658,625
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	6,131	7,038	55,229
Foreign currency translation adjustment	(20,687)	(36,193)	(186,353)
Remeasurements of defined benefit plans	(10,631)	(10,136)	(95,766)
Remeasurements of other postretirement benefits of foreign consolidated subsidiaries	3,224	1,658	29,042
Total accumulated other comprehensive income	(21,963)	(37,633)	(197,848)
Non-controlling interests	7,534	8,179	67,868
Total net assets	1,612,825	1,561,023	14,528,645
Total liabilities and net assets	¥2,982,725	¥2,866,474	\$26,868,976

The accompanying notes are an integral part of these balance sheets.

Consolidated Statements of Income

SUBARU CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Net sales (Note 2)	¥3,160,514	¥3,232,695	\$28,470,534
Cost of sales (Note 14)	2,561,753	2,442,706	23,076,777
Gross profit	598,761	789,989	5,393,757
Selling, general and administrative expenses (Note 2 and 15)	403,232	410,542	3,632,393
Operating income	195,529	379,447	1,761,364
Other income (expenses):			
Interest and dividend income	13,594	8,186	122,457
Interest expenses	(732)	(1,379)	(6,594)
Equity in earnings of affiliates	377	778	3,396
Plant shutdown related costs	(2,532)	-	(22,809)
Foreign exchange gains (losses)	(199)	(7,395)	(1,793)
Gain (loss) on valuation of derivatives	(6,993)	2,266	(62,994)
Gain (loss) on sales and retirement of noncurrent assets	(4,336)	(4,837)	(39,060)
Gain on sales of investment securities (Note 6)	3,659	4,618	32,961
Depreciation	(1,287)	(1,025)	(11,594)
Gain on sales of business	1,294	-	11,657
Loss on related to airbags	-	(81,261)	-
Other, net	(2,536)	(2,058)	(22,845)
	309	(82,107)	2,782
Income before income taxes	195,838	297,340	1,764,146
Income taxes (Note 12):			
Current	56,942	113,155	512,945
Deferred	(8,443)	(37,554)	(76,056)
	48,499	75,601	436,889
Net income	147,339	221,739	1,327,257
Net income (loss) attributable to non-controlling Interests	(473)	1,385	(4,261)
Net income attributable to owners of the parent	¥147,812	¥220,354	\$1,331,518

		Yen	U.S. dollars (Note 1)
Per share data (Note 2) :			
Net income	—Basic	¥192.78	¥287.40
	—Diluted *	-	-
Net assets		2,093.60	2,025.31
Cash dividends (Note 13)		¥144.00	¥144.00

The accompanying notes are an integral part of these statements.

*For the year ended March 31, 2019 and 2018 diluted information is not presented because potentially dilutive securities do not exist.

Consolidated Statements of Comprehensive Income(loss)

SUBARU CORPORATION AND CONSOLIDATED SUBSIDIARIES

Years ended March 31, 2019 and 2018

	2019	Millions of yen 2018	Thousands of U.S. dollars (Note 1) 2019
Net Income	¥147,339	¥221,739	\$1,327,259
Other comprehensive income(loss) (Note 3)			
Valuation difference on available-for-sale securities	(907)	(1,061)	(8,170)
Foreign currency translation adjustment	15,520	(18,985)	139,807
Remeasurements of defined benefit plans	(495)	860	(4,459)
Remeasurements of other postretirement benefits of foreign consolidated subsidiaries	1,566	3,543	14,107
Share of other comprehensive income (loss) of associates accounted for using equity method	(186)	(54)	(1,676)
Total other comprehensive income(loss)	15,498	(15,697)	139,609
Comprehensive income(loss)	¥162,837	¥206,042	\$1,466,868
Comprehensive income (loss) attributable to:			
Owners of the parent	163,482	204,449	1,472,678
Non-controlling interests	(¥645)	¥1,593	(\$5,810)

Consolidated Statements of Changes in Net Assets

SUBARU CORPORATION AND CONSOLIDATED SUBSIDIARIES

As of March 31, 2019 and 2018

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2019	2018
		2019
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	¥153,795	¥153,795
Balance at the end of current period	153,795	1,385,416
Capital surplus		
Balance at the beginning of current period	160,197	160,178
Changes of items during the period		
Disposal of treasury stock	(5)	19
Total changes of items during the period	(5)	(45)
Balance at the end of current period	160,192	1,443,086
Retained earnings		
Balance at the beginning of current period	1,283,539	1,173,277
Changes of items during the period		
Dividends from surplus	(110,468)	(110,463)
Net income attributable to owners of the parent	147,812	220,354
Adjustments due to change in fiscal year end of consolidated subsidiaries	-	828
Change of the scope of consolidation	-	(355)
Change of scope of equity method	158	922
Other	(864)	(1,024)
Total changes of items during the period	36,638	110,262
Balance at the end of current period	1,320,177	11,562,373
Treasury stock		
Balance at the beginning of current period	(7,054)	(7,173)
Changes of items during the period		
Purchase of treasury stock	(5)	(11)
Disposal of treasury stock	149	130
Total changes of items during the period	144	119
Balance at the end of current period	(6,910)	(62,247)
Total shareholders' equity		
Balance at the beginning of current period	1,590,477	1,480,077
Changes of items during the period		
Dividends from surplus	(110,468)	(110,463)
Net income attributable to owners of the parent	147,812	220,354
Purchase of treasury stock	(5)	(11)
Disposal of treasury stock	144	149
Adjustments due to change in fiscal year end of consolidated subsidiaries	-	828
Change of the scope of consolidation	-	(355)
Change of scope of equity method	158	922
Other	(864)	(1,024)
Total changes of items during the period	36,777	110,400
Balance at the end of current period	¥1,627,254	¥1,590,477
		\$14,658,625

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2019	2018
	2019	2019
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	¥7,038	¥8,099
Changes of items during the period		
Net changes of items other than shareholders' equity	(907)	(1,061)
Total changes of items during the period	(907)	(1,061)
Balance at the end of current period	6,131	7,038
Foreign currency translation adjustment		
Balance at the beginning of current period	(36,193)	(16,631)
Changes of items during the period		
Net changes of items other than shareholders' equity	15,506	(19,562)
Total changes of items during the period	15,506	(19,562)
Balance at the end of current period	(20,687)	(36,193)
Remeasurements of defined benefit plans		
Balance at the beginning of current period	(10,136)	(10,996)
Changes of items during the period		
Net changes of items other than shareholders' equity	(495)	860
Total changes of items during the period	(495)	860
Balance at the end of current period	(10,631)	(10,136)
Remeasurements of other postretirement benefits of foreign consolidated subsidiaries		
Balance at the beginning of current period	1,658	(1,885)
Changes of items during the period		
Net changes of items other than shareholders' equity	1,566	3,543
Total changes of items during the period	1,566	3,543
Balance at the end of current period	3,224	1,658
Total accumulated other comprehensive income		
Balance at the beginning of current period	(37,633)	(21,413)
Changes of items during the period		
Net changes of items other than shareholders' equity	15,670	(16,220)
Total changes of items during the period	15,670	(16,220)
Balance at the end of current period	(21,963)	(37,633)
Non-controlling interests		
Balance at the beginning of current period	8,179	6,224
Changes of items during the period		
Net changes of items other than shareholders' equity	(645)	1,955
Total changes of items during the period	(645)	1,955
Balance at the end of current period	7,534	8,179
Total net assets		
Balance at the beginning of current period	1,561,023	1,464,888
Changes of items during the period		
Dividends from surplus	(110,468)	(110,463)
Net income attributable to owners of the parent	147,812	220,354
Purchase of treasury stock	(5)	(11)
Disposal of treasury stock	144	149
Adjustments due to change in fiscal year end of consolidated subsidiaries	-	828
Change of scope of consolidation	-	(355)
Change of scope of equity method	158	922
Other	(864)	(1,024)
Net changes of items other than shareholders' equity	15,025	(14,265)
Total changes of items during the period	51,802	96,135
Balance at the end of current period	¥1,612,825	¥1,561,023

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

SUBARU CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2019 and 2018

	Millions of yen	Thousands of U.S. dollars (Note 1)	
	2019	2018	2019
Net cash provided by (used in) operating activities			
Income (loss) before income taxes	¥195,838	¥297,340	\$1,764,147
Depreciation and amortization	102,749	102,102	925,583
Increase (decrease) in allowance for doubtful accounts	(109)	(149)	(982)
Increase (decrease) in provision for product warranties	57,585	103,651	518,737
Interest and dividends income	(13,594)	(8,186)	(122,457)
Interest expenses	732	1,379	6,594
Loss (gain) on sales and retirement of noncurrent assets	4,336	4,837	39,060
Loss (gain) on sales and valuation of investment securities	(3,152)	(4,096)	(28,394)
Decrease (increase) in operating loans receivable	(8,179)	(7,799)	(73,678)
Decrease (increase) in notes and accounts receivable-trade	6,048	40	54,482
Decrease (increase) in inventories	(90,354)	(15,922)	(813,927)
Increase (decrease) in notes and accounts payable-trade	(8,825)	(54,159)	(79,497)
Increase (decrease) in accrued expenses	8,506	13,894	76,624
Other, net	9,801	7,660	88,289
Sub-total	261,382	440,592	2,354,581
Interest and dividends income received	13,717	8,397	123,565
Interest expenses paid	(798)	(1,446)	(7,189)
Income taxes paid	(100,295)	(81,245)	(903,477)
Net cash provided by (used in) operating activities	174,006	366,298	1,567,480
Net cash provided by (used in) investing activities			
Net decrease (increase) in time deposits	14,028	(7,219)	126,367
Purchase of short-term investment securities	(131,019)	(143,418)	(1,180,245)
Proceeds from sales of short-term investment securities	120,940	168,525	1,089,451
Purchase of non-current assets	(144,164)	(149,897)	(1,298,658)
Proceeds from sales of non-current assets	5,469	3,413	49,266
Purchase of investment securities	(54,531)	(52,645)	(491,226)
Proceeds from sales of investment securities	36,549	34,272	329,241
Payments of loans receivable	(129,286)	(123,552)	(1,164,634)
Collection of loans receivable	126,753	120,383	1,141,816
Other, net	(3,066)	(573)	(27,619)
Net cash provided by (used in) investing activities	(158,327)	(150,711)	(1,426,241)
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	(17,482)	(18,393)	(157,481)
Proceeds from long-term loans payable	75,300	3,500	678,317
Repayments of long-term loans payable	(43,382)	(44,443)	(390,794)
Purchase of treasury shares	(5)	(11)	(45)
Cash dividends paid	(110,384)	(110,326)	(994,361)
Other, net	(664)	(1,264)	(5,981)
Other, net	(96,617)	(170,937)	(870,345)
Effect of exchange rate change on cash and cash equivalents	17,675	(10,831)	159,220
Net increase (decrease) in cash and cash equivalents	(63,263)	33,819	(569,886)
Cash and cash equivalents at beginning of period	765,591	728,616	6,896,595
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	-	(534)	-
Increase (decrease) in cash and cash equivalents resulting from change in fiscal period of consolidated subsidiaries	-	3,690	-
Cash and cash equivalents at end of the period	¥702,328	¥765,591	\$6,326,709

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

SUBARU CORPORATION AND CONSOLIDATED SUBSIDIARIES

1. Basis of Presentation of the Financial Statements

The accompanying consolidated financial statements of SUBARU CORPORATION (the "Company") have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance, as required by the Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese-language consolidated financial statements, but not considered necessary for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars in the accompanying consolidated financial statements are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2019, which was ¥111.01 to U.S. \$1. The convenience translation should not be construed as a representation that the Japanese yen amounts have been, could have been, or could in the future be converted into U.S. dollars at this or any other rate of exchange.

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

2. Summary of Significant Accounting Policies

[1] The Scope of Consolidation and Application of the Equity Method

The accompanying consolidated financial statements include the accounts of the Company and its majority owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. The fiscal year-end of consolidated subsidiaries is the same as that of the parent company.

The consolidated financial statements include the accounts of the Company and 78 and 75 subsidiaries in fiscal years ended March 31, 2019 and 2018, respectively.

In addition, 10 and 8 affiliated companies were accounted for by the equity method in fiscal year ended March 31, 2019, and 2018, respectively.

Investments in insignificant non-consolidated subsidiaries and affiliated companies not accounted for by the equity method are carried at cost.

[2] Short-Term Investment Securities and Investment Securities

Under the Japanese GAAP for financial instruments, available-for-sale securities for which fair values are available are stated at their fair value as of the balance sheet dates with unrealized holding gains and losses included as a separate component of net assets until realized, while securities for which fair values are not readily available are stated at cost, as determined by the moving-average method, after taking into consideration devaluation, if any, for permanent impairment. Held-to-maturity debt securities are stated using the amortized cost method.

[3] Inventories

Inventories for regular sales are stated at cost, determined mainly by the moving-average cost method. (Book value on the balance sheet is measured based on the lower of cost or market value.)

[4] Property, Plant and Equipment (Excluding Leased Assets)

Property, plant and equipment are stated at cost. Significant renewals and additions are capitalized; ordinary maintenance, ordinary repairs, minor renewals and minor improvements are charged to the consolidated statements of income as incurred.

Depreciation of the property, plant and equipment of the Company and its consolidated domestic subsidiaries is principally calculated by the straight-line method.

Depreciation of the property, plant and equipment of consolidated foreign subsidiaries is calculated by the straight-line method over the estimated useful lives of the assets.

Estimated useful lives for depreciable assets are as follows:

Buildings and structures: 7–50 years

Machinery, equipment and vehicles: 2–20 years

[5] Intangible Assets (Excluding Leased Assets)

Computer software used internally by the Company and its consolidated subsidiaries is amortized by the straight-line method over the relevant economic useful lives of 3 or 5 years.

[6] Leased Assets

For leased assets under finance lease transactions in which the ownership is transferred to the lessee:

The leased assets are depreciated by the same method as used for other property, plant and equipment.

For leased assets under finance lease transactions in which the ownership is not transferred to the lessee:

The leased assets are depreciated by the straight-line method over the leased period and the residual value is zero.

[7] Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided based on the amount calculated from the historical ratio of bad debt for ordinary receivables, and estimated amounts of uncollectible accounts for specific overdue receivables.

[8] Provision for Bonuses

Employees' bonuses are recognized as expenses for the period in which those are incurred.

[9] Provision for Product Warranties

The Company recognizes provisions for product warranties to cover future claim costs for products sold at the total amount of the following;

1. Estimated cost calculated based on historical warranty claim experience with consideration given to the expected level of future warranty costs, according to the terms and conditions of the warranties.
2. Estimated recall related costs in accordance with notifications to the competent authority.

[10] Provision for Loss on business liquidation

The provision for losses on business liquidation is provided due to important business liquidation.

[11] Accounting method for Retirement Benefits

Net defined benefit liability (assets) for employees is provided based on the estimated amounts of projected pension and severance obligation and the fair value of plan assets at the end of the fiscal year. In determining retirement benefit obligations, the straight-line basis is used for attributing expected benefit to periods.

Unrecognized prior service cost is being amortized on the straight-line method over a period (10-18 years) that is shorter than the average remaining service period of the eligible employees. Unrecognized net

actuarial gain or loss is amortized from the following fiscal year on the straight-line method over a period (primarily 16 years) that is shorter than the average remaining service period of the eligible employees.

Directors and statutory auditors of the Company and its consolidated domestic subsidiaries are entitled to receive a lump-sum payment at the time of severance or retirement, subject to shareholder approval. The liabilities for such benefits, which are determined, based on the Company's and its consolidated subsidiaries' internal rules are included in "Other long-term liabilities" in the accompanying consolidated balance sheets.

[12] Translation of Foreign Currency-Denominated Accounts

Under the Japanese GAAP for foreign currency translation, monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at each balance sheet date with the resulting gain or loss included currently in the statement of income.

The assets and liabilities of foreign subsidiaries and affiliated companies are translated into Japanese yen at the exchange rates in effect at the balance sheet dates of the foreign subsidiaries and affiliated companies, except for common stock and capital surplus, which are translated at historical rates. Revenue and expense accounts are translated at the average exchange rates during the respective years. The resulting foreign currency translation adjustments are included in "Foreign currency translation adjustments" and "Non-controlling interests" in the net assets section of the accompanying consolidated balance sheets.

[13] Revenue Recognition

The percentage-of-completion method is applied to revenue from construction contracts of Aerospace division productions where certain elements are determinable with certainty at the end of fiscal year. (The percentage of completion is estimated using the proportion-of-cost method). The completed-contract method is applied to other works.

[14] Accounting for Lease Transactions

Sales and corresponding cost of sales under finance lease transactions conducted by certain domestic consolidated subsidiaries are recognized on the effective date of each lease contract.

[15] Derivative Financial Instruments

The Japanese GAAP for financial instruments require that the Company and its consolidated domestic subsidiaries state derivative financial instruments at their fair value and recognize changes in the fair value as a gain or loss.

[16] Goodwill

Goodwill is principally amortized by the straight-line method over 5 years.

[17] Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and have negligible risk of changes in value due to their short maturities.

[18] Income Taxes

The provision for income taxes is computed based on the pretax income for financial reporting purposes. Deferred tax assets and liabilities are recognized for expected future tax consequences of temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities. A valuation allowance is recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

[19] Research and Development Expenses

Research and development costs are expensed as incurred and amounted to 102,719 million yen (US\$ 925,313 thousand) and 121,804 million yen for fiscal years ended March 31, 2019 and 2018, respectively.

[20] Net Income per Share

Basic net income per share (EPS) is computed based on the average number of shares of common stock outstanding during each year. Diluted EPS assumes the potential dilution that occurs if all the convertible securities are converted or other contracts to issue common stock are exercised to the extent that they are not anti-dilutive.

[21] Changes in Accounting Policy

(Changes in accounting method for sales)

The Group previously recorded sales incentives as selling, general and administrative expenses. From the fiscal year ended March 31, 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 (US\$ 1,554,148 thousand), 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)

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 fiscal year ended March 31, 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 (US\$ 116,188 thousand) yen, and ordinary income and income before income taxes increased respectively by 13,049 million yen (US\$ 117,548 thousand) in the fiscal year ended March 31, 2019.

[22] Changes in Presentation

(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 the fiscal year ended March 31, 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.

3. Other comprehensive income

Amounts reclassified to net income (loss) for the fiscal years ended March 31, 2019 and 2018, which were recognized in other comprehensive income for the current or previous periods and tax effects for each component of other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Valuation difference on available-for-sale securities			
Increase(decrease) during the year	¥1,601	¥1,815	\$14,423
Reclassification adjustments	(3,281)	(4,243)	(29,556)
Before tax effect	(1,680)	(2,428)	(15,133)
Tax effect	773	1,367	6,963
Balance at the end of the period	(907)	(1,061)	(8,170)
Foreign currency translation adjustments			
Increase(decrease) during the year	15,520	(18,985)	139,807
Reclassification adjustments	-	-	-
Before tax effect	15,520	(18,985)	139,807
Tax effect	-	-	-
Balance at the end of the period	15,520	(18,985)	139,807
Remeasurements of defined benefit plans			
Increase(decrease) during the year	(2,257)	(933)	(20,332)
Reclassification adjustments	1,670	2,135	15,044
Before tax effect	(587)	1,202	(5,288)
Tax effect	92	(342)	829
Balance at the end of the period	(495)	860	(4,459)
Remeasurements of other postretirement benefits of foreign consolidated subsidiaries			
Increase(decrease) during the year	2,074	4,932	18,683
Reclassification adjustments	-	-	-
Before tax effect	2,074	4,932	18,683
Tax effect	(508)	(1,389)	(4,576)
Balance at the end of the period	1,566	3,543	14,107
Share of other comprehensive income of affiliated companies accounted for using equity method			
Increase(decrease) during the year	(186)	(54)	(1,676)
Reclassification adjustments	-	-	-
Before tax effect	(186)	(54)	(1,676)
Tax effect	-	-	-
Balance at the end of the period	(186)	(54)	(1,676)
Total other comprehensive income(loss)	¥15,498	(¥15,697)	139,609

4. Additional Cash Flow Information

Cash and cash equivalents as of March 31, 2019 and 2018, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cash and deposits	¥831,700	¥765,397	\$7,492,118
Short-term investment securities	119,963	242,573	1,080,650
Sub-total	951,663	1,007,970	8,572,768
Less maturity over three months	(139,572)	(158,576)	(1,257,292)
Short-term investment securities excluding cash equivalents	(109,763)	(83,803)	(988,767)
Cash and cash equivalents	¥702,328	¥765,591	\$6,326,709

5. Financial Instruments

(1) Summary of Financial Instruments Status

[1] Action Policy with Regard to Financial Instruments

With regard to planned capital expenditure to support SUBARU CORPORATION, its consolidated subsidiaries and affiliated companies (the "SUBARU Group") in their main operations of automobile manufacturing and sales, the SUBARU Group finances mainly from bank loans. Temporary surpluses are invested in highly secure financial assets. Bank loans and liquidation of accounts receivable are utilized to provide short-term working capital. It is the SUBARU Group's policy to use derivatives as a way to avoid the risks stated below and not to conduct speculative transactions.

[2] Details of Financial Instruments and Respective Risks

Notes and accounts receivable-trade and Lease investment assets are subject to customer credit risks. In addition, operating receivables denominated in foreign currencies due to globalized business of the SUBARU Group are subject to the risk of changes in foreign exchange rates. As a general rule, however, forward foreign exchange contracts are utilized to hedge the foreign exchange rate risk, considering the net amount of operating receivables denominated in foreign currencies that exceed foreign currency denominated operating liabilities. Short-term investment securities mainly consist of investments in short-term financial instruments, and investment securities mainly consist of investments in stocks of the companies with business or capital alliances, and are subject to risk of market price fluctuation.

Payables included in Notes and accounts payable-trade and electronically recorded obligations-operating are due within one year. A certain portion of such liabilities involve foreign currency denominated transactions associated with the import of raw materials and is subject to exchange rate fluctuation risk, although it is consistently less than accounts receivable balance denominated in the same foreign currency. Funds financed by bank loans are primarily used for operating funds and capital expenditure, whose repayment or redemption dates will come within 6 years after March 31, 2019 at the latest. A certain portion of those liabilities may have variable interest rates and are subject to the risk of changes in interest rates, although such risk is mitigated using derivative transactions (interest rate swap transactions).

Derivative transactions include foreign exchange forward contracts etc. to hedge against exchange rate fluctuations associated with trade accounts receivables and liabilities denominated in foreign currencies, and interest rate swap contracts to hedge against the risk of change in interest rates on bank loans.

[3] Risk Management System with Regard to Financial Instruments

(a) Credit Risk management (Risks Associated with Business Partner's Breach of Contract)

The Company and its consolidated subsidiaries have credit control function and regularly monitor the financial status of key customers with regard to accounts receivables and lease investment assets. In

addition to keeping track of payment due dates and balances of each customer, such credit control function identifies and mitigates the potential risk of uncollectibility due to deterioration in financial status or other factors of customers.

(b) Market Risk Management (Risks Associated with Fluctuations in Foreign Exchange and Interest Rates)

With regard to operating assets and liabilities denominated in foreign currencies, as a general rule, the Company uses foreign exchange forward contracts to hedge against risks of exchange rate fluctuation on a monthly basis by each currency. Depending on the status of exchange rates, foreign exchange forward contracts with no longer than six months term are used to hedge against the risk of exchange rate fluctuation to the extent that net position of accounts receivable and accounts payable dominated in foreign currency is exposed. In addition, the Company and certain consolidated subsidiaries use interest rate swap transactions to mitigate the risk of fluctuation in interest rates on bank loans.

The Company also regularly monitors the market values of investments included in Short-term investment securities and Investment securities as well as the financial conditions of issuers (business partner companies), and continuously reviews its investment portfolio taking into consideration its relationships with respective business partner companies.

Basic policies with regard to derivative transactions are approved by the Executive Management Board. Finance & Accounting Department engages in derivative transactions in line with the applicable the Company's rule. The results of these transactions are reported to the Finance Officer every time the transactions are conducted.

(c) Liquidity Risk Management (Risk of Becoming Unable to Make Payments by the Due Date)

The Company secures liquidity at a level sufficient to satisfy its current needs with commitment lines contracted with major financial institutions in combination with keeping cash and cash equivalents balance at a certain level.

[4] Supplemental Explanation of Items with Regard to Fair Value of Financial Instruments

Fair value of financial instruments includes quoted prices of financial instruments in the market and, in the event market prices are not available, prices that are calculated based on the underlying assumptions under the appropriate valuation model. Because the factors incorporated into the valuation model are subject to change, calculated fair value may differ. The values of derivative transactions contracts stated in "(2) Items with Regard to Fair Value of Financial Instruments" do not by themselves indicate the market risk associated with the respective derivative transactions.

(2) Items with Regard to Fair Value of Financial Instruments

The consolidated balance sheet amounts, the fair value and difference as of March 31, 2019 and 2018 were as follows:

The items whose fair values were extremely difficult to measure were not included in the table below (refer to Note [2]).

As of March 31, 2019

	Millions of yen		
	Consolidated balance sheet amounts	Fair Value	Difference
Cash and deposits	¥831,700	¥831,700	¥-
Notes and accounts receivable-trade	148,832		
Allowance for doubtful accounts (*1)	(29)		
	148,803	148,803	-
Lease investment assets	14,731		
Allowance for doubtful accounts (*1)	(2)		
	14,729	16,395	1,666
Short-term loans receivable	198,737		
Allowance for doubtful accounts (*1)	(305)		
	198,432	205,938	7,506
Short-term investment securities, Investment securities and Other securities	149,843	149,843	-
Total Assets	1,343,507	1,352,679	9,172
Notes and accounts payable-trade	315,026	315,026	-
Electronically recorded obligations-operating	63,772	63,772	-
Short-term loans payable	4,352	4,352	-
Current portion of long-term loans payable	7,592	7,596	4
Accrued income taxes	5,367	5,367	-
Accrued expenses	161,661	161,661	-
Long-term loans payable	88,452	88,518	66
Total Liabilities	646,222	646,292	70
Derivative transactions (*2)			
hedge accounting is not applied	(1,816)	(1,816)	-
hedge accounting is applied	¥-	¥-	¥-

As of March 31, 2019

	Thousands of U.S. dollars		
	Consolidated balance sheet amounts	Fair Value	Difference
Cash and deposits	\$7,492,118	\$7,492,118	\$-
Notes and accounts receivable-trade	1,340,708		
Allowance for doubtful accounts (*1)	(261)		
	1,340,447	1,340,447	-
Lease investment assets	132,700		
Allowance for doubtful accounts (*1)	(18)		
	132,682	147,689	15,007
Short-term loans receivable	1,790,262		
Allowance for doubtful accounts (*1)	(2,748)		
	1,787,514	1,855,131	67,617
Short-term investment securities, Investment securities and Other securities	1,349,814	1,349,814	-
Total Assets	12,102,575	12,185,199	82,624
Notes and accounts payable-trade	2,837,816	2,837,816	-
Electronically recorded obligations-operating	574,471	574,471	-
Short-term loans payable	39,204	39,204	-
Current portion of long-term loans payable	68,390	68,426	36
Accrued income taxes	48,347	48,347	-
Accrued expenses	1,456,274	1,456,274	-
Long-term loans payable	796,793	797,388	595
Total Liabilities	5,821,295	5,821,926	631
Derivative transactions (*2)			
hedge accounting is not applied	(16,359)	(16,359)	-
hedge accounting is applied	\$-	\$-	\$-

*1. Allowance for doubtful accounts corresponding to Notes and accounts receivable-trade, Lease investment assets and Short-term loans receivable is deducted.

*2. Indicated are the net amounts of assets and liabilities results from derivative transactions, with the total net liabilities indicated in ().

As of March 31, 2018

	Millions of yen		
	Consolidated balance sheet amounts	Fair Value	Difference
Cash and deposits	¥765,397	¥765,397	¥-
Notes and accounts receivable-trade	155,247		
Allowance for doubtful accounts (*1)	(60)		
	155,187	155,187	-
Lease investment assets	17,120		
Allowance for doubtful accounts (*1)	(3)		
	17,117	18,766	1,649
Short-term loans receivable	185,364		
Allowance for doubtful accounts (*1)	(274)		
	185,090	192,393	7,303
Short-term investment securities, Investment securities and Other securities	129,886	129,886	-
Total Assets	1,252,677	1,261,629	8,952
Notes and accounts payable-trade	320,137	320,137	-
Electronically recorded obligations-operating	64,863	64,863	-
Short-term loans payable	22,082	22,082	-
Current portion of long-term loans payable	42,982	43,042	60
Accrued income taxes	45,372	45,372	-
Accrued expenses(*2)	148,945	148,945	-
Long-term loans payable	21,138	21,208	70
Total Liabilities	665,519	665,649	130
Derivative transactions (*3)			
hedge accounting is not applied	5,177	5,177	-
hedge accounting is applied	¥-	¥-	¥-

*1. Allowance for doubtful accounts corresponding to Notes and accounts receivable-trade, Lease investment assets and Short-term loans receivable is deducted.

*2. This numerical value reflects the content described in Changes in Presentation.

*3. Indicated are the net amounts of assets and liabilities results from derivative transactions, with the total net liabilities indicated in ().

[1] The calculation methods of financial instrument fair value together with securities

Assets

Cash and deposits and Notes and accounts receivable-trade

Because these are settled in the short-term, the fair value is mostly the same as the book value and as such the book value is deemed as fair value.

Lease investment assets and Short-term loans receivable

Fair value is the present value calculated by discounting relevant cash flows by each category of the assets and timing of cash flow, where discount rates were adopted taking into consideration the period until maturity and credit risks. In addition, the estimated residual value is included in the balance of Lease investment assets.

Short-term investment securities and investment securities

Fair value is determined by the stock exchange price, while bonds are determined by the stock exchange price or by quotations received from financial institutions. Please refer to the note entitled "6.Short-term investment securities and investment securities" regarding to respective objectives for holding securities.

Liabilities

Notes and accounts payable-trade, Electronically recorded obligations-operating, Short-term loans payable, Accrued income taxes and Accrued expenses

Because these are settled in the short-term, the fair value is mostly the same as the book value and as such the book value is deemed as fair value.

Current portion of long-term loans payable and Long-term loans payable

Fair value is measured based on the present value that is calculated as discounted cash flow of the total amount of principal and interest, where the interest would be set, if the Company concluded a brand new loan agreement with the same condition at the date of measurement.

[2] Financial instruments which fair value is extremely difficult to measure

Consolidated balance sheet amount as of March 31, 2019 and 2018:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Stocks of non-consolidated subsidiary and affiliated companies	¥6,642	¥6,501	\$59,832
Other securities (available-for-sale securities)			
Certificate of deposit	15,000	55,000	135,123
Commercial paper	30,997	17,499	279,227
Money management fund	4,200	116,270	37,834
Unlisted stocks (excluding over-the-counter stocks)	730	874	6,576
Medium Term Note	30,000	20,000	270,246
Trust beneficiary right	5,000	10,000	45,041
Other	3	3	27
Investments and other assets			
Investments in equity of affiliated companies and others	2,262	1,090	20,377

These have no available market prices and are expected to entail excessive costs in the estimation of future cash flows. Consequently, estimating their fair value is recognized as extremely difficult and they are not included in "Short-term investment securities" and "Investment securities".

[3] Scheduled redemption of monetary assets and securities with maturity

As of March 31, 2019:

	Millions of yen			
	Within 1 Year	1 to 5 Years	5 to 10 Years	Over 10 years
Cash and deposits	¥831,700	¥-	¥-	¥-
Notes and accounts receivable-trade	133,376	15,456	-	-
Lease investment assets	6,353	8,365	13	-
Short-term loans receivable	78,046	119,460	1,231	-
Short-term investment securities, Investment securities and Other securities				
Government and municipal bonds	25,477	28,123	5,221	5,781
Corporate bonds	9,177	26,650	4,182	5,728
Other	81,109	3,147	1,609	5,601

As of March 31, 2019:

	Thousands of U.S. dollars			
	Within 1 Year	1 to 5 Years	5 to 10 Years	Over 10 years
Cash and deposits	\$7,492,118	\$-	\$-	\$-
Notes and accounts receivable-trade	1,201,477	139,231	-	-
Lease investment assets	57,229	75,354	117	-
Short-term loans receivable	703,054	1,076,119	11,089	-
Short-term investment securities, Investment securities and Other securities				
Government and municipal bonds	229,502	253,338	47,032	52,076
Corporate bonds	82,668	240,068	37,672	51,599
Other	730,646	28,349	14,494	50,455

As of March 31, 2018:

	Millions of yen			
	Within 1 Year	1 to 5 Years	5 to 10 Years	Over 10 years
Cash and deposits	¥765,397	¥-	¥-	¥-
Notes and accounts receivable-trade	144,170	11,077	-	-
Lease investment assets	6,626	10,471	23	-
Short-term loans receivable	71,620	112,068	1,676	-
Short-term investment securities, Investment securities and Other securities				
Government and municipal bonds	17,013	18,337	7,018	4,793
Corporate bonds	6,632	26,315	4,160	5,271
Other	102,658	1,732	923	6,526

[4] Amount of repayment for long-term debt and other interest-bearing debt

As of March 31, 2019:

	Millions of yen			
	Within 1 Year	1 to 5 Years	5 to 10 Years	Over 10 years
Short-term loans payable	¥4,352	¥-	¥-	¥-
Long-term loans payable	¥7,592	¥83,452	¥5,000	¥-

As of March 31, 2019:

	Thousands of U.S. dollars			
	Within 1 Year	1 to 5 Years	5 to 10 Years	Over 10 Years
Short-term loans payable	\$39,204	\$-	\$-	\$-
Long-term loans payable	\$68,390	\$751,752	\$45,041	\$-

As of March 31, 2018:

	Millions of yen			
	Within 1 Year	1 to 5 Years	5 to 10 Years	Over 10 years
Short-term loans payable	¥22,082	¥-	¥-	¥-
Long-term loans payable	¥42,982	¥20,675	¥463	¥-

6. Short-Term Investment Securities and Investment Securities

Information on the value of short-term investment securities and investment securities as of March 31, 2019 and 2018 was as follows:

(1) Other securities (available-for-sale securities):

As of March 31, 2019:

	Millions of yen		
	Book value	Acquisition cost	Difference
Book value exceeding acquisition cost:			
Equity securities	¥28,730	¥20,916	¥7,814
Debt securities			
Government and municipal bonds	48,831	48,437	394
Corporate bonds	19,196	18,921	275
Other	4,980	4,932	48
Sub-total	101,737	93,206	8,531
Book value not exceeding acquisition cost:			
Equity securities	304	485	(181)
Debt securities			
Government and municipal bonds	15,771	15,916	(145)
Corporate bonds	26,541	26,795	(254)
Other	5,490	5,572	(82)
Sub-total	48,106	48,768	(662)
Total	¥149,843	¥141,974	¥7,869

As of March 31, 2019:

	Thousands of U.S. dollars		
	Book value	Acquisition cost	Difference
Book value exceeding acquisition cost:			
Equity securities	\$258,806	\$188,415	\$70,391
Debt securities			
Government and municipal bonds	439,879	436,330	3,549
Corporate bonds	172,921	170,444	2,477
Other	44,861	44,429	432
Sub-total	916,467	839,618	76,849
Book value not exceeding acquisition cost:			
Equity securities	2,738	4,369	(1,631)
Debt securities			
Government and municipal bonds	142,068	143,374	(1,306)
Corporate bonds	239,087	241,375	(2,288)
Other	49,455	50,194	(739)
Sub-total	433,348	439,312	(5,964)
Total	\$1,349,815	\$1,278,930	\$70,885

As of March 31, 2018:

	Millions of yen		
	Book value	Acquisition cost	Difference
Book value exceeding acquisition cost:			
Equity securities	¥30,619	¥19,748	¥10,871
Debt securities			
Government and municipal bonds	4,356	4,326	30
Corporate bonds	3,068	3,032	36
Other	1,027	1,016	11
Sub-total	39,070	28,122	10,948
Book value not exceeding acquisition cost:			
Equity securities	389	471	(82)
Debt securities			
Government and municipal bonds	42,805	43,345	(540)
Corporate bonds	39,309	40,023	(714)
other	8,313	8,488	(175)
Sub-total	90,816	92,327	(1,511)
Total	¥129,886	¥120,449	¥9,437

(2) Other securities (available-for-sale securities) sold during fiscal years ended March 31, 2019 and 2018:
For the year ended March 31, 2019:

	Millions of yen		
	Sales amount	Total gains	Total losses
Equity securities	¥5,644	¥3,560	¥10
Debt securities			
Government and municipal bonds	52,597	78	211
Corporate bonds	14,302	15	112
Other	84,946	6	44
Total	¥157,489	¥3,659	¥377

For the year ended March 31, 2019:

	Thousands of U.S. dollars		
	Sales amount	Total gains	Total losses
Equity securities	\$50,842	\$32,069	\$90
Debt securities			
Government and municipal bonds	473,804	\$703	\$1,901
Corporate bonds	128,835	\$135	\$1,009
Other	765,211	\$54	\$396
Total	\$1,418,692	\$32,961	\$3,396

For the year ended March 31, 2018:

	Millions of yen		
	Sales amount	Total gains	Total losses
Equity securities	¥7,022	¥4,399	¥149
Debt securities			
Government and municipal bonds	32,982	97	254
Corporate bonds	19,794	119	84
Other	142,999	3	35
Total	¥202,797	¥4,618	¥522

7. Short-Term Loans Payable and Long-Term Debts

Short-term loans payable as of March 31, 2019 and 2018, consisted of the following:

	Millions of yen		Thousands of
	2019	2018	U.S. dollars
Bank loans with average interest rate of 1.84% and 2.03% per annum as of March 31, 2019 and 2018, respectively	¥4,352	¥22,082	\$39,204

Long-term debts as of March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of
	2019	2018	U.S. dollars
Loans principally from banks and insurance companies due through 2025 with average interest rate of 0.30% and 0.48% per annum as of March 31, 2019 and 2018, respectively	¥96,044	¥64,120	\$865,183
Subtotal	96,044	64,120	865,183
Less-Portion due within one year	(7,592)	(42,982)	(68,390)
Total	¥88,452	¥21,138	\$796,793

Annual maturities of long-term loans payable as of March 31, 2019 were as follows:

	Millions of yen	Thousands of
		U.S. dollars
2020	¥7,592	68,390
2021	7,345	66,165
2022	14,991	135,042
2023	51,227	461,463
2024	9,889	89,082
2025 and thereafter	5,000	45,041
Total	¥96,044	\$865,183

Lease obligations as of March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S.dollars
	2019	2018	2019
Lease obligations due within one year	¥976	¥1,157	\$8,792
Lease obligations due after one year	925	1,810	8,333
Total	¥1,901	¥2,967	\$17,125

Annual maturities of lease obligations as of March 31, 2019 were as follows:

	Millions of yen	Thousands of U.S. dollars
2020	¥976	\$8,792
2021	564	5,081
2022	207	1,865
2023	111	1,000
2024	42	378
2025 and thereafter	1	9
Total	¥1,901	\$17,125

The following assets as of March 31, 2019 and 2018 were pledged as collateral for certain loans:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Property, plant and equipment	¥26,457	¥28,752	\$238,330
Total	¥26,457	¥28,752	\$238,330

To raise working capital efficiently, the SUBARU Group has entered into the commitment-line contracts. The maximum amount that can be made available under these contracts is 229,652 million yen (US\$2,068,751 thousand) as of March 31, 2019. At the end of the fiscal year, there were no borrowings under the commitment line.

8. Derivative transactions

In the normal course of business, the Company and its consolidated subsidiaries employ derivative financial instruments, including foreign exchange forward contracts, foreign currency options and interest rate swaps, to manage their exposures to fluctuations in foreign currency exchange rates and interest rates. The Company and its consolidated subsidiaries do not use derivatives for speculative or trading purposes. The fair value information of derivative financial instruments as of March 31, 2019 and 2018 was as follows:

Derivative transactions to which hedge accounting is not applied

(1) Foreign currency contracts:

As of March 31, 2019

	Millions of yen			Thousands of U.S. dollars		
	Notional Amount	Fair value	Valuation gain (loss)	Notional Amount	Fair value	Valuation gain (loss)
Foreign exchange forward contracts:						
Sell-						
U.S. dollar	¥184,016	(¥1,780)	(¥1,780)	\$1,657,652	(\$16,035)	(\$16,035)
Foreign currency options contracts:						
Sell/Buy-						
U.S. dollar	2,196	(17)	(17)	19,782	(153)	(153)
Total	¥186,212	(¥1,797)	(¥1,797)	\$1,677,434	(\$16,188)	(\$16,188)

As of March 31, 2018

	Millions of yen		
	Notional Amount	Fair value	Valuation gain (loss)
Foreign exchange forward contracts:			
Sell-			
U.S. dollar	¥254,467	¥4,163	¥4,163
Euro	5,997	132	132
Canadian dollar	25,349	882	882
Total	¥285,813	¥5,177	¥5,177

Note: 1. The method to determine the fair value is based on quotations obtained from financial institutions.

2. Foreign currency option contracts are zero cost options and option premiums are not paid or received.

In addition, call options and put options are presented collectively because they are integrated contracts.

As of March 31, 2019

	Millions of yen			Thousands of U.S. dollars		
	Notional Amount	Over 1 year Fair value	Fair value	Notional Amount	Over 1 year Fair value	Fair value
Interest rate swap contracts:						
Receive floating rate pay fixed rate	¥7,300	¥7,300	(¥19)	\$65,760	\$65,760	(\$171)

Note: The method to determine the fair value is based on quotations obtained from financial institutions.

As of March 31, 2018

Not applicable.

Derivative transactions to which hedge accounting is applied

Not applicable.

9. Property, Plant and Equipment

Property, plant and equipment as of March 31, 2019 and 2018 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Buildings and structures	¥459,603	¥441,879	\$4,140,195
Machinery, equipment and vehicles	642,894	609,736	5,791,316
Vehicles and equipment on operating leases	19,282	22,648	173,696
Other	388,386	371,661	3,498,658
Subtotal	1,510,165	1,445,924	13,603,865
Land	199,354	196,659	1,795,820
Construction in progress	31,334	55,908	282,263
Accumulated depreciation	(998,902)	(968,876)	(8,998,306)
Accumulated impairment loss	(24,557)	(26,507)	(221,214)
Total	¥717,394	¥703,108	\$6,462,427

10. Unexecuted Balance of Overdraft Facilities and Lending Commitments

The unexecuted balance of overdraft facilities and lending commitments at a consolidated subsidiary (Subaru Finance Co., Ltd.) as of March 31, 2019 and 2018 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Total overdraft facilities and lending commitments	¥5,600	¥4,800	\$50,446
Less amounts currently executed	2,256	1,637	20,322
Unexecuted balance	¥3,344	¥3,163	\$30,124

A portion of the overdraft facilities and lending commitments above is subject to credit considerations as documented in the customer contracts. Therefore, the total balance above is not always available.

11. Pension and Severance Plans

The Company and its consolidated domestic subsidiaries have lump-sum retirement payment plans, contributory defined benefit employees' welfare pension funds, defined benefit pension plan, and certain domestic subsidiaries have defined contribution pension plans. In addition, in certain occasions, additional retirement payments are made to employees for their retirement. Consolidated foreign subsidiaries primarily have defined contribution plans.

As of March 31, 2019, 52 companies including the Company and its consolidated domestic subsidiaries have lump-sum retirement payment plans. Within the SUBARU Group, there are also 25 defined contribution plans, and 6 defined benefits pension plans. In addition, there are 2 single-employer employees' welfare pension funds subject to the provisions of Article 33 of "Accounting Standard for Retirement Benefits."

Certain insignificant consolidated subsidiaries calculated their pension liability using the simplified method. Under the simplified method, an accrued pension and net defined benefit liability is provided at the amount that would have been payable had all the employees voluntarily retired at the end of the fiscal year, less an amount to be covered from the plan assets, while the Company and significant subsidiaries provide an accrued pension and net defined benefit liability based on the estimated amount of pension and severance obligation (projected benefit obligations), less the fair value of plan assets at the end of the fiscal year under the actuarial method.

Defined benefit pension plans (including the multi-employer pension plan of contributory defined benefit employees' welfare pension funds settled as defined benefit pension plan.)

Movement in retirement benefit obligation, except plans applied simplified method

	Millions of yen		Thousands of
	2019	2018	U.S. dollars
Balance at the beginning of the period	¥119,837	¥115,699	1,079,515
a. Service cost	¥6,815	6,563	61,391
b. Interest cost	709	796	6,387
c. Actuarial loss (gain)	1,749	1,446	15,755
d. Benefits paid	(4,830)	(4,620)	(43,510)
e. Amortization of prior service cost	-	-	-
f. Other	(48)	(47)	(432)
Balance at the end of the period	¥124,232	¥119,837	1,119,106

Movements in plan assets, except plans applied simplified method

	Millions of yen		Thousands of
	2019	2018	U.S. dollars
Balance at the beginning of the period	¥107,770	¥104,828	970,813
a. Expected return on plan assets	¥1,962	1,917	17,674
b. Actuarial loss (gain)	(507)	513	(4,567)
c. Contributions paid by the employer	4,533	3,441	40,834
d. Payment for retirement benefits	(2,965)	(2,929)	(26,709)
e. Other	(2)	-	(18)
Balance at the end of the period	¥110,791	¥107,770	\$998,027

Movement in net defined benefit liability in the plans applying the simplified method

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at the beginning of the period	¥7,188	¥6,813	\$64,751
a. Retirement benefit cost	3,386	820	30,502
b. Benefits paid	(1,084)	(417)	(9,765)
c. Contributions paid by the employer	(31)	(28)	(279)
Balance at the end of the period	¥9,459	¥7,188	\$85,209

Reconciliation from retirement benefit obligations and plan assets to net defined benefit liability (asset), include plans applied simplified method

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
a. Funded retirement benefit obligations	¥114,160	109,766	\$1,028,376
b. Plan assets	(111,140)	(108,110)	(1,001,171)
Sub total	3,020	1,656	27,205
c. Unfunded retirement benefit obligations	19,880	17,599	179,083
a+b+c. Total Net liability (asset) for retirement benefits	22,900	19,255	206,288
d. Net defined benefit liability	22,900	19,337	206,288
e. Net defined benefit asset	-	(82)	-
d+e. Total Net liability (asset) for retirement benefits	¥22,900	¥19,255	\$206,288

Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
a. Service cost	¥6,815	¥6,563	\$61,390
b. Interest cost	709	796	6,387
c. Expected return on plan assets	(1,962)	(1,917)	(17,674)
d. Net actuarial loss amortization	1,655	2,142	14,909
e. Past service costs amortization	15	(6)	135
f. Additional retirement payments	273	342	2,459
g. Retirement benefit cost of the plan applying the simplified method	3,386	820	30,502
Total retirement benefit costs for the fiscal year ended	10,891	¥8,740	\$98,108

Adjustments for retirement benefit (before tax effect)

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
a. Past service costs	¥15	(¥6)	135
b. Actuarial gains and losses	(602)	1,208	(5,423)
Total	(587)	¥1,202	(5,288)

Accumulated adjustments for retirement benefit (before tax effect)

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
a. Past service costs that are yet to be recognized	¥259	¥274	\$2,333
b. Actuarial gains and losses that are yet to be recognized	14,892	14,290	134,150
Total	¥15,151	¥14,564	\$136,483

Plan assets

Plan assets comprise:

	Percentage	
	2019	2018
a. Bonds	70%	68%
b. Equity securities	12%	16%
c. Other	18%	16%
Total	100%	100%

Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

Actuarial assumptions

The principal actuarial assumptions

	2019	2018
a. Attribution of expected benefit obligation	Benefit formula method	Benefit formula method
b. Discount rate	Primarily 0.5%	Primarily 0.6%
c. Long-term expected rate of return	Primarily 2.1%	Primarily 2.1%
d. Amortization of actuarial gain/loss(*)	Primarily 16 years	Primarily 16 years
e. Amortization of past service cost	10 to 18 years	13 to 18 years

(*) Amortized by the straight-line method starting from the following fiscal year, over a period shorter than the average remaining service periods of the eligible employees.

Defined contribution pension plan

The amount required to contribute to defined contribution plans was 5,496 million yen (US\$49,509 thousand) and 5,161 million yen for the fiscal years ended March 31, 2019 and March 31, 2018, respectively, which included the multi-employer pension plan of contributory defined benefit employees' welfare pension funds settled as defined contribution plans.

Certain information concerning the multi-employer pension plan, which requires contributions that are expensed as they become due as pension and severance costs, was as follows:

(1) Overall funded status of the multi-employer pension plan (mainly as of March 31, 2019 and 2018)

	2019	2018	Thousands of U.S. dollars 2019
	Millions of yen		
Plan assets	¥9,070	¥9,130	\$81,704
Projected benefit obligation	10,215	11,180	92,018
Funded status	(¥1,145)	(¥2,050)	(\$10,314)

(2) Contributions by the Company and its consolidated domestic subsidiaries as a percentage of total contributions to the multi-employer pension plan for fiscal years ended March 31, 2019 and 2018 were 5% and 4% respectively.

Other than the above, "Accrued expenses" and "Other long-term liabilities" include 26,315 million yen (US\$235,429 thousand) and 24,606 million yen of postretirement medical insurance plan obligations of certain U.S. subsidiaries as of March 31, 2019 and 2018, respectively.

12. Income Taxes

The Company and its consolidated subsidiaries were subject to a number of taxes based on income, which in the aggregate resulted in a normal statutory income tax rate of approximately 30.5% and 30.7% for fiscal years ended March 31, 2019 and 2018, respectively.

A reconciliation of the statutory income tax rate in Japan to the Company's effective income tax rates for fiscal years ended March 31, 2019 and 2018 were as follows:

	2019	2018
Statutory income tax rate in Japan	30.5%	30.7%
Increase (reduction) in taxes resulting from:		
Difference of applicable tax rate in subsidiaries	(2.7%)	0.5%
Adjustment of deferred tax assets by change of the tax rate	-	0.1%
Entertainment expenses not qualifying for deduction	0.1%	0.1%
Correction for income tax in previous years	0.9%	0.6%
Changes in valuation allowance and tax benefits realized from loss carry forwards	0.5%	(0.4)%
Deduction of research and development expense	(4.6)%	(6.3)%
Other	0.1%	0.1%
Effective income tax rate	24.8%	25.4%

Significant components of the deferred tax assets and liabilities as of March 31, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Deferred tax assets:			
Provision for product warranties	¥94,559	¥72,015	\$851,806
Accrued expenses	18,549	24,726	167,093
Unrealized profit on inventories	16,645	20,130	149,941
Net defined benefit liability	16,538	14,763	148,978
Depreciation and amortization expenses	8,672	8,585	78,119
Provision for bonuses	7,150	7,605	64,409
Long-term accounts payable, other	6,926	6,216	62,391
Loss on devaluation of inventories	1,982	2,578	17,854
Accrued enterprise tax	407	2,843	3,666
Other	27,323	20,689	246,131
Total deferred tax assets	198,751	180,150	1,790,388
Valuation allowance	(8,501)	(7,405)	(76,578)
Total deferred tax assets, net of valuation allowance	190,250	172,745	1,713,810
Deferred tax liabilities:			
Depreciation and amortization expenses	(20,103)	(14,230)	(181,092)
Deferred revenue of foreign consolidated subsidiaries	(19,998)	(16,441)	(180,146)
Valuation difference on available-for-sale securities	(1,672)	(2,408)	(15,062)
Reserve for reduction entry	(1,618)	(1,690)	(14,575)
Net defined benefit asset	(180)	(527)	(1,621)
Other	(700)	(744)	(6,306)
Total deferred tax liabilities	(44,271)	(36,040)	(398,802)
Net deferred tax assets	¥145,979	¥136,705	\$1,315,008

As written in "Change in Presentation", the consolidated financial statements for the fiscal year ended March 31, 2018 have been reclassified.

As a result, the "Accrued expenses" 52,362 million yen (US\$ 471,687 thousand) out of 77,088 million yen (US\$ 694,424 thousand) are aggregated and presented as "Provision for product warranties" 72,015 million yen (US\$ 648,725 thousand).

The net deferred tax assets are included in the following line items in the accompanying consolidated balance sheets.

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Deferred tax assets	¥151,019	¥139,171	\$1,360,409
Deferred tax liabilities	(5,040)	(2,466)	(45,401)
Total net deferred tax assets	¥145,979	¥136,705	\$1,315,008

13. Net Assets

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of its Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Japanese Companies Act ("the Act"), in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Act, both legal earnings reserve and additional paid-in capital used to eliminate or reduce a deficit generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Act, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Act.

At the annual shareholders' meeting held on June 21, 2019, the shareholders approved cash dividends amounting to 55,236 million yen (US\$497,577 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2019. Such appropriations are recognized in the period in which they are approved by the shareholders.

14. Presentation of inventories and provision for loss on construction contracts

"Provision for loss on construction contracts" included in "Cost of sales" for the fiscal years ended March 31, 2019 and March 31, 2018 is provision of 506 million yen (US\$ 4,558 thousand) and provision of 95 million yen, respectively.

15. Selling, General and Administrative Expenses

Selling, general and administrative expenses for fiscal year ended March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of
	2019	2018	U.S. dollars
Freightage and packing expenses	¥31,303	¥28,438	\$281,984
Advertising expenses	84,890	82,801	764,706
Salaries and bonuses	59,126	58,002	532,619
Research and development expenses	101,711	120,330	916,233
Other	126,202	120,971	1,136,851
Total	¥403,232	¥410,542	\$3,632,393

16. Extraordinary Gain /loss

(Fiscal year ended March 31, 2019)

Gain on sales on business

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

(Fiscal year ended March 31, 2018)

Loss on 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.

17. Finance Leases

As allowed under the Japanese GAAP, the Company and its consolidated subsidiaries in Japan account for

finance leases.

Information as Lessor

(1) The details of lease investment assets as of March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Lease revenue receivable	¥17,547	¥20,534	\$158,067
Estimated residual value	392	395	3,531
Interest income portion	(3,208)	(3,809)	(28,898)
Lease investment assets	¥14,731	¥17,120	\$132,700

(2) Lease revenue related to lease investment assets

Amounts of collections on lease receivable after the fiscal year ended March 31, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Within 1 year	¥7,565	¥7,882	\$68,148
1 to 2 years	4,175	5,456	37,609
2 to 3 years	2,955	3,494	26,619
3 to 4 years	1,864	2,322	16,791
4 to 5 years	972	1,347	8,756
Over 5 years	¥16	¥33	\$144

18. Operating Lease

Information as Lessee

The future minimum lease/rent payments, excluding the portion of interest thereon, as of March 31, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Operating leases:			
Due within one year	¥3,396	¥3,372	\$30,592
Due after one year	13,244	14,048	119,305
Total	¥16,640	¥17,420	\$149,896

Information as Lessor

The future minimum lease/rent payments receivable, excluding the portion of interest thereon, as of March 31, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Operating leases:			
Due within one year	¥120	¥125	\$1,081
Due after one year	59	71	531
Total	¥179	¥196	\$1,612

19. Contingent Liabilities

Contingent liabilities as of March 31, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
As guarantor of third-party indebtedness from financial institutions	¥27,309	¥29,795	\$246,005

(Fiscal year ended 2018)

Expenses with regard to the modified agreement contents between the U.S. subsidiary of Takata Co., Ltd. and NHTSA (The National Highway Traffic and Safety Administration of the United States) dated May 4, 2016, Notification "Extended schedule of the recalls of airbag inflators manufactured by Takata Co., Ltd." released by MLIT (The Ministry of Land, Infrastructure, Transport and Tourism of Japan) dated May 27, 2016, and recalls in the other regions including China and Australia required by the U.S. and Japanese authorities are accrued to the extent that the amount can be reasonably estimated in the consolidated financial statements for the fiscal year ended March 31, 2018.

There is a possibility that additional expense may be accrued required due to events in the future.

(Fiscal year ended March 31, 2019)

Expenses with regard to the modified agreement contents between the U.S. subsidiary of Takata Co., Ltd. and NHTSA (The National Highway Traffic and Safety Administration of the United States) dated May 4, 2016, Notification "Extended schedule of the recalls of airbag inflators manufactured by Takata Co., Ltd." released by MLIT (The Ministry of Land, Infrastructure, Transport and Tourism of Japan) dated May 27, 2016, and recalls in the other regions including China and Australia required by the U.S. and Japanese authorities are accrued to the extent that the amount can be reasonably estimated in the consolidated financial statements for the fiscal year ended March 31, 2019.

There is a possibility that additional expense may be accrued required due to events in the future.

20. The Amount of Discount of Export Bill

The amount of discount of export bill as of March 31, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
The amount of discount of export bill	¥1,174	¥1,891	\$10,576

21. Transfer of Financial Assets to Special Purpose Company

The balance of financial assets transferred to special purpose company as of March 31, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance of financial assets transferred to special purpose company (loan receivable of Automobiles and accounts receivable-trade of Aerospace)	¥3,330	¥4,251	\$29,997

22. 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 aircrafts, parts of space-related devices.

(2) Calculation method of sales, profit or loss, assets, liabilities and other items by reportable segments
Accounting method for reportable segments is almost the same as "2. Summary of Significant Accounting Policies".

Segment incomes are calculated based on operating income.

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

(3) Information on sales, income, assets and other items by reportable segments for the fiscal years ended March 31, 2019 and 2018 was summarized as follows

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Net Sales:			
Automobiles			
Outside customers	¥3,014,476	¥3,062,340	27,154,995
Inter-segment	3,134	2,918	28,232
Sub-total	3,017,610	3,065,258	27,183,227
Aerospace			
Outside customers	131,669	142,163	1,186,100
Inter-segment	804	5	7,243
Sub-total	132,473	142,168	1,193,343
Other (*1)			
Outside customers	14,369	28,192	129,439
Inter-segment	26,822	23,852	241,618
Sub-total	41,191	52,044	371,057
Total	3,191,274	3,259,470	28,747,627
Adjustment (*2)	(30,760)	(26,775)	(277,092)
Consolidated total	¥3,160,514	¥3,232,695	28,470,535

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Segment income:			
Automobiles	¥184,947	¥361,454	\$1,666,039
Aerospace	6,047	12,259	54,473
Other (*1)	3,846	5,066	34,646
Total	194,840	378,779	1,755,157
Adjustment (*2)	689	668	6,207
Consolidated total (*3)	¥195,529	¥379,447	\$1,761,364

Segment assets:			Thousands of
		Millions of yen	U.S. dollars
	2019	2018	2019
Automobiles	¥2,656,560	¥2,580,353	\$23,930,817
Aerospace	275,866	234,619	2,485,055
Other (*1)	76,818	77,583	691,992
Total	3,009,244	2,892,555	27,107,864
Adjustment (*2)	(26,519)	(26,081)	(238,888)
Consolidated total	¥2,982,725	¥2,866,474	\$26,868,976

Other Items:			Thousands of
		Millions of yen	U.S. dollars
	2019	2018	2019
Depreciation and amortization:			
Automobiles	¥96,867	¥95,193	\$872,597
Aerospace	4,487	5,298	40,420
Other (*1)	1,395	1,611	12,566
Total	102,749	102,102	925,583
Adjustment (*2)	-	-	-
Consolidated total	102,749	102,102	925,583

Investment to equity-method affiliates:			
Automobiles	3,362	3,461	30,286
Aerospace	-	-	-
Other (*1)	1,321	54	11,900
Total	4,683	3,515	42,185
Adjustment (*2)	-	-	-
Consolidated total	4,683	3,515	42,185

Increase of property, plant and equipment and intangible assets:			
Automobiles	162,132	185,056	1,460,517
Aerospace	6,058	8,316	54,572
Other (*1)	1,770	417	15,945
Total	169,960	193,789	1,531,033
Adjustment (*2)	-	-	-
Consolidated total	¥169,960	¥193,789	\$1,531,033

Note: *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 operating income on 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.

Related Information

(1)Products and services information

Products and services information is omitted since the same information is in the segment information

(2)Information about geographic areas

[1]Sales for the fiscal years ended March 31, 2019 and 2018 was summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Sales: (*1)			
Japan	¥596,591	¥667,991	\$5,374,210
North America	2,201,655	2,140,593	19,832,943
[United States] (*2)	[2,062,424]	[2,004,390]	[18,578,723]
Europe	100,535	118,105	905,639
Asia	116,394	135,058	1,048,500
Other	145,339	170,948	1,309,242
Consolidated total	¥3,160,514	¥3,232,695	\$28,470,534

Note: *1 Sales is categorized by country or area which is based on customer location.

*2 Sales of the United States is included in North America area.

[2]Property, plant and equipment as of March 31, 2019 and 2018 was summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Property, plant and equipment: (*1)			
Japan	¥533,687	¥527,698	4,807,558
North America	182,978	174,290	1,648,302
[United States] (*2)	[182,384]	[173,557]	[1,642,951]
Europe	387	519	3,486
Other	342	601	3,081
Consolidated total	¥717,394	¥703,108	6,462,427

Note: *1 Property, plant and equipment is categorized by country or area according to geographic adjacent level.

*2 Property, plant and equipment of the United States is included in North America area.

[3]Major customers Information

Information about major customers is omitted because there were no outside sales to single customer with equal to or more than 10% of Net sales on the consolidated statements of income for the fiscal years ended

March 31, 2019 and 2018

Information on Impairment Loss in Fixed Assets by Reportable segments

It has been omitted for March 31, 2019 and 2018 because the amount is immaterial.

Information on Amortization of Goodwill and Unamortized Balance by Reportable segments

Information on amortization of goodwill and unamortized balance by reportable segments for the fiscal years ended March 31, 2019 and 2018 was summarized as follows:

Goodwill

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Amount written off of current period:			
Automobiles	¥211	¥211	\$1,901
Aerospace	-	-	-
Other	-	-	-
Total	211	211	1,901
Corporate and elimination	-	-	-
Total	211	211	1,901
Balance at the end of current period:			
Automobiles	1,425	1,566	12,837
Aerospace	-	-	-
Other	-	-	-
Total	1,425	1,566	12,837
Corporate and elimination	-	-	-
Total	¥1,425	¥1,566	\$12,837

Information on Negative Goodwill by Reportable segments

No items to be reported.

23. Fair Value of Investment and Rental Property

The Company and certain consolidated subsidiaries own rental office buildings and rental commercial facilities with the objective of generating rental income in Saitama prefecture and other locations. Certain domestic rental office buildings in Japan are classified as properties that include portions used as investment and rental property, because part of them are used by the Company and certain consolidated subsidiaries.

The consolidated balance sheet amounts, principal changes during the fiscal years ended March 31, 2019 and 2018, and fair value as of March 31, 2019 and 2018 were as follows:

As of March 31, 2019

	Consolidated balance sheet amounts			Millions of yen
	beginning balance	Increase(dec rease) during the year	ending balance	Fair value as the end of the fiscal year
Investment and rental property	¥27,278	(¥2,971)	¥24,307	¥40,207
Properties that include portions used as investment and rental property	¥13,459	¥272	¥13,731	¥27,743

As of March 31, 2019

	Thousands of U.S. dollars			
	Consolidated balance sheet amounts			Fair value as the end of the fiscal year
	beginning balance	Increase(decrease) during the year	ending balance	
Investment and rental property	\$245,726	(\$26,763)	\$218,963	\$362,193
Properties that include portions used as investment and rental property	\$121,241	\$2,450	\$123,691	\$249,914

As of March 31, 2018

	Millions of yen			
	Consolidated balance sheet amounts			Fair value as the end of the fiscal year
	beginning balance	Increase(decrease) during the year	ending balance	
Investment and rental property	¥27,036	¥242	¥27,278	¥40,136
Properties that include portions used as investment and rental property	¥13,712	(¥253)	¥13,459	¥22,804

Note 1. The amounts of consolidated balance sheet exclude accumulated depreciation and accumulated impairment loss from acquisition costs.

2. Among changes in the amount of investment and rental property and properties that include portions used as investment and rental property during the fiscal year ended March 31, 2019, principal increases were 948 million yen (US\$8,540 thousand) of new rental properties, and principal decreases were 1,016 million yen (US\$9,152 thousand) of depreciation, 2,001 million yen (US\$18,025 thousand) of loss on sales and retirement.

Among changes in the amount of investment and rental property and properties that include portions used as investment and rental property during the fiscal year ended 2018, principal increases were 1,539 million yen of properties acquisitions and 720 million yen of others, and principal decreases were 1,001 million yen of depreciation, 1,469 million yen of loss on sales and retirement.

3. Fair values of main properties are calculated based on the appraised value of the external real-estate appraiser. Some of them are adjusted by the Company using relevant indicators etc. Fair values of the remaining properties are estimated by the Company mainly using the assessed land values that are used to calculate property taxes.

Profit and loss in fiscal year ended March 31, 2019 and March 31, 2018 from investment and rental property and properties that include portions used as investment and rental property were as follows:

As of March 31, 2019

	Millions of yen			
	Rental income	Rental expenses	Difference	Other profit and loss
Investment and rental property	¥3,830	¥2,110	¥1,720	¥52
Properties that include portions used as investment and rental property	¥842	¥1,178	(¥336)	¥-

As of March 31, 2019

	Thousands of U.S. dollars			
	Rental income	Rental expenses	Difference	Other profit and loss
Investment and rental property	\$34,501	\$19,007	\$15,494	\$468
Properties that include portions used as investment and rental property	\$7,585	\$10,612	(\$3,027)	\$-

As of March 31, 2018

	Millions of yen			
	Rental income	Rental expenses	Difference	Other profit and loss
Investment and rental property	¥3,825	¥2,043	¥1,782	¥15
Properties that include portions used as investment and rental property	¥780	¥1,198	(¥418)	¥-

Note:1. Rental income (from the properties that include portions used as investment and rental property) does not include the portion that the Company or certain subsidiaries use as the provision of services and business administration purposes. Rental expenses, however, include all portions of the expenses (costs related to depreciation, repairs, insurance and taxes).

2. Other profit and loss include in gain on sale and others.

25. Subsequent Events

No items to be reported.

26. Other

No items to be reported.



Independent Auditor's Report

To the Board of Directors of SUBARU CORPORATION :

We have audited the accompanying consolidated financial statements of SUBARU CORPORATION and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2019 and 2018, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in net assets and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of SUBARU CORPORATION and its consolidated subsidiaries as at March 31, 2019 and 2018, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2019 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

June 24, 2019
Tokyo, Japan