

Consolidated Financial Results

For the Third Quarter of the Fiscal Year Ending March 31, 2019 (Japan GAAP)



February 7, 2019

Company Name : **SUBARU CORPORATION.** (Tokyo Stock Exchange First Section, Code No.7270)
 URL : <https://www.subaru.co.jp/en/ir/>
 Representative : Tomomi Nakamura, President and CEO
 Contact for Inquiries : Katsuo Saitou, General Manager of Administration Department Phone +81-3-6447-8825
 Scheduled date of submitting Quarterly Report : February 14, 2019
 Scheduled date for dividend payment : -
 Quarterly earnings supplementary explanatory documents : Yes
 Holding of quarterly financial results meeting : Yes(for investment analysts and institutional investors)

(All amounts have been rounded off to the nearest million yen, unless otherwise specified)

1. Consolidated Results for the 3rd Quarter of FYE 2019 (April 1, 2018 to December 31, 2018)

(1) Consolidated Results of Operations (for nine-month period)

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

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent
3rd Quarter of FYE 2019	2,377,413 (2.5)%	153,669 (49.8)%	157,042 (48.2)%	118,220 (22.7)%
3rd Quarter of FYE 2018	2,437,749 0.4%	306,305 (0.1)%	303,116 2.0%	152,843 (26.3)%

Note: Comprehensive income 3rd Quarter of FYE 2019: 129,340 million yen (Minus 21.9%) 3rd Quarter of FYE 2018: 165,653 million yen (Minus 23.9%)

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

	Net income per share, basic (Yen)	Net income per share, diluted (Yen)
3rd Quarter of FYE 2019	154.18	-
3rd Quarter of FYE 2018	199.35	-

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

	Total assets	Net assets	Shareholders' equity to total assets (%)
3rd Quarter of FYE 2019	2,870,071	1,580,034	54.8%
FYE 2018	2,866,474	1,561,023	54.2%

Reference: Shareholders' equity As of December 31, 2018: 1,573,157 million yen As of March 31, 2018: 1,552,844 million yen

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

2. Dividends

	Cash dividends per share (yen)				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual
FYE 2018	-	72.00	-	72.00	144.00
FYE 2019	-	72.00	-		
FYE 2019 (Forecast)				72.00	144.00

Note: Revision of the forecasts in the first quarter of the fiscal year ending March 31, 2019: No

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

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

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Net income per share, basic(Yen)
Full year	3,120,000 (3.5)%	185,000 (51.2)%	193,000 (49.2)%	140,000 (36.5)%	182.59

Note: Revision of the forecasts at the timing of announcement of the results of second quarter of the fiscal year ending March 31, 2019: Yes

Regarding the revision of the Projection of Consolidated Results, please refer to "Revision of Performance Projection for the Fiscal Year Ending March 2019" announced today (February 7, 2019).

4. Others

(1) Changes of significant subsidiaries in the third quarter of FYE 2019 : No

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

Note: The details please refer to "Quarterly Consolidated Financial Statements (4) Note to Quarterly Consolidated Financial Statements (Application of Specific Accounting for Preparing the Quarterly Consolidated Financial Statements)" on page 7.

(3) Changes in accounting policies, procedures and methods of presentation for preparing the quarterly consolidated financial statements

[1] Changes due to revisions of accounting standards : No

[2] Changes due to other reasons : Yes

[3] Changes of estimation due to accounting issues : Yes

[4] Restatements : No

Note: The details please refer to "Quarterly Consolidated Financial Statements (4) Note to Quarterly Consolidated Financial Statements (Changes in accounting policies)" on page 7.

(4) Number of outstanding shares (Common Stock)

[1] Number of outstanding shares (including treasury stock) As of December 31, 2018: 769,175,873 shares As of March 31, 2018: 769,175,873 shares

[2] Number of treasury stock As of December 31, 2018: 2,414,549 shares As of March 31, 2018: 2,455,039 shares

[3] Average number of shares (for six-month period) 3rd Quarter of FYE 2019: 766,744,930 shares 3rd Quarter of FYE 2018: 766,703,806 shares

*The status of the implementation of the quarterly review

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

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

The performance projections were based on the information available as of the date when this document was released. Therefore, actual results may differ considerably due to various factors that might occur in the future.

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Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Unit: Millions of yen)

	FYE 2018 (as of March 31, 2018)	3rd Quarter of FYE 2019 (as of December 31, 2018)
ASSETS		
I Current assets		
Cash and deposits	765,397	766,327
Notes and accounts receivable-trade	155,247	136,512
Lease investment assets	17,120	14,236
Short-term investment securities	242,573	106,258
Merchandise and finished goods	202,435	252,238
Work in process	52,307	75,039
Raw materials and supplies	42,448	60,957
Short-term loans receivable	185,364	194,868
Other	107,893	131,804
Allowance for doubtful accounts	(340)	(346)
Total current assets	1,770,444	1,737,893
II Noncurrent assets		
1. Property, plant and equipment		
Buildings and structures, net	207,133	216,837
Machinery, equipment and vehicles, net	169,814	194,327
Land	184,339	186,037
Vehicles and equipment on operating leases, net	18,638	15,737
Construction in progress	55,908	27,022
Other, net	67,276	75,132
Total property, plant and equipment	703,108	715,092
2. Intangible assets		
Other	28,293	30,712
Total intangible assets	28,293	30,712
3. Investments and other assets		
Investment securities	113,465	117,024
Net defined benefit asset	82	1,654
Deferred tax assets	139,171	138,756
Other	115,273	132,283
Allowance for doubtful accounts	(3,362)	(3,343)
Total investments and other assets	364,629	386,374
Total noncurrent assets	1,096,030	1,132,178
Total assets	2,866,474	2,870,071

(Unit: Millions of yen)

	FYE 2018 (as of March 31, 2018)	3rd Quarter of FYE 2019 (as of December 31, 2018)
LIABILITIES		
I Current liabilities		
Notes and accounts payable-trade	320,137	309,616
Electronically recorded obligations-operating	64,863	75,515
Short-term loans payable	22,082	4,686
Current portion of long-term loans payable	42,982	13,943
Income taxes payable	45,372	3,319
Accrued expenses	255,914	338,862
Provision for bonuses	24,131	12,231
Provision for product warranties	34,743	40,578
Provision for loss on construction contracts	160	339
Provision for loss on business liquidation	3,098	2,768
Provision for loss related to airbags	64,711	21,626
Other	172,813	173,104
Total current liabilities	1,051,006	996,587
II Noncurrent liabilities		
Long-term loans payable	21,138	33,406
Deferred tax liabilities	2,466	4,162
Provision for product warranties	35,801	36,081
Provision for directors' retirement benefits	447	482
Net defined benefit liability	19,337	21,200
Other	175,256	198,119
Total noncurrent liabilities	254,445	293,450
Total liabilities	1,305,451	1,290,037
NET ASSETS		
I Shareholders' equity		
Capital stock	153,795	153,795
Capital surplus	160,197	160,192
Retained earnings	1,283,539	1,291,291
Treasury stock	(7,054)	(6,910)
Total shareholders' equity	1,590,477	1,598,368
II Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,038	3,098
Foreign currency translation adjustment	(36,193)	(21,504)
Remeasurements of defined benefit plans	(10,136)	(8,535)
Remeasurements of other postretirement benefits of foreign consolidated subsidiaries	1,658	1,730
Total accumulated other comprehensive income	(37,633)	(25,211)
Non-controlling interests	8,179	6,877
Total net assets	1,561,023	1,580,034
Total liabilities and net assets	2,866,474	2,870,071

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

(Unit: Millions of yen)

	FYE 2018 (April 1, 2017 to December 31, 2017)	FYE 2019 (April 1, 2018 to December 31, 2018)
I Net sales	2,437,749	2,377,413
II Cost of sales	1,825,924	1,919,734
Gross profit	611,825	457,679
III Selling, general and administrative expenses	305,520	304,010
Operating income	306,305	153,669
IV Non-operating income		
Interest income	4,380	8,845
Dividends income	934	757
Equity in earnings of affiliates	35	142
Foreign exchange gains	2,238	-
Other	1,937	3,329
Total non-operating income	9,524	13,073
V Non-operating expenses		
Interest expenses	1,093	544
Foreign exchange losses	-	4,277
Loss on valuation of derivatives	4,869	1,555
Loss on taxation of overseas subsidiary	3,708	-
Other	3,043	3,324
Total non-operating expenses	12,713	9,700
Ordinary income	303,116	157,042
VI Extraordinary income		
Gain on sales of noncurrent assets	343	1,150
Gain on sales of investment securities	726	3,597
Other	203	1,749
Total extraordinary income	1,272	6,496
VII Extraordinary loss		
Loss on sales and retirement of noncurrent assets	4,226	4,052
Loss related to airbags	81,261	-
Other	1,258	1,469
Total extraordinary losses	86,745	5,521
Income before income taxes	217,643	158,017
Total Income taxes	64,125	40,826
Net income	153,518	117,191
Net income (loss) attributable to non-controlling interests	675	(1,029)
Net income attributable to owners of parent	152,843	118,220

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

(Unit: Millions of yen)

	FYE 2018 (April 1, 2017 to December 31, 2017)	FYE 2019 (April 1, 2018 to December 31, 2018)
Net income	153,518	117,191
Other comprehensive income		
Valuation difference on available-for-sale securities	2,988	(3,940)
Foreign currency translation adjustment	7,284	14,685
Remeasurements of defined benefit plans	1,877	1,601
Remeasurements of other postretirement benefits of foreign consolidated subsidiaries	(15)	72
Share of other comprehensive income (loss) of associates accounted for using equity method	1	(269)
Total other comprehensive income	12,135	12,149
Comprehensive income	165,653	129,340
Comprehensive income (loss) attributable to:		
Owners of the parent	164,641	130,642
Non-controlling interests	1,012	(1,302)

(3) Quarterly Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	FYE 2018 (April 1, 2017 to December 31, 2017)	FYE 2019 (April 1, 2018 to December 31, 2018)
I Net cash provided by (used in) operating activities		
Income (loss) before income taxes	217,643	158,017
Depreciation and amortization	74,846	78,401
Increase (decrease) in allowance for doubtful accounts	(148)	(13)
Increase (decrease) in provision for loss related to airbags	68,600	(43,085)
Interest and dividends income	(5,314)	(9,602)
Interest expenses	1,093	544
Loss (gain) on sales and retirement of non-current assets	3,883	2,902
Loss (gain) on sales and valuation of investment securities	(260)	(3,270)
Decrease (increase) in operating loans receivable	(6,465)	(4,734)
Decrease (increase) in notes and accounts receivable-trade	9,625	18,306
Decrease (increase) in inventories	(23,062)	(85,981)
Increase (decrease) in notes and accounts payable-trade	(68,079)	(2,417)
Increase (decrease) in accrued expenses	30,592	78,818
Other, net	22,369	10,715
Subtotal	325,323	198,601
Interest and dividends income received	5,583	9,753
Interest expenses paid	(1,203)	(551)
Income taxes paid	(75,090)	(95,496)
Net cash provided by (used in) operating activities	254,613	112,307
II Net cash provided by (used in) investing activities		
Net decrease (increase) in time deposits	(36,545)	4,067
Purchase of short-term investment securities	(96,698)	(87,241)
Proceeds from sales of short-term investment securities	122,984	95,317
Purchase of non-current assets	(100,962)	(113,115)
Proceeds from sales of non-current assets	2,521	5,728
Purchase of investment securities	(43,823)	(40,142)
Proceeds from sales and redemption of investment securities	26,002	27,981
Payments of loans receivable	(94,024)	(98,733)
Collection of loans receivable	90,536	95,573
Other, net	(1,974)	(2,318)
Net cash provided by (used in) investing activities	(131,983)	(112,883)
III Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(13,847)	(17,130)
Proceeds from long-term loans payable	3,400	17,100
Repayments of long-term loans payable	(43,493)	(33,877)
Cash dividends paid	(110,140)	(110,105)
Other, net	(929)	(1,395)
Net cash provided by (used in) financing activities	(165,009)	(145,407)
IV Effect of exchange rate change on cash and cash equivalents	3,367	16,827
V Net increase (decrease) in cash and cash equivalents	(39,012)	(129,156)
VI Cash and cash equivalents at beginning of period	728,616	765,591
VII Decrease in cash and cash equivalents resulting from change of scope of consolidation	(534)	-
Increase (decrease) in cash and cash equivalents resulting from change in fiscal period of consolidated subsidiaries	3,690	-
VIII Cash and cash equivalents at end of period	692,760	636,435

(4) Note to Quarterly Consolidated Financial Statements

(Notes on Premise of Going Concern)

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

Not Applicable

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

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

Not Applicable

(Significant changes in the Scope of Consolidation or Equity Method)

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

Significant changes in the scope of equity method

Newly established SUBARU-SBI Innovation Fund is included in the scope of the equity method from the second quarter consolidated accounting period ended September 30, 2018.

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

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

Income tax expense was calculated as multiplying income before income taxes by reasonably estimated annual effective tax rate. This annual tax rate was reasonably estimated after applying the deferred tax accounting to the annual income before income taxes. "Income taxes-deferred" was included in "Total income taxes".

(Changes in Accounting policies)

(Changes in accounting method for sales)

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

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

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

The Group applied the changes in the accounting policy retrospectively, and reclassified in the consolidated financial statements of the previous fiscal year to reflect the changes. As a result, net sales and selling, general and administrative expenses in the consolidated statement of income for the third quarter of the previous fiscal year decreased by 126,887 million yen, respectively, compared to the amounts before the retroactive application. There is no effect on operating income, ordinary income and income before income taxes by the changes.

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

(Changes in depreciation method for tangible fixed assets)

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

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 first quarter of FYE 2019.

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

As a result, compared with the previous method, operating income increased by 9,252 million yen, and ordinary income and income before income taxes increased respectively by 9,364 million yen.

(Additional Information)

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

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

(Notes on Quarterly Consolidated Statements of Income)

Detail of extraordinary losses is as follows:

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

Loss related to airbags

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

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

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

(Unit: Millions of yen)

	Business segment reported			Other *1	Total	Adjustment *2	Consolidated Statement of income *3
	Automobiles	Aerospace	Sub- Total				
Net sales							
(1) Outside customers	2,307,041	106,688	2,413,729	24,020	2,437,749	-	2,437,749
(2) Inter-segment	2,266	5	2,271	16,233	18,504	(18,504)	-
Total sales	2,309,307	106,693	2,416,000	40,253	2,456,253	(18,504)	2,437,749
Segment income	290,296	11,574	301,870	3,962	305,832	473	306,305

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

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

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

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

(Unit: Millions of yen)

	Business segment reported			Other *1	Total	Adjustment *2	Consolidated Statement of income *3
	Automobiles	Aerospace	Sub- Total				
Net sales							
(1) Outside customers	2,271,927	94,343	2,366,270	11,143	2,377,413	-	2,377,413
(2) Inter-segment	2,269	800	3,069	18,591	21,660	(21,660)	-
Total sales	2,274,196	95,143	2,369,339	29,734	2,399,073	(21,660)	2,377,413
Segment income	145,420	4,865	150,285	2,900	153,185	484	153,669

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

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

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

2. 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 126,887 million yen in the third quarter of 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 8,410 million yen, "Aerospace" increased by 758 million yen and "Other" increased by 84 million yen respectively in the third quarter of FYE 2019.

(Significant Subsequent Event)

Due to defective parts of the electric power steering devices used for Forester, Impreza, and SUBARU XV (called "Crosstrek" in the North American market), we had suspended production and shipment of vehicles at our Gunma Manufacturing Plant (Main Plant/Yajima Plant) from January 16, 2019, and resumed from January 28, 2019. Although production and shipment of vehicles have been resumed, we expect decline in unit sales in the future due to reduction in the production. We are currently assessing the effect of it.