Notes to the consolidated financial statements and non-consolidated financial statements are provided to our shareholders by posting on the website of SUBARU CORPORATION (the “Company”) pursuant to the provisions of the laws and Article 15 of the Articles of Incorporation of the Company.
Notes to Consolidated Financial Statements

Basis of Preparing Consolidated Financial Statements

1. The scope of consolidation and application of the equity method
   (1) Consolidated subsidiaries: 78
      Domestic 53: Fuji Machinery Co., Ltd., Ichitan Co., Ltd., Tokyo Subaru Inc., and 50 others;
      Overseas 25: Subaru of Indiana Automotive, Inc., Subaru of America, Inc., and 23 others
   (2) Equity method-applied companies: 10
      Domestic 8: Nishino Machine Industries .Ltd , and 7 others
      Overseas: 2 companies Subaru of Taiwan, Ltd and 1 other.
   (3) Name of primary non-consolidated subsidiaries and non-equity method applied companies
      Subaru Technology Beijing Co. Ltd.
      As non-consolidated subsidiaries are immaterial in terms of total assets, net sales, net income and retained earnings, and
      do not have significant impact on the consolidated financial statements as a whole, they have been excluded from the
      scope of consolidation.
      In addition, non-consolidated subsidiaries and affiliates have insignificant impact on the consolidated financial
      statements, and have little significance overall. Consequently, cost approach is applied rather than equity method for their
      valuation.

2. Changes in the scope of consolidation and application of equity method
   (1) Consolidated subsidiaries
      Added: 3
      According to SUBARU Connected Services Inc.’s establishment etc., 3 companies were included in the scope of
      consolidation from the fiscal year ended March 31, 2019.
   (2) Equity method-applied companies
      Added: 2
      According to SUBARU-SBI Innovation Fund’s establishment etc. 2 companies were included in the scope of the equity
      method from the fiscal year ended March 31, 2019.

3. Accounting policies
   (1) Valuation standards and valuation method for significant assets
      (i) Securities
         Held-to-maturity debt: the amortized cost method (straight-line method).
         Available-for-sale securities for which fair values are available
            Fair value method based on the market price etc. at the end of the accounting period
            (Unrealized holding gains and losses included as a separate component of net assets until realized; and the cost of sold
            securities is determined by the moving-average method).
         Non-marketable securities:
            Mainly moving-average cost method.
      (ii) Derivatives: fair value method.
      (iii) Inventory
         Inventories for regular sales are stated at cost, determined mainly by the moving-average cost method.
         (Book value on the consolidated balance sheet is measured based on the lower of cost or market value)
(2) Methods of depreciation and amortization of significant depreciable assets
   (i) Property, plant and equipment (excluding leased assets)
       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:

       Building and structures: 7 to 50 years
       Machinery, equipment and vehicles: 2 to 20 years

   (ii) 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.

   (iii) 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.

(3) Standards for significant provisions
   (i) 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. Specific allowances are provided for the estimated amounts considered to be unrecoverable after
       reviewing individual recoverability of certain doubtful accounts such as claims provable in bankruptcy.
   (ii) Provision for bonuses: Employees' bonuses are recognized as expenses for the period in which those are incurred.
   (iii) Provision for product warranties: In order to prepare for future claim costs for products sold, the total of the following
       amounts has been recorded.
           1. According to the terms and conditions of the warranties, estimated cost calculated based on the past experience
              and the future warranty estimation.
           2. Estimated amount calculated as recall related costs based on notification to the competent authority.
   (iv) Provision for loss on construction contracts: The provision for losses on uncompleted construction of contracts in the
       Aerospace segment is provided when substantial losses on the contracts are anticipated at the fiscal year-end for the
       next fiscal year and beyond and such losses can be reasonably estimated.
   (v) Provision for loss on business liquidation: The provision for losses on business liquidation is provided due to important
       business liquidation.
   (vi) Provision for directors’ retirement benefits: For some domestic consolidated subsidiaries, to prepare for payment of
       directors’ retirement benefits, the necessary payment amount as of end of the consolidated fiscal year in accordance
       with internal rules is provided.
(4) Method for accounting 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.

(5) Standard for Revenue Recognition
(i) 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.
(ii) 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.

(6) Standard for Japanese yen conversion for significant foreign currency-denominated assets or liabilities
Under the Japanese accounting standards 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.

(7) Method and period for amortization of goodwill
Goodwill is principally amortized by the straight-line method over 5 years.

(8) Other significant matters for preparing consolidated financial statements
(i) Treatment of consumption taxes
Accounting treatment for consumption tax and regional consumption tax uses tax-excluded method.
(ii) Unit of amount
Unit of amount is displayed by rounded off.
(iii) Application of consolidated tax payment
Consolidated taxation system is applied.

(Changes in Accounting Policies)
(Changes in accounting method for sales)
The Group previously recorded sales incentives as selling, general and administrative expenses. From the consolidated fiscal year of FYE 2019, the group has changed the method to deduct from sales.
In the business environment surrounding the Group, as sales incentives tend to increase constantly, we reexamined the actual circumstances of the transactions. Sales incentives are taken into consideration when the terms of the transactions are decided.
and are considered as a part of selling price practically. In addition, the Group has improved business management system such as business process and system structure. It is so judged that the method of deducting sales incentives from sales is more appropriate under the circumstances.

While The Group applied the changes in the accounting policy retrospectively, there is no effect on retained earnings on the beginning of this fiscal year.

(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 consolidated fiscal year of FYE 2019.

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

As a result, compared with the previous method, operating income increased by 12,898 million yen, and ordinary income and income before income taxes increased respectively by 13,049 million yen in the consolidated fiscal year of FYE 2019.

(Changes in presentation methods)
(Consolidated Balance sheets)
(Provision for product warranties)

In the fiscal year ended March 31, 2018, recall expenses in the future were included in “Accrued expenses” 106,969 million yen out of 255,914 million yen, and “Provision for loss related to airbags” 64,711 million yen, and warranty expenses in the future were included in "Provision for product warranties" 34,743 million yen. 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".

(Long-term unearned revenue)

In the fiscal year ended March 31, 2018, “Long-term unearned revenue” 132,270 million yen was included in “Others” 175,256 million yen 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.

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

With “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, revised on February 16, 2018), “Ordinance for Enforcement of the Companies Act and Ministerial ordinance related to partial revised Regulation on Corporate Accounting” (Ordinance of the Ministry of Justice No. 5, revised on March 26, 2018) has been applied from the FYE 2019. Deferred tax assets are presented in the “Investment and other assets”, and Deferred tax liabilities are presented in the “Non-current liabilities” on the consolidated balance sheets.

As a result, the “Deferred tax assets” of “Current liabilities” 124,766 million yen 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 included in “Deferred tax assets” of “Investments and other assets”.

(Consolidated Balance Sheet)

1. Accumulated depreciation of property, plant and equipment 998,902 million yen

2. Advanced depreciation of 7,061 million yen from state subsidy, etc. has been directly deducted from the amount of property, plant and equipment reported on the consolidated balance sheet.
3. Assets pledged as collateral and collateralized loans
   (1) Assets pledged as collateral
       Building and structures:  9,593 million yen
       Machinery, equipment and vehicles:  85 million yen
       Land: 16,779 million yen
       Total 26,457 million yen
   (2) Collateralized loans
       Short-term loans payable:  1,280 million yen
       Other current liabilities:  39 million yen
       Current portion of long-term loans payable:  864 million yen
       Long-term loans payable: 10,596 million yen
       Other non-current liabilities: 1,694 million yen
       Total 14,473 million yen

4. Contingent liability
   (1). Guarantor of third-party indebtedness from financial institutions
       SUBARU Canada Inc. client:  20,901 million yen
       Employees: 6,308 million yen
       Other:  100 million yen
       Total  27,309 million yen
   (2). Other contingent liabilities
       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. There is a possibility that additional expense may be accrued required due to events in the future.

5. The amount of discount of export bill 1,174 million yen

6. Transfer of financial assets to special purpose company comprised of 3,330 million yen accounts receivable-trade in aerospace business.

7. The unexecuted balance of overdraft facilities and lending commitments at a consolidated subsidiary (Subaru Finance Co., Ltd.) was as follows:
       Total overdraft facilities and lending commitments: 5,600 million yen
       Less amounts currently executed:  2,256 million yen
       Difference 3,344 million yen

8. Inventory and provision for loss on construction contracts with expected losses have not been offset. Of the inventory related to construction contracts with expected losses, the amount corresponding to provision for loss on construction is 666 million yen (all work in process).
(Consolidated Income Statement)

1. Cost of Goods Sold
   "Provision for loss on construction contracts" includes in "Cost of sales" 506 million yen.

2. Extraordinary gains
   Gain on sales on business
   The gain is recognized due to the sale of retail business of other brand vehicles.

(Consolidated Statement of Changes in Net Assets)

1. Matters related to the type and total issued and outstanding stocks, and type and number of treasury stocks

<table>
<thead>
<tr>
<th>Type of Stock</th>
<th>Number of stocks as at beginning of the consolidated fiscal year (shares)</th>
<th>Number of stocks increased during the consolidated fiscal year (shares)</th>
<th>Number of stocks reduced during the consolidated fiscal year (shares)</th>
<th>Number of stocks as at end of the consolidated fiscal year (shares)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued shares</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common Stock</td>
<td>769,175,873</td>
<td>-</td>
<td>-</td>
<td>769,175,873</td>
</tr>
<tr>
<td>Treasury stocks</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common Stock (Note) 1</td>
<td>2,455,039</td>
<td>3,078</td>
<td>43,276</td>
<td>2,414,841</td>
</tr>
</tbody>
</table>

(Notes) 1. Increase of 3,078 shares of Treasury stocks was due to purchase of Shares less than 1 unit.
2. Decrease of 43,276 shares of Treasury stocks was due to retirement of treasury stocks on July 20, 2018 which were restricted transfer stocks resoluted to be introduced at the Board of Directors meeting held on April 28, 2017.

2. Dividends
   1. Dividends paid

<table>
<thead>
<tr>
<th>Resolution</th>
<th>Types of Stocks</th>
<th>Total Dividends (Millions of yen)</th>
<th>Dividends per share (yen)</th>
<th>Criteria Date</th>
<th>Effective Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>The 87th Ordinary Meeting of General Shareholders, June 22, 2018</td>
<td>Common Stock</td>
<td>55,233</td>
<td>72.00</td>
<td>March 31, 2018</td>
<td>June 25, 2018</td>
</tr>
<tr>
<td>Board of Directors Meeting, November 5, 2018</td>
<td>Common Stock</td>
<td>55,236</td>
<td>72.00</td>
<td>September 30, 2018</td>
<td>December 5, 2018</td>
</tr>
</tbody>
</table>

2. Of dividends whose criteria date belongs to the current consolidated fiscal year, those in which the effective date of the dividend is the following consolidated fiscal year

<table>
<thead>
<tr>
<th>Resolution</th>
<th>Types of Share</th>
<th>Total Dividends (Millions of yen)</th>
<th>Sources of Dividend</th>
<th>Dividend Per Share (yen)</th>
<th>Criteria Date</th>
<th>Effective Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>The 88th Ordinary Meeting of General Shareholders, June 21, 2019</td>
<td>Common Stock</td>
<td>55,236</td>
<td>Retained earning</td>
<td>72.00</td>
<td>March 31, 2019</td>
<td>June 24, 2019</td>
</tr>
</tbody>
</table>
(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 are mainly short-term
       investment financial instruments and investment securities are mainly stocks associated with business and capital alliances
       with principal business partners, 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 and corporate bonds are primarily used
       for 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
   (i) 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.

   (ii) 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.

   (iii) 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

(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 were as follows:

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

(Unit: Millions of yen)

<table>
<thead>
<tr>
<th>Item</th>
<th>Consolidated balance sheet amounts</th>
<th>Fair value</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Cash and deposits</td>
<td>831,700</td>
<td>831,700</td>
<td>-</td>
</tr>
<tr>
<td>(2) Notes and accounts receivable-trade</td>
<td>148,832</td>
<td>(29)</td>
<td>148,803</td>
</tr>
<tr>
<td>Allowance for doubtful accounts (*1)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(3) Lease investment assets</td>
<td>14,731</td>
<td>(2)</td>
<td>14,729</td>
</tr>
<tr>
<td>Allowance for doubtful accounts (*1)</td>
<td></td>
<td></td>
<td>16,395</td>
</tr>
<tr>
<td>(4) Short-term loans receivable</td>
<td>198,737</td>
<td>(305)</td>
<td>198,432</td>
</tr>
<tr>
<td>Allowance for doubtful accounts (*1)</td>
<td></td>
<td></td>
<td>205,938</td>
</tr>
<tr>
<td>(5) Short-term investment securities, Investment securities</td>
<td>149,844</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other securities</td>
<td></td>
<td></td>
<td>149,844</td>
</tr>
<tr>
<td>(6) Notes and accounts payable-trade</td>
<td>315,026</td>
<td>315,026</td>
<td>-</td>
</tr>
<tr>
<td>(7) Electronically recorded obligations-operating</td>
<td>63,722</td>
<td>63,772</td>
<td>-</td>
</tr>
<tr>
<td>(8) Short-term loans payable</td>
<td>4,352</td>
<td>4,352</td>
<td>-</td>
</tr>
<tr>
<td>(9) Current portion of long-term loans payable</td>
<td>7,592</td>
<td>7,596</td>
<td>4</td>
</tr>
<tr>
<td>(10) Accrued income taxes</td>
<td>5,367</td>
<td>5,367</td>
<td>-</td>
</tr>
<tr>
<td>(11) Accrued expenses</td>
<td>161,661</td>
<td>161,661</td>
<td>-</td>
</tr>
<tr>
<td>(12) Long-term loans payable</td>
<td>88,452</td>
<td>88,518</td>
<td>66</td>
</tr>
<tr>
<td>(13) Derivatives Transactions (*2)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>hedge accounting is not applied</td>
<td>(1,816)</td>
<td>(1,816)</td>
<td>-</td>
</tr>
<tr>
<td>hedge accounting is applied</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

*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 (   ).
(Note 1) The calculation methods of financial instrument fair value together with securities

Assets
(1) Cash and deposits, and (2) 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.
(3) Lease investment assets and (4) 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.
(5) 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
(6) Notes and accounts payable-trade, (7) Electronically recorded obligations-operating, (8) short-term loans payable, and (10) Accrued income taxes and (11) 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.
(9) Current portion of long-term loans payable, and (12) 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.

(Note 2) Financial instruments which fair value is extremely difficult to measure

<table>
<thead>
<tr>
<th>(Unit: Millions of yen)</th>
<th>Consolidated balance sheet amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stocks of non-consolidated subsidiary and affiliated companies</td>
<td>6,642</td>
</tr>
<tr>
<td>Other securities</td>
<td></td>
</tr>
<tr>
<td>Certificate of deposit</td>
<td>15,000</td>
</tr>
<tr>
<td>Commercial paper</td>
<td>30,997</td>
</tr>
<tr>
<td>Money management fund</td>
<td>4,200</td>
</tr>
<tr>
<td>Unlisted stocks (excluding over-the-counter stocks)</td>
<td>730</td>
</tr>
<tr>
<td>Medium Term Note</td>
<td>30,000</td>
</tr>
<tr>
<td>Trust beneficiary right</td>
<td>5,000</td>
</tr>
<tr>
<td>Other</td>
<td>3</td>
</tr>
<tr>
<td>Investments and other assets</td>
<td>2,262</td>
</tr>
<tr>
<td>Investments in equity of affiliated companies and others</td>
<td></td>
</tr>
</tbody>
</table>

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, Investment securities and Other securities".
(Note 3) Scheduled redemption of monetary assets and securities with maturity

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

(Note 4) Amount of repayment for long-term debt and other interest-bearing debt

<table>
<thead>
<tr>
<th></th>
<th>Within 1 year</th>
<th>1 to 5 years</th>
<th>5 to 10 years</th>
<th>Over 10 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term loans payable</td>
<td>4,352</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Long-term loans payable</td>
<td>7,592</td>
<td>83,452</td>
<td>5,000</td>
<td>-</td>
</tr>
</tbody>
</table>

(Fair Value of Investment and Rental Property)

1. Summary of investment and rental properties
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.

2. The consolidated balance sheet amounts, principal changes during fiscal year, fair value at the end of fiscal year and market value calculation method

<table>
<thead>
<tr>
<th></th>
<th>Consolidated balance sheet amounts</th>
<th>Fair value as the end of the fiscal year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Beginning balance</td>
<td>Increase(decrease) during the year</td>
</tr>
<tr>
<td>Investment and rental properties</td>
<td>27,278</td>
<td>(2,971)</td>
</tr>
<tr>
<td>Properties that include portions used as investment and rental properties</td>
<td>13,459</td>
<td>272</td>
</tr>
</tbody>
</table>
1) The amount of consolidated balance sheet excludes 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, principal increases were 948 million yen of properties acquisitions, principal decreases were 1,016 million yen of depreciation, 2,001 million yen of loss on sales and retirement.

3) Fair value of a part of main investment and rental property is the amount estimated by based value of real-estate appraiser, and fair value of a part of other investment and rental property is the amount estimated by the Company based principally on land assessment value.

### 3. Profit and loss from investment and rental property

Profit and loss in fiscal year from investment and rental property and properties that include portions used as investment and rental property were as follows

<table>
<thead>
<tr>
<th></th>
<th>Rental income</th>
<th>Rental expenses</th>
<th>Change</th>
<th>Other profit and loss</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment and rental properties</strong></td>
<td>3,830</td>
<td>2,110</td>
<td>1,720</td>
<td>52</td>
</tr>
<tr>
<td><strong>Properties that include portions used as investment and rental properties</strong></td>
<td>842</td>
<td>1,178</td>
<td>(336)</td>
<td>-</td>
</tr>
</tbody>
</table>

**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 impairment loss.

### (Per Share Information)

1. Net assets per share  ¥2,093.60
2. Net income per share   ¥192.78

### (Important Subsequent Events)

No items to be reported.
Notes to Non-consolidated Financial Statements

Significant accounting policies

1. Evaluation standards and methods for securities
   (1) Held-to-maturity debt securities are stated using the amortized cost method. (straight-line method).
   (2) Shares of subsidiaries and associates are stated at cost, as determined by the moving-average method.
   (3) Available-for-sale securities for which fair values are available:
      - Fair value method based on the market price etc. at the end of the accounting period
      - Unrealized holding gains and losses included as a separate component of net assets until realized; and the cost of sold
        securities is determined by the moving-average method.
      Non-marketable securities: Mainly moving-average cost method.

2. Evaluation standards and methods for investments in equity
   Moving-average cost method.
   In addition, investment in the union is evaluated by taking in the equivalent amount to the equity based on the latest available
   financial statements.


4. Evaluation standards and methods for inventory
   (1) Merchandise and finished goods: Mainly with moving-average cost method.
      - (Book value on the balance sheet is measured based on the lower of cost or market value.)
   (2) Work in process, raw materials and supplies: Mainly with FIFO cost method.
      - (Book value on the balance sheet is measured based on the lower of cost or market value.)

5. Depreciation Method of Fixed Assets
   (1) Property, plant and equipment (excluding lease assets): Straight-line method is mainly applied.
      Primary period of depreciation are as follows:
      - Buildings: 8 to 50 years
      - Structures: 7 to 50 years
      - Machinery and equipment: 4 to 10 years
      - Vehicles: 3 to 7 years
      - Tools, furniture, and fixtures: 2 to 10 years
   (2) Intangible assets (excluding leased assets): Straight-line method is applied.
      Computer software used internally by the Company is amortized by the straight-line method over the relevant economic
      useful lives of 3 or 5 years.
   (3) 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.
6. Standards for provisions
   (i) 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. Specific allowances are provided for the estimated amounts considered to be unrecoverable after reviewing individual recoverability of certain doubtful accounts such as claims provable in bankruptcy.
   (ii) Provision for bonuses: Employees' bonuses are recognized as expenses for the period in which those are incurred.
   (iii) Provision for product warranties: In order to prepare for future claim costs for products sold, the total of the following amounts has been recorded.
       1. According to the terms and conditions of the warranties, estimated cost calculated based on the past experience and the future warranties estimation.
       2. Estimated amount calculated as recall related costs based on notification to the competent authority.
   (iv) Provision for loss on construction contracts: The provision for losses on uncompleted construction of contracts in the Aerospace segment is provided when substantial losses on the contracts are anticipated at the fiscal year-end for the next fiscal year and beyond and such losses can be reasonably estimated.
   (v) Provision for loss on business liquidation: The provision for losses on business liquidation is provided due to important business liquidation.
   (vi) Provision for retirement benefits: Net defined benefit liability (assets) for employees is provided based on the estimated amounts of projected pension and severance obligation and 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 (16 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 (16 years) that is shorter than the average remaining service period of the eligible employees.

7. 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.

8. Standard for Japanese yen conversion for significant foreign currency-denominated assets or liabilities
   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.

9. Other principle matters for preparation of the statements
   (1) Method for accounting for retirement benefits
       Accounting method for unrecognized actuarial differences and unrecognized prior service costs are different from accounting methods used for these items in the consolidated financial statements.
   (2) Treatment of consumption taxes
       Accounting treatment for consumption tax and regional consumption tax uses tax-excluded method.
   (3) Unit of amount
       Unit of amount is displayed by rounded off.
   (4) Application of consolidated tax payment
       Consolidated taxation system is applied.
(Changes in Accounting Policies)
(Changes in accounting method for sales)

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

In the business environment surrounding the Company, 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 Company 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.

While The Company applied the changes in the accounting policy retrospectively, there is no effect on retained earnings on the beginning of this fiscal year.

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)
(Changes in depreciation method for tangible fixed assets)

The Company changed depreciation method of certain tangible fixed assets from the declining-balance method to the straight-line method from the fiscal year of FYE 2019.

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

As a result, compared with the previous method, operating income increased by 12,457 million yen, and ordinary income and income before income taxes increased respectively by 12,608 million yen.

(Changes in presentation methods)
(Balance sheets)

(Provision for product warranties)

In the fiscal year ended March 31, 2018, recall expenses in the future were included in “Accrued expenses” 106,969 million yen out of 144,607 million yen, and “Provision for loss related to airbags” 64,711 million yen, and warranty expenses in the future were included in "Provision for product warranties" 21,235 million yen. 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".

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

With “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, revised on February 16, 2018), “Ordinance for Enforcement of the Companies Act and Ministerial ordinance related to partial revised Regulation on Corporate Accounting” (Ordinance of the Ministry of Justice No. 5, revised on March 26, 2018) has been applied from the FYE 2019. Deferred tax assets are presented in the “Investment and other assets”, and Deferred tax liabilities are presented in the “Non-current liabilities” on the consolidated balance sheets.

As a result, the “Deferred tax assets” of “Current liabilities” 76,921 million yen in the Balance Sheets of the fiscal year ended March 31, 2018 are presented as “Deferred tax assets” of “Investments and other assets”.
(Balance Sheet)

1. Accumulated depreciation of property, plant and equipment  588,290 million yen

2. Advanced depreciation of 6,761 million yen from state subsidy, etc. has been directly deducted from the amount of property, plant and equipment reported on the balance sheet.

3. Assets pledged as collateral and secured obligations
   (1) Assets pledged as collateral
       Buildings  630 million yen
       Land  521 million yen
       Total  1,151 million yen
   (2) Collateralized loans
       Long-term loans-payable  9,020 million yen
       In addition, 33 million yen of land has been pledged as collateral for 3,422 million yen of long-term loans payable and received-guarantee deposited, etc. of affiliates.

4. Monetary claims and obligations to affiliates
   Short-term monetary claims to affiliates  287,902 million yen
   Short-term monetary obligations to affiliates  247,825 million yen
   Long-term monetary claims to affiliates  81,625 million yen

5. Contingent liability
   (1) Guarantee obligation for loans from financial institutions
       Subaru of America, Inc.  22,742 million yen
       Employees  6,304 million yen
       Subaru Auto Accessories Ltd.  909 million yen
       Subaru Kohsan Co., Ltd.  946 million yen
       Total  30,901 million yen
   (2) Other contingent liabilities
       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. There is a possibility that additional expense may be accrued required due to events in the future.

6. The amount of discount of export bill  1,174 million yen

7. Transfer of financial assets to special purpose company comprised of 3,330 million yen accounts receivable-trade in aerospace business.

8. Inventory and provision for loss on construction contracts with expected losses have not been offset. Of the inventory related to construction contracts with expected losses, the amount corresponding to provision for loss on construction is 666 million yen (all work in process).
(Income Statement)

1. Cost of Goods Sold
"Provision for loss on construction contracts" includes in "Cost of sales" 506 million yen.

2. Transactions with affiliates
   Operating Transactions
     Net sales 1,484,747 million yen
     Purchase amount 245,483 million yen
     Other transactions 38,811 million yen
   Non-Operating Transactions
     Income 9,854 million yen
     Expenses 4,566 million yen

(Non-Consolidated Statement of Changes in Net Assets)
Type and number of treasury stocks at the end of the fiscal year
Common Stock .......................................................... 2,014,841 shares
(Accounting for Deferred Tax)

1. Main sources of deferred tax assets and liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (Unit: Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax assets</td>
<td></td>
</tr>
<tr>
<td>Provision for product warranties</td>
<td>88,109</td>
</tr>
<tr>
<td>Valuation loss on investment securities</td>
<td>9,690</td>
</tr>
<tr>
<td>Amount exceeding the limit for provision for retirement benefits</td>
<td>8,085</td>
</tr>
<tr>
<td>Depreciation of fixed assets, etc.</td>
<td>6,223</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>4,584</td>
</tr>
<tr>
<td>Provision for bonuses</td>
<td>4,360</td>
</tr>
<tr>
<td>Inventory</td>
<td>1,469</td>
</tr>
<tr>
<td>Amount exceeding the limit for allowance for doubtful accounts</td>
<td>1,001</td>
</tr>
<tr>
<td>Deferred expenses</td>
<td>651</td>
</tr>
<tr>
<td>Accrued enterprise tax</td>
<td>46</td>
</tr>
<tr>
<td>Valuation difference on available-for-sale securities</td>
<td>45</td>
</tr>
<tr>
<td>Other</td>
<td>3,963</td>
</tr>
<tr>
<td>Subtotal Deferred Tax Assets</td>
<td>128,226</td>
</tr>
<tr>
<td>Valuation allowance</td>
<td>(13,465)</td>
</tr>
<tr>
<td>Total Deferred tax assets</td>
<td>114,761</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td></td>
</tr>
<tr>
<td>Prepaid pension cost</td>
<td>(2,687)</td>
</tr>
<tr>
<td>Reserve for reduction entry</td>
<td>(435)</td>
</tr>
<tr>
<td>Other</td>
<td>(0)</td>
</tr>
<tr>
<td>Total Deferred Tax Liabilities</td>
<td>(3,122)</td>
</tr>
<tr>
<td>Net Deferred Tax Assets</td>
<td>111,639</td>
</tr>
</tbody>
</table>

2. Breakdown of primary items causing the difference between statutory effective tax rate and rate of income taxes after application of accounting for deferred tax

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (Unit: %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory effective tax rate</td>
<td>30.5%</td>
</tr>
<tr>
<td>(Adjustments)</td>
<td></td>
</tr>
<tr>
<td>Adjustment for prior-period income taxes</td>
<td>2.0%</td>
</tr>
<tr>
<td>Non-deductible entertainment expenses</td>
<td>0.2%</td>
</tr>
<tr>
<td>Valuation allowance</td>
<td>(0.3%)</td>
</tr>
<tr>
<td>Exemption of received dividends</td>
<td>(1.1%)</td>
</tr>
<tr>
<td>Tax credit of experiment and research expenses</td>
<td>(10.9%)</td>
</tr>
<tr>
<td>Other</td>
<td>(2.2%)</td>
</tr>
<tr>
<td>Rate of income taxes after application of accounting for deferred tax</td>
<td>18.2%</td>
</tr>
</tbody>
</table>
## Transactions with Related Parties

<table>
<thead>
<tr>
<th>Status</th>
<th>Name of Company, etc.</th>
<th>Ratio of voting rights</th>
<th>Relationship with related party</th>
<th>Contents of transaction</th>
<th>Amount of transaction (Note 4)</th>
<th>Account titles</th>
<th>Balance at the end of the fiscal year (Note 4)</th>
</tr>
</thead>
</table>
| Subsidiary | SUBARU Finance Co., Ltd.                   | 100% direct ownership  | Credit and financing related to SUBARU vehicles and leasing and rental of SUBARU vehicles; Concurrent appointment of corporate officers | Loans receivable (Note 1)  
Repayment of loans (Note 1) | 758,582  
751,573 | Loans receivable  
Repayment of loans | 157,004 |
| Subsidiary | SUBARU of America Inc.                     | 100% direct ownership  | Sales of SUBARU vehicles and components; Concurrent appointment of corporate officers          | Sales of products  
Purchase of products  
Acceptance of surplus fund (Note 2)  
Acceptance Interest expenses  
Guarantees (Note 3) | 736,468  
54,424  
115,248  
2,335  
22,742 | Accounts receivable  
Accounts payable  
Deposit | 71,317  
8,196  
130,411 |
| Subsidiary | SUBARU of Indiana Automotive Inc.          | 100% direct ownership  | Purchasing of production parts for SUBARU vehicles, sales of completed vehicles to SUBARU of America Inc. (SOA) and others; Concurrent appointment of corporate officers | Sales of products  
Purchase of products, etc.  
Acceptance of surplus fund (Note 2)  
Acceptance Interest expenses | 286,867  
814  
59,909  
1,422 | Accounts receivable  
Accounts payable  
Deposit | 32,515  
3  
87,143 |

**Transaction terms and policies for determination of transaction terms**

(Note 1) Loans to SUBARU Finance Co., Ltd. are determined considering the market rate. No collaterals are received.
(Note 2) Acceptance of surplus funds is a transaction related to the CMS (Cash Management System) operated by the Group. The transaction amount is the average balance during the term. Interest expenses are determined considering market interest rates.
(Note 3) The Company guarantees loans from financial institutions, etc. of SUBARU of America, Inc.
(Note 4) Transaction amounts are exclusive of consumption taxes. Consumption taxes are included in the amount at the end of the fiscal year.

### Per Share Information

1. Net assets per share ¥1,447.95
2. Net income per share ¥88.64

### Important Subsequent Events

Not applicable.

### Other notes

In order to increase the efficiency of the Group's funds, the Company has established an inter-group CMS (Cash Management System) with a specific financial institution, and since 2018, accepts and lends surplus funds with CMS participating companies.