To Our Shareholders

Internet Disclosure for Notice of Convocation of
the 88th Ordinary General Meeting of Shareholders

Notes to the Consolidated Financial Statements
Notes to the Non-consolidated Financial Statements

(April 1, 2018 to March 31, 2019)

SUBARU CORPORATION

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 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 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

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

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

2. Dividends
   1. Dividends paid

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

   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

Resolution	Types of Share	Total Dividends (Millions of yen)	Sources of Dividend	Dividend Per Share(yen)	Criteria Date	Effective Date
The 88th Ordinary Meeting of General Shareholders, June 21, 2019	Common Stock	55,236	Retained earning	72.00	March 31, 2019	June 24, 2019

(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)

	Consolidated balance sheet amounts	Fair value	Difference
(1) Cash and deposits	831,700	831,700	-
(2) Notes and accounts receivable-trade	148,832		
Allowance for doubtful accounts (*1)	(29)		
	148,803	148,803	-
(3) Lease investment assets	14,731		
Allowance for doubtful accounts (*1)	(2)		
	14,729	16,395	1,666
(4) Short-term loans receivable	198,737		
Allowance for doubtful accounts (*1)	(305)		
	198,432	205,938	7,506
(5) Short-term investment securities, Investment securities			
Other securities	149,844	149,844	-
Total Assets	1,343,508	1,352,680	9,172
(6) Notes and accounts payable-trade	315,026	315,026	-
(7) Electronically recorded obligations-operating	63,722	63,772	-
(8) Short-term loans payable	4,352	4,352	-
(9) Current portion of long-term loans payable	7,592	7,596	4
(10) Accrued income taxes	5,367	5,367	-
(11) Accrued expenses	161,661	161,661	-
(12) Long-term loans payable	88,452	88,518	66
Total Liabilities	646,222	646,292	70
(13) Derivatives Transactions (*2)			
hedge accounting is not applied	(1,816)	(1,816)	-
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 ( ).

(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

(Unit: Millions of yen)

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

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

(Unit: 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

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

(Unit: 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	-

(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

(Unit: 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 properties	27,278	(2,971)	24,307	40,207
Properties that include portions used as investment and rental properties	13,459	272	13,731	27,743

(Note)

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

(Unit: Millions of yen)

	Rental income	Rental expenses	Change	Other profit and loss
Investment and rental properties	3,830	2,110	1,720	52
Properties that include portions used as investment and rental properties	842	1,178	(336)	-

(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.

3. Evaluation standards and methods for derivatives transactions: Fair value method

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

	As of March 31, 2019 (Unit: Millions of yen)
Deferred tax assets	
Provision for product warranties	88,109
Valuation loss on investment securities	9,690
Amount exceeding the limit for provision for retirement benefits	8,085
Depreciation of fixed assets, etc.	6,223
Accrued expenses	4,584
Provision for bonuses	4,360
Inventory	1,469
Amount exceeding the limit for allowance for doubtful accounts	1,001
Deferred expenses	651
Accrued enterprise tax	46
Valuation difference on available-for-sale securities	45
Other	3,963
Subtotal Deferred Tax Assets	128,226
Valuation allowance	(13,465)
Total Deferred tax assets	114,761
Deferred tax liabilities	
Prepaid pension cost	(2,687)
Reserve for reduction entry	(435)
Other	(0)
Total Deferred Tax Liabilities	(3,122)
Net Deferred Tax Assets	111,639

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

Statutory effective tax rate	30.5%
(Adjustments)	
Adjustment for prior-period income taxes	2.0%
Non-deductible entertainment expenses	0.2%
Valuation allowance	(0.3%)
Exemption of received dividends	(1.1%)
Tax credit of experiment and research expenses	(10.9%)
Other	(2.2%)
Rate of income taxes after application of accounting for deferred tax	18.2%

(Transactions with Related Parties)

(Unit: Millions of yen)

Status	Name of Company, etc.	Ratio of voting rights	Relationship with related party	Contents of transaction		Amount of transaction (Note 4)	Account titles	Balance at the end of the fiscal year (Note 4)
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)		758,582	Loans receivable	157,004
				Repayment of loans (Note 1)		751,573		
Subsidiary	SUBARU of America Inc.	100% direct ownership	Sales of SUBARU vehicles and components; Concurrent appointment of corporate officers	Sales of products		736,468	Accounts receivable	71,317
				Purchase of products		54,424	Accounts payable	8,196
				Acceptance of surplus fund (Note 2)	Acceptance	115,248	Deposit	130,411
					Interest expenses	2,335		
				Guarantees (Note 3)		22,742		
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		286,867	Accounts receivable	32,515
				Purchase of products, etc.		814	Accounts payable	3
				Acceptance of surplus fund (Note 2)	Acceptance	59,909	Deposit	87,143
					Interest expenses	1,422		

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.