

FY2017 Consolidated Financial Results

For the Year Ended March 31, 2017

(Japan GAAP)



May 9, 2017

Company Name : **SUBARU CORPORATION** (Tokyo Stock Exchange First Section, Code No.7270)
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 Scheduled date of annual meeting of stockholders: June 23, 2017 Scheduled date for dividend payment: June 26, 2017
 Scheduled date of submitting Security Report : June 26, 2017
 Annual earnings supplementary explanatory documents : Yes
 Holding of annual financial results meeting : Yes (for investment analysts and institutional investors)

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

1. Performance in FY2017 (April 1, 2016 to March 31, 2017)

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

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
FY2017	3,325,992	2.9%	410,810	(27.4)%	394,330	(31.7)%	282,354	(35.3)%
FY2016	3,232,258	12.3%	565,589	33.7%	576,972	46.6%	436,654	66.7%

Note: Comprehensive income FY2017: 279,352 million yen (31.1%) FY2016: 405,703 million yen (31.2%)

	Net income per share, basic (Yen)	Net income per share, diluted (Yen)	Return on equity	Ratio of ordinary income (loss) to total assets	Ratio of operating income (loss) to sales
FY2017	365.77	—	20.2%	14.7%	12.4%
FY2016	559.54	—	36.9%	24.1%	17.5%

Reference: Equity income from affiliates FY2017: 292 million yen FY2016: 739 million yen

(2) Consolidated Financial Position

(Unit: Millions of yen, except for per share figures)

	Total assets	Net assets	Shareholders' equity to total assets (%)	Net assets per share (Yen)
FY2017	2,762,321	1,464,888	52.8%	1,902.56
FY2016	2,592,410	1,349,411	51.8%	1,721.90

Reference: Shareholders' equity FY2017: 1,458,664 million yen FY2016: 1,343,732 million yen

(3) Consolidated Cash Flows

(Unit: Millions of yen)

	Net cash provided by operating activities	Net cash provided by investment activities	Net cash provided by financing activities	Cash & cash equivalents at end of period
FY2017	345,442	(254,252)	(189,044)	728,616
FY2016	614,256	(255,676)	(126,190)	829,461

2. Dividends

	Cash dividends per share (yen)					Amount of dividends paid (Annual)	Dividend payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual			
FY 2016	—	72.00	—	72.00	144.00	112,432	25.7%	9.5%
FY 2017	—	72.00	—	72.00	144.00	110,460	39.4%	7.9%
FY 2018 (Forecast)	—	72.00	—	72.00	144.00		38.7%	

3. Projection of Consolidated Results for Fiscal Year 2017 (April 1, 2016 to March 31, 2017)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share, basic (Yen)
1st half	1,689,000	7.1%	210,000	0.7%	210,000	(7.8)%	145,000	(11.5)%	189.13
Full year	3,420,000	2.8%	410,000	(0.2)%	410,000	4.0%	285,000	0.9%	371.53

4. Others

- (1) Changes of significant subsidiaries in fiscal year 2016 : No
(Transfer of subsidiaries resulting in changes in the scope of consolidation)
- (2) Changes in accounting policies, procedures and methods of presentation for preparing the consolidated financial statements
- [1] Changes due to revisions of accounting standards : Yes
[2] Changes due to other reasons : No
[3] Changes of estimation due to accounting issues : No
[4] Restatements : No
- (3) Number of outstanding shares (Common Stock)
- [1] Number of outstanding shares (including treasury stock) As of March 31,2017: 769,175,873 shares As of March 31,2016: 782,865,873 shares
[2] Number of treasury stock As of March 31,2017: 2,490,224 shares As of March 31,2016: 2,487,843 shares
[3] Average number of shares (for twelve-month period) FY2017: 771,952,313 shares FY2016: 780,380,153 shares

(Reference) Non-consolidated Financial Results Highlights

Performance in FY2017(April 1, 2016 to March 31, 2017)

(1) Non-consolidated Results of Operations (for twelve-month period)

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

	Net sales		Operating income		Ordinary income		Net income	
FY2017	2,059,285	(1.2)%	257,510	(37.9)%	261,664	(40.3)%	208,252	(42.5)%
FY2016	2,083,464	9.0%	414,755	30.3%	438,639	39.3%	361,941	64.8%

	Net income per share, basic (Yen)	Net income per share, diluted (Yen)
FY2017	269.63	—
FY2016	463.56	—

(2) Non-consolidated Financial Position

	Total assets	Net assets	Shareholders' equity to total assets (%)	Net assets per share (Yen)
FY2017	1,839,983	1,115,249	60.6%	1,453.88
FY2016	1,824,480	1,075,625	59.0%	1,377.63

Reference: Shareholders' equity FY2017: 1,115,249 million yen FY2016: 1,075,625 million yen

*Financial results are not required to be audited.

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

The performance projections were based on the information available as of the date when this document was released. Therefore, actual results may differ considerably due to various factors that might occur in the future. Please refer to page 5 in the attachments for assumptions used for the performance projection and other notes.

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1. Overview of Operating Results

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

The Japanese economy continued on a gradual recovery path in the period under review. Meanwhile, uncertainty increased over the future of global politics and the world economy in an environment marked by factors such as the announcement of the UK's withdrawal from the EU and the formation of a new administration in the United States. Given this backdrop, there was sharp appreciation of the yen against the US dollar compared to the previous term.

Through initiatives set out in the Prominence 2020 mid-term management vision drawn up in 2014, which aims for SUBARU to have a prominent presence in the minds of its customers, the Subaru Group has made sustained effort for reliable automobile development and manufacturing, and keep offering its customers "Enjoyment and Peace of Mind."

In the period under review, the Car of the Year Japan steering committee named the all-new Impreza "2016–2017 Car of the Year Japan." Additionally, to further accelerate enhancement of the SUBARU brand, which is a priority initiative, we decided, upon comprehensively reviewing our business portfolio, to terminate the Industrial Products Division, in order to make more effective use of management resources for strengthening the competitiveness of our automotive business, which is our core business, with the aim of achieving sustainable growth into the future. Then we changed the company name from Fuji Heavy Industries Ltd. to SUBARU CORPORATION ("the Company") effective from April 1, 2017 with the approval of our shareholders in the form of the resolution of the 85th General Meeting of Shareholders.

The key North American market continued to drive global sales, and our initiatives brought steady results over the same period, including automobile unit sales above one million for the first time in the company's history.

The above efforts produced the following consolidated results for the period under review. Net sales increased by ¥93.7 billion (2.9%) from the previous fiscal year to a record ¥3,326.0 billion, with higher automobile unit sales absorbing a decrease in net sales owing to foreign exchange rate fluctuations. Operating income decreased ¥154.8 billion (27.4%) year-on-year to ¥410.8 billion, due to increases in miscellaneous expenditure, mainly for quality-related expenses attributable to airbag inflators and selling expenses associated with rising interest rates, as the effect of foreign exchange rate fluctuations, and due to higher R&D expenses, despite higher automobile unit sales and progress with reduction in costs. Ordinary income decreased ¥182.6 billion (31.7%) from the previous fiscal year to ¥394.3 billion.

Net income attributable to owners of the parent decreased ¥154.3 billion (35.3%) year-on-year to ¥282.4 billion.

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

	Net Sales	Operating Income	Ordinary Income	Net Income Attributable to Owners of the Parent	Foreign Exchange Rate
FYE 2017 Profit margin	3,325,992	410,810 12.4%	394,330 11.9%	282,354 8.5%	¥108/US\$ ¥119/EUR
FYE 2016 Profit margin	3,232,258	565,589 17.5%	576,972 17.9%	436,654 13.5%	¥121/US\$ ¥133/EUR
Change	93,734	(154,779)	(182,642)	(154,300)	
Percentage change	2.9	(27.4) %	(31.7) %	(35.3) %	

Results for the period under review by business segment are as described below.

As of the current fiscal year period, the classification of reporting segments has changed. Details are given on page 17, "4. Consolidated Financial Statements and Main Notes (5) Notes on Consolidated Financial Statements (Segment Information)." In the comparison with the previous fiscal year as described below, the figures for the previous fiscal year were rearranged into the new segment classifications before making the comparison.

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

	Net Sales				Segment Income			
	FYE 2016	FYE 2017	Change	Percentage change	FYE 2016	FYE 2017	Change	Percentage change
Automobile Div.	3,039,424	3,151,961	112,537	3.7%	543,609	397,657	(145,952)	(26.8) %
Aerospace Div.	152,786	138,759	(14,027)	(9.2) %	18,201	9,102	(9,099)	(50.0) %
Other	40,048	35,272	(4,776)	(11.9) %	2,998	3,512	514	17.1%
Adjustment	–	–	–	–	781	539	(242)	(31.0) %
Total	3,232,258	3,325,992	93,734	2.9%	565,589	410,810	(154,779)	(27.4) %

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

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

(Automobile Division)

As to industry total automobile demand in Japan, compared with the previous fiscal year, passenger cars increased 8.1% mainly due to the release of new models by each company while minicars decreased 5.1% mainly due to the effects of a rise in minicar tax from the previous fiscal year. As a result, overall automobile unit sales in Japan were 5.078 million units (an increase of 2.8% from the previous fiscal year). Also, total automobile demand in the United States, which is a priority market for us, continued to move from passenger vehicle to light trucks including SUVs, remaining steady year-on-year at 17.489 million units.

Domestic sales of the all-new Impreza as well as the Levorg and Forester models remained strong amid this overall uptrend in demand. As a result, sales of SUBARU passenger cars in Japan increased by 15 thousand units (13.3%) from the previous fiscal year to 126 thousand units. In the minicar segment, although the new Chiffon model contributed to sales, a decline in sales of other models led to unit sales falling by 1 thousand (3.4%) year-on-year to 33 thousand. As a result, total SUBARU unit sales increased by 14 thousand (9.4%) from the previous fiscal year to 159 thousand.

Overseas, amidst strong demand for the Outback in North America, an increase in production capacity at Subaru of Indiana Automotive, Inc. (SIA), which is a production site in North America, contributed to a big increase in unit sales. Additionally, sales of the Crosstrek (called the SUBARU XV in Japan) and the Forester remained robust, mainly in North America, throughout the period under review. As a result, total overseas sales increased by 93 thousand units (11.4%) year-on-year to 906 thousand units.

By region, sales in North America rose by 90 thousand units (14.3%) from the previous fiscal year to 721 thousands units, sales in Europe including Russia decreased by 1 thousand units (2.6%) from the previous fiscal year to 46 thousand units, sales in Australia increased by 4 thousands units (10.1%) from the previous fiscal year to 49 thousand units, sales in China were steady year-on-year at 44 thousand units, and sales in other regions steady year-on-year at 46 thousand units.

Combined domestic and overseas unit sales thus increased by 107 thousand (11.1%) from the previous fiscal year to a new record of 1.065 million. The value of overall automotive business sales rose by ¥112.5 billion (3.7%) year-on-year to ¥3,152.0 billion. Segment income, affected by increases in miscellaneous expenditure, mainly for quality-related expenses attributable to airbag inflators and selling expenses associated with rising interest rates, the effect of foreign exchange rate fluctuations, and higher R&D expenses, decreased ¥146.0 billion (26.8%) from the previous fiscal year to ¥397.7 billion.

Consolidated unit sales in the period under review are shown in the table below.

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

	FYE 2016	FYE 2017	Change	Percentage change
Total in Japan	145	159	14	9.4%
Passenger cars	112	126	15	13.3%
Minicars	34	33	(1)	(3.4)%
Total overseas	813	906	93	11.4%
North America	630	721	90	14.3%
Europe/Russia	48	46	(1)	(2.6)%
Australia	45	49	4	10.1%
China	44	44	(0)	(0.9)%
Other regions	46	46	(0)	(0.5)%
Grand total	958	1,065	107	11.1%

(Aerospace Division)

Deliveries to the Japan Ministry of Defense saw sales increase from the previous fiscal year mainly with development under way in earnest based on a contract for the new multi-purpose helicopter UH-X.

Sales to the commercial sector, on the other hand, fell from the previous fiscal year due mainly to lower net sales owing to exchange rate fluctuations and a decline in production of Boeing 777 aircraft.

As a result, overall net sales decreased ¥14.0 billion (9.2%) from the previous fiscal year to ¥138.8 billion. Segment income decreased ¥9.1 billion (50.0%) from the previous fiscal year to ¥9.1 billion.

(Other Businesses)

In the industrial products business, net sales decreased ¥4.8 billion (11.9%) from the previous fiscal year to ¥35.3 billion with a decrease in sales of engines for leisure vehicles to North America. Segment income increased ¥0.5 billion (17.1%) from the previous fiscal year to ¥3.5 billion.

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

[1] Assets

Total assets increased by ¥169.9 billion from the end of the previous fiscal year to ¥2,762.3 billion. Main factors included a ¥28.7 billion decrease in combined funds on hand comprised of cash, deposits, and short-term investment securities, a ¥13.3 billion increase in merchandise and finished goods, a ¥24.5 billion increase in short-term loans receivable, and an ¥84.6 billion increase in property, plant, and equipment.

[2] Liabilities

Liabilities increased by ¥54.4 billion from the end of the previous fiscal year to ¥1,297.4 billion. Main factors included a ¥23.7 billion increase in trade accounts payable comprised of notes and accounts payable-trade and electronically recorded obligations, an ¥86.4 billion decrease in accrued income taxes, and an ¥88.6 billion increase in accrued expenses.

[3] Net Assets

Net assets increased by ¥115.5 billion from the end of the previous fiscal year to ¥1,464.9 billion. Main factors included a ¥124.3 billion increase in retained earnings.

(3) Overview of Cash Flow in the Period under Review

Cash and cash equivalents (hereinafter “cash”) at the end of the period under review totaled ¥728.6 billion.

[1] Net cash provided by operating activities

Net cash provided by operating activities was ¥345.4 billion (compared with ¥614.3 billion in the previous fiscal year). Main factors included ¥394.7 billion in income before income taxes, an ¥88.2 billion increase in accrued expenses, and ¥208.2 billion in income taxes paid.

[2] Net cash used in investment activities

Net cash used in investing activities was ¥254.3 billion (compared with ¥255.7 billion in the previous fiscal year). Main factors included ¥36.9 billion in expenditures for the purchase of short-term investment securities (net basis against proceeds from sales of short-term investment securities), ¥162.4 billion in expenditures for the purchase of property, plant and equipment (net basis against proceeds from sales of property, plant and equipment), and ¥19.3 billion in payments of loans receivable (net basis against proceeds from collection of loans receivable).

[3] Net cash used in financing activities

Net cash used in financing activities was ¥189.0 billion (compared with ¥126.2 billion in the previous fiscal year). Main factors included ¥21.7 billion in repayment of long-term loans payable (net basis against proceeds from long-term loans payable), ¥52.7 billion in expenditures for the purchase of treasury stock, and ¥111.4 billion in expenditures for cash dividends paid.

(4) Future forecast

In the fiscal year ending March 31, 2018, the Company plans to achieve sales growth in both the domestic and overseas markets, especially North America, spurring unit sales of automobiles to a new record high, and consolidated net sales are projected to be ¥3,420 billion. Although higher unit sales of automobiles will boost consolidated income, the impact of increases in other expenses such as SG&A and experiment and research costs will have a dampening effect. As a result, income projections are ¥410.0 billion for operating income, ¥410.0 billion for ordinary income, and ¥285.0 billion for net income attributable to owners of parent.

Projections of full-year consolidated business results are based on assumed foreign exchange rates of ¥110/US\$ (the actual figure last year was ¥108/US\$) and ¥120/EUR (the actual figure last year was ¥119/EUR).

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

	Net Sales	Operating Income	Ordinary Income	Net Income Attributable to Owners of the Parent	Foreign exchange rates
FYE 2018 (forecast)	3,420,000	410,000	410,000	285,000	¥110/US\$
Profit Margin (forecast)		12.0%	12.0%	8.3%	¥120/EUR
FYE 2017 (actual results)	3,325,992	410,810	394,330	282,354	¥108/US\$
Profit Margin (actual results)		12.4%	11.9%	8.5%	¥119/ EUR
Change	94,008	(810)	15,670	2,646	
Percentage change	2.8%	(0.2) %	4.0%	0.9%	

(5) Basic Policy Regarding the Distribution of Profits and dividend payments in the current period under review and the next period

The Company regards shareholder interests as a vital management issue and applies a results-linked approach that considers earnings, investment plans, and the business environment in each fiscal year while remaining committed to sustained dividend payments. Dividend payments for each fiscal year are determined after considering various circumstances and predicated on a 20–40% standard range for the consolidated dividend payout ratio.

It is proposed to distribute a year-end dividend of ¥72 per share, in line with the previous projection. Including the interim dividend of ¥72 per share already distributed, this raises the per-share dividend for the full fiscal year to ¥144, which is the same as in the previous fiscal year.

Dividend payments from the fiscal year are to be determined after considering various circumstances and predicated on a 30–50% standard range for the consolidated dividend payout ratio.

The per-share dividend for the FYE March 2018, is projected to the same amount of ¥144 (interim dividend ¥72, year-end dividend ¥72).

2. Management Policies

(1) Basic Management Policies

We adhere to the following corporate philosophy:

1. We will strive to create advanced technology on an ongoing basis and provide consumers with distinctive products with the highest level of quality and customer satisfaction.
2. We will aim to continuously promote harmony between people, society, and the environment while contributing to the prosperity of society.
3. We will look to the future with a global perspective and aim to foster a vibrant, progressive company.

The Company changed its name to SUBARU CORPORATION effective from April 1, 2017. By integrating the company name and the brand name, we will further accelerate the enhancement of the SUBARU brand that we are currently working on under the Prominence 2020 mid-term management vision, and grow SUBARU into an attractive global brand in the automobile and aerospace businesses.

(2) Issues That Must Be Addressed

The Subaru Group's Prominence 2020 mid-term management vision sets the objective of being "Not big in size, but a high-quality company with distinctive strengths" by 2020. We aim to develop a strong brand acclaimed as "No. 1 for customer trust" and to be among the most profitable companies in the industry. To this end, we will focus on utilizing distinctive SUBARU features to enhance the SUBARU brand in the aim of practicing higher-added-value management and creating a strong business structure that is more capable of withstanding changes in the business environment and ensuring sustainable growth. As a result, we are receiving the support of many customers around the world, and achieving strong growth.

We will continue endeavoring to pursue sustainable growth and enhance medium to long term corporate value by responding to short-term issues quickly while also tackling medium to long term issues in parallel.

[1] Short-term issues

(Initiatives to enhance quality)

We, as the Company that offers its customers "Enjoyment and Peace of Mind," recognize enhancing the quality of products as one of the important management issues. The number of recalls has been increasing, for example there has been a large-scale recall caused by airbag inflators. Therefore we have newly appointed a CQO (Chief Quality Officer), and we are proactively allocating resources to the further enhancement of quality, enhancing the functions of the Call Center, ensuring the smooth supply of replacement parts, and increasing work efficiency in the dealerships, among other measures, in an effort to enhance the quality of our customer service.

(Boosting Production Capacity)

In a strong sales environment we continued to invest in capacity expansion, and combined domestic and overseas production capacity reached 1,038 thousand units (standard operation) as of March 31, 2017. Furthermore, we are expanding capacity according to plan to achieve a global production capacity of 1,132 thousand units (standard operation) by the end of March 2019. Through this expansion we will make every effort to ensure that our products are delivered as quickly as possible to customers around the world who are waiting for them.

[2] Medium to long term issues

(Expanding the Range of Distinctive SUBARU products)

We forecast that the environmental regulations of each country around the world will become even stricter, so we have strengthened our development structures, and are advancing the development of electric vehicles such as plug-in hybrids, electric automobiles, etc. and new downsized turbo engines, etc. in order to roll out attractive products while also meeting the requirements of the regulations.

On the safety front, we will further refine our EyeSight advanced driver assist technology. In 2017 we plan to expand the operating speed range of the lane center keep function and introduce a function that

automatically controls the steering wheel, accelerator pedal, and brake pedal in full vehicle speed areas and greatly reduces the driver's workload. Furthermore, in 2020 we aim to strengthen the functions that enable driving under automatic control, including driving around curves, changing lanes, etc., in order to further reduce the driver's workload. At a time when the evaluation standards of each country regarding crash safety performance are becoming stricter, we will continue to advance development to ensure we can rigorously maintain a top-level safety performance.

Furthermore, in order to evolve "Enjoyment and Peace of Mind," we will seamlessly launch new models and fully-remodeled vehicles adopting the SUBARU GLOBAL PLATFORM.

Moreover, the Company have appointed a CIO (Chief Information Officer) and have established an IT Strategy Division in order to focus our efforts even more on planning and development in the digital field as the evolution and utilization of information technology is accelerating and expanding in the automobile business as well.

(Becoming a High-quality Company)

As the scale of corporate management expands, we are strengthening supervision functions by separating management from the execution of operations, strengthening the functions of the Board of Directors with the aim of speeding up the execution of operations, revising the officer compensation plan by introducing a Restricted Stock Compensation Plan *, and newly establishing a Corporate Administration Division, CCO, CTO (Chief Technology Officer), and CIO to strengthen global corporate administration pertaining to all aspects of management and the business monitoring functions.

Furthermore, the demands of society with respect to the CSR and environmental fields are growing stronger and these fields are gaining in importance in corporate management. Therefore, we have newly established a dedicated department and have strengthened our initiatives for these fields. Regarding our initiatives for the environment, we have revised our environmental policies and further accelerated our activities based on the concept of "The earth, the sky and nature" are SUBARU's fields of business." which is the most important theme stating that it is protection of the global environment in particular that enables both society and the Company to sustain themselves into the future.

With respect to initiatives to develop human resources and reform the organization and its corporate culture, providing opportunities for female employees to flourish within the group is an important issue, and we are continuing to advance the promotion of women to management positions in the aim of creating a company where women can play even greater roles. We will also make efforts to create workplace environments that protect the mental and physical health of the Group's employees.

Through the above initiatives, we will aim to ensure compliance, improve the effectiveness of corporate governance, pursue sustainable growth for the Subaru Group, and enhance its corporate value over the medium to long term.

*: Subject to approval and passage of the related resolutions in the 86th Ordinary General Meeting of Shareholders that we plan to hold on June 23 this year.

3. Basic policy about the adoption of Accounting standards

The consolidated financial statements of the group are prepared in accordance with Japanese GAAP. The Group will consider its future adoption of International Financial Reporting Standards (IFRS), observing the trend of the adoption among Japanese companies.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: Millions of yen)

	FY2016 (as of March 31, 2016)	FY2017 (as of March 31, 2017)
ASSETS		
I Current assets		
Cash and deposits	507,553	658,822
Notes and accounts receivable-trade	140,319	158,454
Lease investment assets	21,532	18,538
Short-term investment securities	500,572	320,579
Merchandise and finished goods	192,705	205,991
Work in process	50,666	51,754
Raw materials and supplies	34,996	43,586
Deferred tax assets	90,893	109,600
Short-term loans receivable	151,973	176,433
Other	93,509	102,045
Allowance for doubtful accounts	(625)	(551)
Total current assets	1,784,093	1,845,251
II Noncurrent assets		
1. Property, plant and equipment		
Buildings and structures, net	158,386	178,464
Machinery, equipment and vehicles, net	138,519	172,977
Land	182,531	183,477
Vehicles and equipment on operating leases, net	7,460	11,609
Construction in progress	46,951	45,416
Other, net	38,786	65,322
Total property, plant and equipment	572,633	657,265
2. Intangible assets		
Other	20,989	24,905
Total intangible assets	20,989	24,905
3. Investments and other assets		
Investment securities	109,804	105,510
Net defined benefit asset	1,774	931
Deferred tax assets	16,339	20,922
Other	90,205	110,848
Allowance for doubtful accounts	(3,427)	(3,311)
Total investments and other assets	214,695	234,900
Total noncurrent assets	808,317	917,070
Total assets	2,592,410	2,762,321

(Unit: Millions of yen)

	FY2016 (as of March 31, 2016)	FY2017 (as of March 31, 2017)
LIABILITIES		
I Current liabilities		
Notes and accounts payable-trade	326,625	349,737
Electronically recorded obligations-operating	91,476	92,098
Short-term loans payable	33,252	43,205
Current portion of long-term loans payable	33,692	44,443
Current portion of bonds	10,000	—
Income taxes payable	100,272	13,858
Accrued expenses	132,759	221,328
Provision for bonuses	23,554	23,678
Provision for product warranties	51,251	59,259
Provision for loss on construction contracts	645	65
Provision for loss on business liquidation	-	3,317
Other	155,969	162,750
Total current liabilities	959,495	1,013,738
II Noncurrent liabilities		
Long-term loans payable	93,030	60,612
Deferred tax liabilities	18,769	29,802
Provision for directors' retirement benefits	478	536
Net defined benefit liability	18,586	18,615
Other	152,641	174,130
Total noncurrent liabilities	283,504	283,695
Total liabilities	1,242,999	1,297,433
NET ASSETS		
I Shareholders' equity		
Capital stock	153,795	153,795
Capital surplus	160,071	160,178
Retained earnings	1,049,016	1,173,277
Treasury stock	(1,402)	(7,173)
Total shareholders' equity	1,361,480	1,480,077
II Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,344	8,099
Foreign currency translation adjustment	(13,415)	(16,631)
Remeasurements of defined benefit plans	(12,808)	(10,996)
Remeasurements of other postretirement benefits of foreign consolidated subsidiaries	(2,869)	(1,885)
Total accumulated other comprehensive income	(17,748)	(21,413)
Non-controlling interests	5,679	6,224
Total net assets	1,349,411	1,464,888
Total liabilities and net assets	2,592,410	2,762,321

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

(Unit: Millions of yen)

	FY2016 (April 1, 2015 to March 31, 2016)	FY2017 (April 1, 2016 to March 31, 2017)
I Net sales	3,232,258	3,325,992
II Cost of sales	2,187,136	2,386,266
Gross profit	1,045,122	939,726
III Selling, general and administrative expenses	479,533	528,916
Operating income	565,589	410,810
IV Non-operating income		
Interest income	3,253	3,131
Dividends income	1,937	1,485
Equity in earnings of affiliates	739	292
Gain on valuation of derivatives	9,883	—
Other	4,896	1,992
Total non-operating income	20,708	6,900
V Non-operating expenses		
Interest expenses	2,499	1,846
Foreign exchange losses	2,056	4,800
Loss on valuation of derivatives	—	4,248
Depreciation	981	956
Other	3,789	11,530
Total non-operating expenses	9,325	23,380
Ordinary income	576,972	394,330
VI Extraordinary income		
Gain on sales of noncurrent assets	282	908
Gain on sales of investment securities	2,732	10,144
Reversal of allowance for doubtful accounts	30,152	—
Other	22,655	1,557
Total extraordinary income	55,821	12,609
VII Extraordinary loss		
Loss on sales and retirement of noncurrent assets	4,812	4,178
Loss on business liquidation	-	5,122
Impairment loss	11	1,188
Other	8,967	1,756
Total extraordinary losses	13,790	12,244
Income before income taxes	619,003	394,695
Income taxes-current	191,168	123,591
Income taxes-deferred	(8,524)	(12,448)
Total income taxes	182,644	111,143
Net income	436,359	283,552
Net income (loss) attributable to non-controlling interests	(295)	1,198
Net income attributable to owners of parent	436,654	282,354

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

(Unit: Millions of yen)

	FY2016 (April 1, 2015 to March 31, 2016)	FY2017 (April 1, 2016 to March 31, 2017)
Net income	436,359	283,552
Other comprehensive income		
Valuation difference on available-for-sale securities	(6,642)	(3,245)
Foreign currency translation adjustment	(23,777)	(2,968)
Remeasurements of defined benefit plans	(1,192)	1,812
Remeasurements of other postretirement benefits of foreign consolidated subsidiaries	1,007	984
Share of other comprehensive income of associates accounted for using equity method	(52)	(783)
Total other comprehensive income	(30,656)	(4,200)
Comprehensive income	405,703	279,352
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	406,387	278,689
Comprehensive income attributable to non-controlling interests	(684)	663

(3) Consolidated Statements of Changes in Net Assets

FY 2016 (April 1, 2015 to March 31, 2016)

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	153,795	160,071	697,414	(1,382)	1,009,898
Changes of items during the period					
Dividends from surplus	—	—	(85,105)	—	(85,105)
Net income attributable to owners of parent	—	—	436,654	—	436,654
Purchase of treasury stock	—	—	—	(20)	(20)
Disposal of treasury stock	—	0	(1)	0	(1)
Retirement of treasury shares	—	—	—	—	—
Change of scope of equity method	—	—	—	—	—
Transfer to capital surplus from retained earnings	—	—	—	—	—
Other	—	—	54	—	54
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the period	—	0	351,602	(20)	351,582
Balance at the end of current period	153,795	160,071	1,049,016	(1,402)	1,361,480

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Remeasurements of other postretirement benefits of foreign consolidated subsidiaries	Total accumulated other comprehensive income		
Balance at the beginning of current period	17,986	10,025	(11,616)	(3,876)	12,519	8,302	1,030,719
Changes of items during the period							
Dividends from surplus	—	—	—	—	—	—	(85,105)
Net income attributable to owners of parent	—	—	—	—	—	—	436,654
Purchase of treasury stock	—	—	—	—	—	—	(20)
Disposal of treasury stock	—	—	—	—	—	—	(1)
Retirement of treasury shares	—	—	—	—	—	—	—
Change of scope of equity method	—	—	—	—	—	—	—
Transfer to capital surplus from retained earnings	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	54
Net changes of items other than shareholders' equity	(6,642)	(23,440)	(1,192)	1,007	(30,267)	(2,623)	(32,890)
Total changes of items during the period	(6,642)	(23,440)	(1,192)	1,007	(30,267)	(2,623)	318,692
Balance at the end of current period	11,344	(13,415)	(12,808)	(2,869)	(17,748)	5,679	1,349,411

FY 2017 (April 1, 2016 to March 31, 2017)

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	153,795	160,071	1,049,016	(1,402)	1,361,480
Changes of items during the period					
Dividends from surplus	—	—	(111,446)	—	(111,446)
Net income attributable to owners of parent	—	—	282,354	—	282,354
Purchase of treasury stock	—	—	—	(52,744)	(52,744)
Disposal of treasury stock	—	1	(1)	0	0
Retirement of treasury shares	—	(46,973)	—	46,973	—
Change of scope of equity method	—	—	325	—	325
Transfer to capital surplus from retained earnings	—	46,972	(46,972)	—	—
Other	—	107	1	—	108
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the period	—	107	124,261	(5,771)	118,597
Balance at the end of current period	153,795	160,178	1,173,277	(7,173)	1,480,077

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Remeasurements of other postretirement benefits of foreign consolidated subsidiaries	Total accumulated other comprehensive income		
Balance at the beginning of current period	11,344	(13,415)	(12,808)	(2,869)	(17,748)	5,679	1,349,411
Changes of items during the period							
Dividends from surplus	—	—	—	—	—	—	(111,446)
Net income attributable to owners of parent	—	—	—	—	—	—	282,354
Purchase of treasury stock	—	—	—	—	—	—	(52,744)
Disposal of treasury stock	—	—	—	—	—	—	0
Retirement of treasury shares	—	—	—	—	—	—	—
Change of scope of equity method	—	—	—	—	—	—	325
Transfer to capital surplus from retained earnings	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	108
Net changes of items other than shareholders' equity	(3,245)	(3,216)	1,812	984	(3,665)	545	(3,120)
Total changes of items during the period	(3,245)	(3,216)	1,812	984	(3,665)	545	115,477
Balance at the end of current period	8,099	(16,631)	(10,996)	(1,885)	(21,413)	6,224	1,464,888

(4) Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	FY2016 (April 1, 2015 to March 31, 2016)	FY2017 (April 1, 2016 to March 31, 2017)
I Net cash provided by (used in) operating activities		
Income (loss) before income taxes	619,003	394,695
Depreciation and amortization	72,938	85,653
Increase (decrease) in allowance for doubtful accounts	(30,260)	(189)
Interest and dividends income	(5,190)	(4,616)
Interest expenses	2,499	1,846
Increase (decrease) in provision for loss on business liquidation	—	3,317
Loss (gain) on sales and retirement of noncurrent assets	4,530	3,270
Loss (gain) on sales and valuation of investment securities	2,957	(9,322)
Decrease (increase) in operating loans receivable	(6,540)	(3,898)
Decrease (increase) in notes and accounts receivable-trade	22,791	(19,684)
Decrease (increase) in inventories	(1,342)	(32,444)
Increase (decrease) in notes and accounts payable-trade	30,082	24,458
Increase (decrease) in accrued expenses	(11,792)	88,159
Other, net	7,674	19,003
Subtotal	707,350	550,248
Interest and dividends income received	5,668	5,236
Interest expenses paid	(2,528)	(1,852)
Proceeds from compensation for damage	48,184	—
Income taxes paid	(144,418)	(208,190)
Net cash provided by (used in) operating activities	614,256	345,442
II Net cash provided by (used in) investing activities		
Net decrease (increase) in time deposits	(101,631)	(25,809)
Purchase of short-term investment securities	(48,845)	(135,061)
Proceeds from sales of short-term investment securities	47,032	98,133
Purchase of non-current assets	(126,732)	(163,774)
Proceeds from sales of non-current assets	975	1,327
Purchase of investment securities	(47,005)	(48,705)
Proceeds from sales of investment securities	25,240	46,585
Payments of loans receivable	(106,117)	(137,006)
Collection of loans receivable	108,636	117,687
Other, net	(7,229)	(7,629)
Net cash provided by (used in) investing activities	(255,676)	(254,252)

(Unit: Millions of yen)

	FY2016 (April 1, 2015 to March 31, 2016)	FY2017 (April 1, 2016 to March 31, 2017)
III Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(7,822)	9,939
Proceeds from long-term loans payable	11,760	12,930
Repayments of long-term loans payable	(44,797)	(34,605)
Redemption of bonds	—	(10,000)
Purchase of treasury shares	(20)	(52,744)
Cash dividends paid	(84,938)	(111,435)
Dividends paid to non-controlling interests	—	(1,944)
Other, net	(373)	(1,185)
Net cash provided by (used in) financing activities	(126,190)	(189,044)
IV Effect of exchange rate change on cash and cash equivalents	(14,887)	(2,991)
V Net increase (decrease) in cash and cash equivalents	217,503	(100,845)
VI Cash and cash equivalents at beginning of period	612,085	829,461
VII Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	(127)	—
VIII Cash and cash equivalents at end of period	829,461	728,616

(5) Notes to Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not Applicable

(Accounting Change)

Based on amendments in the Corporation Tax Act, "Practical Solution on a change in depreciation method due to Tax Reform 2016"(PITF No.32 issued on June 17, 2016) issued by Accounting Standards Board of Japan (ASBJ) was applied from the fiscal year ended March 2017.

The Company changed depreciation method for facilities attached to buildings and for structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method. Since the impact of the change is immaterial, notes for the change was omitted.

(Additional Information)

The Company applied "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" issued by ASBJ from the fiscal year ended March 2017.

(Consolidated Statements of Income)

1 Extraordinary income

FY2016 (April 1, 2015 to March 31, 2016)

Reversal of allowance for doubtful accounts

Reversal of allowance for doubtful account includes 29,624 million yen of the allowance for receivables of the initial investment fees associated with the AH-64D combat helicopter for the Japan Ministry of Defense was released because the lawsuit against the Government of Japan over the claims of the initial investment fees was concluded.

Other extraordinary income

Other extraordinary income includes 18,561 million yen of accrued delay damages receivable recognized due to the conclusion of the lawsuit against the Government of Japan over the claims of the initial investment fees associated with the AH-64D combat helicopter for the Japan Ministry of Defense.

2 Extraordinary loss

FY2017 (April 1, 2016 to March 31, 2017)

Loss on business liquidation

The loss was recognized due to the decision to liquidate the Industrial Products business on November 2, 2016.

The loss consists of 2,524 million yen of loss on fixed assets, 2,127 million yen on inventory valuation, and 471 million yen on others.

The loss on fixed assets above includes impairment losses on the following assets.

Use	Location	Category	Impairment loss (millions of yen)
Production facilities	Kitamoto City Saitama Prefecture and other locations	Machinery, equipment and vehicles	1,201

Production facilities that impairment losses are recognized are grouped together with assets owned mainly by the Industrial Products business for impairment recognition and measurement purposes.

Due to the decision to liquidate the Industrial Products business, it is expected that future cash flows would fall below book values of related facilities, the book values of those assets were written down to the recoverable amounts accordingly.

As a result, ¥ 1,201 million of impairment losses were recognized and presented in Loss on business liquidation in the quarterly consolidated statements of income.

The recoverable amounts are measured at value in use, calculated based on future cash flows discounted principally at 10.30%.

Impairment loss

In addition to the impairment loss on production facilities referred to above, impairment losses on rental properties were recognized as follows.

Use	Location	Category	Impairment loss (millions of yen)
Rental properties	Konan City Shiga Prefecture	Land	1,175
		Other	10

Grouping unit for recognition and measurement of impairment loss is each rental property.

Due to the declining profitability and significant decline in market value, it is expected that future cash flows would fall below book values of those properties, the book values of those properties were written down to the recoverable amounts accordingly.

As a result, ¥ 1,185 million of impairment losses were recognized.

The recoverable amounts are measured at net realizable value, calculated based on real estate appraisal value.

(Segment Information)

1. Outline of business segment

The business segments the Company reports are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic investigation to determine distribution of management resources and evaluate their business result.

The Company recognizes Automobile as its main business, and introduces an internal company system and recognizes Aerospace, and Other divisions. This framework makes clearer the responsibility of each division and accelerates business execution. The Company manages the subsidiaries on the basis of this classification. Therefore, the business segments consist of Automobile, Aerospace, and Other which does not belong to Automobile nor Aerospace.

Automobile segment manufactures and sells vehicles and related products. Aerospace segment manufactures aircrafts, parts of space-related devices.

(Changes in reporting segments)

"Industrial Products", which had been formerly reported as a single segment, is included in "Other" segment from the fiscal year ended March 2017 due to the decision to liquidate the Industrial Products business at the Board of Directors meeting held on November 2, 2016.

Segment information for the twelve months period ended March 31, 2016 is presented in conformity with the change.

2. Method of calculating sales and income(loss), identifiable assets, and other items by business segment reported

Accounting method for business segment reported is almost the same as the accounting method to prepare for consolidated financial statements.

Segment income by business segment reported is calculated based on operating income.

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

3. Information on sales and income(loss) by business segment reported

FY 2016 (April 1, 2015 to March 31, 2016)

(Unit: Millions of yen)

	Business segment reported			Other *1	Total	Adjustment *2	Consolidated Statement of income *3
	Automobiles	Aerospace	Sub- Total				
Net sales							
Outside customers	3,039,424	152,786	3,192,210	40,048	3,232,258	—	3,232,258
Inter-segment	4,752	—	4,752	17,850	22,602	(22,602)	—
Total sales	3,044,176	152,786	3,196,962	57,898	3,254,860	(22,602)	3,232,258
Segment income	543,609	18,201	561,810	2,998	564,808	781	565,589
Identifiable assets by business segment	2,298,942	220,786	2,519,728	97,376	2,617,104	(24,694)	2,592,410
Other items							
Depreciation	67,229	3,668	70,897	2,041	72,938	—	72,938
Investment to equity- method affiliates	711	—	711	768	1,479	—	1,479
Increase of property, plant and equipment and intangible assets	160,048	6,902	166,950	1,388	168,338	—	168,338

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

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

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

FY 2017 (April 1, 2016 to March 31, 2017)

(Unit: Millions of yen)

	Business segment reported			Other *1	Total	Adjustment *2	Consolidated Statement of income *3
	Automobiles	Aerospace	Sub- Total				
Net sales							
Outside customers	3,151,961	138,759	3,290,720	35,272	3,325,992	—	3,325,992
Inter-segment	4,720	—	4,720	23,785	28,505	(28,505)	—
Total sales	3,156,681	138,759	3,295,440	59,057	3,354,497	(28,505)	3,325,992
Segment income	397,657	9,102	406,759	3,512	410,271	539	410,810
Identifiable assets by business segment	2,477,309	223,148	2,700,457	87,484	2,787,941	(25,620)	2,762,321
Other items							
Depreciation	80,058	3,663	83,721	1,932	85,653	—	85,653
Investment to equity- method affiliates	1,467	—	1,467	—	1,467	—	1,467
Increase of property, plant and equipment and intangible assets	180,469	14,699	195,168	1,448	196,616	—	196,616

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

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

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

Information on Impairment Loss of Fixed Assets by Reporting Segment

FY 2016 (April 1, 2015 to March 31, 2016)

(Unit: Millions of yen)

	Reporting Segment			Other	Adjustment	Total
	Automobile	Automobile	Sub-Total			
Impairment Loss	11	-	11	-	-	11

FY 2017 (April 1, 2016 to March 31, 2017)

(Unit: Millions of yen)

	Reporting Segment			Other *	Adjustment	Total
	Automobile	Automobile	Sub-Total			
Impairment Loss	3	-	3	2,386	-	2,389

Notes: * Other consists of Industrial product, real estate lease, etc.

(Per Share Information)

	FY2016 (April 1, 2015 to March 31, 2016)	FY2017 (April 1, 2015 to March 31, 2016)
Net assets per share (yen)	1,721.90	1,902.56
Net income per share, basic (yen)	559.54	365.77

Notes: 1. Since there are no dilutive potential securities, diluted information is not presented.

2. The following shows the basis of calculating net income per share.

	FY2016 (April 1, 2015 to March 31, 2016)	FY2017 (April 1, 2016 to March 31, 2017)
Net income per share		
Net income attributable to owners of parent (millions of yen)	436,654	282,354
Monetary value not related to common shareholders (millions of yen)	—	—
Net income attributable to owners of parent related to common stock (millions of yen)	436,654	282,354
Number of weighted average common shares outstanding during the fiscal year (Thousands of shares)	780,380	771,952

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

	FY2016 (as of March 31, 2016)	FY2017 (as of March 31, 2017)
Total amount of net assets (millions of yen)	1,349,411	1,464,888
The amount deducted from total amount of net assets (millions of yen)	5,679	6,224
(Held by Non-controlling interests)	(5,679)	(6,224)
Net assets related to common stock (millions of yen)	1,343,732	1,458,664
Number of common stock used in the calculation of net assets per share (Thousands of share)	780,378	766,686

(Subsequent Event)

Not Applicable

5. Non-consolidated Financial Statements

(1) Non-consolidated Balance Sheet

(Unit: Millions of yen)

	FY2016 (as of March 31, 2016)	FY2017 (as of March 31, 2017)
ASSETS		
I Current assets		
Cash and deposits	363,284	453,026
Accounts receivable-trade	224,663	244,342
Short-term investment securities	352,896	197,499
Merchandise and finished goods	38,512	42,144
Work in process	45,275	47,124
Raw materials and supplies	16,499	15,997
Advance payments-trade	2,547	2,309
Prepaid expenses	5,147	7,732
Deferred tax assets	32,192	45,374
Short-term loans receivable to subsidiaries and affiliates	86,461	84,934
Current portion of long-term loans receivable from subsidiaries and affiliates	13,500	10,000
Deposits paid	26,444	28,115
Accounts receivable-other	33,801	32,828
Other	26,097	27,537
Allowance for doubtful accounts	(10)	(8)
Total current assets	1,267,308	1,238,953
II Noncurrent assets		
1. Property, plant and equipment		
Buildings, net	61,097	68,910
Structures, net	6,731	7,591
Machinery and equipment, net	82,827	99,051
Vehicles, net	1,603	1,904
Tools, furniture and fixtures, net	6,994	9,046
Land	79,972	80,003
Construction in progress	16,532	26,119
Other	1,161	1,795
Total property, plant and equipment	256,917	294,419
2. Intangible assets		
Software	12,361	16,285
Other	4,044	5,563
Total intangible assets	16,405	21,848
3. Investments and other assets		
Investment securities	28,764	13,339
Stocks of subsidiaries and affiliates	145,692	144,442
Investments in capital of subsidiaries and affiliates	1,498	2,436
Long-term loans receivable	805	704
Long-term loans receivable from subsidiaries and affiliates	72,635	81,838
Claims provable in bankruptcy, claims provable in rehabilitation and other	2,674	2,662
Prepaid pension cost	17,646	14,739
Deferred tax assets	3,401	7,243
Other	16,279	22,000
Allowance for doubtful accounts	(5,544)	(4,640)
Total investments and other assets	283,850	284,763
Total noncurrent assets	557,172	601,030
Total assets	1,824,480	1,839,983

(Unit: Millions of yen)

	FY2016 (as of March 31, 2016)	FY2017 (as of March 31, 2017)
LIABILITIES		
I Current liabilities		
Notes payable-trade	3,163	3,370
Accounts payable-trade	250,020	276,052
Electronically recorded obligations-operating	90,703	91,320
Current portion of long-term loans payable	29,900	41,100
Current portion of bonds	10,000	—
Lease obligations	592	931
Accounts payable-other	26,108	28,383
Accrued expenses	62,337	121,840
Income taxes payable	98,481	9,932
Advances received	35,954	31,968
Deposits received	1,233	1,183
Provision for bonuses	16,004	15,763
Provision for product warranties	19,509	28,239
Provision for loss on construction contracts	645	65
Provision for loss on business liquidation	—	3,571
Asset retirement obligations	—	228
Other	9,633	11,169
Total current liabilities	654,282	665,114
II Noncurrent liabilities		
Long-term loans payable	87,200	52,700
Lease obligations	914	1,330
Provision for retirement benefits	389	433
Deferred tax liabilities	32	32
Other	6,038	5,125
Total noncurrent liabilities	94,573	59,620
Total liabilities	748,855	724,734
NET ASSETS		
I Shareholders' equity		
Capital stock	153,795	153,795
Capital surplus		
Legal capital surplus	160,071	160,071
Other capital surplus	0	—
Total capital surplus	160,071	160,071
Retained earnings		
Legal retained earnings	7,901	7,901
Other retained earnings		
Reserve for reduction entry of land	990	990
General reserve	35,335	35,335
Retained earnings brought forward	709,337	759,170
Total retained earnings	753,563	803,396
Treasury stock	(1,402)	(7,173)
Total shareholders' equity	1,066,027	1,110,089
II Valuation and translation adjustments		
Valuation difference on available-for-sale securities	9,598	5,160
Total valuation and translation adjustments	9,598	5,160
Total net assets	1,075,625	1,115,249
Total liabilities and net assets	1,824,480	1,839,983

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

(Unit: Millions of yen)

	FY2016 (April 1, 2015 to March 31, 2016)	FY2017 (April 1, 2016 to March 31, 2017)
I Net sales	2,083,464	2,059,285
II Cost of sales	1,467,477	1,583,271
Gross profit	615,987	476,014
III Selling, general and administrative expenses	201,232	218,504
Operating income	414,755	257,510
IV Non-operating income		
Interest income	919	691
Interest on securities	394	84
Dividends income	17,051	16,660
Real estate rent	2,814	2,813
Gain on valuation of derivatives	9,883	—
Other	5,001	2,599
Total non-operating income	36,062	22,847
V Non-operating expenses		
Interest expenses	977	536
Depreciation	937	916
Foreign exchange losses	6,567	1,709
Loss on valuation of derivatives	—	4,248
Other	3,697	11,284
Total non-operating expenses	12,178	18,693
Ordinary income	438,639	261,664
VI Extraordinary income		
Gain on sales of noncurrent assets	143	244
Gain on sales of investment securities	2,449	9,500
Reversal of allowance for doubtful accounts	30,574	—
Other	22,385	1,981
Total extraordinary income	55,551	11,725
VII Extraordinary loss		
Loss on sales and retirement of noncurrent assets	3,311	2,664
Loss on business liquidation	—	4,864
Other	3,199	935
Total extraordinary losses	6,510	8,463
Income before income taxes	487,680	264,926
Income tax-current	137,580	71,752
Income taxes-deferred	(11,841)	(15,078)
Total income taxes	125,739	56,674
Net income	361,941	208,252

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

FY 2016 (April 1, 2015 to March 31, 2016)

(Unit: Millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings			Total retained earnings
		Capital reserve	Other capital surplus	Total capital surplus		Other retained earnings			
					Reserve for reduction entry of land	General reserve	Retained earnings brought forward		
Balance at the beginning of current period	153,795	160,071	0	160,071	7,901	968	35,335	432,524	476,728
Changes of items during the period									
Provision of reserve for reduction entry of land	—	—	—	—	—	22	—	(22)	—
Dividends from surplus	—	—	—	—	—	—	—	(85,105)	(85,105)
Net income	—	—	—	—	—	—	—	361,941	361,941
Purchase of treasury stock	—	—	—	—	—	—	—	—	—
Disposal of treasury stock	—	—	0	0	—	—	—	(1)	(1)
Retirement of treasury shares	—	—	—	—	—	—	—	—	—
Transfer to capital surplus from retained earnings	—	—	—	—	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—	—	—	—	—
Total changes of items during the period	—	—	0	0	—	22	—	276,813	276,835
Balance at the end of current period	153,795	160,071	0	160,071	7,901	990	35,335	709,337	753,563

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at the beginning of current period	(1,382)	789,212	15,524	15,524	804,736
Changes of items during the period					
Provision of reserve for reduction entry of land	—	—	—	—	—
Dividends from surplus	—	(85,105)	—	—	(85,105)
Net income	—	361,941	—	—	361,941
Purchase of treasury stock	(20)	(20)	—	—	(20)
Disposal of treasury stock	0	(1)	—	—	(1)
Retirement of treasury shares	—	—	—	—	—
Transfer to capital surplus from retained earnings	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	(5,926)	(5,926)	(5,926)
Total changes of items during the period	(20)	276,815	(5,926)	(5,926)	270,889
Balance at the end of current period	(1,402)	1,066,027	9,598	9,598	1,075,625

FY 2017 (April 1, 2016 to March 31, 2017)

(Unit: Millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Retained earnings				
		Capital reserve	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			Total retained earnings
						Reserve for reduction entry of land	General reserve	Retained earnings brought forward	
Balance at the beginning of current period	153,795	160,071	0	160,071	7,901	990	35,335	709,337	753,563
Changes of items during the period									
Provision of reserve for reduction entry of land	—	—	—	—	—	—	—	—	—
Dividends from surplus	—	—	—	—	—	—	—	(111,446)	(111,446)
Net income	—	—	—	—	—	—	—	208,252	208,252
Purchase of treasury stock	—	—	—	—	—	—	—	—	—
Disposal of treasury stock	—	—	1	1	—	—	—	(1)	(1)
Retirement of treasury shares	—	—	(46,973)	(46,973)	—	—	—	—	—
Transfer to capital surplus from retained earnings	—	—	46,972	46,972	—	—	—	(46,972)	(46,972)
Net changes of items other than shareholders' equity	—	—	—	—	—	—	—	—	—
Total changes of items during the period	—	—	0	0	—	—	—	49,833	49,833
Balance at the end of current period	153,795	160,071	—	160,071	7,901	990	35,335	759,170	803,396

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at the beginning of current period	(1,402)	1,066,027	9,598	9,598	1,075,625
Changes of items during the period					
Provision of reserve for reduction entry of land	—	—	—	—	—
Dividends from surplus	—	(111,446)	—	—	(111,446)
Net income	—	208,252	—	—	208,252
Purchase of treasury stock	(52,744)	(52,744)	—	—	(52,744)
Disposal of treasury stock	0	0	—	—	0
Retirement of treasury shares	46,973	—	—	—	—
Transfer to capital surplus from retained earnings	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	(4,438)	(4,438)	(4,438)
Total changes of items during the period	(5,771)	44,062	(4,438)	(4,438)	39,624
Balance at the end of current period	(7,173)	1,110,089	5,160	5,160	1,115,249



May 9, 2017
Subaru Corporation

< Reference for FYE2017 Consolidated Financial Results >

(Yen in 100 Millions, Units in Thousands)

	RESULTS FYE2016 2015.4 - 2016.3	RESULTS FYE2017 2016.4 - 2017.3		FORECASTS FYE2018 2017.4 - 2018.3			
		Change	%	Change	%		
Net sales	32,323	33,260	937	2.9	34,200	940	2.8
Japan	6,054	6,503	449	7.4	6,680	176	2.7
Overseas	26,269	26,756	488	1.9	27,520	764	2.9
Operating income	5,656	4,108	(1,548)	(27.4)	4,100	(8)	(0.2)
Profit margin (%)	17.5	12.4			12.0		
Ordinary income	5,770	3,943	(1,826)	(31.7)	4,100	157	4.0
Profit margin (%)	17.9	11.9			12.0		
Net income attributable to owners of parent	4,367	2,824	(1,543)	(35.3)	2,850	26	0.9
Profit margin (%)	13.5	8.5			8.3		
Factors contributing to change in operating income							
			Improvements on model mix, etc.	1,377		Improvements on model mix, etc.	328
			Cost reduction effort, etc.	322		Gain on currency exchange	211
			Increase in SG&A exp, etc.	(1,691)		Increase in SG&A exp, etc.	(278)
			Loss on currency exchange	(1,438)		Increase in R&D exp	(198)
			Increase in R&D exp	(118)		Increase in raw material costs, etc.	(71)
Exchange rates	JPY/US\$ 121/US\$ JPY/EUR 133/EUR		108/US\$ 119/EUR			110/US\$ 120/EUR	
Capital expenditures	1,357		1,585			1,500	
Depreciation and amortization	650		770			920	
R&D expenses	1,024		1,142			1,340	
Interest bearing debts	1,700		1,483			1,000	
Performance description			- 5th consecutive year of net sales increase. - Profits decline for first time in 5 years. - Record unit sales and net sales.			- 6th consecutive year of net sales increase. - 2nd consecutive year of operating income decrease. - Record unit sales and net sales.	
Consolidated unit sales (Japan)	145	159	14	9.4	172	13	8.3
Passenger Cars	112	126	15	13.3	134	8	6.2
Minicars	34	33	(1)	(3.4)	38	5	16.3
Consolidated unit sales (Overseas)	813	906	93	11.4	933	28	3.1
North America	630	721	90	14.3	742	22	3.0
Europe	48	46	(1)	(2.6)	46	0	(1.0)
China	44	44	0	(0.9)	42	(2)	(3.9)
Other	90	95	4	4.7	103	8	8.8
Consolidated unit sales total	958	1,065	107	11.1	1,106	41	3.8
Production units total	951	1,056	105	11.0	1,091	35	3.3
Japan	715	721	6	0.8	710	(11)	(1.5)
U.S.	236	335	99	42.1	381	46	13.7
Net sales by business segment							
Automobile	30,394	31,520	1,125	3.7			
Aerospace	1,528	1,388	(140)	(9.2)			
Other	400	353	(48)	(11.9)			
Operating income by business segment							
Automobile	5,436	3,977	(1,460)	(26.8)			
Aerospace	182	91	(91)	(50.0)			
Other	30	35	5	17.1			
Elimination & Corporate	8	5	(2)	(31.0)			

* "Exchange rates" are the rates used for Subaru Corporation's non-consolidated sales recording.

* "Consolidated unit sales" include retail sales of Japanese consolidated dealers, wholesale sales of overseas consolidated distributors, and deliveries from Subaru Corporation to non-consolidated distributors/dealers.

* "Production in Japan" includes production of the 86 models for Toyota.

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



Subaru Corporation Announces Consolidated Financial Results for FYE2017

Tokyo, May 9, 2017 – Subaru Corporation today announced its consolidated financial results for the fiscal year ended March 31, 2017.

< FYE2017 Results: Consolidated Net Sales >

Consolidated global sales of Subaru vehicles rose 11.1% to 1,065,000 units, surpassing the one million mark for the first time. Unit sales in Japan increased 9.4% to 159,000 units, as a decline in mini vehicle sales was offset by growth in passenger car sales led by the all-new Impreza, which was launched in October 2016. Overseas unit sales grew 11.4% to 906,000 units, driven by continued strong sales of the Legacy and Outback in North America.

Consolidated net sales increased 2.9% to 3,326 billion yen, as unit sales growth offset foreign exchange losses and other factors.

Consolidated unit sales in North America marked an all-time record^{*1} for the 8th consecutive year. Consolidated net sales, global unit sales, and overseas unit sales posted all-time records^{*1} for the 5th consecutive year.

< FYE2017 Results: Consolidated Profit and Loss >

While posting unit sales growth and cost reduction progress, operating income fell 27.4% to 410.8 billion yen due to increases in SG&A and R&D expenses as well as foreign exchange losses. The rise in SG&A expenses was due to increased quality-related costs associated with airbag inflators as well as increased sales expenses due to higher interest rates in the U.S. Ordinary income decreased 31.7% to 394.3 billion yen and net income attributable to owners of parent declined 35.3% to 282.4 billion yen.

< FYE2018 Forecasts >

In prospect of further growth in North America and other regions, consolidated global unit sales are projected to increase 3.8% to 1,106,000 units. The company forecasts net sales of 3,420 billion yen (up 2.8%), operating income of 410 billion yen (down 0.2%), ordinary income of 410 billion yen (up 4.0%) and net income attributable to owners of parent of 285 billion yen (up 0.9%), factoring in the positive impact of unit sales growth and a weaker yen as well as the negative impact of increases in SG&A and R&D expenses and higher raw material costs.

Consolidated net sales, global unit sales, overseas unit sales, and North American unit sales are projected to post all-time records.

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

*1: Since fiscal year ended March 1986, when the company started full-year consolidated financial reporting.

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