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Notice Regarding Recording of Extraordinary Loss and Revision of Financial Forecasts

Subaru Corporation (the “Company”) hereby announces the recording of an extraordinary loss in its consolidated financial results for the second quarter of FYE2018, as well as the revision of first-half and full-year forecasts for FYE2018 announced on August 3, 2017. Details are set out below.

1. Recording of Extraordinary Loss

On June 26, 2017 the Company issued a notice regarding the “Impact on Subaru of Takata Corporation’s Filing of Petition for Commencement of Rehabilitation Proceedings.” The Tokyo District Court has accepted the petition filed by Takata Corporation in Japan, and TK Holdings Inc. has filed for Chapter 11 proceedings under the Bankruptcy Code in the United States. As a result, the Company expects that in principle it will be unable to make any claims for compensation against Takata Corporation and TK Holdings Inc. (hereinafter referred to collectively as “Takata”).

As of the fiscal year ended March 31, 2017, the Subaru Group had accrued expenses of approximately 73.5 billion yen in undertaking market measures already notified to rectify quality issues with Takata airbag inflators not containing desiccant (hereinafter referred to as “the airbags”). Besides this sum, however, further market measures relating to the airbags to be taken in the current fiscal year and beyond (not yet notified) will incur additional expenses, and other incidental expenses that are expected to arise in association with market measures have been scrutinized. The Company has also prepared proofs of claims relating to rehabilitation proceedings, which will be filed today.

In conjunction with these steps, the Subaru Group has now completed a reasonable estimate of the total loss arising from compensation claims against Takata for quality-assurance expenses related to the airbags, and has thus decided to record in its consolidated financial results for the second quarter of FYE2018 an extraordinary loss amounting to 81.3 billion yen (56.5 billion yen after tax) to account for losses relating to the airbags.

2. Revision of Financial Forecasts

(1) Revision of first-half consolidated financial forecasts for FYE2018 (April 1 to September 30, 2017)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent	Net income per share
Previous forecast (A)	Million yen 1,689,000	Million yen 210,000	Million yen 210,000	Million yen 145,000	Yen 189.13
New forecast (B)	1,689,000	210,000	210,000	88,500	115.43
Change (B-A)	0	0	0	(56,500)	
Percentage change	0.0	0.0	0.0	(39.0)	
For reference: 1st half of FYE2017 results	1,577,652	208,525	227,772	163,837	211.00

(2) Revision of full-year consolidated financial forecasts for FYE2018 (April 1, 2017 to March 30, 2018)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent	Net income per share
Previous forecast (A)	Million yen 3,420,000	Million yen 410,000	Million yen 410,000	Million yen 285,000	yen 371.73
New forecast (B)	3,420,000	410,000	410,000	228,500	298.04
Change (B-A)	0	0	0	(56,500)	
Percentage change	0.0	0.0	0.0	(19.8)	
For reference: FYE2017 results	3,325,992	410,810	394,330	282,354	365.77

(3) Reason for revisions

As outlined in section 1 above, the revisions are due to the recording of an extraordinary loss. Currency rate assumptions for the first-half and full-year forecasts remain unchanged from those previously announced, as detailed below:

- First-half: 110 yen/US\$, 120 yen/euro
- Full-year: 110 yen/US\$, 120 yen/euro

Note: 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.

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