

# Consolidated Financial Results

## For the Third Quarter of the Fiscal Year Ending March 31, 2018 (Japan GAAP)



February 8, 2018

Company Name : **SUBARU CORPORATION.** (Tokyo Stock Exchange First Section, Code No.7270)  
 URL : <https://www.subaru.co.jp/en/ir/>  
 Representative : Yasuyuki Yoshinaga, President and CEO  
 Contact for Inquiries : Katsuo Saitou, Corporate Vice President and General Manager of Administration Department,  
 Corporate Administration Division Phone +81-3-6447-8825  
 Scheduled date of submitting Quarterly Report : February 14, 2018  
 Scheduled date for dividend payment : -  
 Quarterly earnings supplementary explanatory documents : Yes  
 Holding of quarterly financial results meeting : Yes(for investment analysts and institutional investors)

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

### 1. Consolidated Results for the Third Quarter of Fiscal Year 2018 (April 1, 2017 to December 31, 2017)

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

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
3rd Quarter of FY2018	2,564,636	5.6%	306,305	(0.1)%	303,116	2.0%	152,843	(26.3)%
3rd Quarter of FY2017	2,427,891	0.4%	306,760	(29.6)%	297,194	(31.5)%	207,513	(38.6)%

Note: Comprehensive income 3rd Quarter of FY2018: 165,653 million yen (Minus23.9%) 3rd Quarter of FY2017: 217,576 million yen (Minus35.3%)

	Net income per share, basic (Yen)	Net income per share, diluted (Yen)
3rd Quarter of FY2018	199.35	—
3rd Quarter of FY2017	268.27	—

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

	Total assets	Net assets	Shareholders' equity to total assets (%)
3rd Quarter of FY2018	2,793,186	1,520,740	54.2%
FY2017	2,762,321	1,464,888	52.8%

Reference: Shareholders' equity As of December 31, 2017: 1,513,141 million yen As of March 31, 2017: 1,458,664 million yen

### 2. Dividends

	Cash dividends per share (yen)				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual
FY 2017	—	72.00	—	72.00	144.00
FY 2018	—	72.00	—		
FY 2018 (Forecast)				72.00	144.00

Note: Revision of the forecasts in the first quarter of the fiscal year ending March 31, 2018: No

### 3. Projection of Consolidated Results for Fiscal Year 2018 (April 1, 2017 to March 31, 2018)

(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)
Full year	3,410,000	2.5%	380,000	(7.5)%	375,000	(4.9)%	207,000 (26.7)%	269.99

Note: Revision of the forecasts at the timing of announcement of the results of second quarter of the fiscal year ending March 31, 2018: Yes

#### 4. Others

(1) Changes of significant subsidiaries in the third quarter of fiscal year 2018 : No

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

Note: The details please refer to "2. Quarterly Consolidated Financial Statements (4) Note to Quarterly Consolidated Financial Statements (Application of Specific Accounting for Preparing the Quarterly Consolidated Financial Statements)" on page 10.

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

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

[2] Changes due to other reasons : No

[3] Changes of estimation due to accounting issues : No

[4] Restatements : No

(4) Number of outstanding shares (Common Stock)

[1] Number of outstanding shares (including treasury stock) As of December 31, 2017: 769,175,873 shares As of March 31, 2017: 769,175,873 shares

[2] Number of treasury stock As of December 31, 2017: 2,454,374 shares As of March 31, 2017: 2,490,224 shares

[3] Average number of shares (for nine-month period) 3rd Quarter of FY2018: 766,703,806 shares 3rd Quarter of FY2017: 773,532,265 shares

##### \*The status of the implementation of the third quarterly review

The third quarterly review is now conducted on the basis of the Financial Instruments and Exchange Act on the date for the release of this quarterly report.

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

The above performance projections were made 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.

For assumptions and other information on which the performance projections were based, please refer to "1. Qualitative Information on Quarterly Financial Results (4) Explanation about Future Forecasts such as Projections for the Current Fiscal Year" on page 4.

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## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation about Operating Performance in the Quarter under Review

Consolidated net sales for the third quarter of the current fiscal year increased ¥136.7 billion (5.6%) from the same period of the previous fiscal year to ¥2,564.6 billion mainly due to higher sales revenues owing to foreign exchange rate fluctuations and higher automobile unit sales.

Regarding the profit, operating income decreased ¥0.5 billion (0.1%) from the same period of the previous fiscal year to ¥306.3 billion, as the effect primarily of higher miscellaneous expenditure, mainly for selling expenses associated with rising interest rates in the U.S., and higher R&D expenses, despite foreign exchange rate fluctuations and improvement in the sales composition. Ordinary income, on the other hand, increased ¥5.9 billion (2.0%) from the same period of the previous fiscal year to ¥303.1 billion. Net income attributable to owners of parent decreased ¥54.7 billion (26.3%) from the same period of the previous fiscal year to ¥152.8 billion, mainly due to the posting of an extraordinary loss of ¥81.3 billion as provision for loss related to airbags.

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

	Net Sales	Operating Income (Margin)	Ordinary Income (Margin)	Quarterly Net Income Attributable to Owners of Parent (Margin)	Foreign Exchange Rate
3rd Quarter of FYE 2018 Profit Margin	2,564,636	306,305 11.9%	303,116 11.8%	152,843 6.0%	¥112/US\$ ¥128/EUR
3rd Quarter of FYE 2017 Profit Margin	2,427,891	306,760 12.6%	297,194 12.2%	207,513 8.5%	¥106/US\$ ¥118/EUR
Change	136,745	(455)	5,922	(54,670)	
Percentage change	5.6%	(0.1)%	2.0%	(26.3)%	

#### [Results by Business Segment]

Results for the current consolidated third quarter period by business segment are as described below.

(In Japanese yen in million and percentage change from the previous period)

	Net Sales				Segment Income			
	3rd Quarter of FYE 2017	3rd Quarter of FYE 2018	Change	Percentage change	3rd Quarter of FYE 2017	3rd Quarter of FYE 2018	Change	Percentage change
Automobile Div.	2,305,296	2,433,928	128,632	5.6	298,727	290,296	(8,431)	(2.8)
Aerospace Div.	96,407	106,688	10,281	10.7	4,956	11,574	6,618	133.5
Other	26,188	24,020	(2,168)	(8.3)	2,421	3,962	1,541	63.7
Adjustment	—	—	—	—	656	473	(183)	(27.9)
Total	2,427,891	2,564,636	136,745	5.6	306,760	306,305	(455)	(0.1)

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

2. Adjustment to segment income is the elimination of transactions between segments.

#### [1] Automobile Division

In Japan, total unit sales increased 13 thousand units (12.6%) compared with the same period of the previous fiscal year to 119 thousand units as a result of strong sales of the Impreza and the SUBARU XV in the registered cars category, despite lower sales of minicars compared with the same period of the previous fiscal year.

Overseas total unit sales increased 3 thousand units (0.4%) compared with the same period of the previous fiscal year to 683 thousand units mainly due to favorable conditions surrounding sales of the Crosstrek (Japanese name: SUBARU XV) and the Impreza especially in North America, the key market of SUBARU.

As a result, combined unit sales in Japan and overseas markets amounted to 802 thousand units, an increase of 16 thousand units (2.0%) from the same period of the previous fiscal year. Overall net sales increased ¥128.6 billion (5.6%) from the same period of the previous fiscal year to ¥2,433.9 billion. Segment income, on the other hand, decreased ¥8.4 billion (2.8%) from the same period of the previous fiscal year to ¥290.3 billion.

Consolidated unit sales by region in the third quarter of the current fiscal year are shown in the table below.

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

	3rd Quarter of FYE 2017	3rd Quarter of FYE 2018	Change	Percentage change
<b>Total in Japan</b>	<b>106</b>	<b>119</b>	<b>13</b>	<b>12.6</b>
Registered cars	83	98	15	17.5
Minicars	22	21	(1)	(5.6)
<b>Total overseas</b>	<b>680</b>	<b>683</b>	<b>3</b>	<b>0.4</b>
North America	542	554	12	2.2
Europe/Russia	34	34	0	1.0
Australia	38	42	4	10.8
China	32	22	(10)	(32.7)
Other regions	35	32	(3)	(8.5)
<b>Grand total</b>	<b>786</b>	<b>802</b>	<b>16</b>	<b>2.0</b>

## [2] Aerospace Division

Deliveries to the Japan Ministry of Defense saw sales rise compared with the level of the same period of 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 rose compared with the same period of the previous fiscal year owing to an increase in production of Boeing 787 aircraft, despite a decline in production of Boeing 777 aircraft.

As a result, overall net sales increased ¥10.3 billion (10.7%) compared with the same period of the previous fiscal year to ¥106.7 billion. Segment income increased ¥6.6 billion (133.5%) compared with the same period of the previous fiscal year to ¥11.6 billion.

## [3] Other Businesses

Net sales decreased ¥2.2 billion (8.3%) compared with the same period of the previous fiscal year to ¥24.0 billion. Segment income, on the other hand, increased ¥1.5 billion (63.7%) compared with the same period of the previous fiscal year to ¥4.0 billion.

## (2) Explanation about Financial Position in the Quarter under Review

### [1] Assets

Total assets were ¥2,793.2 billion, an increase of ¥30.9 billion from the end of the previous fiscal year. Main factors included an ¥18.6 billion increase in investment securities, a ¥15.0 billion increase in property, plant and equipment, a ¥10.5 billion increase in merchandise and finished goods, and a ¥15.9 billion decrease in combined funds on hand comprised of cash and deposits, and short-term investment securities.

### [2] Liabilities

Total liabilities decreased ¥25.0 billion compared with the end of the previous fiscal year to ¥1,272.4 billion. Main factors included a ¥66.9 billion decrease in trade accounts payable comprised of notes and accounts payable-trade and electronically recorded obligations-operating, a ¥40.1 billion decrease in long-term loans payable including current portion, and a ¥68.6 billion increase in provision for loss related to airbags.

### [3] Net Assets

Net assets increased ¥55.9 billion compared with the end of the previous fiscal year to ¥1,520.7 billion. Main factors included a ¥42.9 billion increase in retained earnings.

### (3) Explanation about Cash Flows in the Quarter under Review

Cash and cash equivalents (hereinafter “Cash”) at the end of the third quarter of the current fiscal year totaled ¥692.8 billion.

#### [1] Net cash provided by operating activities

Net cash provided by operating activities was ¥254.6 billion (net cash provided in the same consolidated cumulative period of the previous fiscal year was ¥216.4 billion). Main factors included ¥217.6 billion in income before income taxes and minority interests and the recording of ¥68.6 billion in provision for loss related to airbags.

#### [2] Net cash used in investment activities

Net cash used in investing activities was ¥132.0 billion (net cash used in the same consolidated cumulative period of the previous fiscal year was ¥166.5 billion). Main factors included ¥98.4 billion in expenditures for the purchase of property, plant and equipment (net basis against proceeds from sales of property, plant and equipment), and ¥36.5 billion increase in time deposits.

#### [3] Net cash used in financing activities

Net cash used in financing activities was ¥165.0 billion (net cash used in the same consolidated cumulative period of the previous fiscal year was ¥188.4 billion). Main factors included ¥110.1 billion in expenditures for cash dividends paid and ¥40.1 billion in repayment of long-term loans payable (net basis against proceeds from long-term loans payable).

### (4) Explanation about Future Forecasts such as Projections for the Current Fiscal Year

SUBARU has revised full year consolidated performance projections for the fiscal year ending March 31, 2018, which were released at the timing of consolidated financial results announcement on November 6, 2017, as stated below, to reflect factors such as foreign exchange rate fluctuations, despite higher miscellaneous expenditure, mainly for quality-related expenses, and other factors.

Projections of full-year consolidated business results of the current fiscal year are based on assumed foreign exchange rates of ¥112/US\$ (previously ¥111/US\$) and ¥130/EUR (previously ¥128/EUR). Exchange rate assumptions for the fourth quarter of the current fiscal year are ¥112/US\$ and ¥135/EUR.

#### Consolidated Results Forecast for the FYE 2018 (April 1, 2017 to March 31, 2018)

	Net Sales	Operating Income	Ordinary Income	Net Income Attributable to Owners of Parent	Net Income per Share
Previous projection (A)	¥ million 3,380,000	¥ million 380,000	¥ million 382,000	¥ million 207,000	Yen 269.99
Revised projection (B)	3,410,000	380,000	375,000	207,000	269.99
Change in amount (B-A)	30,000	0	(7,000)	0	-
Percentage change (%)	0.9%	0%	(1.8)%	0%	-
(Supplemental information) Actual results of the previous fiscal year (April 1, 2016 to March 31, 2017)	3,325,992	410,810	394,330	282,354	365.77

## 2. Quarterly Consolidated Financial Statements

### (1) Quarterly Consolidated Balance Sheet

(Unit: Millions of yen)

	FY2017 (as of March 31, 2017)	3rd Quarter of FY2018 (as of December 31, 2017)
<b>ASSETS</b>		
<b>I Current assets</b>		
Cash and deposits	658,822	713,922
Notes and accounts receivable-trade	158,454	147,049
Lease investment assets	18,538	15,825
Short-term investment securities	320,579	249,568
Merchandise and finished goods	205,991	216,445
Work in process	51,754	57,997
Raw materials and supplies	43,586	46,141
Deferred tax assets	109,600	108,709
Short-term loans receivable	176,433	185,941
Other	102,045	93,200
Allowance for doubtful accounts	(551)	(364)
<b>Total current assets</b>	<b>1,845,251</b>	<b>1,834,433</b>
<b>II Noncurrent assets</b>		
<b>1. Property, plant and equipment</b>		
Buildings and structures, net	178,464	192,753
Machinery, equipment and vehicles, net	172,977	172,844
Land	183,477	183,320
Vehicles and equipment on operating leases, net	11,609	16,662
Construction in progress	45,416	50,484
Other, net	65,322	56,154
<b>Total property, plant and equipment</b>	<b>657,265</b>	<b>672,217</b>
<b>2. Intangible assets</b>		
Other	24,905	26,204
<b>Total intangible assets</b>	<b>24,905</b>	<b>26,204</b>
<b>3. Investments and other assets</b>		
Investment securities	105,510	124,076
Net defined benefit asset	931	1,297
Deferred tax assets	20,922	20,549
Other	110,848	117,749
Allowance for doubtful accounts	(3,311)	(3,339)
<b>Total investments and other assets</b>	<b>234,900</b>	<b>260,332</b>
<b>Total noncurrent assets</b>	<b>917,070</b>	<b>958,753</b>
<b>Total assets</b>	<b>2,762,321</b>	<b>2,793,186</b>

(Unit: Millions of yen)

	FY2017 (as of March 31, 2017)	3rd Quarter of FY2018 (as of December 31, 2017)
<b>LIABILITIES</b>		
<b>I Current liabilities</b>		
Notes and accounts payable-trade	349,737	303,810
Electronically recorded obligations-operating	92,098	71,076
Short-term loans payable	43,205	26,898
Current portion of long-term loans payable	44,443	34,811
Income taxes payable	13,858	2,821
Accrued expenses	221,328	252,997
Provision for bonuses	23,678	12,076
Provision for product warranties	59,259	65,809
Provision for loss on construction contracts	65	183
Provision for loss on business liquidation	3,317	2,992
Provision for loss related to airbags	—	68,600
Other	162,750	167,679
<b>Total current liabilities</b>	<b>1,013,738</b>	<b>1,009,752</b>
<b>II Noncurrent liabilities</b>		
Long-term loans payable	60,612	30,160
Deferred tax liabilities	29,802	25,537
Provision for directors' retirement benefits	536	466
Net defined benefit liability	18,615	18,819
Other	174,130	187,712
<b>Total noncurrent liabilities</b>	<b>283,695</b>	<b>262,694</b>
<b>Total liabilities</b>	<b>1,297,433</b>	<b>1,272,446</b>
<b>NET ASSETS</b>		
<b>I Shareholders' equity</b>		
Capital stock	153,795	153,795
Capital surplus	160,178	160,197
Retained earnings	1,173,277	1,216,130
Treasury stock	(7,173)	(7,051)
<b>Total shareholders' equity</b>	<b>1,480,077</b>	<b>1,523,071</b>
<b>II Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	8,099	11,087
Foreign currency translation adjustment	(16,631)	(9,998)
Remeasurements of defined benefit plans	(10,996)	(9,119)
Remeasurements of other postretirement benefits of foreign consolidated subsidiaries	(1,885)	(1,900)
<b>Total accumulated other comprehensive income</b>	<b>(21,413)</b>	<b>(9,930)</b>
Non-controlling interests	6,224	7,599
<b>Total net assets</b>	<b>1,464,888</b>	<b>1,520,740</b>
<b>Total liabilities and net assets</b>	<b>2,762,321</b>	<b>2,793,186</b>



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

(Unit: Millions of yen)

	FY2017 (April 1, 2016 to December 31, 2016)	FY2018 (April 1, 2017 to December 31, 2017)
I Net sales	2,427,891	2,564,636
II Cost of sales	1,745,603	1,825,924
Gross profit	682,288	738,712
III Selling, general and administrative expenses	375,528	432,407
<b>Operating income</b>	<b>306,760</b>	<b>306,305</b>
IV Non-operating income		
Interest income	2,330	4,380
Dividends income	1,039	934
Equity in earnings of affiliates	48	35
Foreign exchange gains	23,500	2,238
Other	1,195	1,937
Total non-operating income	28,112	9,524
V Non-operating expenses		
Interest expenses	1,413	1,093
Loss on valuation of derivatives	32,649	4,869
Loss on taxation of overseas subsidiary	—	3,708
Other	3,616	3,043
Total non-operating expenses	37,678	12,713
<b>Ordinary income</b>	<b>297,194</b>	<b>303,116</b>
VI Extraordinary income		
Gain on sales of noncurrent assets	349	343
Gain on sales of investment securities	10,111	726
Other	16	203
Total extraordinary income	10,476	1,272
VII Extraordinary loss		
Loss on sales and retirement of noncurrent assets	3,239	4,226
Loss on business liquidation	4,978	—
Loss related to airbags	—	81,261
Other	620	1,258
Total extraordinary losses	8,837	86,745
Income before income taxes	298,833	217,643
Total Income taxes	89,955	64,125
Net income	208,878	153,518
Net income attributable to non-controlling interests	1,365	675
<b>Net income attributable to owners of parent</b>	<b>207,513</b>	<b>152,843</b>

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

(Unit: Millions of yen)

	FY2017 (April 1, 2016 to December 31, 2016)	FY2018 (April 1, 2017 to December 31, 2017)
Net income	208,878	153,518
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,613)	2,988
Foreign currency translation adjustment	10,741	7,284
Remeasurements of defined benefit plans	1,915	1,877
Remeasurements of other postretirement benefits of foreign consolidated subsidiaries	(98)	(15)
Share of other comprehensive income of associates accounted for using equity method	(247)	1
Total other comprehensive income	8,698	12,135
<b>Comprehensive income</b>	<b>217,576</b>	<b>165,653</b>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	217,218	164,641
Comprehensive income attributable to non-controlling interests	358	1,012

### (3) Quarterly Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	FY2017 (April 1, 2016 to December 31,2016)	FY2018 (April 1, 2017 to December 31,2017)
I Net cash provided by (used in) operating activities		
Income (loss) before income taxes	298,833	217,643
Depreciation and amortization	60,590	74,846
Increase (decrease) in allowance for doubtful accounts	(54)	(148)
Interest and dividends income	(3,369)	(5,314)
Interest expenses	1,413	1,093
Loss (gain) on sales and retirement of noncurrent assets	2,890	3,883
Loss (gain) on sales and valuation of investment securities	(9,503)	(260)
Decrease (increase) in operating loans receivable	(1,652)	(6,465)
Decrease (increase) in notes and accounts receivable-trade	(4,652)	9,625
Decrease (increase) in inventories	(33,525)	(23,062)
Increase (decrease) in notes and accounts payable-trade	(3,692)	(68,079)
Increase (decrease) in accrued expenses	58,216	30,592
Increase (decrease) in provision for loss related to airbags	—	68,600
Other, net	50,009	22,369
Subtotal	415,504	325,323
Interest and dividends income received	3,955	5,583
Interest expenses paid	(1,518)	(1,203)
Income taxes paid	(201,539)	(75,090)
<b>Net cash provided by (used in) operating activities</b>	<b>216,402</b>	<b>254,613</b>
II Net cash provided by (used in) investing activities		
Net decrease (increase) in time deposits	(11,967)	(36,545)
Purchase of short-term investment securities	(61,018)	(96,698)
Proceeds from sales of short-term investment securities	52,552	122,984
Purchase of non-current assets	(125,397)	(100,962)
Proceeds from sales of non-current assets	656	2,521
Purchase of investment securities	(35,782)	(43,823)
Proceeds from sales of investment securities	39,858	26,002
Payments of loans receivable	(104,502)	(94,024)
Collection of loans receivable	85,637	90,536
Other, net	(6,533)	(1,974)
<b>Net cash provided by (used in) investing activities</b>	<b>(166,496)</b>	<b>(131,983)</b>
III Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	8,661	(13,847)
Proceeds from long-term loans payable	12,480	3,400
Repayments of long-term loans payable	(32,898)	(43,493)
Cash dividends paid	(111,084)	(110,140)
Other, net	(65,560)	(929)
<b>Net cash provided by (used in) financing activities</b>	<b>(188,401)</b>	<b>(165,009)</b>
IV Effect of exchange rate change on cash and cash equivalents	6,022	3,367
V Net increase (decrease) in cash and cash equivalents	(132,473)	(39,012)
VI Cash and cash equivalents at beginning of period	829,461	728,616
VII Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—	(534)
Increase (decrease) in cash and cash equivalents resulting from change in fiscal period of consolidated subsidiaries	—	3,690
<b>VIII Cash and cash equivalents at end of period</b>	<b>696,988</b>	<b>692,760</b>

#### **(4) Note to Quarterly Consolidated Financial Statements**

##### **(Notes on Premise of Going Concern)**

FY2018 (April 1, 2017 to December 31, 2017)

Not Applicable

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

FY2018 (April 1, 2017 to December 31, 2017)

Not Applicable

##### **(Significant changes in the Scope of Consolidation)**

FY2018 (April 1, 2017 to December 31, 2017)

###### **1. Significant changes in the scope of consolidation**

Starting from the first quarter consolidated accounting period ended June 30, 2017, Robin America Inc. and Robin Europe GmbH Industrial Engine and Equipment are removed from scope of consolidated due to its decreased materiality.

###### **2. Change in the reporting period of a consolidated subsidiary for consolidation purposes**

The consolidated financial statements as of and for the fiscal year ended March 31, 2017 included the financial information of Subaru of China Ltd. as of and for the fiscal year ended December 31, 2016, with necessary adjustments to reflect any significant transactions from January 1, 2017 to March 31, 2017, because the difference between the reporting period end of the consolidated financial statements and Subaru of China Ltd. is within three months.

To synchronize the reporting period, Subaru of China Ltd. changed its reporting period for consolidation purposes by conducting a provisional book-closing from the first quarter consolidated accounting period ended June 30, 2017.

This change allows the consolidated financial statements of the third quarter as of and for the nine months period ended December 31, 2017 to include the financial information of Subaru of China Ltd. in the same period. Net operating results of Subaru of China Ltd. from January 1, 2017 to March 31, 2017 have been reflected as a change in retained earnings in the consolidated balance sheet.

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

FY2018 (April 1, 2017 to December 31, 2017)

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

## (Notes on Quarterly Consolidated Statements of Income)

1. Details of extraordinary losses is as follows:

FY2017 (April 1, 2016 to December 31, 2016)

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 2,526 million yen of loss on fixed assets, 2,135 million yen on inventory valuation, and 317 million yen on others.

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

Use	Location	Category	Impairment losses (million 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%.

FY2018 (April 1, 2017 to December 31, 2017)

Loss related to airbags

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

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

3rd Quarter of FY 2017 (April 1, 2016 to December 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							
(1) Outside customers	2,305,296	96,407	2,401,703	26,188	2,427,891	—	2,427,891
(2) Inter-segment	3,607	—	3,607	17,346	20,953	(20,953)	—
Total sales	2,308,903	96,407	2,405,310	43,534	2,448,844	(20,953)	2,427,891
Operating income	298,727	4,956	303,683	2,421	306,104	656	306,760

Note: \*1. Other means the category which is not included into any business segment reported.

It consists of Industrial products, real estate lease, etc.

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

\*3. Operating income for segment is adjusted on operating income on the quarterly consolidated statements of income.

3rd Quarter of FY 2018 (April 1, 2017 to December 31, 2017) (Unit: Millions of yen)

	Business segment reported			Other *1	Total	Adjustment *2	Consolidated Statement of income *3
	Automobiles	Aerospace	Sub- Total				
Net sales							
(1) Outside customers	2,433,928	106,688	2,540,616	24,020	2,564,636	—	2,564,636
(2) Inter-segment	2,266	5	2,271	16,233	18,504	(18,504)	—
Total sales	2,436,194	106,693	2,542,887	40,253	2,583,140	(18,504)	2,564,636
Operating income	290,296	11,574	301,870	3,962	305,832	473	306,305

Note: \*1. Other means the category which is not included into any business segment reported.

It consists of Industrial products, real estate lease, etc.

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

\*3. Operating income for segment is adjusted on operating income on the quarterly consolidated statements of income.

**2. Information on loss on impairment of fixed assets or goodwill etc. for each reportable segment**

3rd Quarter of FY 2017 (April 1, 2016 to December 31, 2016)

(Significant impairment losses on fixed assets)

Due to the decision to liquidate the Industrial Products business, impairment losses of ¥ 1,201 million were recorded in "Other" segment in the third quarter consolidated accounting period ended December 31, 2016.

The impairment losses are presented as Loss on business liquidation in Extraordinary loss in the quarterly consolidated statement of income.

**(Significant Subsequent Event)**

Not Applicable



< Reference for the First Nine Months of FYE2018 Consolidated Financial Results >

(Yen in 100 Millions, Units in Thousands)

	RESULTS FYE2017 First 9 Months 2016. 4-12	RESULTS FYE2018 First 9 Months 2017. 4-12			RESULTS FYE2017 Full Year '16.4-'17.3	FORECASTS FYE2018 Full Year 2017. 4 – 2018. 3			PREVIOUS FORECASTS FYE2018 Full Year '17.4-'18.3
		Change	%			Change	%		
<b>Net sales</b>	24,279	25,646	1,367	5.6	33,260	34,100	840	2.5	33,800
Japan	4,449	4,845	396	8.9	6,503	6,703	200	3.1	6,717
Overseas	19,830	20,801	971	4.9	26,756	27,397	640	2.4	27,083
<b>Operating income</b>	3,068	3,063	(5)	(0.1)	4,108	3,800	(308)	(7.5)	3,800
Profit margin (%)	12.6	11.9			12.4	11.1			11.2
<b>Ordinary income</b>	2,972	3,031	59	2.0	3,943	3,750	(193)	(4.9)	3,820
Profit margin (%)	12.2	11.8			11.9	11.0			11.3
<b>Net income attributable to owners of parent</b>	2,075	1,528	(547)	(26.3)	2,824	2,070	(754)	(26.7)	2,070
Profit margin (%)	8.5	6.0			8.5	6.1			6.1
<b>Factors contributing to change in operating income</b>									
		Gain on currency exchange		345		Gain on currency exchange		398	
		Improvements on model mix, etc.		82		Increase in SG&A exp, etc.		(456)	
		Increase in SG&A exp, etc.		(289)		Increase in R&D exp		(118)	
		Increase in R&D exp		(85)		Increase in raw material costs, etc.		(94)	
		Increase in raw material costs, etc.		(58)		Deterioration in model mix, etc.		(38)	
<b>Exchange rates</b>	JPY/US\$ 106/US\$ JPY/EUR 118/EUR	112/US\$ 128/EUR			108/US\$ 119/EUR	112/US\$ 130/EUR			111/US\$ 128/EUR
<b>Capital expenditures</b>	1,076	780			1,585	1,500			1,500
<b>Depreciation and amortization</b>	541	653			770	920			920
<b>R&amp;D expenses</b>	805	889			1,142	1,260			1,300
<b>Interest bearing debts</b>	1,455	919			1,483	950			1,000
<b>Performance description</b>		- Net sales increase for 6th consecutive year - Operating income decrease for 2nd consecutive year - April-December record unit sales				- Net sales increase for 6th consecutive year - Profits decline for 2nd consecutive year - Full-year record unit sales			
<b>Consolidated unit sales (Japan)</b>	106	119	13	12.6	159	165	6	3.9	167
Passenger Cars	83	98	15	17.5	126	135	8	6.5	135
Minicars	22	21	(1)	(5.6)	33	31	(2)	(5.9)	32
<b>Consolidated unit sales (Overseas)</b>	680	683	3	0.4	906	902	(4)	(0.4)	901
North America	542	554	12	2.2	721	728	8	1.1	724
Europe	34	34	0	1.0	46	47	1	1.2	47
China	32	22	(10)	(32.7)	44	26	0	(40.2)	30
Other	73	74	1	1.6	95	101	6	6.2	101
<b>Consolidated unit sales total</b>	786	802	16	2.0	1,065	1,067	3	0.2	1,068
<b>Production units total</b>	775	793	17	2.2	1,056	1,049	(7)	(0.6)	1,053
Japan	543	532	(11)	(2.0)	721	700	(20)	(2.8)	702
U.S.	232	260	28	12.1	335	349	14	4.1	351
<b>Net sales by business segment</b>	Automobile 23,053 Aerospace 964 Other 262	24,339 1,067 240	1,286 103 (22)	5.6 10.7 (8.3)					
<b>Operating income by business segment</b>	Automobile 2,987 Aerospace 50 Other 24 Elimination & Corporate 7	2,903 116 40 5	(84) 66 15 (2)	(2.8) 133.5 63.7 (27.9)					

\* "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 the Nine Months of FYE2018

Tokyo, February 8, 2018 – Subaru Corporation today announced its consolidated financial results for the first nine months of fiscal year ending March 31, 2018.

### < Results for April-December 2017: Consolidated Net Sales >

Global sales of Subaru vehicles rose 2.0% to 802,000 units. Unit sales in Japan grew 12.6% to 119,000 units, as strong sales of passenger cars driven by the Impreza and the Subaru XV offset a decline in mini vehicle sales. Overseas unit sales increased 0.4% to 683,000 units, led by strong demand for the Impreza and the Subaru XV<sup>\*1</sup> especially in North America.

Consolidated net sales increased 5.6% to 2,564.6 billion yen due mainly to foreign exchange gains and unit sales growth.

Net sales, global unit sales, overseas unit sales, and North American unit sales posted record highs for the April-December period.<sup>\*2</sup>

### < Results for April-December 2017: Consolidated Profit and Loss >

Operating income decreased 0.1% to 306.3 billion yen, as factors such as unit sales growth and foreign exchange gains were offset by an increase in R&D expenses, a rise in SG&A that mainly consisted of sales expenses associated with higher interest rates in the U.S., and other factors. Ordinary income increased 2.0% to 303.1 billion yen. Net income attributable to owners of parent decreased 26.3% to 152.8 billion yen, reflecting an extraordinary loss of 81.3 billion yen to account for airbag-related losses.

### < Forecasts for FYE2018 >

Reflecting a change in currency rate assumptions, an expected increase in SG&A due to quality-related expenses, and other factors, the full-year forecasts for FYE2018 are revised from those previously announced on November 6, 2017, to net sales of 3,410 billion yen, operating income of 380 billion yen, ordinary income of 375 billion yen, and net income attributable to owners of parent of 207 billion yen.

The company projects net sales and global unit sales to post record highs for the 6th consecutive year and North American unit sales to post a record high for the 9th consecutive year.<sup>\*3</sup>

Currency rate assumptions: 112 yen/US\$, 130 yen/euro

#### Previous Forecasts for FYE2018 (Announced on November 6, 2017)

Net sales: 3,380 billion yen

Operating income: 380 billion yen

Ordinary income: 382 billion yen

Net income attributable to owners of parent: 207 billion yen

Currency rate assumptions: 111 yen/US\$, 128 yen/euro

\*1: Called "Crosstrek" in the North American market

\*2: Since fiscal year ended March 2004, when the company started quarterly consolidated financial reporting

\*3: 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.

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