

Consolidated Financial Results

For the Second Quarter of the Fiscal Year Ending March 31, 2019 (Japan GAAP)



November 5, 2018

Company Name : **SUBARU CORPORATION.** (Tokyo Stock Exchange First Section, Code No.7270)
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 Scheduled date of submitting Quarterly Report : November 9, 2018
 Scheduled date for dividend payment : December 5, 2018
 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 2nd Quarter of FYE 2019 (April 1, 2018 to September 30, 2018)

(1) Consolidated Results of Operations (for six-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	
2nd Quarter of FYE 2019	1,486,810	(7.5)%	55,040	(74.1)%	60,010	(71.8)%	44,312	(47.9)%
2nd Quarter of FYE 2018	1,608,013	1.9%	212,125	1.7%	212,726	(6.6)%	85,005	(48.1)%

Note: Comprehensive income 2nd Quarter of FYE 2019: 71,073 million yen (Minus 25.1%) 2nd Quarter of FYE 2018: 94,941 million yen (Minus 21.6%)

Note: Certain presentation methods used in FYE 2018 have been changed from FYE 2019. The changed methods are retrospectively applied to the amounts in FYE 2018 to conform FYE 2019 presentation.

	Net income per share, basic (Yen)	Net income per share, diluted (Yen)
2nd Quarter of FYE 2019	57.79	-
2nd Quarter of FYE 2018	110.87	-

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

	Total assets	Net assets	Shareholders' equity to total assets (%)
2nd Quarter of FYE 2019	2,935,070	1,577,005	53.5%
FYE 2018	2,866,474	1,561,023	54.2%

Reference: Shareholders' equity As of September 30, 2018: 1,569,516 million yen As of March 31, 2018: 1,552,844 million yen

Note: Certain presentation methods used in FYE 2018 have been changed from FYE 2019. The changed methods are retrospectively applied to the amounts in FYE 2018 to conform FYE 2019 presentation.

2. Dividends

	Cash dividends per share (yen)				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual
FYE 2018	-	72.00	-	72.00	144.00
FYE 2019	-	72.00			
FYE 2019 (Forecast)			-	72.00	144.00

Note: Revision of the forecasts in the first quarter of the fiscal year ending March 31, 2019: No

3. Projection of Consolidated Results for FYE 2019 (April 1, 2018 to March 31, 2019)

(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	3,210,000	(0.7)%	220,000	(42.0)%	229,000	(39.7)%	167,000	(24.2)%	217.80	

Note: Revision of the forecasts at the timing of announcement of the results of first quarter of the fiscal year ending March 31, 2019: Yes

Regarding the revision of the Projection of Consolidated Results, please refer to "Revision of Performance Projection for the Fiscal Year Ending March 2019" announced today (November 5, 2018).

4. Others

(1) Changes of significant subsidiaries in the second quarter of FYE 2019 : No

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

Note: The details please refer to "Quarterly Consolidated Financial Statements (4) Note to Quarterly Consolidated Financial Statements (Application of Specific Accounting for Preparing the Quarterly Consolidated Financial Statements)" on page 7.

(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 : Yes

[3] Changes of estimation due to accounting issues : Yes

[4] Restatements : No

Note: The details please refer to "Quarterly Consolidated Financial Statements (4) Note to Quarterly Consolidated Financial Statements (Changes in accounting policies) on page 7.

(4) Number of outstanding shares (Common Stock)

[1] Number of outstanding shares (including treasury stock) As of September 30, 2018: 769,175,873 shares As of March 31, 2018: 769,175,873 shares

[2] Number of treasury stock As of September 30, 2018: 2,414,091 shares As of March 31, 2018: 2,455,039 shares

[3] Average number of shares (for six-month period) 2nd Quarter of FYE 2019: 766,737,828 shares 2nd Quarter of FYE 2018: 766,696,067 shares

*The status of the implementation of the quarterly review

This quarterly earnings report is not subject to quarterly review based upon the Financial Instruments and Exchange Act.

*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.

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Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Unit: Millions of yen)

	FYE 2018 (as of March 31, 2018)	2nd Quarter of FYE 2019 (as of September 30, 2018)
ASSETS		
I Current assets		
Cash and deposits	765,397	785,214
Notes and accounts receivable-trade	155,247	151,495
Lease investment assets	17,120	15,896
Short-term investment securities	242,573	146,250
Merchandise and finished goods	202,435	255,002
Work in process	52,307	71,344
Raw materials and supplies	42,448	57,722
Short-term loans receivable	185,364	185,559
Other	107,893	112,882
Allowance for doubtful accounts	(340)	(365)
Total current assets	1,770,444	1,780,999
II Noncurrent assets		
1. Property, plant and equipment		
Buildings and structures, net	207,133	212,656
Machinery, equipment and vehicles, net	169,814	197,857
Land	184,339	183,304
Vehicles and equipment on operating leases, net	18,638	33,600
Construction in progress	55,908	29,128
Other, net	67,276	80,640
Total property, plant and equipment	703,108	737,185
2. Intangible assets		
Other	28,293	27,759
Total intangible assets	28,293	27,759
3. Investments and other assets		
Investment securities	113,465	121,449
Net defined benefit asset	82	108
Deferred tax assets	139,171	138,800
Other	115,273	132,099
Allowance for doubtful accounts	(3,362)	(3,329)
Total investments and other assets	364,629	389,127
Total noncurrent assets	1,096,030	1,154,071
Total assets	2,866,474	2,935,070

(Unit: Millions of yen)

	FYE 2018 (as of March 31, 2018)	2nd Quarter of FYE 2019 (as of September 30, 2018)
LIABILITIES		
I Current liabilities		
Notes and accounts payable-trade	320,137	335,936
Electronically recorded obligations-operating	64,863	63,643
Short-term loans payable	22,082	5,025
Current portion of long-term loans payable	42,982	15,566
Income taxes payable	45,372	13,031
Accrued expenses	255,914	300,400
Provision for bonuses	24,131	24,328
Provision for product warranties	34,743	40,139
Provision for loss on construction contracts	160	87
Provision for loss on business liquidation	3,098	2,984
Provision for loss related to airbags	64,711	64,711
Other	172,813	201,048
Total current liabilities	1,051,006	1,066,898
II Noncurrent liabilities		
Long-term loans payable	21,138	29,198
Deferred tax liabilities	2,466	2,822
Provision for product warranties	35,801	36,854
Provision for directors' retirement benefits	447	445
Net defined benefit liability	19,337	21,277
Other	175,256	200,571
Total noncurrent liabilities	254,445	291,167
Total liabilities	1,305,451	1,358,065
NET ASSETS		
I Shareholders' equity		
Capital stock	153,795	153,795
Capital surplus	160,197	160,192
Retained earnings	1,283,539	1,272,619
Treasury stock	(7,054)	(6,908)
Total shareholders' equity	1,590,477	1,579,698
II Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,038	5,901
Foreign currency translation adjustment	(36,193)	(8,787)
Remeasurements of defined benefit plans	(10,136)	(9,068)
Remeasurements of other postretirement benefits of foreign consolidated subsidiaries	1,658	1,772
Total accumulated other comprehensive income	(37,633)	(10,182)
Non-controlling interests	8,179	7,489
Total net assets	1,561,023	1,577,005
Total liabilities and net assets	2,866,474	2,935,070

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

(Unit: Millions of yen)

	FYE 2018 (April 1, 2017 to September 30, 2017)	FYE 2019 (April 1, 2018 to September 30, 2018)
I Net sales	1,608,013	1,486,810
II Cost of sales	1,192,083	1,228,118
Gross profit	415,930	258,692
III Selling, general and administrative expenses	203,805	203,652
Operating income	212,125	55,040
IV Non-operating income		
Interest income	2,692	5,562
Dividends income	522	400
Equity in earnings of affiliates	399	-
Foreign exchange gains	5,751	10,255
Other	1,520	2,560
Total non-operating income	10,884	18,777
V Non-operating expenses		
Interest expenses	791	386
Share of loss of entities accounted for using equity method	-	178
Loss on valuation of derivatives	7,748	11,017
Other	1,744	2,226
Total non-operating expenses	10,283	13,807
Ordinary income	212,726	60,010
VI Extraordinary income		
Gain on sales of noncurrent assets	155	1,048
Gain on sales of investment securities	630	3,571
Other	17	1,695
Total extraordinary income	802	6,314
VII Extraordinary loss		
Loss on sales and retirement of noncurrent assets	2,899	2,471
Loss related to airbags	81,261	-
Other	884	856
Total extraordinary losses	85,044	3,327
Income before income taxes	128,484	62,997
Total Income taxes	43,043	19,220
Net income	85,441	43,777
Net income (loss) attributable to non-controlling interests	436	(535)
Net income attributable to owners of parent	85,005	44,312

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

(Unit: Millions of yen)

	FYE 2018 (April 1, 2017 to September 30, 2017)	FYE 2019 (April 1, 2018 to September 30, 2018)
Net income	85,441	43,777
Other comprehensive income		
Valuation difference on available-for-sale securities	2,000	(1,137)
Foreign currency translation adjustment	5,884	27,391
Remeasurements of defined benefit plans	1,252	1,068
Remeasurements of other postretirement benefits of foreign consolidated subsidiaries	(9)	114
Share of other comprehensive income (loss) of associates accounted for using equity method	373	(140)
Total other comprehensive income	9,500	27,296
Comprehensive income	94,941	71,073
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	94,284	71,763
Comprehensive income (loss) attributable to non-controlling interests	657	(690)

(3) Quarterly Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	FYE 2018 (April 1, 2017 to September 30,2017)	FYE 2019 (April 1, 2018 to September 30,2018)
I Net cash provided by (used in) operating activities		
Income (loss) before income taxes	128,484	62,997
Depreciation and amortization	48,555	51,401
Increase (decrease) in allowance for doubtful accounts	(178)	(8)
Increase (decrease) in provision for loss related to airbags	81,261	-
Interest and dividends income	(3,214)	(5,962)
Interest expenses	791	386
Loss (gain) on sales and retirement of non-current assets	2,744	1,423
Loss (gain) on sales and valuation of investment securities	(535)	(3,343)
Decrease (increase) in operating loans receivable	(3,164)	(654)
Decrease (increase) in notes and accounts receivable-trade	4,034	4,400
Decrease (increase) in inventories	(8,869)	(74,195)
Increase (decrease) in notes and accounts payable-trade	(54,292)	10,005
Increase (decrease) in accrued expenses	(409)	37,932
Other, net	37,413	24,851
Subtotal	232,621	109,233
Interest and dividends income received	3,564	6,192
Interest expenses paid	(862)	(455)
Income taxes paid	(27,501)	(50,295)
Net cash provided by (used in) operating activities	207,822	64,675
II Net cash provided by (used in) investing activities		
Net decrease (increase) in time deposits	(14,001)	4,094
Purchase of short-term investment securities	(67,856)	(56,909)
Proceeds from sales of short-term investment securities	71,597	54,790
Purchase of non-current assets	(76,586)	(79,555)
Proceeds from sales of non-current assets	627	3,799
Purchase of investment securities	(28,142)	(30,135)
Proceeds from sales and redemption of investment securities	16,359	22,597
Payments of loans receivable	(62,495)	(58,318)
Collection of loans receivable	60,278	60,669
Other, net	(1,213)	(1,016)
Net cash provided by (used in) investing activities	(101,432)	(79,984)
III Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(8,422)	(16,913)
Proceeds from long-term loans payable	3,400	10,400
Repayments of long-term loans payable	(42,572)	(29,758)
Cash dividends paid	(55,154)	(55,189)
Other, net	(579)	(863)
Net cash provided by (used in) financing activities	(103,327)	(92,323)
IV Effect of exchange rate change on cash and cash equivalents	2,708	28,252
V Net increase (decrease) in cash and cash equivalents	5,771	(79,380)
VI Cash and cash equivalents at beginning of period	728,616	765,591
VII 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	-
VIII Cash and cash equivalents at end of period	737,543	686,211

(4) Note to Quarterly Consolidated Financial Statements

(Notes on Premise of Going Concern)

FYE 2019 (April 1, 2018 to September 30, 2018)

Not Applicable

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

FYE 2019 (April 1, 2018 to September 30, 2018)

Not Applicable

(Significant changes in the Scope of Consolidation or Equity Method)

FYE 2019 (April 1, 2018 to September 30, 2018)

Significant changes in the scope of equity method

Newly established SUBARU-SBI Innovation Fund is included in the scope of the equity method from the second quarter consolidated accounting period ended September 30, 2018.

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

FYE 2019 (April 1, 2018 to September 30, 2018)

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".

(Changes in Accounting policies)

(Changes in accounting method for sales)

FYE 2019 (April 1, 2018 to September 30, 2018)

The Group previously recorded sales incentives as selling, general and administrative expenses. From the first quarter of FYE 2019, the group has changed the method to deduct from sales.

In the business environment surrounding the Group, as sales incentives tend to increase constantly, we reexamined the actual circumstances of the transactions. Sales incentives are taken into consideration when the terms of the transactions are decided and are considered as a part of selling price practically. In addition, the Group has improved business management system such as business process and system structure. It is so judged that the method of deducting sales incentives from sales is more appropriate under the circumstances.

The Group applied the changes in the accounting policy retrospectively, and reclassified in the consolidated financial statements of the previous fiscal year to reflect the changes. As a result, net sales and selling, general and administrative expenses in the consolidated statement of income for the second quarter of the previous fiscal year decreased by 78,296 million yen, respectively, compared to the amounts before the retroactive application. There is no effect on operating income, ordinary income and income before income taxes by the changes.

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

(Changes in depreciation method for tangible fixed assets)

FYE 2019 (April 1, 2018 to September 30, 2018)

The Company and its major domestic consolidated subsidiaries changed depreciation method of certain tangible fixed assets from the declining-balance method to the straight-line method from the first quarter of FYE 2019.

In recent years, with the expansion of the product lineup, shorter intervals of full model changes and acceleration of new products to the market, there is a tendency of less fluctuation in the number of units sold after the launch. In addition, it is expected that sharing production facilities among different models makes

utilization stable over the useful life in the future. It is so judged that the equalized allocation of depreciation expenses of the tangible fixed assets over the useful life reflects the actual usage of tangible fixed assets.

As a result, compared with the previous method, operating income increased by 5,838 million yen, and ordinary income and income before income taxes increased respectively by 5,913 million yen.

(Additional Information)

FYE 2019 (April 1, 2018 to September 30, 2018)

“Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, revised on February 16, 2018) has been applied from the first quarter of FYE 2019. Deferred tax assets are presented in the “Investment and other assets”, and Deferred tax liabilities are presented in the “Non-current liabilities” on the consolidated balance sheets.

(Notes on Quarterly Consolidated Statements of Income)

Detail of extraordinary losses is as follows:

FYE 2018 (April 1, 2017 to September 30, 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

FYE 2018 (April 1, 2017 to September 30, 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	1,521,733	68,009	1,589,742	18,271	1,608,013	-	1,608,013
(2) Inter-segment	1,548	-	1,548	9,839	11,387	(11,387)	-
Total sales	1,523,281	68,009	1,591,290	28,110	1,619,400	(11,387)	1,608,013
Segment income	205,283	4,174	209,457	2,364	211,821	304	212,125

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. Segment income is adjusted on operating income of the quarterly consolidated statements of income.

FYE 2019 (April 1, 2018 to September 30, 2018)

(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	1,416,406	63,046	1,479,452	7,358	1,486,810	-	1,486,810
(2) Inter-segment	1,504	798	2,302	11,616	13,918	(13,918)	-
Total sales	1,417,910	63,844	1,481,754	18,974	1,500,728	(13,918)	1,486,810
Segment income	49,991	2,982	52,973	1,752	54,725	315	55,040

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. Segment income is adjusted on operating income of the quarterly consolidated statements of income.

2. Changes in Segment reported

(Changes in accounting method for sales)

As described in "(Changes in Accounting policies)", changes in accounting method for sales are retrospectively applied. As a result, sales of "Automobiles" decreased by 78,296 million yen in the second quarter of FYE 2018.

(Changes in depreciation method for tangible fixed assets)

As described in "(Changes in Accounting policies)", the Company and its major consolidated subsidiaries changed the depreciation method for tangible fixed assets. Segment income of "Automobiles" increased by 5,301 million yen, "Aerospace" increased by 482 million yen and "Other" increased by 55 million yen respectively in the second quarter of FYE 2019.

(Significant Subsequent Event)

Not Applicable

< Reference for the First Half of FYE2019 Consolidated Financial Results >

(¥en in 100 Millions, Units in Thousands)

	FYE2018 * 1st Half (2017 4-9) RESULTS		FYE2019 1st Half (2018 4-9) RESULTS			FYE2018 * Full Year ('17.4 - '18.3) RESULTS		FYE2019 Full Year ('18.4 - '19.3) FORECASTS			FYE2019 Full Year ('18.4 - '19.3) PREVIOUS FORECASTS			
		Originally-reported		Change	%	Originally-reported		Change	%					
Net sales	16,080	16,863	14,868	(1,212)	(7.5)	32,327	34,052	32,100	(227)	(0.7)	32,500			
	Japan	3,283	3,286	2,874	(408)	(12.4)	6,680	6,686	6,173	(507)	(7.6)	6,086		
	Overseas	12,797	13,577	11,994	(804)	(6.3)	25,647	27,367	25,927	280	1.1	26,415		
Operating income	2,121		550	(1,571)	(74.1)	3,794		2,200	(1,594)	(42.0)	3,000			
	Profit margin (%)	13.2	12.6	3.7		11.7	11.1	6.9			9.2			
Ordinary income	2,127		600	(1,527)	(71.8)	3,799		2,290	(1,509)	(39.7)	3,050			
	Profit margin (%)	13.2	12.6	4.0		11.8	11.2	7.1			9.4			
Net income attributable to owners of parent	850		443	(407)	(47.9)	2,204		1,670	(534)	(24.2)	2,200			
	Profit margin (%)	5.3	5.0	3.0		6.8	6.5	5.2			6.8			
Factors contributing to change in operating income			Decrease in R&D exp	65				Decrease in R&D exp	132					
Increase in SG&A exp, etc.			(913)		Cost reduction effort, etc.			16						
Deterioration in model mix, etc.			(629)		Increase in SG&A exp, etc.			(907)						
Loss on currency exchange			(76)		Deterioration in model mix, etc.			(689)						
Increase in raw material costs, etc.			(18)		Loss on currency exchange			(146)						
Exchange rates	JPY/US\$	111/US\$	109/US\$			111/US\$		110/US\$			105/US\$			
	JPY/EUR	125/EUR	131/EUR			130/EUR		130/EUR			130/EUR			
Capital expenditures	545		591			1,414		1,300			1,300			
Depreciation and amortization	421		473			898		930			930			
R&D expenses	609		545			1,211		1,080			1,200			
Interest bearing debts	976		498			862		500			800			
Performance description *			- First decrease in net sales and operating income in 2 years					- First decrease in net sales in 7 years						
- Decrease in ordinary income and net income for 3 consecutive years			- Decrease in all profits for 3 consecutive years											
Consolidated unit sales	82		65	(17)	(21.1)	163					151			
<Japan>	Passenger Cars	67		52	(15)	(22.1)	133					123		
	Minicars	15		13	(2)	(16.4)	31					28		
Consolidated unit sales	449		417	(32)	(7.1)	903					950			
<Overseas>	North America	364		334	(30)	(8.2)	728					768		
	Europe	21		26	4	20.1	48					44		
	China	14		9	(5)	(33.5)	27					30		
	Other	50		48	(2)	(3.2)	101					107		
Consolidated unit sales total	531		482	(49)	(9.3)	1,067					1,041	(26)	(2.4)	1,100
Production units total	525		492	(34)	(6.4)	1,050					1,036	(14)	(1.3)	1,056
	Japan	346		319	(27)	(7.9)	701		656	(45)	(6.4)	672		
	U.S.	179		173	(6)	(3.6)	349		380	31	8.9	384		
Net sales by business segment	Automobile	15,217	16,000	14,164	(1,053)	(6.9)	30,623	32,349						
	Aerospace	680		630	(50)	(7.3)	1,422							
	Other	183		74	(109)	(59.7)	282							
Operating income by business segment	Automobile	2,053		500	(1,553)	(75.6)	3,615							
	Aerospace	42		30	(12)	(28.6)	123							
	Other	24		18	(6)	(25.9)	51							
	Elimination & Corporate	3		3	0	3.6	7							

* With effect from FYE2019, the Company has changed its accounting policies. In the new method, sales incentives are deducted from net sales, whereas they were previously recognized as SG&A expenses. For comparison purposes, net sales and SG&A expenses of the previous year have been recalculated. The recalculated figures are stated along with the originally-announced figures. There is no impact of the recalculation on the previous-year profit figures. Performance description notes for the current year are stated in comparison with the recalculated figures of the previous year results.

- "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 Sul Corporation to non-consolidated distributors/dealer.

- 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 & uncertainties that could cause actual results to vary materially. >

Subaru Corporation Announces Consolidated Financial Results for the First Half of FYE2019

Tokyo, November 5, 2018 – Subaru Corporation today announced its consolidated financial results for the first half of fiscal year ending March 31, 2019.

< Results for April-September 2018: Consolidated Net Sales >

Consolidated global sales of Subaru vehicles decreased 9.3% to 482,000 units. Despite strong sales of the fully-redesigned Forester launched in July 2018, unit sales in Japan decreased 21.1% to 65,000 units, as sales of Impreza and Subaru XV models declined compared to their prior year sales which were driven by the launch of their fully-redesigned versions. Despite strong demand for the all-new Ascent launched in North America, overseas unit sales fell 7.1% to 417,000 units, as deliveries of the Forester decreased before the launch of its fully-redesigned version and deliveries to the U.S. and other markets were adjusted to optimize local inventory levels. Net sales declined 7.5% to 1,486.8 billion yen.*¹

On retail sales, Subaru sales in its largest North American market kept strong momentum led by the all-new Ascent and the Crosstrek (Subaru XV), marking the 7th consecutive year of record sales for the April-September period.

< Results for April-September 2018: Consolidated Profit and Loss >

Operating income declined 74.1% to 55 billion yen because of factors including an increase in quality-related expenses due to a large-scale recall and decreased deliveries of the Forester before the launch of its fully-redesigned version. Ordinary income decreased 71.8% to 60.0 billion yen. Net income attributable to owners of parent fell 47.9% to 44.3 billion yen.

< Forecasts for FYE2019 >

Full-year forecasts for FYE2019 are revised from the previous announcement made on August 6, 2018, to reflect factors including a decrease in consolidated unit sales and an increase in quality-related expenses.

Revised forecasts: Consolidated unit sales of 1,041,000 vehicles, net sales of 3,210 billion yen, operating income of 220 billion yen, ordinary income of 229 billion yen, net income attributable to owners of parent of 167 billion yen.

Currency rate assumptions: 110 yen/US\$, 130 yen/euro

Previous Forecasts for FYE2019 (Announced on August 6, 2018)

Consolidated unit sales: 1,100,000 vehicles

Net sales: 3,250 billion yen

Operating income: 300 billion yen

Ordinary income: 305 billion yen

Net income attributable to owners of parent: 220 billion yen

Currency rate assumptions: 105 yen/US\$, 130 yen/euro

*1: With effect from this fiscal year (FYE2019), the Company has changed its accounting policies. In the new method, sales incentives are deducted from net sales, whereas they were previously recognized as SG&A expenses.

For comparison purposes, net sales and SG&A expenses of the previous fiscal year (FYE2018) have been recalculated according to the new policies. The recalculated figures of net sales and SG&A expenses for the first half of FYE2018 are 1,608 billion yen and 203.8 billion yen, respectively, a decrease of 78.3 billion yen each from the originally-reported figures (announced on November 6, 2017). There is no impact of the recalculation on profit figures of the previous fiscal year.

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