

Consolidated Financial Results

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



February 7, 2019

Company Name : **SUBARU CORPORATION.** (Tokyo Stock Exchange First Section, Code No.7270)
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 Scheduled date of submitting Quarterly Report : February 14, 2019
 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 3rd Quarter of FYE 2019 (April 1, 2018 to December 31, 2018)

(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 FYE 2019 | 2,377,413 | (2.5)% | 153,669 | (49.8)% | 157,042 | (48.2)% | 118,220 | (22.7)% |
| 3rd Quarter of FYE 2018 | 2,437,749 | 0.4% | 306,305 | (0.1)% | 303,116 | 2.0% | 152,843 | (26.3)% |

Note: Comprehensive income 3rd Quarter of FYE 2019: 129,340 million yen (Minus 21.9%) 3rd Quarter of FYE 2018: 165,653 million yen (Minus 23.9%)

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) |
|-------------------------|-----------------------------------|-------------------------------------|
| 3rd Quarter of FYE 2019 | 154.18 | - |
| 3rd Quarter of FYE 2018 | 199.35 | - |

(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 FYE 2019 | 2,870,071 | 1,580,034 | 54.8% |
| FYE 2018 | 2,866,474 | 1,561,023 | 54.2% |

Reference: Shareholders' equity As of December 31, 2018: 1,573,157 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 the parent | Net income per share, basic(Yen) |
|-----------|------------------|------------------|-----------------|---|----------------------------------|
| Full year | 3,120,000 (3.5)% | 185,000 (51.2)% | 193,000 (49.2)% | 140,000 (36.5)% | 182.59 |

Note: Revision of the forecasts at the timing of announcement of the results of second 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 (February 7, 2019).

4. Others

(1) Changes of significant subsidiaries in the third 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 December 31, 2018: 769,175,873 shares As of March 31, 2018: 769,175,873 shares

[2] Number of treasury stock As of December 31, 2018: 2,414,549 shares As of March 31, 2018: 2,455,039 shares

[3] Average number of shares (for six-month period) 3rd Quarter of FYE 2019: 766,744,930 shares 3rd Quarter of FYE 2018: 766,703,806 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) | 3rd Quarter of FYE 2019 (as of December 31, 2018) |
|---|------------------------------------|--|
| ASSETS | | |
| I Current assets | | |
| Cash and deposits | 765,397 | 766,327 |
| Notes and accounts receivable-trade | 155,247 | 136,512 |
| Lease investment assets | 17,120 | 14,236 |
| Short-term investment securities | 242,573 | 106,258 |
| Merchandise and finished goods | 202,435 | 252,238 |
| Work in process | 52,307 | 75,039 |
| Raw materials and supplies | 42,448 | 60,957 |
| Short-term loans receivable | 185,364 | 194,868 |
| Other | 107,893 | 131,804 |
| Allowance for doubtful accounts | (340) | (346) |
| Total current assets | 1,770,444 | 1,737,893 |
| II Noncurrent assets | | |
| 1. Property, plant and equipment | | |
| Buildings and structures, net | 207,133 | 216,837 |
| Machinery, equipment and vehicles, net | 169,814 | 194,327 |
| Land | 184,339 | 186,037 |
| Vehicles and equipment on operating leases, net | 18,638 | 15,737 |
| Construction in progress | 55,908 | 27,022 |
| Other, net | 67,276 | 75,132 |
| Total property, plant and equipment | 703,108 | 715,092 |
| 2. Intangible assets | | |
| Other | 28,293 | 30,712 |
| Total intangible assets | 28,293 | 30,712 |
| 3. Investments and other assets | | |
| Investment securities | 113,465 | 117,024 |
| Net defined benefit asset | 82 | 1,654 |
| Deferred tax assets | 139,171 | 138,756 |
| Other | 115,273 | 132,283 |
| Allowance for doubtful accounts | (3,362) | (3,343) |
| Total investments and other assets | 364,629 | 386,374 |
| Total noncurrent assets | 1,096,030 | 1,132,178 |
| Total assets | 2,866,474 | 2,870,071 |

(Unit: Millions of yen)

| | FYE 2018 (as of March 31, 2018) | 3rd Quarter of FYE 2019 (as of December 31, 2018) |
|--|------------------------------------|--|
| LIABILITIES | | |
| I Current liabilities | | |
| Notes and accounts payable-trade | 320,137 | 309,616 |
| Electronically recorded obligations-operating | 64,863 | 75,515 |
| Short-term loans payable | 22,082 | 4,686 |
| Current portion of long-term loans payable | 42,982 | 13,943 |
| Income taxes payable | 45,372 | 3,319 |
| Accrued expenses | 255,914 | 338,862 |
| Provision for bonuses | 24,131 | 12,231 |
| Provision for product warranties | 34,743 | 40,578 |
| Provision for loss on construction contracts | 160 | 339 |
| Provision for loss on business liquidation | 3,098 | 2,768 |
| Provision for loss related to airbags | 64,711 | 21,626 |
| Other | 172,813 | 173,104 |
| Total current liabilities | 1,051,006 | 996,587 |
| II Noncurrent liabilities | | |
| Long-term loans payable | 21,138 | 33,406 |
| Deferred tax liabilities | 2,466 | 4,162 |
| Provision for product warranties | 35,801 | 36,081 |
| Provision for directors' retirement benefits | 447 | 482 |
| Net defined benefit liability | 19,337 | 21,200 |
| Other | 175,256 | 198,119 |
| Total noncurrent liabilities | 254,445 | 293,450 |
| Total liabilities | 1,305,451 | 1,290,037 |
| NET ASSETS | | |
| I Shareholders' equity | | |
| Capital stock | 153,795 | 153,795 |
| Capital surplus | 160,197 | 160,192 |
| Retained earnings | 1,283,539 | 1,291,291 |
| Treasury stock | (7,054) | (6,910) |
| Total shareholders' equity | 1,590,477 | 1,598,368 |
| II Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 7,038 | 3,098 |
| Foreign currency translation adjustment | (36,193) | (21,504) |
| Remeasurements of defined benefit plans | (10,136) | (8,535) |
| Remeasurements of other postretirement benefits of foreign consolidated subsidiaries | 1,658 | 1,730 |
| Total accumulated other comprehensive income | (37,633) | (25,211) |
| Non-controlling interests | 8,179 | 6,877 |
| Total net assets | 1,561,023 | 1,580,034 |
| Total liabilities and net assets | 2,866,474 | 2,870,071 |

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

(Unit: Millions of yen)

| | FYE 2018 (April 1, 2017 to December 31, 2017) | FYE 2019 (April 1, 2018 to December 31, 2018) |
|---|---|---|
| I Net sales | 2,437,749 | 2,377,413 |
| II Cost of sales | 1,825,924 | 1,919,734 |
| Gross profit | 611,825 | 457,679 |
| III Selling, general and administrative expenses | 305,520 | 304,010 |
| Operating income | 306,305 | 153,669 |
| IV Non-operating income | | |
| Interest income | 4,380 | 8,845 |
| Dividends income | 934 | 757 |
| Equity in earnings of affiliates | 35 | 142 |
| Foreign exchange gains | 2,238 | - |
| Other | 1,937 | 3,329 |
| Total non-operating income | 9,524 | 13,073 |
| V Non-operating expenses | | |
| Interest expenses | 1,093 | 544 |
| Foreign exchange losses | - | 4,277 |
| Loss on valuation of derivatives | 4,869 | 1,555 |
| Loss on taxation of overseas subsidiary | 3,708 | - |
| Other | 3,043 | 3,324 |
| Total non-operating expenses | 12,713 | 9,700 |
| Ordinary income | 303,116 | 157,042 |
| VI Extraordinary income | | |
| Gain on sales of noncurrent assets | 343 | 1,150 |
| Gain on sales of investment securities | 726 | 3,597 |
| Other | 203 | 1,749 |
| Total extraordinary income | 1,272 | 6,496 |
| VII Extraordinary loss | | |
| Loss on sales and retirement of noncurrent assets | 4,226 | 4,052 |
| Loss related to airbags | 81,261 | - |
| Other | 1,258 | 1,469 |
| Total extraordinary losses | 86,745 | 5,521 |
| Income before income taxes | 217,643 | 158,017 |
| Total Income taxes | 64,125 | 40,826 |
| Net income | 153,518 | 117,191 |
| Net income (loss) attributable to non-controlling interests | 675 | (1,029) |
| Net income attributable to owners of parent | 152,843 | 118,220 |

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

(Unit: Millions of yen)

| | FYE 2018 (April 1, 2017 to December 31, 2017) | FYE 2019 (April 1, 2018 to December 31, 2018) |
|---|---|---|
| Net income | 153,518 | 117,191 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 2,988 | (3,940) |
| Foreign currency translation adjustment | 7,284 | 14,685 |
| Remeasurements of defined benefit plans | 1,877 | 1,601 |
| Remeasurements of other postretirement benefits of foreign consolidated subsidiaries | (15) | 72 |
| Share of other comprehensive income (loss) of associates accounted for using equity method | 1 | (269) |
| Total other comprehensive income | 12,135 | 12,149 |
| Comprehensive income | 165,653 | 129,340 |
| Comprehensive income (loss) attributable to: | | |
| Owners of the parent | 164,641 | 130,642 |
| Non-controlling interests | 1,012 | (1,302) |

(3) Quarterly Consolidated Statements of Cash Flows

(Unit: Millions of yen)

| | FYE 2018 (April 1, 2017 to December 31,2017) | FYE 2019 (April 1, 2018 to December 31,2018) |
|---|--|--|
| I Net cash provided by (used in) operating activities | | |
| Income (loss) before income taxes | 217,643 | 158,017 |
| Depreciation and amortization | 74,846 | 78,401 |
| Increase (decrease) in allowance for doubtful accounts | (148) | (13) |
| Increase (decrease) in provision for loss related to airbags | 68,600 | (43,085) |
| Interest and dividends income | (5,314) | (9,602) |
| Interest expenses | 1,093 | 544 |
| Loss (gain) on sales and retirement of non-current assets | 3,883 | 2,902 |
| Loss (gain) on sales and valuation of investment securities | (260) | (3,270) |
| Decrease (increase) in operating loans receivable | (6,465) | (4,734) |
| Decrease (increase) in notes and accounts receivable-trade | 9,625 | 18,306 |
| Decrease (increase) in inventories | (23,062) | (85,981) |
| Increase (decrease) in notes and accounts payable-trade | (68,079) | (2,417) |
| Increase (decrease) in accrued expenses | 30,592 | 78,818 |
| Other, net | 22,369 | 10,715 |
| Subtotal | 325,323 | 198,601 |
| Interest and dividends income received | 5,583 | 9,753 |
| Interest expenses paid | (1,203) | (551) |
| Income taxes paid | (75,090) | (95,496) |
| Net cash provided by (used in) operating activities | 254,613 | 112,307 |
| II Net cash provided by (used in) investing activities | | |
| Net decrease (increase) in time deposits | (36,545) | 4,067 |
| Purchase of short-term investment securities | (96,698) | (87,241) |
| Proceeds from sales of short-term investment securities | 122,984 | 95,317 |
| Purchase of non-current assets | (100,962) | (113,115) |
| Proceeds from sales of non-current assets | 2,521 | 5,728 |
| Purchase of investment securities | (43,823) | (40,142) |
| Proceeds from sales and redemption of investment securities | 26,002 | 27,981 |
| Payments of loans receivable | (94,024) | (98,733) |
| Collection of loans receivable | 90,536 | 95,573 |
| Other, net | (1,974) | (2,318) |
| Net cash provided by (used in) investing activities | (131,983) | (112,883) |
| III Net cash provided by (used in) financing activities | | |
| Net increase (decrease) in short-term loans payable | (13,847) | (17,130) |
| Proceeds from long-term loans payable | 3,400 | 17,100 |
| Repayments of long-term loans payable | (43,493) | (33,877) |
| Cash dividends paid | (110,140) | (110,105) |
| Other, net | (929) | (1,395) |
| Net cash provided by (used in) financing activities | (165,009) | (145,407) |
| IV Effect of exchange rate change on cash and cash equivalents | 3,367 | 16,827 |
| V Net increase (decrease) in cash and cash equivalents | (39,012) | (129,156) |
| 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 | 692,760 | 636,435 |

(4) Note to Quarterly Consolidated Financial Statements

(Notes on Premise of Going Concern)

FYE 2019 (April 1, 2018 to December 31, 2018)

Not Applicable

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

FYE 2019 (April 1, 2018 to December 31, 2018)

Not Applicable

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

FYE 2019 (April 1, 2018 to December 31, 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 December 31, 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 December 31, 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 third quarter of the previous fiscal year decreased by 126,887 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 December 31, 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 9,252 million yen, and ordinary income and income before income taxes increased respectively by 9,364 million yen.

(Additional Information)

FYE 2019 (April 1, 2018 to December 31, 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 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

FYE 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 | 2,307,041 | 106,688 | 2,413,729 | 24,020 | 2,437,749 | - | 2,437,749 |
| (2) Inter-segment | 2,266 | 5 | 2,271 | 16,233 | 18,504 | (18,504) | - |
| Total sales | 2,309,307 | 106,693 | 2,416,000 | 40,253 | 2,456,253 | (18,504) | 2,437,749 |
| Segment 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. Segment income is adjusted on operating income of the quarterly consolidated statements of income.

FYE 2019 (April 1, 2018 to December 31, 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 | 2,271,927 | 94,343 | 2,366,270 | 11,143 | 2,377,413 | - | 2,377,413 |
| (2) Inter-segment | 2,269 | 800 | 3,069 | 18,591 | 21,660 | (21,660) | - |
| Total sales | 2,274,196 | 95,143 | 2,369,339 | 29,734 | 2,399,073 | (21,660) | 2,377,413 |
| Segment income | 145,420 | 4,865 | 150,285 | 2,900 | 153,185 | 484 | 153,669 |

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 126,887 million yen in the third 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 8,410 million yen, "Aerospace" increased by 758 million yen and "Other" increased by 84 million yen respectively in the third quarter of FYE 2019.

(Significant Subsequent Event)

Due to defective parts of the electric power steering devices used for Forester, Impreza, and SUBARU XV (called "Crosstrek" in the North American market), we had suspended production and shipment of vehicles at our Gunma Manufacturing Plant (Main Plant/Yajima Plant) from January 16, 2019, and resumed from January 28, 2019. Although production and shipment of vehicles have been resumed, we expect decline in unit sales in the future due to reduction in the production. We are currently assessing the effect of it.

< Reference for the First Nine Months of FYE2019 Consolidated Financial Results >

(Yen in 100 Millions, Units in Thousands)

| | FYE2018 * First 9 Months (2017 4-12) | | FYE2019 First 9 Months (2018 4-12) | | | FYE2018 * Full Year ('17.4 - '18.3) | | FYE2019 Full Year ('18.4 - '19.3) | | | FYE2019 Full Year ('18.4 - '19.3) | | | | |
|---|--|---------------------|---|---------|---|---|--|---|---------|--------|---|-----|------|-------|-------|
| | RESULTS | | RESULTS | | | RESULTS | | FORECASTS | | | PREVIOUS FORECASTS | | | | |
| | | Originally-reported | | Change | % | | Originally-reported | | Change | % | | | | | |
| Net sales | 24,377 | 25,646 | 23,774 | (603) | (2.5) | 32,327 | 34,052 | 31,200 | (1,127) | (3.5) | 32,100 | | | | |
| Japan | 4,842 | 4,845 | 4,358 | (484) | (10.0) | 6,680 | 6,686 | 5,698 | (982) | (14.7) | 6,173 | | | | |
| Overseas | 19,536 | 20,801 | 19,417 | (119) | (0.6) | 25,647 | 27,367 | 25,502 | (145) | (0.6) | 25,927 | | | | |
| Operating income | 3,063 | | 1,537 | (1,526) | (49.8) | 3,794 | | 1,850 | (1,944) | (51.2) | 2,200 | | | | |
| Profit margin (%) | 12.6 | 11.9 | 6.5 | | | 11.7 | 11.1 | 5.9 | | | 6.9 | | | | |
| Ordinary income | 3,031 | | 1,570 | (1,461) | (48.2) | 3,799 | | 1,930 | (1,869) | (49.2) | 2,290 | | | | |
| Profit margin (%) | 12.4 | 11.8 | 6.6 | | | 11.8 | 11.2 | 6.2 | | | 7.1 | | | | |
| Net income attributable to owners of parent | 1,528 | | 1,182 | (346) | (22.7) | 2,204 | | 1,400 | (804) | (36.5) | 1,670 | | | | |
| Profit margin (%) | 6.3 | 6.0 | 5.0 | | | 6.8 | 6.5 | 4.5 | | | 5.2 | | | | |
| Factors contributing to change in operating income | / | | Decrease in R&D exp | 112 | | / | | Decrease in R&D exp | 152 | | / | | | | |
| Increase in SG&A exp, etc. | | | (813) | | Deterioration in sales volume/mix, etc. | | | (983) | | | | | | | |
| Deterioration in sales volume/mix, etc. | | | (664) | | Increase in SG&A exp, etc. | | | (949) | | | | | | | |
| Loss on currency exchange | | | (115) | | Increase in raw material costs, etc. | | | (91) | | | | | | | |
| Increase in raw material costs, etc. | | | (46) | | Loss on currency exchange | | | (73) | | | | | | | |
| | | | | | | | | | | | | | | | |
| Exchange rates | JPY/US\$ 112/US\$ | 111/US\$ | 111/US\$ | | | 111/US\$ | 110/US\$ | 110/US\$ | | | 110/US\$ | | | | |
| | JPY/EUR 128/EUR | 130/EUR | 130/EUR | | | 130/EUR | 129/EUR | 130/EUR | | | 130/EUR | | | | |
| Capital expenditures | 780 | | 852 | | | 1,414 | | 1,300 | | | 1,300 | | | | |
| Depreciation and amortization | 653 | | 674 | | | 898 | | 930 | | | 930 | | | | |
| R&D expenses | 889 | | 780 | | | 1,211 | | 1,060 | | | 1,080 | | | | |
| Interest bearing debts | 919 | | 520 | | | 862 | | 1,000 | | | 500 | | | | |
| Performance description * | / | | - First decrease in net sales in 7 years | / | | | - First decrease in net sales in 7 years | / | | | / | | | | |
| - Decrease in operating income and net income for 3 consecutive years | | | - Decrease in all profits for 3 consecutive years | | | | | | | | | | | | |
| - First decrease in ordinary income in 2 years | | | | | | | | | | | | | | | |
| Consolidated unit sales | 119 | | 98 | (20) | (17.1) | 163 | / | | | | | | | | |
| <Japan> | Passenger Cars | 98 | 80 | (18) | (18.2) | 133 | | | | | | | | | |
| | Minicars | 21 | 19 | (3) | (12.0) | 31 | | | | | | | | | |
| Consolidated unit sales | 683 | | 664 | (19) | (2.8) | 903 | | | | | | | | | |
| <Overseas> | North America | 554 | 543 | (10) | (1.9) | 728 | | | | | | | | | |
| | Europe | 34 | 32 | (2) | (5.1) | 48 | | | | | | | | | |
| | China | 22 | 17 | (5) | (22.6) | 27 | | | | | | | | | |
| | Other | 74 | 71 | (2) | (3.3) | 101 | | | | | | | | | |
| Consolidated unit sales total | 802 | | 762 | (40) | (5.0) | 1,067 | | | | | | 996 | (71) | (6.6) | 1,041 |
| Production units total | 793 | | 762 | (30) | (3.8) | 1,050 | | | | | | 993 | (57) | (5.4) | 1,036 |
| | Japan | 532 | 491 | (41) | (7.7) | 701 | 616 | (85) | (12.2) | 656 | | | | | |
| | U.S. | 260 | 271 | 11 | 4.1 | 349 | 377 | 29 | 8.2 | 380 | | | | | |
| Net sales by business segment | Automobile | 23,070 | 24,339 | 22,719 | (351) | (1.5) | / | | | | | | | | |
| | Aerospace | 1,067 | | 943 | (123) | (11.6) | | | | | | | | | |
| | Other | 240 | | 111 | (129) | (53.6) | | | | | | | | | |
| Operating income by business segment | Automobile | 2,903 | | 1,454 | (1,449) | (49.9) | | | | | | | | | |
| | Aerospace | 116 | | 49 | (67) | (58.0) | | | | | | | | | |
| | Other | 40 | | 29 | (11) | (26.8) | | | | | | | | | |
| | Elimination & Corporate | 5 | | 5 | 0 | 2.3 | | | | | | | | | |

* 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 and uncertainties that could cause actual results to vary materially. >

Subaru Corporation Announces Consolidated Financial Results for the Nine Months of FYE2019

Tokyo, February 7, 2019 – Subaru Corporation today announced its consolidated financial results for the first nine months of fiscal year ending March 31, 2019.

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

Consolidated global unit sales of Subaru vehicles decreased 5.0% to 762,000 units.

Unit sales in Japan decreased 17.1% to 98,000 units, as sales of Impreza, Subaru XV and Levorg declined, offsetting strong demand for the fully-redesigned Forester launched in July 2018.

In overseas markets, Subaru kept strong momentum on retail sales with growth in its largest North American market driven by the newly-introduced Ascent and the Crosstrek (“Subaru XV” outside North America). On the other hand, consolidated overseas unit sales fell 2.8% to 664,000 units, as deliveries of the Forester decreased before the launch of its fully-redesigned version and deliveries were adjusted to optimize local inventory levels mainly in the U.S. market. Consolidated net sales declined 2.5% to 2,377.4 billion yen.*¹

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

Operating income declined 49.8% to 153.7 billion yen for factors such as an increase in quality-related expenses due to recall campaigns notified in November 2018 and a decrease in consolidated unit sales. Ordinary income decreased 48.2% to 157.0 billion yen. Net income attributable to owners of parent fell 22.7% to 118.2 billion yen.

< Forecasts for FYE2019 >

Full-year forecasts for FYE2019 are revised from the previous announcement made on November 5, 2018, reflecting factors such as higher raw material costs and decreases in production output and unit sales volume as a result of production halt at the Gunma manufacturing plant due to a defect in the Electronic Power Steering control unit.

Revised forecasts: Consolidated unit sales of 996,000 vehicles, net sales of 3,120 billion yen, operating income of 185 billion yen, ordinary income of 193 billion yen, net income attributable to owners of parent of 140 billion yen.

Currency rate assumptions: 110 yen/US\$, 129 yen/euro

Previous Forecasts for FYE2019 (Announced on November 5, 2018)

Consolidated unit sales: 1,041,000 vehicles

Net sales: 3,210 billion yen

Operating income: 220 billion yen

Ordinary income: 229 billion yen

Net income attributable to owners of parent: 167 billion yen

Currency rate assumptions: 110 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 nine months of FYE2018 are 2,437.7 billion yen and 305.5 billion yen, respectively, a decrease of 126.9 billion yen each from the originally-reported figures (announced on February 8, 2018). 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.