Annual Report 2020

For the year ended March 31, 2020

Corporate Philosophy

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

Corporate Code of Conduct

SUBARU CORPORATION sets down the Corporate Code of Conduct to comply with laws and regulations and to fulfill its social responsibilities based on its corporate philosophy. We will continue to strive to become a company loved by all and contribute to making society more affluent by respecting individuals and the Corporate Code of Conduct and acting on the same sense of values.

1. We develop and provide creative products and services while paying sufficient attention to the environment and safety.
2. We respect the rights and characteristics of individuals.
3. We promote harmony with society and contribute to the prosperity of society.
4. We meet social norms and act honestly and fairly.
5. We maintain global perspective and aim to be in harmony with international society.

Management Philosophy

Aiming to be a compelling company with a strong market presence built upon its customer-first principle.

CONTENTS

Disclaimer Regarding Forward-Looking Statements

Statements herein concerning plans and strategies, expectations or projections about the future, SUBARU's efforts with regard to various management issues, and other statements, except for historical facts, are forward-looking statements. These forward-looking statements are subject to uncertainties that could cause actual results to differ materially from those anticipated. These uncertainties include, but are not limited to, general economic conditions, demand for and prices of SUBARU's products, SUBARU's ability to continue to develop and market advanced products, raw material prices, and currency exchange rates. SUBARU disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events, or otherwise.

Vision for 2025

From a company making things, to a company making people smile.

SUBARU, by no means a large automaker, is implementing a business model centered on selection and concentration of limited management resources, creating added value, and pursuing uncompromising differentiation.

Under the STEP mid-term management vision, we will swiftly, steadily, and powerfully, move forward and solidify our foundation for the sustained growth of both the automotive and aerospace businesses.

Strengthening of the management foundation

We will strengthen the management foundation by pursuing qualitative improvement in every aspect of the company, including products, services, culture, human resources, organizations, finance, and operations.

Focus business strategy to enhance strengths

Rather than pursue an omnidirectional business strategy, we have chosen to optimally focus our limited management resources on categories and markets in which we can leverage our strengths. In business development, our product focus is mainly on SUVs and sports models, and our market focus is on the United States and other developed countries in mature stages of motorization.

Achieve an industry-leading profit margin

While continuously making strategic investments for future sustained growth, we will pursue a management approach that emphasizes a high operating margin, focusing on differentiation and value-added strategies. On that basis, we will aim for steady volume growth.

Overview of the 2020 Annual Report

Our bond with SUBARU customers was built on our commitment to excellence in mono-zukuri, combined with a sense of trust and resonance. By strengthening this bond, we will further enhance the SUBARU brand and provide all stakeholders, including customers, with "Enjoyment and Peace of Mind."

The Origins of SUBARU P.8

Human-oriented mono-zukuri

Our DNA as an aircraft manufacturer

Management Philosophy

Aiming to be a compelling company with a strong market presence built upon its customer-first principle

Growth Strategy

Business Style P.4

Strengthening of the management foundation

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Mid-Term Management Vision P.17–24

Mid-Term Management Plan

STEP

Management philosophy

Aim to be a compelling company with a strong market presence built upon its customer-first principle.

Vision

From a company making things, to a company making people smile

Vision for 2025

1. Become a brand that is "different" from others by enhancing distinctiveness.
2. Engage in business activities that resonate with customers by putting them center-stage.
3. Fulfill corporate social responsibilities by contributing to diversifying social needs.

Main Business Risks P.58–60

Risks relating to fluctuations in the economic and financial environment
Economic trends, currency and financial markets

Risks relating to industry and business activities
Competitive environment, information networks, and supply chains

Risks arising from national regulations and other events affecting business activities
Climate change, natural disasters, and diseases, etc.

Business Foundation Supporting Value Creation

Quality P.55–57

Value Provided to Stakeholders

Goal

Six Priority Areas for CSR P.51–54

The SUBARU Group Six Priority Areas for CSR

Priorities specific to SUBARU

Society's expectations

- People-oriented Car Culture
- Resonance and Coexistence
- Peace of Mind
- Diversity
- Environment
- Compliance

Main Social Issues

- Human rights issues
- Aging society
- Increasing traffic accidents
- Increasing CO_2 emissions
- Resource recycling
- Responding to COVID-19

Providing "Enjoyment and Peace of Mind"

Customers | Business Partners | Employees | Shareholders, investors | Communities, society

Value Created through Our Business Activities

Contribution to the creation of a low-carbon society P.61–64
- Reduction of CO_2 emissions from factories, offices, and other facilities (Scope 1 and 2) and products

Contribution to the creation of a recycling-based society P.61–64
- Promotion of automobile recycling, 3R initiatives in factories and other facilities

Harmonious coexistence with communities P.75–76
- Environmental and social contribution activities in communities that have close links to the SUBARU Group

Value Creation through Product Supply

- Distinctive and attractive products
- Zero traffic fatalities by 2030

Products P.25–28
- Reduction of average well-to-wheel CO_2 emissions from new vehicles (in operation) by at least 90% compared to 2010 levels by 2050
- Make at least 40% of global sales of electric vehicles (EVs) and hybrid electric vehicles (HEVs) by 2030

Markets P.19–20
- 5% share of the U.S. market
- Sales of 1.3 million units in 2025

Profit Plan/Capital Policy P.19–20

(¥105/USD)

Profit Plan for FYE 2019-2021 (3 years)	
Net sales	10 trillion yen
Operating income	950 billion yen
Operating margin	9.5%
R&D expenses	400 billion yen (+18%)
Capital expenditures	450 billion yen (+3%)
Depreciation and amortization	300 billion yen (+29%)

*( ) : Percent change from previous 3-year period (FYE2016–2018)

Capital Policy		
Net cash		Two months' worth of net sales at minimum
Equity ratio		50% at minimum
ROE	Minimum	10%
	Target	15%
Shareholder returns	Yearly dividend per share	144 yen
	Share repurchases	To conduct flexibly

From a company making things, to a company making people smile

Corporate governance P.37–50
Risk management P.58–60
Compliance P.65–67
Human resources P.68–73
Human rights P.74

SUBARU's human-oriented mono-zukuri enriches the lives of our customers and contributes to society by providing "Enjoyment and Peace of Mind" to our stakeholders.

Tomomi Nakamura
Representative Director of the Board
President and CEO

Profile

Joined SUBARU in 1982. After working in Japan Sales & Marketing Division, Global Marketing Division, and other units, he served as Vice President, Senior General Manager of Strategy Development Division, and Chief General Manager of Corporate Planning Division from 2011; Senior Vice President, Chief General Manager of Overseas Sales & Marketing Division 1, and Chairman and CEO of SUBARU of America, Inc (SOA) from 2014; as well as Executive Vice President, Chief General Manager of Overseas Sales & Marketing Division 1, and Chairman and CEO of SOA from 2016. He has served as Representative Director of the Board, President and CEO since June 2018.

Under the principle of "Think independently and enjoy your work," he has led SUBARU towards the companie's vision "From a company making things, to a company making people smile."

The Origins of SUBARU

Q. What are the values that SUBARU has consistently maintained?

A. **By using the technological capabilities inherited from aircraft manufacturers, we have given top priority to safety since our founding, and have been thoroughly pursuing human-oriented mono-zukuri to respond to the wishes of the customers who use our products.**

The SUBARU Group's roots as a manufacturer are in aircraft manufacturing. Our engineers have always been inspired with a strong determination to ensure the safety of pilots and have worked with pilots to achieve the best possible combination of safety and performance. The starting point for everything that SUBARU does is human-oriented manufacturing, which we define as a consideration for the physical and mental wellbeing of everyone who operates our products. This philosophy lives on in our mono-zukuri (car-making) activities. Our relentless efforts in every era to perfect the most essential functions of a car—driving, turning, and stopping—are reflected in our unique engineering know-how, including their all-around safety performance.

When I first joined SUBARU in 1982, the company was more technology-oriented than it is today. We worked to improve our technologies, including Horizontally-Opposed Engine and Symmetrical All-Wheel Drive (AWD). Our philosophy back then was that if we produced good cars, customers would buy them, and we worked hard to promote the functional value of our products. For many years, we were unable to expand our sales volume and we were just a brand that was supported by a limited number of SUBARU fans who shared our philosophy.

We began to adopt a clearer focus on customer perspectives after Ikuo Mori became CEO in 2007. We were also trying to make North America our key market, and in order to strengthen our sales system, we needed to know our customers better and pay closer attention to customer input. Under the mid-term management plan for the period from fiscal year ended (FYE) March 2008 to FYE March 2011, we changed the concept to "Everything for the customer" with the customer-first principle as a core strategic focus. We also made a decisive course change toward the prioritization of selection and concentration, added value, and differentiation. This basic philosophy has remained unchanged in our mid-term management plans for the past 10 years.

To broaden our customer base and achieve growth as a global brand, we clarified both our business strategies and the SUBARU brand. People within the company already had tacit knowledge of the qualities that made SUBARU unique, and this knowledge would sometimes be reflected in people's comments, when they suggested, for example, that a certain feature was inappropriate for SUBARU vehicles. We initiated an intensive debate about SUBARU's core characteristics, leading in 2010 to the identification of "Enjoyment and Peace of Mind" as the values that the SUBARU brand delivers to customers.

During that time, there was a growing tendency for customer's preference in cars with superior safety performance. Customers gradually began to understand the values of "Enjoyment and Peace of Mind," and to resonate with SUBARU qualities, such as smooth driving, safety, and ease of driving.

At the SUBARU Technology Briefing in January 2020, I said that safety is beyond mere safety and encompasses compassion for beloved families and friends; longevity is beyond mere durability and long service life but also refers to a driver's attachment after long years of usage and SUBARU as a medium of connection to past memories; adventure and versatility relate not only to ease of use, but also refers to the enrichment of life and leisure time. A notable feature on social media is the prevalence of photographs showing SUBARU owners with their families, and their pets and their cars.

Customers come to feel life-enriching benefit, not just functional values in a Subaru. I believe that SUBARU is unique because our products become part of people's lifestyles and provide values that other brands cannot. This view is not based on solely my perspectives as CEO. It is also shared by our employees. The fact that our employees have the same perceptions of the uniqueness of SUBARU is both an asset and a source of strength for us. The continuing mission of every SUBARU employee is to take action to meet the customers expectations.

Link
- SUBARU technology briefing news release
- SUBARU technology briefing presentation materials

Growth Strategy—the STEP Mid-term Management Vision

Q. What growth initiatives will you implement under STEP, the mid-term management vision?

A. **We have identified corporate culture reform, quality reform, and launching the "Make-a-Subaru" project as the key priorities to ensure the sustainable growth of the SUBARU Group. Over the past two years we have focused on corporate culture reform and quality reform in particular. Going forward, we will make further progress toward ensuring our survival amid a major shift to electric vehicles by launching the "Make-a-Subaru" project and enhancing alliances to achieve high quality and high added value while reducing costs.**

I was stationed in the United States from 2014 at a time when the SUBARU Group was achieving rapid growth in net sales and the number of vehicles sold. I was constantly thinking about the factors that could halt our record-breaking growth in sales in the U.S. market. From around 2016, we began to see signs that this rapid growth trend was starting to deteriorate. We also started to encounter defects of types that we had never seen before, and in 2017 we experienced quality issues that included problems with completion inspections, and major recalls.

After taking office as CEO in 2018, I announced the STEP, the mid-term management vision, covering the period from FYE March 2019 to FYE March 2026. Our focus as we put together this vision were the issues that had been on my mind constantly during my time in the United States as obstacles to our achievement of sustainable growth. Rapid growth had highlighted problems with quality and our organizational culture and we decided to prioritize reforms in these areas, together with launching the "Make-a-Subaru" project, with the aim of improving both quality and added value while reducing costs, in anticipation of an era in which a significant percentage of vehicles will be electrically powered. We adopted a vision for 2025 calling for SUBARU's evolution "From a company making things, to a company making people smile."

Quality reform is our most important and urgent issue as we work to restore the trust of customers who love the SUBARU brand. The reform of our organizational culture is also a priority because of the need to foster a quality-focused culture. We have made steady progress on these reforms over the past two years, and I believe that our employees are also beginning to experience real changes. SUBARU is supported by both loyal fans and many customers, and I am confident that these reforms will enable us strengthen our reputation with these customers.

As the automobile industry goes through a major transition, another vital part of our efforts to enhance SUBARU's key characteristics for a sustainable growth is to enhance our alliances. In September 2019, we reached to an agreement on a new capital alliance built on the relationship that we have developed with Toyota Motor Corporation over the past 15 years. In order to meet the needs in new areas, such as CASE[1] technologies, we should work to create ever better cars by collaborating with people who share the same high aspirations rather than trying to do everything ourselves. Since concluding an agreement on business collaboration with Toyota in 2005, we have built a relationship of trust while achieving significant benefits in many areas, including the joint development of vehicles. We have decided to take this relationship to a new level by strengthening the bonds between SUBARU and Toyota through reciprocal shareholdings. Going forward we will work closely together toward a number of goals, such as the joint development of battery electric vehicles model (BEV) and a platform dedicated to BEVs.

1 An acronym of the words: Connected, Autonomous, Shared & Services, and Electric

Value Creation Infrastructure

Q. What are your views on the role of corporate governance and risk management in supporting sustainable growth?

A. **Continual efforts to build a strong management infrastructure are essential to sustainable growth. We run meetings of the Board of Directors in ways that facilitate open discussion, especially by outside directors. In addition, we have formulated a succession plan that emphasizes the continual training of future management personnel. We also recognize risk management as a vital part of our preparations for future uncertainties in the business environment.**

To achieve continuous growth while meeting the expectations of customers and other stakeholders in a rapidly changing environment, the SUBARU Group must work continuously to build a strong management infrastructure with the emphasis on diversity. Our basic policy on the selection of outside directors is to appoint people with practical business experience, especially in manufacturing industries. As a result, our outside directors have specialist knowledge spanning a wide range of fields. My experience of our Board meetings has been that members are able to engage in extremely open debate, especially on matters relating to corporate governance and medium- to long-term strategies. Outside directors put forward a variety of views on future strategic directions in relation to matters discussed at executive meetings and in other forums. In June 2020, we appointed Miwako Doi as our first female outside director and she brings specialist knowledge to our Board meetings, as well as gender diversity. We will continue to prioritize free and open exchanges of views at meetings of the Board of Directors.

We also place considerable importance on the continuous training of future management personnel. When selecting officers from within the company, we always consider their performance each year and their career paths over the next three years. In FYE March 2020, we spent considerable time discussing the succession process for the CEO. We decided to deepen the discussion, while formulating and implementing a CEO succession plan, including a definition of the ideal profile for the CEO of the SUBARU Group.

We have also prepared for future uncertainties by establishing strategic risk management systems designed to minimize the impairment of corporate value. In the FYE March 2020, we established the position of the Chief Risk Management Officer (CRMO). Under the leadership of the CRMO, the Risk Management & Compliance Office monitors the emergence of risks that could affect the SUBARU Group as a whole, takes action to prevent the widespread effect of such risks, and enhances the effectiveness of countermeasures. This work has focused in particular on measures relating to the COVID-19 pandemic. In early February 2020, when the disease was just beginning to spread, we established a COVID-19 Countermeasures Task Force and created systems to minimize the impact by preventing new cases and taking immediate action to minimize the spread when infections occurred. We are continuing to gather information and implement preventive measures, while giving first priority to the health and safety of our employees, customers, and suppliers.

In FYE March 2021, we will continue to review our systems with the aim of ensuring that each department can respond to risks independently, by further enhancing the effectiveness of our risk management measures, by identifying risks, ascertaining the level of impact, and by implementing countermeasures.

COVID-19 countermeasures at SIA (U.S.)

Preventive measures against the spread of COVID-19 at a dealership in Japan

Outlook for FYE March 2021

Q. Uncertainty has increased as a result of the COVID-19 pandemic, but what is your outlook on the financial results and dividends for FYE March 2021?

A. **We aim to achieve operating profit of 80.0 billion yen (at 105 yen/U.S. dollar). This assumes that there will be a significant recovery in automobile sales in the second half of the fiscal year, especially in our key market of the United States. The situation remains uncertain, but management is determined to overcome the present challenges and achieve a recovery in FYE March 2022.**

Our full-year forecast for FYE March 2021 is revenue of 2,900.0 billion yen and operating profit of 80.0 billion yen, based on consolidated automobile sales of 900,000 units and an exchange rate of 105 yen to the U.S. dollar. It remains difficult to predict future trends, including the timing for a lessening of the COVID-19 pandemic, and the impact of the pandemic on economic and social activities and consumer confidence. However, we have set these targets on the assumption that automobile demand will recover to a certain level toward the second half of the fiscal year, especially in the U.S., its largest market. These targets will not be easy to reach amid the present uncertainty, but management is determined to attain them as a step toward a turnaround in FYE March 2022.

We have adopted a performance-linked dividend policy. We aim to provide stable, sustainable dividends while reflecting the business performance of each fiscal year, investment plans, and the business environment. Based on a comprehensive assessment of our performance forecasts for the current fiscal year, the uncertain outlook for the business environment because of the global COVID-19 pandemic, our future funding requirements, and other factors, we plan to pay a dividend of 56 yen per share, consisting of interim and final dividends of 28 yen each. In the spirit of sharing the burden of stakeholders affected by the continuing reduction of dividends since last year, officers are voluntarily returning compensation for last year and this year. The SUBARU organization will continue to work toward the successful implementation of group-wide reforms needed to reach our targets for FYE March 2021.

Link ● Latest Results and Forecast

Fiscal-year Plan
Consolidated Automobile Unit Sales and Complate Car Production/ Consolidated Profit Plan

(Thousands units)

	Result for FYE March 2020	Plan for FYE March 2021	Variance
Consolidated unit sales Total	1,033.9	900.0	–133.9
Complete cars production Total	1,030.9	880.0	–150.9

*Production figures include Toyota 86.

(Billions of yen)

	Result for FYE March 2020	Plan for FYE March 2021	Variance
Revenue	3,344.1	2,900.0	–444.1
Operating profit	210.3	80.0	–130.3
Profit before tax	207.7	87.0	–120.7
Profit for the period attributable to owners of parent	152.6	60.0	–92.6
Exchange rate (Yen/US$)	¥109	¥105	–¥4
Annual dividend per share (Yen)	¥100	¥56	–¥44
Dividend payout ratio	50.3%	71.6%	21.3%

Our Path to Further Growth

Q. To conclude, what message do you have for the stakeholders?

A. By taking new changes as opportunities to further refine the SUBARU brand and provide "Enjoyment and Peace of Mind" to customers and other stakeholders, we aim to shift "From a company making things, to a company making people smile."

SUBARU is a brand that has been fostered and supported by customers. While fulfilling the most essential need of protecting people's lives, our cars also incorporate the essential functions—driving, turning, and stopping—with unique values that only SUBARU can offer. These values turn every trip somewhere into a wonderful and memorable experience, and these values will always remain.

As a result of the COVID-19 crisis, our customers became keenly aware of the importance of enjoying the day-to-day living and enjoyment of everyday life. I see this as a perfect chance to demonstrate the presence of the SUBARU brand, and I am constantly telling our employees to face the challenging COVID-19 situation and enhance the value of our brand.

To strengthen our brand and pull through the uncertain times ahead, we must also have the courage to make changes, while continuing to preserve the qualities that make SUBARU unique. Major transformations in the automobile industry, such as CASE technologies and mobility as a service (MaaS), and the continuing evolution of business processes and workstyles that we are experiencing are positive changes that enables us to accelerate reforms under STEP, and to take up the challenge of decisive self-transformation.

One thing that will never change in this new era is our commitment to the human-oriented manufacturing. We will continue to strengthen the SUBARU brand by matching our products to the lifestyles of our customers. As we move forward with our evolution "From a company making things, to a company making people smile," we will continue to contribute to the society by providing "Enjoyment and Peace of Mind" to our customers and our stakeholders.

We look forward to the continuing support of our stakeholders.

Tomomi Nakamura at the 46th Tokyo Motor Show 2019

Toshiaki Okada
Director of the Board,
Executive Vice President and CFO

We will focus on improving our corporate value by overcoming the current difficult business environment, by implementing quality reforms, and by advancing the Make-a-Subaru project.

Business Performance in FYE March 2020

Continuing trade problems and other factors caused the world economy to slow in the year ended March 2020 (FYE March 2020). However, we maintained firm performance trends thanks to a strong trend in personal consumption expenditure driven by a positive employment and income environment in the U.S., which is a key market for the SUBARU Group. In Japan, falling exports, natural disasters, and other factors caused declines in capital investment and domestic demand, resulting in a continuing weak trend in personal consumption expenditure. The global economic outlook became increasingly uncertain amid the global slump triggered by the spread of COVID-19 that began in January 2020.

In these circumstances, consolidated unit sales in FYE March 2020 increased by 33,000, or 3.3%, to 1.034 million units. Sales in overseas markets increased by 43,000 units, or 5.0%, to 908,000 units, in part because of continuing strong sales of the Forester, which underwent a full model change in the second half of 2018, and the new Ascent in the key U.S. market. Sales in the Japanese market decreased by 10,000 units, or 7.7%, to 126,000 units, in part because of reduced sales of the Impreza.

Global production increased by 42,000 units, or 4.2%, to 1.031million units. Overseas production[1] decreased by 5,000 units, or 1.3% to 367,000 units, due partly to temporary suspension of plant operations started in March 2020 in response to the spread of COVID-19. Production in Japan rose 7.6% to 664,000 units led by strong demand for the Forester.

These factors were reflected in consolidated revenue of 3,344.1 billion yen, an increase of 188 billion yen, or 6.0%, over the previous year's result. Consolidated earnings were negatively impacted by a year-on-year rise in the value of the yen, but this was offset by growth in the number of units sold overseas, especially in the U.S., and an improvement in the sales mix, in part because of the reduction of sales incentives. Other positive factors included the reduction of R&D expenditure thanks to an increase in the portion that could be treated as assets under the IFRS. As a result, operating profit increased by 28.6 billion yen, or 15.7%, to 210.3 billion yen. Profit before tax increased by 21.6 billion yen (11.6%) to 207.7 billion yen, and profit for the period attributable to owners of parent by 11.2 billion yen (7.9%) to 152.6 billion yen.

For details, please refer to the Financial Review on Page 81.

1 Production in the U.S. at Subaru of Indiana Automotive, Inc.

FYE March 2021

Situation in the First Quarter

Our results for the first quarter of FYE March 2021 were significantly impacted by the effect of the COVID-19 global pandemic on the SUBARU Group's production and sales activities. Consolidated global vehicle sales decreased 49.3% to 133,000 units. Sales in overseas markets decreased by 115,000 units (50.1%) to 115,000 units, and domestic sales by 15,000 units (44.3%) to 19,000 units. Global production fell by 17,000 units (64.8%) to 92,000 units. Our U.S. plant operated by SIA temporarily halted production on March 23, 2020, followed by the Gunma Plant on April 9. Both plants resumed operations on May 11, but the continuing impact of COVID-19 on supply chains and marketing activities resulted in necessary production adjustments.[2] Overseas production fell 64.3% to 36,000 units, while production in Japan declined 65.0% to 56,000 units.

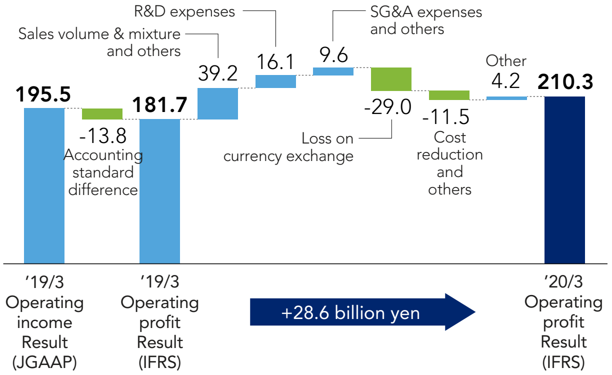
Due to the significant decline in vehicle sales, consolidated revenue fell 45.2% to 457.0 billion yen. Operating profit decreased by 107.9 billion yen to −15.7 billion yen, profit before tax decreased by 100.1 billion yen to −10.7 billion yen, and profit for the period attributable to owners of parent decreased by 74.2 billion yen to result in −7.7 billion yen.

2 Production suspension and adjustments during the March–June period:
- Japan (Gunma Manufacturing Plant) Plant suspension: April 9–May 1; Production volume adjustments: May 11–June 19
- U.S. (Subaru of Indiana Automotive, Inc.) Plant suspension: March 23–May 8; Production volume adjustments: May 11–May 31

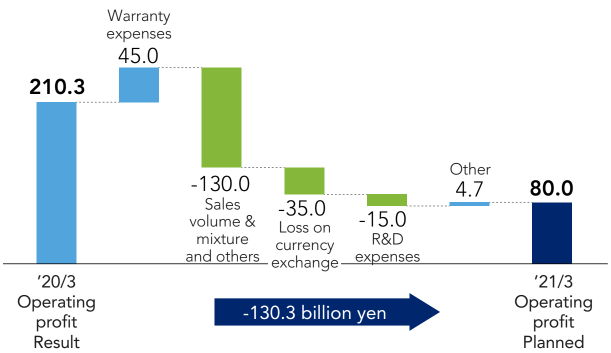
Outlook for FYE March 2021

Our forecasts for the whole of FYE March 2021 assume a moderate recovery in automobile sales in the second half of year, especially in the key U.S. market. On that basis, we have planned for consolidated sales of 900,000 units and production of 880,000 units, resulting in consolidated revenue of 2,900 billion yen. Despite a reduction in warranty expenses, including expenses related to recalls, service campaigns and so on, consolidated earnings will be impacted by a deterioration of the sales volume and mixture, mainly because of the spread of COVID-19, as well as exchange rate differences, an increase in R&D costs, and other factors. We are planning for operating

FYE March 2020: Analysis of Variance in Operating Profit Changes (Consolidated) (Billions of yen)



FYE March 2021: Analysis of Variance in Operating Profit Changes (Consolidated) (Billions of yen)



profit of 80 billion yen and profit for the period attributable to owners of parent of 60 billion yen. These estimates assume exchange rates of 105 yen to the U.S. dollar and 120 yen to the Euro. Our plans call for capital expenditure of 100 billion yen, depreciation of 100 billion yen, and R&D expenditure of 100 billion yen. We will maintain investment and R&D activities as required, but we will control capital expenditure by screening projects and modifying schedules.

Uncertainty in the outlook for the COVID-19 situation is likely to continue. However, we are determined to reduce the extent of reduced profit and achieve our targets for FYE March 2021 by steadily linking demand recoveries in our markets to sales, and by managing our expenditures efficiently.

● Latest Results and Forecast

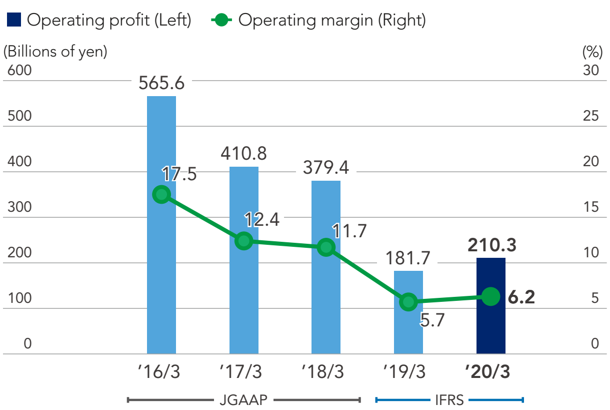
Financial and Capital Strategies

The SUBARU Group will pursue a policy of selection and concentration guided by our commitment to the customer-first principle. We will improve our medium- to long-term corporate value by optimally using our management resources to develop high-return business models while maintaining a robust financial structure and achieving a high level of capital efficiency. Under the STEP mid-term management vision, we have identified return on capital, financial soundness, and shareholder returns as the three key indicators for our capital policy.

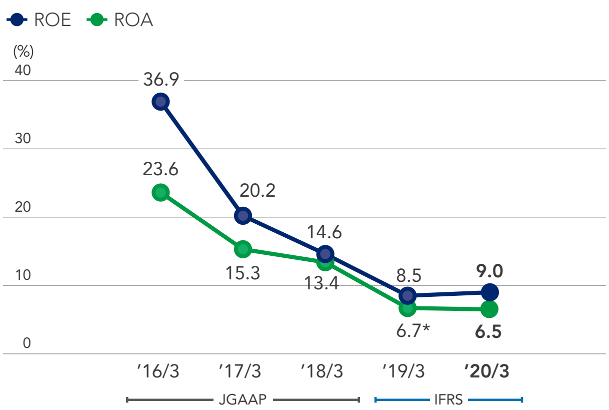
Our basic policy is to provide appropriate shareholder returns while maintaining a high degree of balance between return on equity (ROE) and the shareholders' equity ratio over the medium- to long-term future. Specifically, our goal for the foreseeable future will be to combine a shareholders' equity ratio of at least 50% with ROE of 10% or higher. We will also take steps to overcome the impact of COVID-19 and strengthen our income structures, so that we can restore a net cash position equivalent to two months of net sales as quickly as possible. We also aim to allocate appropriate amounts of cash and other resources to strategic investment and R&D investment targeted toward sustainable growth, while maintaining cash reserves at a suitable level based on trends in the business environment.

We believe that our current position in terms of the procurement of funds and liquidity is appropriate. We are maintaining the required level of liquidity by entering into loan and commitment line agreements with our main banks, and by issuing bonds. Since April 2020, we have been procuring operating funds from financial institutions to meet funding needs generated by the COVID-19 situation. We are working to build a structure that will allow us to respond flexibly to unforeseen funding needs and ensure business continuity at all levels from supply chains to value chains, in the event that the impact of the pandemic continues in the longer-term future. For example, we have established commitment lines worth approximately 200 billion yen, including existing loans and set up the issue of bonds and commercial paper.

Operating Profit/Operating Margin



ROE/ROA



*ROA is calculated by dividing operating profit by total assets (average at the beginning and end of the period)
*For FYE March 2019 only, ROA has been calculated on a JGAAP basis

Shareholder Returns

Our basic policy on shareholder returns emphasizes the continuous provision of reliable returns, primarily through dividends. We have also introduced a performance-linked policy of reflecting our financial performance and investment plans, as well as the business environment, in dividends.

Under the STEP mid-term management vision, which we announced in July 2018, we have prioritized the continuous provision of reliable shareholder returns. In the three years from FYE March 2019 to FYE March 2021, we planned to provide shareholder returns consisting mainly of yearly dividends of 144 yen, combined with flexible share buyback programs based on our cash flow position. However, the COVID-19 pandemic had a major impact on the SUBARU Group's business activities, including production and sales, in FYE March 2020. After a comprehensive assessment of the situation, including our funding requirements going forward, we set the yearly dividend at 100 yen, which represents a consolidated payout ratio of 50.3%.

Our dividend forecasts for FYE March 2021 are based on a comprehensive assessment, including our future funding needs in a business environment that remains unpredictable due to the continuing impact of COVID-19. On this basis, we expect to pay a yearly dividend of 56 yen, consisting of interim and final dividends of 28 yen each. This is equivalent to a consolidated payout ratio of 71.6%.

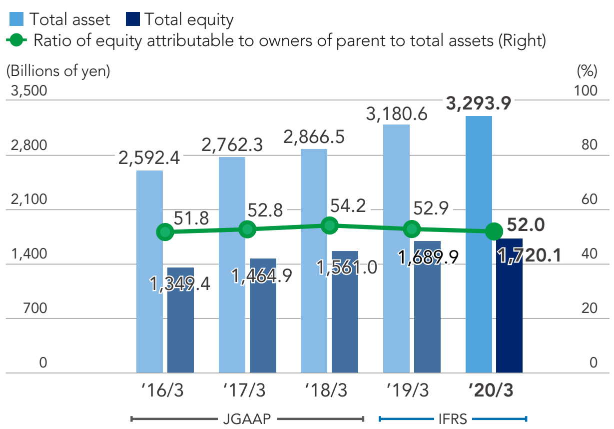
Improving Corporate Value

Our most urgent priority at present is to adapt to the business environment damaged by the COVID-19 pandemic. From a medium- to long-term perspective, the automobile industry faces the greatest change of the century. Both society and our markets are demanding action including compliance with environmental regulations, and the development of products based on the Connected, Autonomous, Shared & Services, and Electric (CASE) concept. We expect this situation to result in upward trends in R&D and manufacturing costs over the medium- to long-term future.

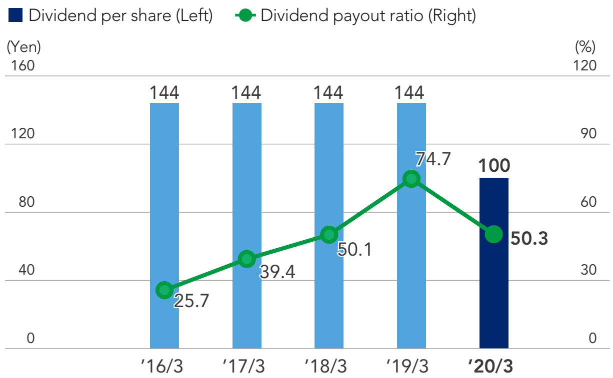
The SUBARU Group has worked to strengthen its income base by building a brand image of "Enjoyment and Peace of Mind" and pursuing policies of selection and concentration and differentiation. To overcome the current difficult business environment and achieve profit and sustainable growth, we need to supply the market with attractive automobiles that will give users a strong sense of value, while enhancing quality and efficiency and curbing cost increases. To achieve this, we must fundamentally change and reform our approach to car manufacturing and focus our total energies toward quality reforms and the Make-a-Subaru project, which are key priorities under the STEP mid-term management vision.

As CFO, my task is to prepare the SUBARU Group against the continuing risk of COVID-19 impacts by securing cash reserves and reducing financial risk. I will also contribute to medium- to long-term improvement in our corporate value by ensuring the efficient utilization of funds through centralized management of the Group's financial resources and the prioritized allocation of funds to important and strategic areas. We look forward to your continuing understanding and support as we work to meet the expectations of our shareholders and other stakeholders.

Total Asset/Total Equity/Ratio of Equity Attributable to Owners of Parent to Total Assets



Dividend Per Share/Dividend Payout Ratio



Mid-Term Management Vision

Our Evolving Mid-Term Management Vision

Our management philosophy envisions a future for SUBARU as "A Compelling Company with a Strong Market Presence" built upon its customer-first principle. We will continue to work under this philosophy to enhance the appeal of the SUBARU brand by offering customers "Enjoyment and Peace of Mind."

2007–2010
Customer Satisfaction: Our Customers Are Everything

At the time of announcement: President & CEO Ikuo Mori

Essential features

With the philosophy of "customers come first" at its core, focusing on improving profitability and investing in growth areas with management resources

Major challenges

1 To provide a distinctive SUBARU experience for drivers and passengers
2 To increase sales globally (Most important market: U.S.)
3 To strengthen competitiveness in quality and cost
4 To also grow through the business alliance with Toyota
5 To grow the level of employee competence and so enhance the organization

Achievements

- Sharing the mind of "customers come first" within the Group
- Globalization of products
- World's leading safety performance
- Expanding the sales in U.S. (the most important market)
- Reform of profit structure by leaning cost

Issues

- Lowering the sensitivity of foreign currencies
- Increasing sale in emerging countries including China
- Developing environmental technology and products
- Autonomy of three internal companies
- Flexibility to adopt the changes of business environment

2011–2015*
Motion-V

At the time of announcement: President & CEO Yasuyuki Yoshinaga

Management philosophy

Aiming to be a compelling company with a strong market presence built upon its customer-first principle

Five challenges

1 Guiding principle for all activities "Confidence in Motion"
<Promote the brand strategy>
SUBARU provide the value to customers "Enjoyment and Peace of Mind"
2 With the basic philosophy of "customers come first," "Provide distinctive SUBARU experience"
3 Strengthen sales force and the availability of automotive supply, "Accelerate sales expansion"
4 Overhaul of cost structure and promoting alliance with Toyota, "Solidify operational foundation"
5 Back up concrete approaches for business, "Improvement in Management"

Achievements

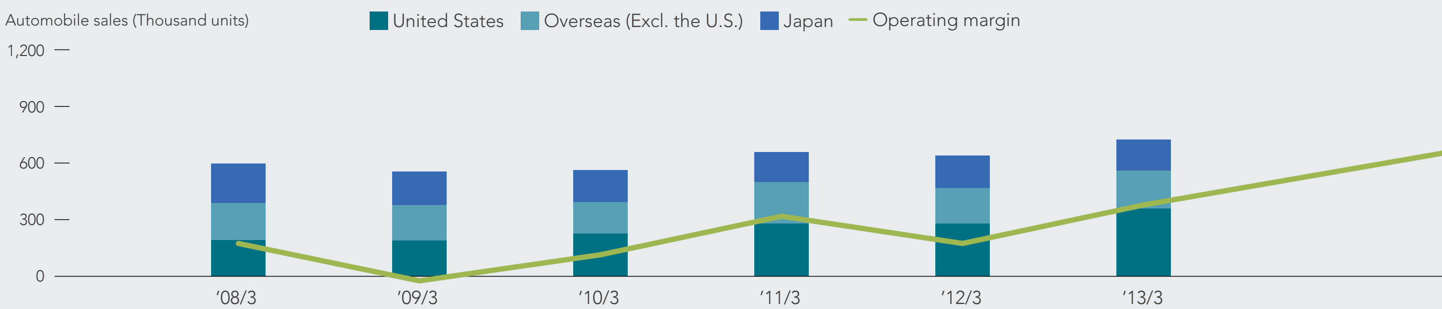
- XUV/SUV strategy succeeded
- Boosted sales through U.S.-oriented product development
- Highly rated collision safety and EyeSight
- Cost reduction activities paid off
- Achieved low-incentive sales
- Achieved highly efficient production

Issues

- Compliance with future environmental regulations
- Production capacity shortages
- Responding to the needs of new customers
- Sensitivity to currency fluctuations

*The Motion-V mid-term management plan, originally intended to run from 2011 to 2015, was completed ahead of schedule in FYE March 2014. Prominence 2020, the new mid-term management vision, was launched in FYE March 2015.

Consolidated Automobile Unit Sales and Operating Margin



We have succeeded in strengthening the appeal of the SUBARU brand by providing products that offer value unique to SUBARU, as well as by expanding our markets. We will continue to provide "Enjoyment and Peace of Mind" by building a company that is trusted by, and resonates with, all customers and stakeholders in order to achieve sustainable growth under STEP, our mid-term management vision.

2014–2017
Prominence 2020

At the time of announcement: President & CEO Yasuyuki Yoshinaga

Management philosophy

Aiming to be a compelling company with a strong market presence built upon its customer-first principle

Reason for formulation

Pursue the goal of sustainable growth and development by boosting competitiveness and building a solid business platform at a new stage

Vision for 2020

Corporate vision
Not big in size, but a high-quality company with distinctive strengths

Specific goals
- No.1 for customer trust
- Strong brand
- Among the most profitable companies in the industry
- Vehicle sales of 1.1 million-plus units

Direction for mid-term management vision

Pursue added-value business
→ Enhancing the SUBARU brand
Increase tolerance to changes in the business environment
→ Building a strong business structure

Achievement

- Among the most profitable companies in the industry

Issues

- Strong brand
- Vehicle sales of 1.2 million-plus units
- No.1 for customer trust

2018–2025
STEP

President & CEO Tomomi Nakamura

Management philosophy

Aiming to be a compelling company with a strong market presence built upon its customer-first principle

STEP Speed Trust Engagement Peace of mind & enjoyment

Restoring trust by speedily advancing initiatives and by engaging and providing "Enjoyment and Peace of Mind" to customers

Vision

From a company making things, to a company making people smile

Vision for 2025

1 Become a brand that is "different" from others by enhancing distinctiveness.
2 Engage in business activities that resonate with customers by putting them center-stage.
3 Fulfill corporate social responsibilities by contributing to diversifying social needs.

Priority issues

- Corporate culture reforms

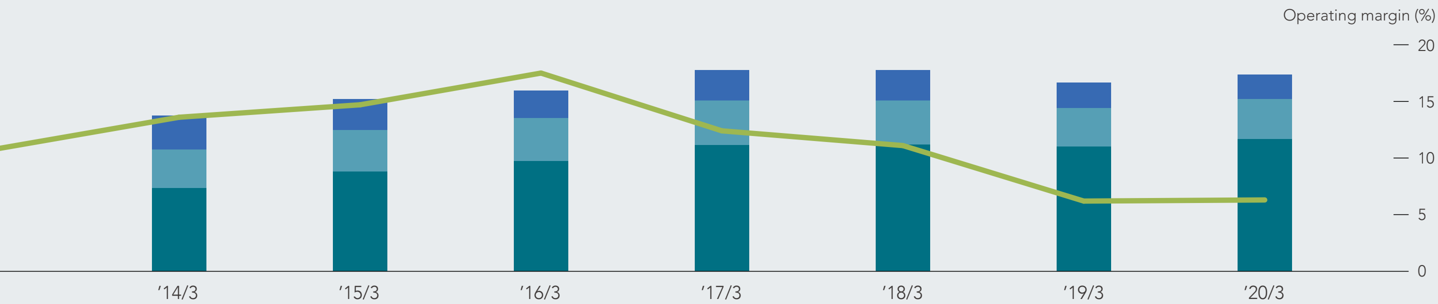
Accelerate efforts to become "a company that does the right thing in the right way."
Continuous efforts aimed at corporate culture reforms.

- Quality reforms

Strive to be No.1 for "the quality that enables customers to enjoy long-term ownership with peace of mind."

- Launch Make-a-Subaru project

Realizing improvement of customer value with "high quality," "high added value," and "low costs."



Overview of the STEP Mid-Term Management Vision

Creating the Mid-Term Management Vision

In July of 2018, we formulated STEP, our mid-term management vision, with the goal of building trust and resonating with customers by providing "Enjoyment and Peace of Mind."

Background

- Changes in the external environment: Once-in-a-century changes in a mobility society
- Strains from the company's rapid growth: Lacking fundamental corporate strength

Intentions in developing the mid-term management vision

- Restore trust by cultivating fundamental corporate strength as soon as possible.
- Stay true to the brand principle of providing "Enjoyment and Peace of Mind" to our customers.
- Make SUBARU more than just a company that is trusted by, and resonates with, our customers.

Principles

Management philosophy

Aiming to be a compelling company with a strong market presence built upon its customer-first principle

Vision

From a company making things, to a company making people smile

Vision for 2025

1. Become a brand that is "different" from others by enhancing distinctiveness.
2. Engage in business activities that resonate with customers by putting them center-stage.
3. Fulfill corporate social responsibilities by contributing to diversifying social needs.

Concept and Timeline

Speed	Trust	Engagement	Peace of mind & enjoyment
Speedily advance initiatives	Restore trust	Engage and resonate with customers	Provide "Peace of Mind and Enjoyment" to customers

STEP is an acronym formed from the initial letters of "Speed," "Trust," "Engagement," and "Peace of Mind and Enjoyment," which are four important elements of the vision. The letter "T" is emphasized in the logo as SUBARU considers trust as the most important element of all. The name also expresses the company's determination to take "steady, strong steps" before a future jump over social changes.

Initiatives Overview (9 Boxes + 1)

0	"Change the Culture" Corporate culture reforms	Accelerate efforts to become "a company that does the right thing in the right way." Continuous efforts aimed at corporate culture reforms.		
		Mono-zukuri (Car-making)	Sales and service	New mobility domain
1	Enhance corporate quality	Quality reforms	Enhance quality at customer contact points	Alliance enhancement
2	Build a strong brand	More enjoyment, more peace of mind	From "A car you can love" to "A car, a brand, and people you can love"	Generate new value through connected car technologies
3	Sustainable growth based on focus strategy	Launch "Make-a-Subaru" project	Target 5% share in the U.S. – Steady growth in each region	Initiatives to create new technologies and businesses

The core themes of STEP are the corporate culture reforms, quality reforms, and the launch of the Make-a-Subaru project. The following pages provide details of each theme and information about progress on related activities in FYE March 2020.

Market Strategy

Sustainable growth based on focus strategy

Maintain growth in the U.S., aim for sustainable growth in the approach suited to each market.

Region	Approach
North America	Target 5% share in the U.S. Strengthen retailer networks in low-share states centered on the Sunbelt.
Japan	Home market to be retained. Maintain current monthly sales level of 10,000 units*, while overall industry demand is expected to gradually diminish. (*Passenger vehicles excl. mini vehicles.)
Asia, Oceania, Russia, Latin America	Accelerate efforts in each market with a view to growth, including expanding sales networks. Aim for substantial growth in Asian markets, with the Forester production launch (2019) in the CKD assembly plant in Thailand.
China, Europe	Maintain the current sales volume level. Speed up responses to market and policy changes and constantly update strategy on a rolling basis.

Sales plans (FYE 2019 vs. FYE 2026)

(10 thousand units)

	Japan	North America	Other	Total
FYE 2019 (plan)	15	77	18	110
FYE 2026 (plan)	15	92	23	130
Change	±0%	+20%	+27%	+18%

Production capacity (FYE 2021)

(10 thousand units)

	Japan	Overseas		Global total
	Gunma	SIA	Asia CKD	
Standard operations	69.6	43.6	1.4	115
At full capacity	77.9	49.7		129

Profit Plan/Capital Policy

- Increase strategic investment and R&D spending.
- Ensure industry-leading profitability while implementing the above. (Target operating margin of 10% or higher)
- Ensure equity ratio of 50% or higher. Ensure ROE of 10% while aiming for 15% or higher.
- Manage net cash in light of business conditions, with a minimum level set at two months' worth of net sales.
- Deliver well-balanced return of profits to all stakeholders. Position dividends as the main form of return to shareholders, with an emphasis on stable, continuous returns.
- Yearly dividend for the next three years at 144 yen per share. Conduct share repurchases flexibly depending on cash flow.

Profit plan for FYE 2019–2021 (3 years)

(¥105/USD)

Net sales	10 trillion yen
Operating income	950 billion yen
Operating margin	9.5%
R&D expenses	400 billion yen (+18%)
Capital expenditures	450 billion yen (+3%)
Depreciation and amortization	300 billion yen (+29%)

*( ) : Percent change from previous 3-year period (FYE 2016–2018)

Capital policy

Net cash	Two months' worth of net sales at minimum	
Equity ratio	50% at minimum	
ROE	Minimum	10%
	Target	15%
Shareholder returns	Yearly dividend per share	144 yen
	Share repurchases	To conduct flexibly

Priority Issues of the Mid-Term Management Vision STEP

Corporate Culture Reforms

"Change the Culture"
Become a company that can respond swiftly and flexibly to change
by being more sensitive to the times and the outside world while preserving SUBARU's DNA.

Accelerate efforts to become a company that does the right thing in the right way

Compliance	• Conduct comprehensive checks of compliance with all internal rules and the work of all employees. Strengthen compliance education.
Governance	• Reinforce group governance systems and ensure a high degree of transparency in information disclosure.
Management	• Strive harder to stay close to the "genba" (the actual worksite). Learn more from the outside.

Corporate culture and human resources/organization

- In order to develop an energetic, open-minded corporate culture, implement efforts to change, starting with the senior management and progressively moving downward.
- Strengthen the critical thinking abilities of individual employees. Reform systems, mechanisms, and the organization to support the effort.

Review CSR activities

- Six priority areas redefined to step up activities.

IT adoption to overall business activities

Six Priority Areas for CSR

Priorities specific to SUBARU	People-oriented Car Culture
	Resonance and Coexistence
	Peace of Mind
Society's expectations	Diversity
	Environment
	Compliance

Quality Reforms

Strive to be No.1 for "the quality that enables customers to enjoy long-term ownership with peace of mind."

Review all processes, from product planning to production, to ensure quality

Step up the level of manufacturing plants

- Simultaneously step up quality, productivity, efficiency, and flexibility through IT adoption.
- Maximize strengths of our Japan/U.S.-centered manufacturing footprint.

Reinforce quality management systems

- Strengthen the CQO's authority. Enhance quality assurance functions (concentrate functions on Quality Assurance Division and reinforce the organization).

Improve quality at customer contact points

- Improve service operations to address rapid growth in customers.

Invest in facilities for quality enhancement

Investment framework of 150 billion yen (over five years) in enhancing overall quality

Make-a-Subaru Project

Launch a new initiative aimed at raising customer value with "high quality," "high added value," and "low costs."

Make-a-Subaru Project

The aim of the Make-a-Subaru project is to enhance the value that SUBARU provides to customers, not only through mono-zukuri (car-making), but also through all aspects of our products and services. Our goal is to make our focus the creation of cars that combine "high quality" and "high added value" with "low costs" at all stages from initial concepts and development through to production and after-sales service. We will achieve these things by reforming our development processes to place even greater emphasis on quality at the upstream development stage, resulting in built-in quality.

Key points in the project

- Involves initiatives from all directions with quality at the core.
- Coherent activity, with every area of initiatives linked to one another.
- To be conducted with a long-term perspective.

Raising customer value

FYE March 2020 Initiatives

Corporate Culture Reforms

Compliance Committee Chair's Dialogue with Staff

As part of compliance activity rooted in workplaces on the ground, our Compliance Committee Chair, served by the Chief Risk Management Officer, visits each department to have discussions with managers and associate managers on an ongoing basis (14 such sessions held with 5 departments by the end of March 2020). In these sessions, the Compliance Committee Chair talks about his view on compliance in his own words, and compliance-related issues at each department are discussed and views are exchanged. Discussion outcomes are reported to officers in charge of respective departments so that they can be used to improve compliance at each department.

Officer Speech Relay

Seventeen of the executive officers communicated their thoughts on the theme of "what I think is a company that is more open to new ideas and where people can say what they want to," and had discussions with assistant managers and chiefs (job grades of associate manager and group chief) in back-office divisions that are outside the scope of their responsibility. The Speech Relay, which was held 19 times at all operational locations, were attended by some 3,500 employees. We received positive feedback in questionnaires conducted after the sessions, with many expressing their appreciation of the opportunity to be exposed to views of executive officers in charge of other divisions, which they rarely had opportunities to, and hear their frank views.

Goals and Features of the Speech Relay

- Provides an opportunity for officers to directly convey their feelings, thoughts and seriousness to employees
- Serves as one of the channels of communication between the management and employees
- Provides an opportunity for employees to be exposed to views of the management members in charge of department other than their own to be aware of situations "outside," with a further aim of revitalizing the entire company

Officer speech relay

Employee Attitudes Survey

We have conducted an annual survey of employee attitudes since FYE March 2018. The survey for FYE March 2020 showed that, while the goal of a workplace with thriving communication and employees open to new ideas is still some distance away, the overall rating has improved. We held for the first time a seminar on ways to utilize findings of the employee attitudes survey for all senior managers. In the seminar, participants used data to learn about trends and changes in employee attitudes seen across the company, and exchanged views on identifying issues and finding solutions.

Quality Reforms

Make-a-Subaru Project

Quality Policy Revision

SUBARU's quality policy, which had been in force since its formulation in November 1994, was revised in April 2019 to reflect changes in the internal and external environments. The aim of the changes is to encourage employees to modify their perceptions and behavior and make quality their first priority. The new policy has been shared with all employees and is being steadily implemented via day-to-day operations.

Quality Policy

At SUBARU, quality is our highest priority as we earn the trust of our customers.

1. We will deliver long lasting products that our customers can use with peace of mind.
2. We will continually improve our products and services by always listening closely to our customers' voice.
3. We will be a good corporate citizen in all markets where we do business by ensuring compliance with all internal rules, local laws, regulations and social norms.

Revised in April 2019

Organizational Reforms

We set up on April 1, 2020 a Quality Assurance Management Office tasked to ensure quality assurance of the entire Group, including the domestic and overseas operations, as an entity directly under the Chief Quality Officer (CQO). We are working to create the Group organizational structure needed to implement quality assurance, and to manage, maintain and continuously improve that organization. On the same day, the CQO was appointed Director of Subaru of Indiana Automotive, Inc. (SIA), our U.S. production operation. We will accelerate quality reforms in an effort coordinated between our Japanese and U.S. operations.

Three Pillars of Quality Reforms

We will step up effort and aim for achievements that can make our stakeholders say, "SUBARU has changed." For that, we listen seriously to customer views. Regarding customers as the starting point of everything, we set the following three pillars for our effort.

1. "Urgent Measures" to Recover Trust

We strive to "perfect product quality" to ensure that our customers can use our products with peace of mind. Under a policy of "Improve quickly and accurately" if any quality issue is found, we are working on such reform initiatives as review of the process of quality checks in the development phase, quality improvement through joint effort with suppliers, "in-process quality assurance," in which defects are prevented from being sent on to the next production process, and "milestone management," in which these are judged strictly. Impact of the effort to "perfect product quality" has started to be felt unmistakably and quality of the new Legacy and Outback models that started to be manufactured in the Subaru of Indiana Automotive, Inc. (SIA), our production base in the U.S., in August 2019 has been consistently good. In Japan, we are paying utmost attention to quality in the preparation for the start of manufacturing the new Levorg model in FYE March 2021. A key issue for the "Improve quickly and accurately" policy is to strengthen the quality assurance structure to support a rapid sales increase in our priority market of North America. In the current fiscal year, we aim to expand the local operations so that we can directly learn customer voices and address them quickly. In the U.S. production operation, we plan to improve SIA's quality assurance, using the superior manufacturing technology in Japan.

New Levorg

GT EX

STI Sport EX

2. "Make-a-Subaru" Project to Turn Quality into Value

There are three activities underway for our next-generation products that are in a planning stage, aiming for the "SUBARU that are chosen for quality."

• Efficiently improve quality levels through a batch planning framework in which common specifications are used for multiple models
• Reform development processes to raise degrees of perfection for blueprints and eliminate unnecessary trial and error due to lack of sufficient planning
• Incorporate investment to improve quality, allocation of costs and value offered to customers in business feasibility indicators

We thus aim to establish a solid structure for continuously creating high-quality products by adopting the quality-centric policy starting from the uppermost stream of development.

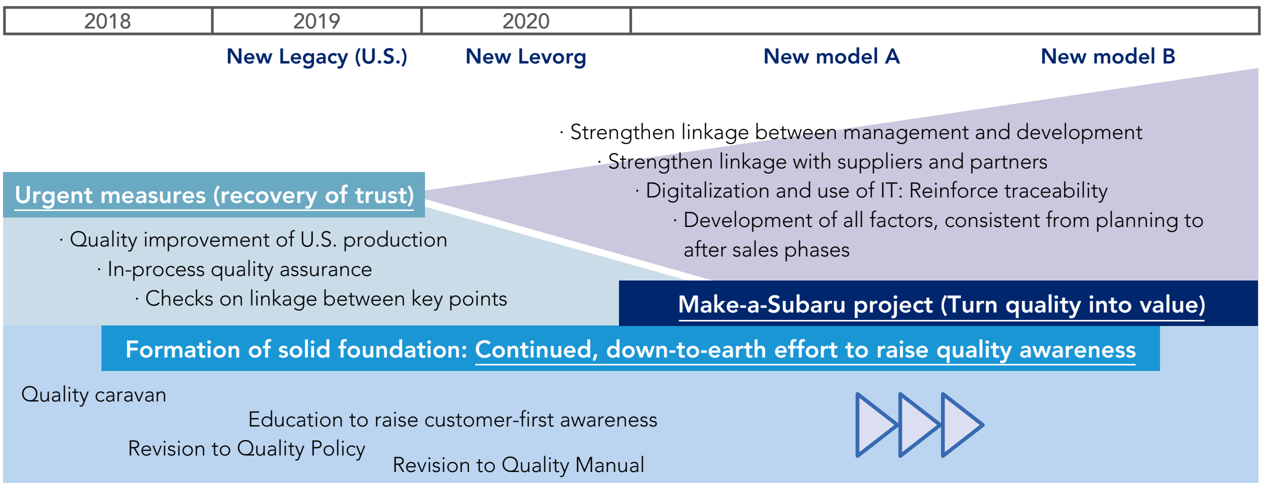
Facing a drastic change in the automobile business, where new functionalities such as environment measures, advanced driver assist systems, and the connected car technology are called for, we must adapt to quality, quantity and speed that goes beyond the existing boundary of quality assurance. We will promote the quality-centric "Make-a-Subaru" project in taking measures to introduce next-generation technologies.

We have already started a service of providing software updates through telematics and internet connection mainly in North America. Going forward, we will link a variety of quality-related information, including design information, manufacturing history (traceability), final inspection data and service history to help create new customer value.

3. "Formation of Solid Foundation" for Raising Quality Awareness

In quality reforms, the foundation for everything is the awareness of each and every employee. We will steadily continue trying to raise quality awareness to firmly establish the quality-centric attitude in each employee. The program in FYE March 2021 will feature new content and be used in overseas operations, including SIA.

Quality caravan	The quality caravan event is implemented as part of Quality Month activities in November. Lecturers discuss defects and recall cases in the past and what we learned from them, using actual objects involved, and panels to all employees and people at suppliers. We also create opportunities to listen to harsh criticisms from customers and frank opinions of staff at dealers.
Education through internal newsletter	The newsletter includes contents such as top messages from the president, and articles related to product quality every two months.
Activity to maintain alertness	All employees watched an educational video that reviews improprieties relating to final vehicle inspections that was discovered in October 2017. We will conduct a similar program in October every year.



SUBARU's Future Technology Strategy

SUBARU has created a proprietary horizontally opposed engine (Boxer engine) and all-wheel drive (AWD), as well as systems to ensure excellent driving and safety performance, the EyeSight advanced driver assist system, and environmental protection technologies. We will continue to enhance these wide-ranging core technologies to accentuate "SUBARU-ness" as a unique brand that provides customers with "Enjoyment and Peace of Mind."

Outlined below is the SUBARU Technology Briefing held in January 2020.

1. Enjoyment and Peace of Mind

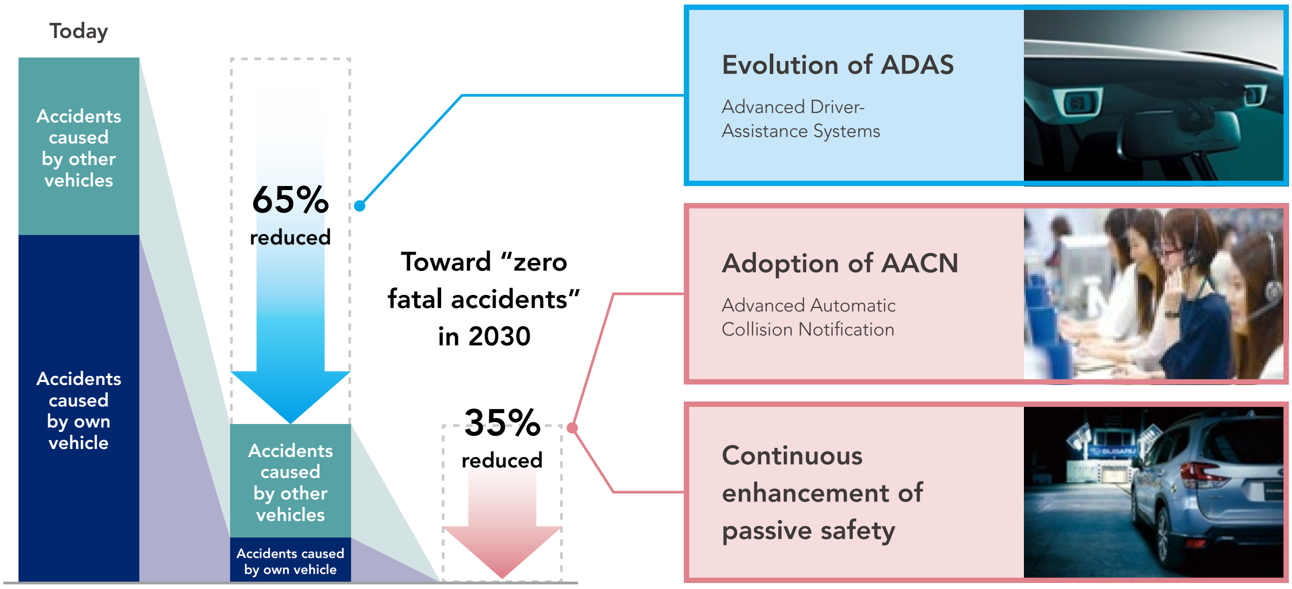
Technology toward "Zero Fatal Accidents" in 2030

SUBARU aims toward "zero fatal accidents"[1] in 2030. In order to achieve this goal, it is important to further develop advanced driver-assistance systems, including the EyeSight and the Driver Monitoring System, introduce new technologies and services, including automatic accident reporting system, and take technologies that support intrinsic functions of cars, as represented by the Subaru Global Platform (SGP) and the AWD technology, to the next level. Fast and accurate vehicle response, straight-driving performance, vehicle stability during cornering and turning performance, which together comprise what we call "dynamic quality," create value that allows the driver have fun driving and makes them want to continue driving. These qualities also have a significant impact on the car's ability to avoid accidents. Even when the age of self-driving vehicles arrives, the importance of basic performance of elements, including platforms, will remain the same. We believe our effort to eliminate fatal traffic accidents will also realize fun of driving, and lead to everything that makes SUBARU unique.

1 Fatal traffic accidents of SUBARU drivers/passengers and pedestrians/cyclists SUBARU cars collide with

A Scenario toward Zero Fatal Traffic Accidents

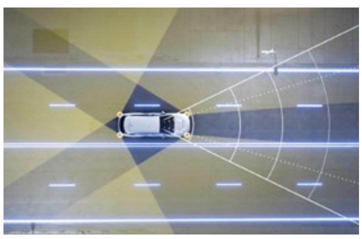
Fatal traffic accidents of SUBARU cars **(estimated from U.S. FARS data)**



Advancing EyeSight and coordinating it with connected safety and passive safety

Next-generation EyeSight

With a stereo camera as EyeSight's core, we aim to strengthen the system's capacity to address a variety of accident situations by improving its object recognition/situation judgment and extending cooperative control with other devices. We are evolving toward linkage with the connected-car service and introduction of auto-parking systems.



Driver monitoring system

Monitors expressions and the direction of the face to detect driver sleepiness or lapse of attention and warns with an alert sound and display. We plan to consider further deepening its linkage with EyeSight.

SUBARU STARLINK

A connected car service introduced in the United States. We plan to introduce it in Japan. In Japan, we plan to introduce AACN, which automatically notify a call center of accidents that have happened to raise percentage of surviving accident victims.

To Improve the Performance of the Subaru Global Platform

"Enjoyment and Peace of Mind" is supported by the Subaru Global Platform, our core technology.

We will use AI technologies to develop this technology further.

Reduce friction in steering system

Deformation in contacting parts between cogs in a steering system can lead to slow vehicle response.

▶ We are working to optimize friction levels by examining how individual cogs contact each other.

Stiffness analysis of bolted sections

Rigidity of bolt joints can be affected by the shapes of not just bolts and nuts but also the surfaces that are fastened together.

▶ We are seeking optimum structures by examining levels and directions of force that is applied.

Body hysteresis analysis

Slight deformation occurs in joints between hundreds of parts that comprise a vehicle body.

▶ We are introducing the technology to enhance continuity of joints using structural adhesives, etc. to minimize deformation.

2. Environment

Toward the Realization of a Carbon-free Society

SUBARU is aware that climate change is one of our most important issues. We support the Paris Agreement, which is aimed at achieving decarbonization at an early stage in the second half of the 21st century. We have set mid-term targets related to Scope 1 and 2 emissions (CO_2 emitted at offices and plants), as well as Scope 3 (CO_2 emitted when using our products), and the Group is working together to achieve them.

Global Environment Preservation

Companies are required to contribute to the achievement of a decarbonized society

FYE 2051	Scope 1 and 2	FYE 2031
Achieve carbon neutrality		Reduce CO_2 emissions by 30% compared with FYE 2017 (total volume basis)
2050	**Scope 3 (CO_2 emitted when using our products)**	**2030**
On the well-to-wheel[1] basis, we will pursue our goal of reducing the average CO_2 emissions from new passenger cars by at least 90%[2] by 2050, compared with 2010.		By 2030, we will pursue our goal of increasing the ratio of electric vehicles (EV) and hybrid cars to at least up to 40% of the gross number of vehicles sold globally. In the early 2030's, all commercial SUBARU cars[3] will be equipped with electric powertrain technology[4].

SUBARU will accelerate the development of fundamental technologies for EVs and hybrid cars with support from alliance partners and continue offering products accentuating SUBARU's distinctions even in the emerging electric age.

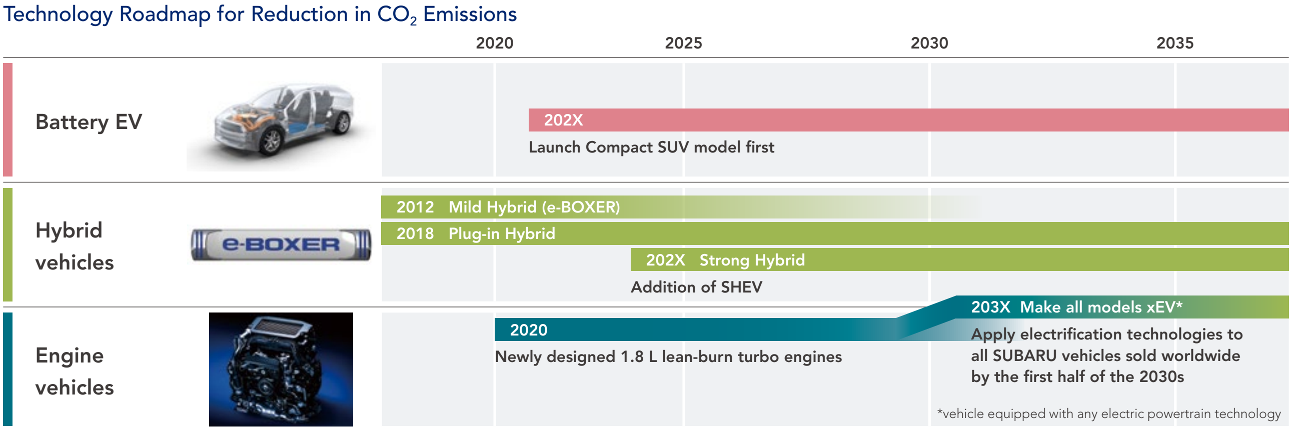
SUBARU will contribute to building a carbon-free society through our distinctive and technological innovations.

1 Well-to-wheel: Approach to calculate CO_2 emissions including the emissions produced by the generation of electricity to be used by EVs and other vehicles.
2 Reduce total CO_2 emissions calculated based on the fuel efficiency (notified value) of all SUBARU automobiles sold across the world by 90% or more relative to the 2010 levels in 2050. Changes in the sales quantity due to changes in the market environment shall be taken into consideration, while minor changes in running distance shall not.
3 Excluding the models supplied by OEMs.
4 Refers to the technology used to foster the use of electricity for EVs, HVs, and others.

Combining Environmental Performance and SUBARU Style

We are actively working to reduce CO_2 emissions from new SUBARU vehicles in anticipation of further tightening of fuel efficiency regulations in many countries. We are achieving this not only by improving the fuel efficiency of conventional gasoline engine vehicles, but also by expanding our range of electric vehicles (EVs) and developing new EVs. As we move forward into a new era of environmental awareness, we will remain faithful to SUBARU's vehicle mono-zukuri (car-making) DNA, and to our commitment to providing customers with "Enjoyment and Peace of Mind." While working to reduce CO_2 emissions, we will also continue to enhance the safety features, the AWD performance, and the dynamic quality, emphasizing SUBARU-ness.

Technology Roadmap for Reduction in CO_2 Emissions



Battery EVs

In June 2019, we disclosed that we reached agreement with Toyota Motor Corporation on the joint development of a BEV dedicated platform for midsize and large passenger vehicles, and a C-segment-class BEV SUV model. By combining their respective strengths, such as the all-wheel-drive technologies that SUBARU has cultivated over many years, and the vehicle electrification technologies that Toyota is employing to bring together other companies that share its aspirations, both companies intend to take up the challenge of creating attractive products with appeal that only BEVs can offer, and bring them to market in the early 2020s.

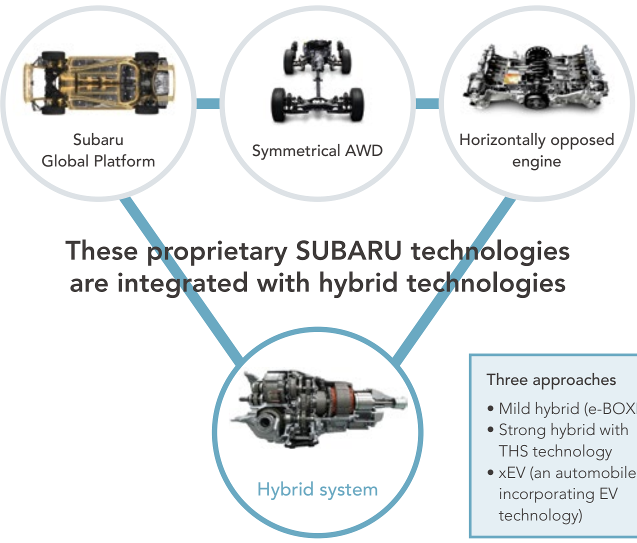
Study model of exterior design for BEV being jointly developed with Toyota

Hybrid vehicles[1]

We are combining our three core technologies—symmetrical AWD, the horizontally opposed engine, and the Subaru Global Platform—with hybrid technology to develop a hybrid vehicle that brings together the enjoyment of driving while providing excellent environmental performance. In addition to the e-BOXER[2], a mild hybrid that is already on the market, we also aim to introduce a strong hybrid that integrates the Toyota Hybrid System (THS). In the first half of the 2030s, all vehicles manufactured and sold by SUBARU will have electric technology.

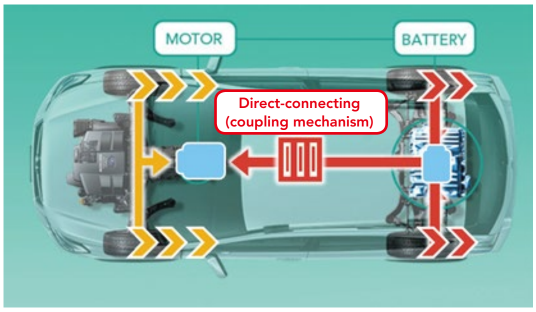
1 Mild hybrids, plug-in hybrids, strong hybrids, xEVs are all vehicles equipped with any electric powertrain technology
2 Generic term used for "horizontally opposed engine + electrification technology," which offers the unique driving pleasure of SUBARU while being environmentally friendly

SUBARU Hybrid System



Three approaches
- Mild hybrid (e-BOXER)
- Strong hybrid with THS technology
- xEV (an automobile incorporating EV technology)

Enhance environmental performance while offering driving enjoyment



Enhance safety, AWD performance, and dynamic quality besides reducing CO_2 emissions

Engine vehicles

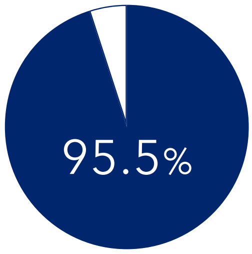
The new Levorg, which we plan to launch onto the market in FYE March 2021, is equipped with a newly developed 1.8 L direct injection turbo engine. Designed to provide optimal combustion, its lean burn technology will produce more energy with less fuel. The result will be an engine that will meet the previously incompatible performance goals of superior thermal efficiency and excellent torque. SUBARU's original horizontally opposed engine is evolving into an engine that will provide superlative environmental performance.

Link
- SUBARU technology briefing presentation materials
- SUBARU technology briefing presentation video

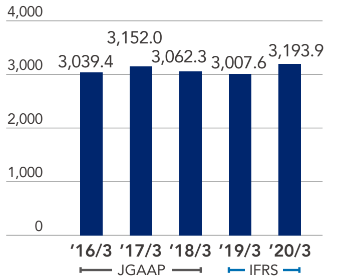
Automotive Business Unit

SUBARU aims to provide "Enjoyment and Peace of Mind" to all its customers through people-oriented vehicle manufacturing.

Consolidated Revenue Contribution Ratio of the Automotive Business Unit

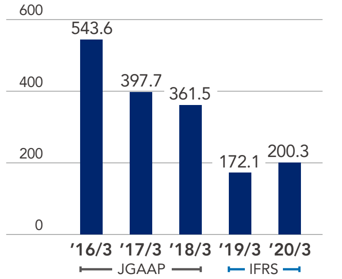


Consolidated Revenue (Billions of yen)



*SUBARU voluntarily adopted the International Financial Reporting Standards (IFRS) in the first quarter of FYE March 2020. The figures for the previous fiscal years have been recalculated on an IFRS basis

Operating Profit (Billions of yen)



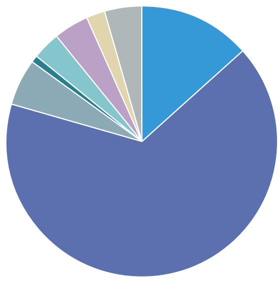
Our history as an automaker began with the launch of the SUBARU 360 in 1958. Since then we have worked continually to add new value to automobiles by developing new categories based on our core technologies, such as the horizontally opposed engine and Symmetrical All-Wheel Drive (AWD), and by creating new technological value, including EyeSight, the world's first[1] driver assist system. SUBARU will continue to take on new challenges, including the development of electric vehicles and other environment-friendly technologies, while providing users with "Enjoyment and Peace of Mind" by enhancing vehicle performance through the Subaru Global Platform.

1 EyeSight is the first driver assist system to provide all functionality solely through the use of stereo cameras

Overview of FYE March 2020

- Consolidated global unit sales increased by 3.3% year on year to 1,034,000 units.
- Sales in Japan totaled 126,000 units, and overseas sales 908,000 units.

Consolidated Automobile Sales by Region (Thousand units)



Japan	126
United States	702
Canada	60
Russia	9
Europe	37
Australia	43
China	21
Others	37
Total	1,034

Product Lineup

LEGACY Series

LEGACY

*North American model

OUTBACK

*North American model

Consolidated unit sales: 238,000 units
Sales regions: Japan, North America, Russia, Europe, Australia, China, and other

IMPREZA Series

IMPREZA

(SEDAN)

(5 Door)

SUBARU XV
(North America: CROSSTREK)

Consolidated unit sales: 312,000 units
Sales regions: Japan, North America, Russia, Europe, Australia, China, and other

FORESTER

Consolidated unit sales: 314,000 units
Sales regions: Japan, North America, Russia, Europe, Australia, China, and other

WRX

Consolidated unit sales: 34,000 units
Sales regions: Japan, North America, Russia, Europe, Australia, and other

LEVORG

*Prototype

Consolidated unit sales: 15,000 units
Sales regions: Japan, Europe, Australia, and other

SUBARU BRZ

Consolidated unit sales: 5,000 units
Sales regions: Japan, North America, Europe, Australia, China, and other

ASCENT
(Exclusively for North America)

Consolidated unit sales: 89,000 units
Sales region: North America

OEM Models

JUSTY

CHIFFON

STELLA

PLEO PLUS

SAMBAR VAN

SAMBAR TRUCK

Consolidated unit sales: 27,000 units
Sales region: Japan

(OEM supply from Daihatsu Motor Co., Ltd.)

*Consolidated total unit sales in each region in the period from April 1, 2019 to March 31, 2020
*Automobile sales by SUBARU CORPORATION and its consolidated subsidiaries

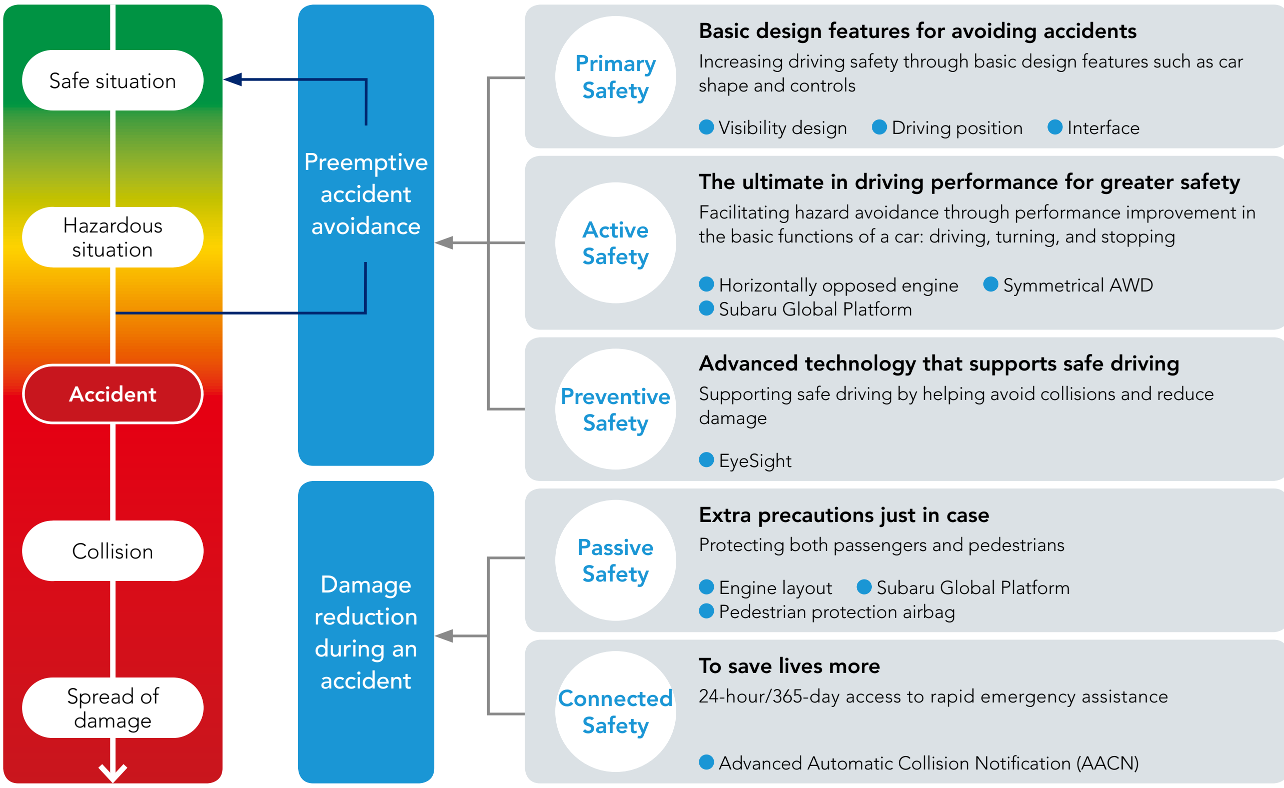
Automotive Business Unit

SUBARU's All-Around Safety

We aim toward "zero fatal accidents[1]" in 2030

SUBARU pursues automobile safety performance from every perspective. We aim to eliminate fatal accidents involving SUBARU vehicles by 2030 by combining our existing four safety criteria of primary safety, active safety, preventive safety, and passive safety with the new concept of connected safety.

1 Fatal traffic accidents of SUBARU drivers/passengers and pedestrians/cyclists SUBARU cars collide with



Safety Performance Recognized Worldwide

SUBARU has received the highest rating in the NCAP[1] conducted by the authorities in Japan, the U.S., Australia, and other countries, as well as in the safety performance assessment conducted by the IIHS[2] in the U.S.[3]

In the IIHS safety performance assessment, four models received the 2020 Top Safety Pick Plus (TSP+) rating and five models received the 2020 Top Safety Pick (TSP) rating.[4]

JNCAP ASV+++: Forester (tested in FY2019)
JNCAP 5-star Award and First Prize: Forester (tested in FY2018)
2020 IIHS TSP+: 2020 Outback (built after October 2019), Legacy, Forester and Crosstrek Hybrid
2020 IIHS TSP: 2020 Ascent (with specific headlights), Crosstrek, Impreza Sedan, Impreza Wagon and WRX (all with optional EyeSight and specific headlights)
US-NCAP 5-star: 2020 Impreza, Crosstrek, Legacy, Outback, Ascent, Forester, and WRX
Euro NCAP 5-star and "Best in Class Cars of 2019" in the Small Off-Road/MPV class: Forester (tested in 2019)
ANCAP 5-star: Forester (tested in 2019)

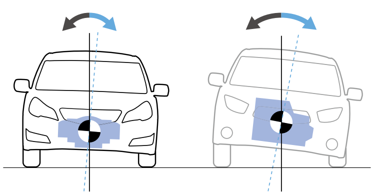
1 NCAP: New Car Assessment Program
2 IIHS: Insurance Institute for Highway Safety
3 For ratings details, please refer to rating agency websites
4 The 2020 TSP+ awards and the 2020 TSP awards only apply to the North American models

SUBARU Core Technologies

Horizontally-Opposed Engine (Boxer engine)

Compact, low center of gravity

The horizontally-opposed engine has pistons arranged symmetrically to the left and right of the crankshaft. Since the opposed pistons mutually cancel out engine vibrations, which reduces vibrations conveyed to the vehicle interior. The engine's low height and compact design contribute to low vehicle center of gravity. The stable attitude provides a high sense of security during driving.



Symmetrical All-Wheel Drive (AWD)

Superior overall weight distribution

The combination of the low center of gravity provided by the horizontally-opposed engine and superior longitudinal-transverse weight balance achieved by placing the transmission near the center of the vehicle maximizes all-wheel drive capability and delivers superb driving performance in various conditions. SUBARU has been committed to Symmetrical AWD as a core technology that drivers can depend on in every situation from day-to-day town use to high-speed highway driving.

Symmetrical All-Wheel Drive

Subaru Global Platform

Balancing a high degree of both drive quality and passive safety performance

SUBARU is sequentially introducing the Subaru Global Platform, starting with the Impreza launched in October 2016. The vehicle platform substantially increases body and chassis rigidity and further lowers vehicle center of gravity, raising the level of active safety and passive safety and delivering responsive handling performance and a comfortable ride with reduced unpleasant vibration and noise.

Subaru Global Platform

EyeSight Driver Assist System

Stereo cameras for advanced object recognition capabilities

By using two cameras positioned on the left and right like human eyes, the EyeSight driver assist system is able to detect vehicles and pedestrians ahead of the vehicle in three dimensions and to accurately determine the distance, shape, and velocity of each object. This preventive safety technology helps avoid accidents, minimizes damage, and reduces the burden on the driver. The next-generation EyeSight system installed in the 2020 SUBARU Levorg features redesigned stereo cameras that allow for expanded visibility, as well as 360-degree sensor capabilities from the four radar units located at the front and rear of the vehicle. This system contributes to safe driving in an even wider range of situations, including intersections. In addition, "EyeSight X" advanced driver assist system adopted in the new Levorg in Japan combines information from sources such as the GPS and QZSS "Michibiki" satellite systems with high-precision 3D map data, which extends driving support functions including lane change assist, slowing the vehicle before going into a curb, and hands-off driving assist in traffic congestion.

EyeSight
Driver Assist Technology

Stereo cameras

DEBUT OF ALL-NEW SUBARU OUTBACK

Since its debut in 1995, the Outback has built a history as a crossover SUV integrating the attributes of both passenger cars and SUVs. And now, the flagship model that supported the growth of SUBARU in the North American market enters its sixth-generation with a complete makeover. Throughout its history, the Outback has consistently improved essential car values such as peace of mind, comfort to go long distances, high quality interiors with ample room for both passengers and luggage and the versatility to drive smoothly on or off-road. In this way, it has built a reputation as a reliable partner that enriches its owners' lifestyles and also established a unique character as SUBARU's flagship crossover SUV. Developed under the concept of "a crossover vehicle that inspires and encourages new discoveries," the new Outback has evolved once again by adding the latest technologies on top of the traditional Outback attributes with the recent complete makeover.

- 2.4-liter four-cylinder direct injection turbocharged boxer engine and Subaru Global Platform adopted for even greater driving dynamics.
- Superior safety achieved based on SUBARU's all-around safety philosophy.
- Driver Monitoring System[1] that supports safe driving adopted to give additional peace of mind.
- Refined and innovative interior features new tablet-style 11.6-inch screen.
- Tough and rugged exterior design inspires driver and passengers' active mind.

1 "DriverFocus" for U.S. models

The 2020 SUBARU Outback earns 2020 Top Safety Pick+, the highest award from the Insurance Institute for Highway Safety (IIHS)*

*The 2020 TSP and TSP+ awards only apply to the North America models.

The 2020 Outback (built after October 2019) earned 2020 Top Safety Pick+ (TSP+), the highest rating in the IIHS award. For 2020, IIHS has incorporated pedestrian crash prevention ratings into its TSP/TSP+ awards for the first time and the Outback received "Superior," the highest possible rating in this testing. We view the IIHS awards as validation for our efforts to continually innovate safety features for our customers.

Yoichi Hori
Project General Manager,
Product Planning Division (2019)

Creating a "Car that Fits Customers' Lifestyles"

What Do Customers See as the Ideal Form?

Customers in the U.S., where the Outback has seen sales of more than 200,000 units a year, already have an image of what the SUBARU Outback is. We could have chosen to keep making it under an already-established key concept in line with that image, but this project started by thinking of "what is the Outback?" in order for it to be a car that better fits customers' lifestyles. I was a team member of the Outback development team starting two generations ago, and I was always asked by past project general managers what is the ideal form for the Outback?

And as a result of repeated discussions within the development team, we reconfirmed that customer expectations for the Outback are based on its "tool-like practicality" that includes ability to hold lots of luggage and vehicle height and running performance to go anywhere, so we decided to further advance that.

Pursuit of Ease of Use in Daily Life

We focused on customer feedback that they want us to "further advance the Outback's ease of use as a tool." As advancements for the luggage compartment, we focused on adopting a hands-free power rear gate and advancing the roof rails. And to advance the basic performance of the vehicle, we needed an easy-to-handle 2.5-liter NA engine and a high-power engine as engine options. The team adapted the 2.4-liter direct injection turbocharged engine from the North American market's Ascent large SUV, but the "flavoring" was revised for the Outback. For example, air becomes thinner and engine power naturally declines at higher elevations, and customers living at higher elevations told us their concerns that without turbo, they lack power and are unable to accelerate sufficiently going uphill. To serve the needs of such customers, a high-power system setting was needed. Even though it is high-power, the engine uses regular gasoline to make it economical for day-to-day use. Many customers want to go straight from their home to their destination without stopping for gas on weekends and other long trips. So, with the 2.5-liter engine, we took into consideration a cruising range of 1,000 km on a single tank of gas.

We were also particular about running performance other than for the engine, improving rigidity by means such as adopting the inner frame construction in order to further advance the Subaru Global Platform, thereby improving handling stability and ride comfort and reducing vibration noise. In this way, we advanced through many new technologies the given attribute of cars that they "carry people important to us and our belongings and run with unwavering safely."

Meanwhile, for the interior, we adopted a new vertical 11.6-inch screen and enabled the navigation system to work with the vertical screen in order to enhance connected services that will be indispensable in the future. With the vertical screen, information such as the next intersection can be seen, making it easier to view the route to the destination. Horizontal screens can be viewed more naturally with an ordinary instrument panel design, but people nowadays are used to viewing maps on smartphones vertically, and we received many opinions that vertical display would be good for the navigation system as well. We were unsure about this at first, but we consulted with designers and had them consider vertical placement from the start of development, and they came up something that fits the instrument panel just right. We hope you will take close notice of this. We adopted nappa leather with the interior for the first time for SUBARU vehicles. This uses only the best part of the skin, so the leather itself must be carefully selected, making it cost more. However, it has a buttery soft feel to it. And the smell as well lets you know it is real leather.

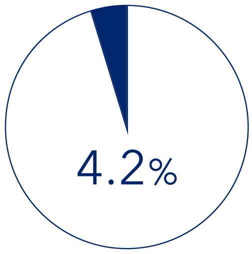
SUBARU's original EyeSight driver assist system too has evolved, employing a Lane Centering function for the first time in North America. In North America where customers drive long distances, cruise control that enables following at safe distances between vehicles has already been introduced and well received. And by adding a Lane Centering function, holding the steering wheel becomes less tiring, making one want to drive even farther. We have also added a Driver Monitoring System, a safety function to warn when the driver is distracted or drowsy.

By focusing on the Outback's tool-like practicality, improving its versatility and advancing its safety systems, we have engineered a car that fits customers' lifestyles and expectations.

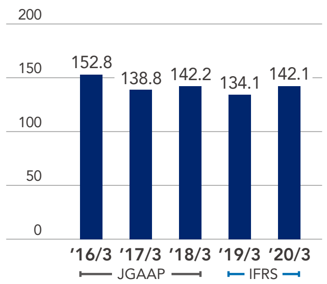
Aerospace Company

Leveraging tradition and innovative technologies to develop and produce a wide variety of aircraft.

Consolidated Revenue Contribution Ratio of the Aerospace Company



Consolidated Revenue (Billions of yen)



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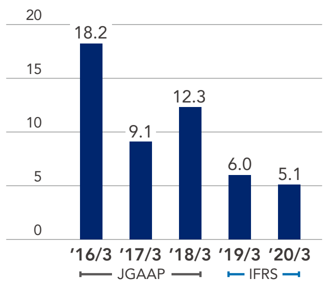
Operating Profit (Billions of yen)



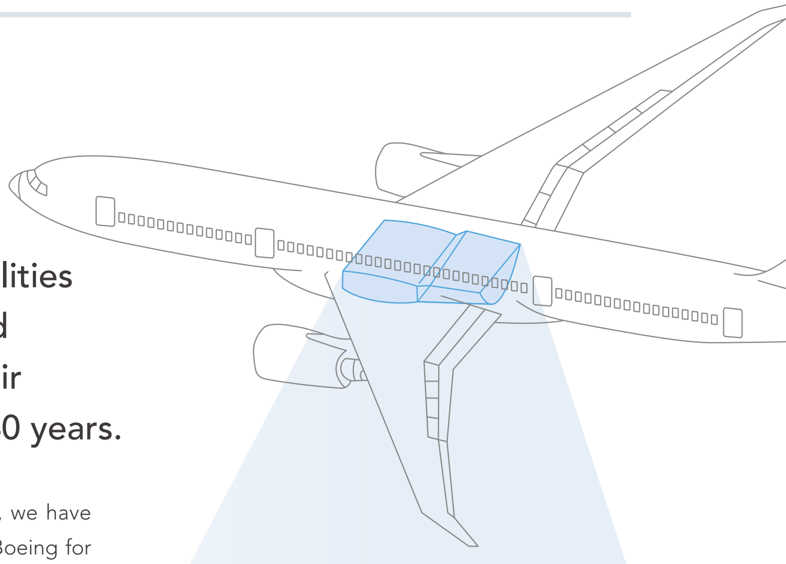
SUBARU's roots trace to 1917 and Aircraft Research Laboratory, later to become Nakajima Aircraft. The Aerospace Company, which has inherited Nakajima Aircraft's manufacturing technologies and spirit, leads Japan's aerospace industry and develops and produces a wide variety of aircraft.

In the defense program, we develop, manufacture, maintain, repair, and provide technical support for products such as the UH-1J utility helicopter used by the Japan Ground Self-Defense Force for disaster relief and other purposes, the new utility helicopter, the T-5 Maritime Self-Defense Force trainer, unmanned aerial vehicles (more than 15 models developed over a half century), and flight simulators. In the commercial program, we participate in many international joint development projects for Boeing. For the 777X, Boeing's newest large passenger airliner, we are responsible for the Center Wing and its integration with main landing gear (MLG) wheel well, as well as MLG doors and Wing-to-Body Fairings (forward). In addition, taking advantage of an alliance with Bell Textron, we jointly developed the SUBARU BELL 412EPX and have started sales.

By further refining our technologies through involvement in a wide variety of aircraft programs, we will continue to take on additional challenges for growing into an aircraft manufacturer with a global presence.

Boeing 777X

Overview of Center Wing Box and SUBARU's Technology



SUBARU's advanced technological capabilities continue to support the development and production of wings that have proven their worth in the world's skies for more than 40 years.

Since first participating in the Boeing passenger program in 1973, we have been involved in development and production as a key partner of Boeing for more than 40 years. We manufacture the center wing box, the critical aircraft section where the right and left wings are attached to the forward and aft fuselage sections. Since the center wing box contains the fuel, they must have high mechanical strength and high fluid tightness. For these reasons, great accuracy and advanced assembly technologies are required for its manufacture, and SUBARU is one of the few companies capable of making them. The Handa Plant, where center wing boxes are manufactured, is a global-level production center that produces these parts for the new Boeing 777X as well as for the Boeing 777 large airliner, the Boeing 787 mid-size airliner, the Ministry of Defense's P-1 maritime patrol aircraft, and the C-2 transport aircraft.

SUBARU's advanced technological capabilities are recognized worldwide. For example, we engage in development on the "Drop test for Simplified Evaluation of Non-symmetrically Distributed sonic boom" Project (D-SEND) together with Japan Aerospace Exploration Agency (JAXA).

A center wing box (Handa Plant)

Shoichiro Tozuka
President
Aerospace Company

Message from the Company President

The Aerospace Company will contribute to the enhancement of the SUBARU brand.

We are a start-to-finish aircraft builder with a wide-range of integration capability from aircraft development and manufacturing to flight testing. Flight safety is an important factor for aircraft, and for many years we have fostered a culture in which quality and safety are recognized as inextricably linked and uncompromisingly pursued. This total safety concept is at the core of SUBARU's DNA.

In the commercial business, in addition to the Boeing 787, our new project, the Boeing 777X completed its first flight in January 2020 and we expect to transition to fullscale production.

In the defense program, we have signed a contract with Japanese Ministry of Defense for the production and delivery of the new utility helicopters to the Japan Ground Self-Defense Force. Also, we have received orders for the SUBARU BELL 412EPX, which is the base model of the aforementioned new utility helicopter, and we will soon transition to fullscale production.

We are determined to take the SUBARU's aerospace brand to meet the expectations of our customers while pursuing further growth by continuously improving every aspect of our business.

Directors, Auditors, and Executive Officers (As of June 24, 2020)

Directors of the Board

Term of office of directors/Number of stocks held

Yasuyuki Yoshinaga
Director of the Board
Chairman
11 years / 63,715 stocks

Tomomi Nakamura
Representative Director of the Board
President, CEO
2 years / 19,077 stocks

Kazuo Hosoya
Representative Director of the Board
Deputy President
1 year / 13,840 stocks

Toshiaki Okada
Director of the Board
Executive Vice President, CFO
3 years / 13,472 stocks

Yoichi Kato
Director of the Board
Executive Vice President, CRMO
3 years / 7,699 stocks

Tetsuo Onuki
Director of the Board
Executive Vice President
2 years / 12,641 stocks

Yasuyuki Abe
Outside Director
1 year / 2,600 stocks

Natsunosuke Yago
Outside Director
1 year / 800 stocks

Miwako Doi
Outside Director
Newly appointed / 0 stock

Auditors

Term of office of auditors/Number of stocks held

Akira Mabuchi
Standing Corporate Auditor
5 years / 44,300 stocks

Hiromi Tsutsumi
Standing Corporate Auditor
Newly appointed / 18,956 stocks

Shigeru Nosaka
Outside Corporate Auditor
1 year / 200 stocks

Kyoko Okada
Outside Corporate Auditor
1 year / 200 stocks

Executive Officers

*Concurrently serve as a Director

Chairman	Yasuyuki Yoshinaga*	
President	Tomomi Nakamura*	CEO (Chief Executive Officer) Aerospace Company, Quality
Deputy President	Kazuo Hosoya*	Chief General Manager of Manufacturing Div. China Project Office
Executive Vice President	Toshiaki Okada*	CFO (Chief Financial Officer) Secretarial Office, Finance & Accounting Dept., and Human Resources Dept.
Executive Vice President	Yoichi Kato*	CRMO (Chief Risk Management Officer) Risk Management Group, External Relations Dept., and Intellectual Property Dept.
Executive Vice President	Katsuyuki Mizuma	Chief General Manager of Overseas Sales & Marketing Div. 2
Executive Vice President	Tetsuo Onuki*	Chief General Manager of Purchasing Div., Product Planning Div.
Executive Vice President	Atsushi Osaki	CQO (Chief Quality Officer) Chief General Manager of Quality Assurance Div., General Manager of Quality Assurance Management Office
Executive Vice President	Fumiaki Hayata	Chief General Manager of Overseas Sales & Marketing Div.1, Chairman and CEO of SIA[1]
Senior Vice President	Shoichiro Tozuka	Company President of Aerospace Company
Senior Vice President	Takuji Dai	CIO (Chief Information Officer) Chief General Manager of IT Strategy Div., Senior General Manager of Corporate Planning Div.
Senior Vice President	Tatsuro Kobayashi	General Manager of Human Resources Dept.
Senior Vice President	Eiji Ogino	Senior General Manager of Manufacturing Div., Chief General Manager of Gunma Plant
Senior Vice President	Jinya Shoji	Senior General Manager of Overseas Sales & Marketing Div. 1, Executive Vice President of SOA[2] SCI[3], NASI[4]
Senior Vice President	Yoichi Sato	Chief General Manager of Japan Sales & Marketing Div.
Vice President	Yasushi Nagae	General Manager of Investor Relations Dept. and General Administration Dept., Corporate Communications Dept.
Vice President	Takeshi Seiyama	Chief General Manager of Parts & Accessories Div.
Vice President	Osamu Eriguchi	Chief General Manager of Engineering Div. 2, Senior General Manager of Engineering Management Div.
Vice President	Tomoaki Emori	Chief General Manager of Corporate Planning Div.
Vice President	Tatsuya Okuno	Chief General Manager of Engineering Div. 1, Senior General Manager of Engineering Management Div.
Vice President	Tamotsu Inui	Chief General Manager of Cost Planning & Management Div., Senior General Manager of Corporate Planning Div.
Vice President	Tetsuo Fujinuki	CTO (Chief Technology Officer) Chief General Manager of Engineering Management Div. and Technical Research Center
Vice President	Hiroshi Wakai	Company Vice President of Aerospace Company, Senior General Manager of Engineering & Development Center
Vice President	Kazuhiro Abe	Chief General Manager of Product Planning Div.
Vice President	Hiroshi Watahiki	Senior General Manager of Engineering Management Div.
Vice President	Tadashi Yoshida	Chief General Manager of Customer Service Div.
Vice President	Ryota Fukumizu	President and COO of SIA[1]

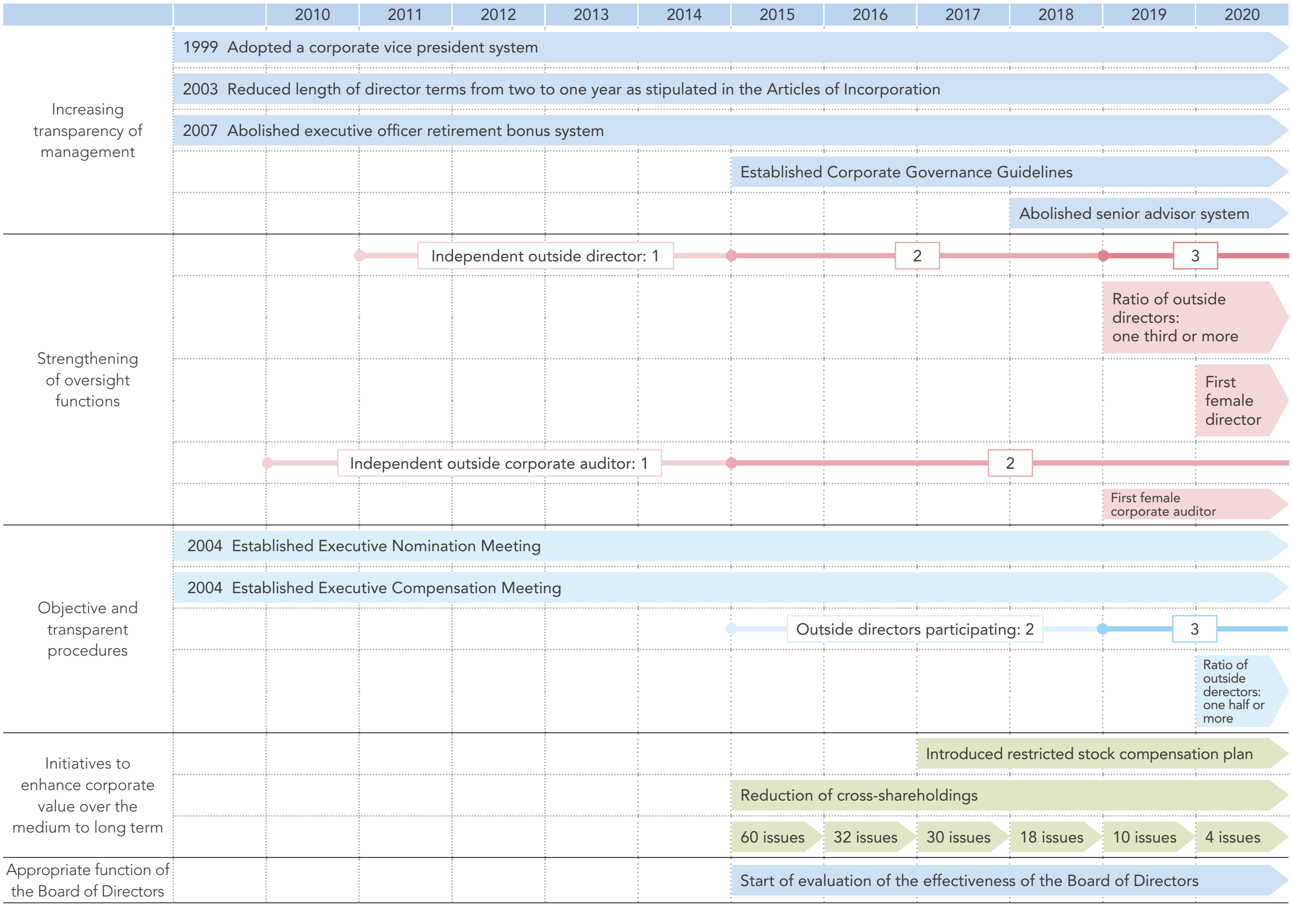
1 Subaru of Indiana Automotive, Inc.
2 Subaru of America, Inc.
3 Subaru Canada, Inc.
4 North American Subaru, Inc.

Corporate Governance

Basic Policy of the Corporate Governance

- Aspiring to the goal of transitioning “From a company making things, to a company making people smile,” SUBARU works on the enhancement of corporate governance as one of the top priorities of management in order to gain the satisfaction and trust of all its stakeholders by achieving sustainable growth and improving its corporate value in the medium and long term based on the corporate philosophy and management philosophy.
- SUBARU clearly separates the function of decision-making and the oversight of corporate management from that of the execution of business operations and aims to realize effective corporate management by expediting decision-making.
- SUBARU ensures proper decision-making and the oversight of corporate management and the execution of business operations as well as enhances its risk management system and compliance system through the monitoring of its management and operations and advice provided by outside officers.
- SUBARU implements proper and timely disclosure of information in order to improve the transparency of management.

History of Initiatives to Strengthen Governance

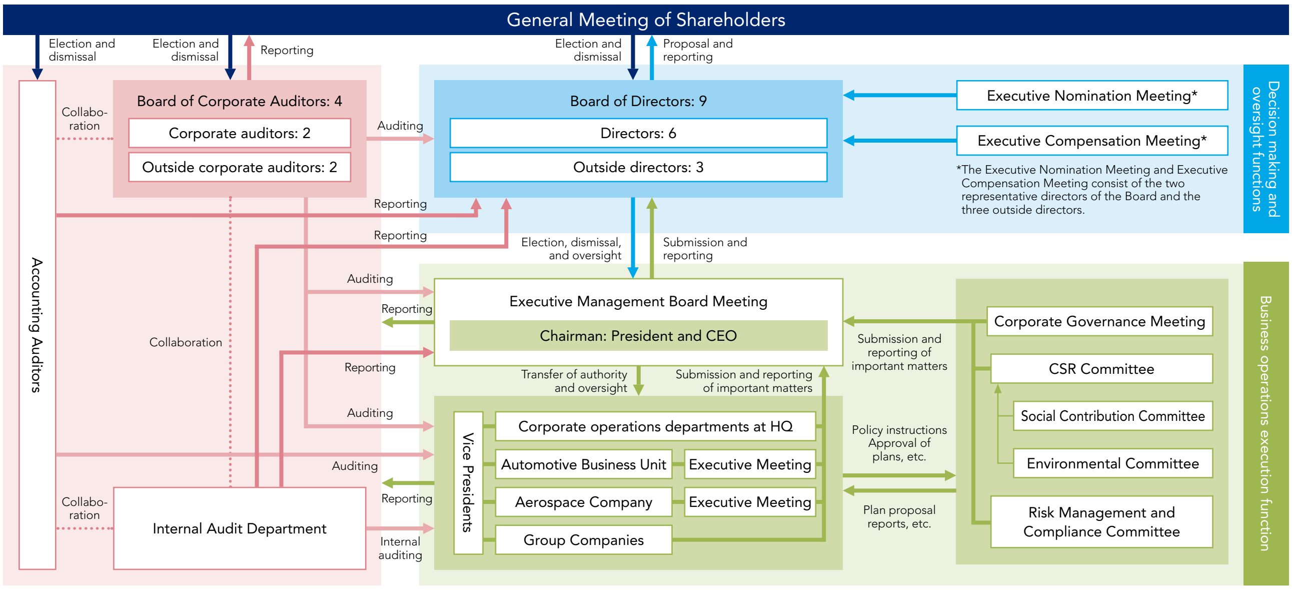


Corporate Governance System

The Company has chosen a company with a board of corporate auditors as its corporate governance structure. The Board of Directors decides and supervises the execution of important business, and the Board of Corporate Auditors audits the execution of duties by directors. The structure enables us to achieve sounder, more efficient business operations through increased effectiveness of management monitoring by involving independent outside directors and outside corporate auditors. In addition, in order to enhance the practical governance structure based on the ongoing organizational design, we have established two voluntary meetings: the Executive Nomination Meeting and Executive Compensation Meeting.

With regard to the business operation system, the Company has established the Executive Management Board Meeting as a preliminary consultation body to conduct deliberations on company-wide management strategies and the execution of important business before their presentation at the Board of Directors Meeting. In addition, the Company has adopted a vice president system and established the Executive Board Meeting as the decision-making body of each business department, and converted the Aerospace division into an internal company in order to clarify responsibilities and accelerate the execution of business operations.

System of Corporate Governance



Board of Directors and Board of Corporate Auditors

Organization	Board of Directors	Board of Corporate Auditors
Chairman	Chairman of Board of Directors	Standing Corporate Auditor
Composition	Directors: 6 Outside directors: 3	Standing Corporate Auditors: 2 Outside Corporate Auditors: 2
Role/responsibility	The Board of Directors ensures fairness and transparency by performing the oversight function for overall management and makes the best decisions possible for the Company through appointment, evaluation and resolution regarding the compensation of its CEO and other management team members, the assessment of material risks faced by the Company and the development of measures to deal with such risks, and decisions on the execution of important business of the Company.	The Board of Corporate Auditors, as an independent organization entrusted by shareholders, is responsible for ensuring the sound and sustainable growth of the Company and establishing a high-quality corporate governance system that can be trusted by society by performing audits of the execution of duties by directors, passing resolutions on the contents of proposal items regarding the appointment and dismissal, or non-reappointment, of accounting auditors that are to be submitted to the General Meeting of Shareholders, and performing business audits, accounting audits and other matters prescribed by the laws and regulations.
Meetings held in FYE March 2020	13 times[1]	12 times

1 In addition to the number of Board of Directors' meetings shown in the above table, there were two written resolutions passed that have been deemed equivalent to a Board of Directors' meeting, pursuant to Article 370 of the Companies Act and the Articles of Incorporation

Executive Nomination and Executive Compensation Meetings

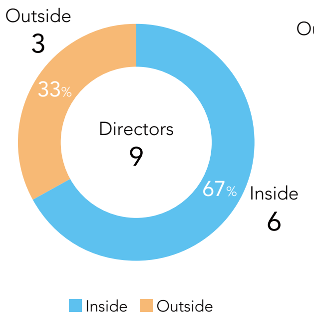
Organization	Executive Nomination Meeting	Executive Compensation Meeting
Chairman	Representative Director of the Board and President	Representative Director of the Board and President
Composition	Representative Directors: 2 Outside Directors: 3	Representative Directors: 2 Outside Directors: 3
Role/responsibility	To ensure the fairness and transparency of decisions on executive appointment, the Executive Nomination Meeting submits to the Board of Directors proposals of nomination of candidates for directors and corporate auditors and the appointment/dismissal of the CEO or corporate vice presidents approved following full deliberation by committee members. The Board of Directors Meeting then deliberates and resolves these proposals. Approval of the Board of Corporate Auditors is obtained for nominations of candidates for corporate auditors.	To ensure fairness and transparency in decisions on compensation for directors, the Executive Compensation Meeting, on the basis of delegation by the Board of Directors, determines specific compensation amounts, including the compensation system, following sufficient deliberation by its members. With regard to revisions of the compensation system and other matters pertaining to compensation overall, proposals approved by the Executive Compensation Meeting are deliberated and decided on by the Board of Directors.
Meetings held in FYE March 2020	4 times	4 times
Items deliberated in FYE March 2020	The Executive Nomination Meeting submitted reports mainly on the executive structure and appointments, the division of duties of executives, and the appointment of representatives of major subsidiaries, and discussed matters concerning the CEO succession plan.	The Executive Compensation Meeting discussed the compensation structure, decided performance-linked compensation for directors (except for outside directors) and corporate vice presidents, and determined individual compensation amounts for restricted stock compensation.

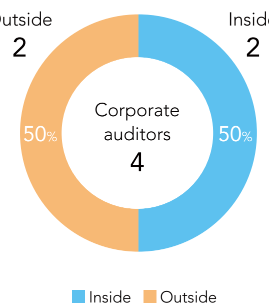
Directors/Auditors

	Name	Position	Female	Term	Total years of service	Board of Directors[1]	Board of Corporate Auditors[1]
Directors	Yasuyuki Yoshinaga	Director, Chairman		1 year	11 years	◎	
	Tomomi Nakamura	Representative Director, President and CEO			2 years	○	
	Kazuo Hosoya	Representative Director, Deputy President			1 year	○	
	Toshiaki Okada	Director, Executive Vice President and CFO			3 years	○	
	Yoichi Kato	Director, Executive Vice President and CRMO			3 years	○	
	Tetsuo Onuki	Director, Executive Vice President			2 years	○	
	Yasuyuki Abe	Independent Outside Director			1 year	○	
	Natsunosuke Yago	Independent Outside Director			1 year	○	
	Miwako Doi Newly appointed	Independent Outside Director	☆		Newly appointed	○	
Corporate Auditors	Akira Mabuchi	Standing Corporate Auditor		4 years	5 years	○	◎
	Hiromi Tsutsumi Newly appointed	Standing Corporate Auditor	☆		Newly appointed	○	○
	Shigeru Nosaka	Independent Outside Corporate Auditor			1 year	○	○
	Kyoko Okada	Independent Outside Corporate Auditor	☆		1 year	○	○

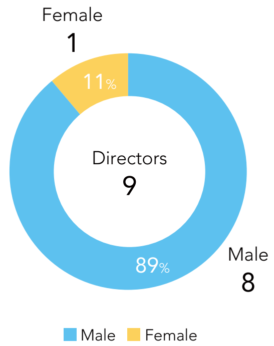
Composition of Directors/Auditors

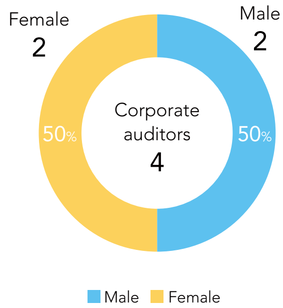
Ratio of Outside Directors/Auditors





Ratio of Female Directors/Auditors





Board of Directors' Meeting Participation Rate

Category	FYE March 2016	FYE March 2017	FYE March 2018	FYE March 2019	FYE March 2020
Number of meetings held	15 times	15 times	17 times	16 times	13 times
Attendance rate	96.3%	96.3%	99.0%	98.4%	100.0%

*In addition to the number of Board of Directors' meetings shown in the above table, there was one written resolution passed in FYE March 2019 and two in FYE March 2020 that have been deemed equivalent to a Board of Directors' meeting, pursuant to Article 370 of the Companies Act and the Articles of Incorporation
*Attendance rates for newly elected directors are calculated based on the number of Board of Directors' meetings held after they assumed office

CEO Succession Plan

Approach

- The Company recognizes that decision-making regarding top management changes and successor selection may have a critical influence on corporate value. Therefore, in order to ensure a successful succession at the right timing, we invest substantial time and resources to carefully develop and implement succession plans.

1 ◎ and ○ indicate attendance of the chairman and other members, respectively

(As of June 24, 2020)

The Executive Nomination Meeting[1]	The Executive Compensation Meeting[1]	Main areas of expertise							
		Management (executive experience)	Technology/ development	Manufacturing/ procurement	Sales/ marketing	Global	Finance (CFO experience)	Corporate ESG	IT
		●			●			●	
◎	◎	●			●	●		●	
○	○			●	●			●	
							●	●	
						●		●	●
			●	●		●			
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- In order to hand over the business to the right person, the Board of Directors, as part of its essential duties, develops succession plans that can convince all stakeholder groups. To ensure objectivity and transparency in the process for deciding on the replacement and selection of the CEO, the Board of Directors appropriately supervises the preparation of proposals by the current CEO through discussions at the Executive Nomination Meeting.
- To be able to implement succession plans appropriately, the CEO begins to prepare for selection and development of his/her successor candidates independently upon assuming office. Key processes for this purpose include providing information on candidates to outside directors on an ongoing basis, particularly by enabling the directors to monitor the candidates in person continuously in day-to-day business settings, as a measure to ensure appropriate and timely evaluation and selection down the road.
- The Board of Directors and Executive Nomination Meeting meet on a regular basis to review the list of essential qualities and skills required of the CEO, which may include removing and adding items, in consideration of perception of current trends, changes in the business environment surrounding the company, and the future direction of the group's business strategies.

To ensure the objectivity of the successor selection process and increase the effectiveness of its supervision by the Board of Directors and Executive Nomination Meeting, it is important to have effective selection criteria in place, particularly for use by outside directors. Based on this view, the Company has established two sets of criteria: "Abilities required of the SUBARU Group's CEO" and "Five key qualities required of the SUBARU Group's CEO." These criteria serve as a guide for evaluating candidates in light of quality, competency, experience, track record, specialized expertise, personality and other factors, which have been discussed and decided on by the Board of Directors and Executive Nomination Meeting.

Abilities required of the SUBARU Group's CEO

The SUBARU Group's CEO must be able to properly understand the business environment surrounding SUBARU, its corporate culture and philosophy, business growth stages, and medium- to long-term management strategies and challenges; facilitate collaboration appropriately with various stakeholders; and lead all executives and employees to work together to maximize corporate value.

Five key qualities required of the SUBARU Group's CEO

1. Integrity
2. Broad perspective
3. Character
4. Tireless spirit or revolutionary leadership skills
5. Person of action

Outside Directors/Outside Corporate Auditors

Nomination Criteria

- The outside directors are expected to perform a monitoring function independent from the management team and provide appropriate advice on the management of the Company on the basis of wide range of sophisticated knowledge.
- The outside corporate auditors are expected to perform a management oversight function independent from the management team and undertake their role of auditing from the viewpoint of legality and appropriateness on the basis of broad and advanced knowledge.
- The Company has established criteria for independence of outside officers in addition to the criteria for independence established by the Tokyo Stock Exchange, and appoints outside directors and outside corporate auditors who meet those criteria.

Reasons for Appointing Each Outside Officer

Name	Independent Officer Status[1]	Reasons for Appointing	FYE March 2020 Meeting Attendance	Significant Concurrent Positions (As of June 30, 2020)
Outside Director Yasuyuki Abe	○	As representative director and senior managing executive officer of Sumitomo Corporation, Mr. Yasuyuki Abe has been involved in management in both a supervisory and executional capacity, possesses extensive experience and knowledge in business management, and has an advanced understanding of the IT field. Mr. Abe has served three years as an independent outside corporate auditor for the Company since June 2016. During his tenure, he has supervised the execution of duties conducted by directors, as well as understood the true nature of the problems facing the Company and offered his frank opinions to senior management in a timely and appropriate manner. In June 2019, Mr. Abe was appointed to the position of independent outside director and has been providing beneficial advice to the Company's management. In light of this, the Company has once again appointed Mr. Abe with the expectation that he will provide sufficient advice and oversight of all aspects of the Company's management from an independent perspective when he assumes office as an outside director of the Company.	BD 10 of 10 meetings BCA 2 of 2 meetings	Director of the Board (External), JVC KENWOOD Corporation Advisor, ORANGE AND PARTNERS CO., LTD.
Outside Director Natsunosuke Yago	○	Mr. Natsunosuke Yago served successively as president and representative executive officer and chairman at Ebara Corporation, and has extensive experience and knowledge in business management. Mr. Yago is especially knowledgeable in the areas of internal control and governance. In June 2019, the Company appointed him to the position of independent outside director. Given that he has been providing beneficial advice to the Company's management based on his rich experience and wide range of knowledge, and high level of insight into the Company's social responsibilities, we appointed Mr. Yago once again with the expectation that he will provide sufficient advice and oversight of all aspects of the Company's management from an independent perspective when he assumes office as an outside director of the Company.	BD 10 of 10 meetings	President, Ebara Hatakeyama Memorial Foundation Outside Director, J. FRONT RETAILING Co., Ltd.
Outside Director Miwako Doi Newly appointed	○	As a researcher and supervisor in the field of information technology at Toshiba Corporation, Ms. Miwako Doi has accumulated vast experience and made many achievements in this field over many years. In addition, she has held successive positions, mainly in government committees, owing to her high level of expertise and extensive experience and knowledge. In June 2020, we appointed Ms. Doi to the position of outside director with the expectation that she will provide sufficient advice and oversight of all aspects of the Company's management from an independent perspective when she assumes office, given her experience and high level of insight as an expert cultivated from her vast experience.	BD —	Auditor, National Institute of Information and Communications Technology (NICT) Executive Director, Nara Institute of Science and Technology Executive Vice President, Tohoku University Outside Director, Isetan Mitsukoshi Holdings Ltd. Outside Director, NGK Spark Plug Co., Ltd.
Outside Corporate Auditor Shigeru Nosaka	○	Mr. Shigeru Nosaka has been involved in management in both a supervisory and executional capacity as a director, executive deputy president and deputy chairman and CFO at Oracle Corporation Japan and possesses extensive experience and knowledge in business management. In June 2019, Mr. Nosaka was appointed to the position of independent outside corporate auditor and has been providing beneficial advice to the Company's management based on his wide range of insights into finance and accounting in corporate activities. In light of this, the Company has once again appointed Mr. Nosaka with the expectation that he will appropriately perform the duties when he assumes office as an outside corporate auditor of the Company.	BD 10 of 10 meetings BCA 10 of 10 meetings	
Outside Corporate Auditor Kyoko Okada	○	Ms. Kyoko Okada has accumulated extensive experience and knowledge in areas such as CSR and corporate culture at Shiseido Co., Ltd. and has a career in management auditing as a corporate auditor at Shiseido. In June 2019, Ms. Okada was appointed to the position of independent outside corporate auditor and has been providing beneficial advice to the Company's management based on her wide range of insights into CSR and corporate culture in corporate activities. In light of this, the Company has once again appointed Ms. Okada with the expectation that she will appropriately perform the duties when she assumes office as an outside corporate auditor of the Company.	BD 10 of 10 meetings BCA 10 of 10 meetings	Japan Cancer Society, Director Outside Audit & Supervisory Board Member, NS Solutions Corporation Outside Audit & Supervisory Board Member, Daio Paper Corporation

BD Board of Directors BCA Board of Corporate Auditors

1 Outside directors and outside corporate auditors with no risk of a conflict of interest with general shareholders as stipulated by the stock exchange

Executive Officer Training

Category	Training Policy/ Major Ongoing Programs
Directors Corporate auditors	Policy SUBARU provides its directors and corporate auditors on an ongoing basis with information and knowledge regarding its business activities that is necessary for them to fulfill their responsibilities to oversee and audit the management.
	• Refresher courses focusing on information regarding the Companies Act and other laws and regulations related to corporate governance
	• Participation in seminars and programs hosted by government agencies, Japan Federation of Economic Organizations, Japan Association of Corporate Directors, Japan Audit & Supervisory Board Members Association, etc.
Outside directors Outside corporate auditors	Policy SUBARU provides its outside officers on an ongoing basis with information relating to the company's management philosophy, corporate culture, business environment and other matters, mainly through arranging appropriate opportunities, such as operations briefings from business divisions and factory tours, as well as creating an environment for officers to share information and exchange opinions more easily.
	• The following programs are provided to outside Board members at the time of appointment and subsequently to keep them updated.
	- Opportunities for discussions with and briefings from responsible vice presidents about the management philosophy, corporate culture, business environment, and the performance, situation and issues of each business division/department
	- Inspection tours at manufacturing/R&D/distribution sites
	- Discussions with directors and corporate auditors on management issues
	- Social gatherings with directors and corporate auditors
	- Participation in company-wide business events, such as improvement activity debriefing sessions
Vice presidents	Policy SUBARU gives vice presidents similar opportunities as those given to directors and auditors, for the purpose of developing human resources to lead its management in the future.
	• Participation in external programs aimed at fostering the mindset required for executive management and motivating self-improvement actions
	• Lectures by invited experts in specified topics to share and increase literacy in the related field (legal affairs, compliance, IT, the SDGs, etc.)
	• Strategy building camps for all vice presidents
	• Recommendation and support for participation in appropriate external seminars and programs

*Expenses to be incurred for offering the above training to directors and corporate auditors, including outside officers and vice presidents are borne by the company.

Category	Programs Provided in FYE March 2020
All executives (including outside officers)	• External seminars: each of the total four newly appointed directors and vice presidents participated in different three-day programs
	• Classroom lectures by invited experts: two sessions were held for all executives to discuss management issues
	• Individual lectures by invited experts: a total of three sessions were held for two directors to listen to specialists in specified topics, including about the Companies Act
	• In-house presentations and exhibits: held to present information to all executives about future technologies and quality solutions
	• In-vehicle lessons offered to all executives, aimed to improve their driving skills, and teach them about new technologies (three sessions)
Outside directors Outside corporate auditors	• Operations briefings offered by vice presidents and related discussions: three newly appointed outside directors/corporate auditors attended 18 sessions in total
	• Inspection tours at manufacturing sites in Japan: three newly appointed outside directors/corporate auditors visited three different locations (plants, offices)
	• Inspection tours at Group companies in Japan: two outside corporate auditors visited five companies in total
	• Inspection tours at manufacturing and distribution sites outside Japan: two outside corporate auditors visited manufacturing and distribution sites in two countries
	• Management discussions and social gatherings with directors and corporate auditors: the entire Board membership (13 directors and corporate auditors) attended two semi-annual events
	• External exhibitions: outside directors and corporate auditors participated in external exhibitions

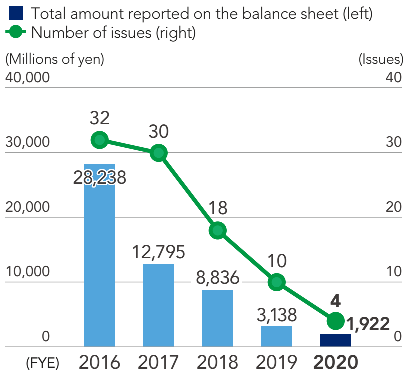
Cross-Shareholdings

Regarding major listed stocks held by the Company as cross-shareholdings, each year the Board of Directors examines each cross-shareholding to determine primarily its purpose and the benefits derived from it justify the associated capital cost. If the Board of Directors judges that cross-shareholding will contribute to management and business strategies in the medium and long term, the Company continues to hold the shares. The Company has been steadily reducing cross-shareholdings of listed shares—as detailed below—since the Corporate Governance Code went into effect, and the number of issues was four as of March 31, 2020.

Number of Issues of Cross-Shareholdings and Total Amount Reported on the Balance Sheet

Category		FYE March 2016	FYE March 2017	FYE March 2018	FYE March 2019	FYE March 2020
Number of issues (Issues)	Listed	32	30	18	10	4
	Unlisted	31	32	31	31	32
	Total	63	62	49	41	36
Amount reported on the balance sheet (Millions of yen)	Listed	28,238	12,795	8,836	3,138	1,922
	Unlisted	526	544	535	535	581
	Total	28,764	13,339	9,371	3,673	2,503

Listed Cross-Shareholdings



Effectiveness Evaluation of the Board of Directors

In accordance with our Corporate Governance Guidelines, the Board of Directors analyzes and evaluates the effectiveness of the Board and examines and implements improvement measures to tackle the issues identified. In FYE March 2020, as well as conducting fixed-point observation based on the FYE March 2019 evaluation, the Board of Directors undertook analysis and evaluation focused primarily on checks of initiatives to address issues identified in the FYE March 2019 evaluation. The results are reported below.

Evaluation and Analysis Methods

Timing of implementation: February 2020

Respondents: All directors and all corporate auditors (13, including outside directors)

Method: Self-evaluation using a questionnaire drawn up by a third-party body

(1) The third-party body conducts an anonymous self-evaluation questionnaire for all directors and all corporate auditors.

(2) The third-party body collates and analyzes results.

(3) The Board of Directors reviews and discusses the report received from the third-party body.

Focus of Questions

1) Board of Directors' management structure
2) Board of Directors' oversight function
3) Shareholder dialogue
4) Addressing of issues identified in the FYE March 2019 evaluation

As well as the self-evaluation section in which each person rates themselves on a four-rank scale, the questionnaire has a free-response section in which respondents can describe their views on the areas in which SUBARU's Board of Directors is achieving excellence and areas where it needs to increase its effectiveness.

Results of Evaluation

The Company has received the following report on the results from the third-party body commissioned to conduct the evaluation.

- As with the evaluations conducted through to FYE March 2019, with respect to the operation of the Board of Directors, the evaluation found that healthy, frank discussion from a company-wide perspective took place at meetings of the Board of Directors.
- The areas identified as strengths in the previous year's evaluation ("leadership by the Chair," "discussion of cross-shareholdings for policy purposes," and "size of the Board of Directors") continued to be rated highly, which confirms that the strengths of SUBARU's Board of Directors have been sustained.
- In particular, there were improvements in the following areas: operation of the Board of Directors, support system for the Board of Directors, and supervisory functions of the Board of Directors and risk management system of the Board of Directors.
- On the other hand, as in the previous year, the need to further enhance the discussion on medium- to long-term management strategies was confirmed. The evaluation also showed that there was a strong awareness of issues in such areas as information security system and sustainability, so further improvements and functional enhancements are expected in these areas.
- Regarding this evaluation, five of the 13 officers were new to the Board. It has been noted that simple comparisons to the previous year's evaluation should be made with caution, as the evaluation criteria may differ for each officer.

Issues Recognized in the FYE March 2019 Evaluation

In FYE March 2020, directors and corporate auditors addressed the following issues recognized in the FYE March 2019 evaluation.

(1) Strengthening the system for identifying and managing risk

We have strengthened our risk identification and management system by establishing the position of Chief Risk Management Officer (CRMO) to oversee the Risk Management Group and by providing more opportunities for discussion at Board of Directors meetings than before.

(2) Enhancing discussions on medium- to long-term management strategies

We strove to invigorate discussions on medium- to long-term management strategies by providing more opportunities for reporting and discussion at Board of Directors meetings, including sharing and discussing the progress of our medium-term management vision.

(3) Succession planning and development policies

The Executive Nomination Meeting and the Board of Directors held discussions on the CEO succession plan, and made resolutions on the CEO succession plan and the ideal image of the SUBARU Group's CEO, which will be implemented through ongoing discussions.

Future Initiatives

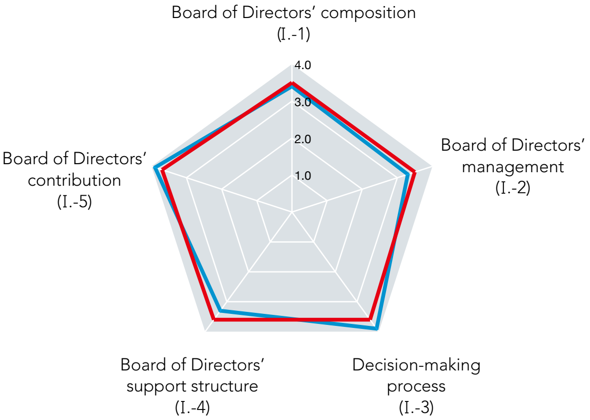
After receiving the evaluation report from the third-party body, the Board of Directors examines and discusses the CEO's succession plan and the members of the Board of Directors, Executive Nomination Meeting and Executive Compensation Meeting for implementing relevant measures. Furthermore, the Board of Directors continues to deepen discussions on medium- to long-term management strategies and has begun active discussions on information security systems and sustainability, with the aim of enhancing corporate value and achieving sustainable growth in the medium to long term. We will continue to strive to maintain and improve the effectiveness of the Board of Directors.

Results of the Questionnaire

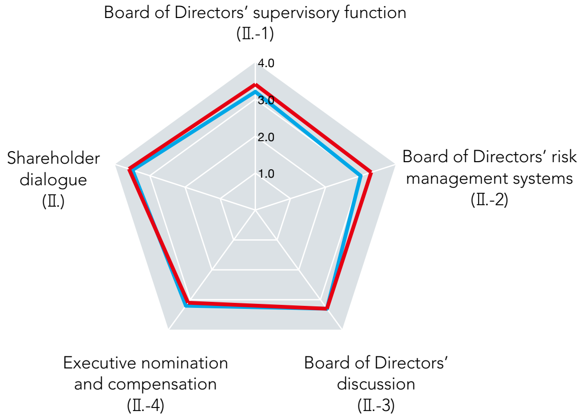
Evaluation scale
4.0: High 1.0: Low

FYE March 2019
FYE March 2020

Board of Directors' Management Structure



Board of Directors' Oversight Function and Shareholder Dialogue



Evaluation Items

Category	Matters Examined		
I. Board of Directors' management structure			
1) Board of Directors' composition	Board of Directors' size	Board of Directors' composition (proportion of inside and outside directors)	Board of Directors' composition (diversity and specialty)
2) Board of Directors' management	Frequency, duration, and distribution of meetings	Appropriateness of agenda	Quality and quantity of documents
	Timing of document distribution	Pre-meeting explanation	Content of explanations and reports
3) Decision-making process	Chair's leadership	Adequate discussion	—
4) Board of Directors' support structure	Environment and systems for providing information	Provision of information to outside directors	Training of outside directors
	Training of inside directors	—	—
5) Board of Directors' contribution	Stance toward initiatives	Company-wide perspective	Mutual respect
	Diverse values	Stakeholder perspective	—
II. Board of Directors' oversight function			
1) Board of Directors' supervisory function	Reporting systems	Supervision of management	—
2) Board of Directors' risk management systems	Risk management systems	Subsidiary management systems	Information-sharing on risks and risk response
	Systems for managing progress of response measures	Thorough awareness of compliance issues	—
3) Board of Directors' discussion	Discussion of management strategy	Discussion of capital policy	Discussion of cross-shareholdings
	Discussion on strengthening governance	Responses to social and environmental issues	—
4) Executive nomination and compensation	Composition of Executive Nomination Meeting and Executive Compensation Meeting	Successor development	Incentive-based compensation
III. Shareholder dialogue			
Shareholder dialogue	Sharing shareholder and investor views	Enhancement of shareholder and investor dialogue	—

Compensation

Policy on the Method of Determining the Amount of Compensation for Directors

Compensation, etc., of directors is determined in view of the following items.

- Compensation, etc., is at a level commensurate with the roles and responsibilities of directors and is appropriate, fair, and balanced.
- The compensation structure is determined by giving consideration to providing motivation for sustained improvement in corporate performance and corporate value and securing excellent human resources.

The specific composition of compensation, etc., is as described below. The total amount of compensation and level of each compensation type are set according to job responsibilities and status as inside or outside director by utilizing the research data compiled by outside specialized agencies, etc.

1. Basic Compensation	A fixed portion with the specific amount determined based on job position, taking into consideration elements such as the business environment
2. Short-term performance-linked compensation	A performance-linked portion with the specific amount determined based on consolidated ordinary income[1] for the current fiscal year, taking into consideration personnel development and the business environment, and adjusted according to the matrix of combined ROE and improved shareholders' equity ratio, which are both performance indicators aligned with the Company's capital policy.
3. Restricted stock compensation	Compensation to grant restricted stock for the purpose of providing an incentive for sustained improvement of the corporate value and further value sharing with the shareholders

In view of the role of outside directors in the monitoring and oversight of management from an independent standpoint, the Company does not provide short-term performance-linked compensation or restricted stock compensation to outside directors.

Compensation System for Directors (Excluding outside directors)

Fixed portion	Performance-linked portion	Long-term incentives
1. Basic compensation	2. Short-term performance-linked compensation	3. Restricted stock compensation

By a resolution passed at the 85th Ordinary General Meeting of Shareholders, held in June 2016, the maximum total amount of annual compensation, etc., for directors is 1.2 billion yen (including a maximum 200 million yen for outside directors). The maximum total amount of monetary compensation related to long-term incentives is 200 million yen per year, within the abovementioned limitation. The maximum number of directors provided for in the Company's Articles of Incorporation is 15. As for decisions on director compensation, the Executive Compensation Meeting, on the basis of delegation by the Board of Directors, determines specific compensation amounts, including the compensation system, following sufficient deliberation by its members, who include the independent outside directors. By a resolution passed at the 75th Ordinary General Meeting of Shareholders, held in June 2006, the maximum total amount of annual compensation, etc., for corporate auditors is 100 million yen. An amount determined through discussion among the corporate auditors based on position, taking into consideration the business environment, is paid as basic compensation for corporate auditors. The maximum number of corporate auditors provided for in the Company's Articles of Incorporation is five.

Compensation for Directors and Auditors in FYE March 2020

In STEP, the mid-term management vision announced in July 2018, the Company set forth a profit plan that includes operating income of 950.0 billion yen for the three-year period from FYE March 2019 to FYE March 2021. The Company announced it aims to achieve a ratio of shareholders' equity to total assets of 50% and to maintain a minimum ROE of 10% while aiming for ROE of 15% or higher. In accordance with these goals, the Executive Compensation Meeting, upon authorization by the Board of Directors, determined the amount of short-term performance-linked compensation to pay to each Director, using the consolidated ordinary income[1] for FYE March 2020 as the basis, making adjustment using the matrix of ROE and degrees of improvement in shareholders' equity ratio, and taking into consideration personnel development and the business environment.

1 Since the SUBARU Group started to voluntarily apply the IFRS to the accounts from FYE March 2020, this figure was converted to consolidated ordinary income under the Japanese standards

Classification	Number	Total compensation (millions of yen)			
		Basic compensation (paid in fixed monthly installments)	Short-term Performance-linked compensation	Restricted stock compensation	
Directors (excluding outside directors)	6	298	91	53	442
Corporate auditors (excluding outside corporate auditors)	2	56	—	—	56
Outside directors and outside corporate auditors	7	56	—	—	56
Total	15	410	91	53	554

Note: The above table includes two directors who retired by the last day of FYE March 2020
At the end of FYE March 2020, there were nine directors (including three outside directors) and four corporate auditors (including two outside corporate auditors)

Internal Control

Management System

With the aim of increasing the effectiveness of internal controls and risk management, the Internal Audit Department was made independent of the Risk Management Group (overseen by the Chief Risk Management Officer (CRMO)) to ensure a higher level of independence of internal audit departments in the organization and to enhance the effectiveness of internal controls.

Internal Control System

In accordance with the Companies Act and the Ordinance for Enforcement of the Companies Act, SUBARU's Board of Directors has adopted a basic policy on putting in place systems that ensure that the performance of duties by directors is in conformity with laws and regulations and with the Articles of Incorporation, and other systems prescribed in the ordinance of the Ministry of Justice as being necessary to ensure the appropriate operations of the company and the corporate group consisting of the company and its subsidiaries. The Board of Directors maintains and operates this basic policy, reviewing it as needed.

Internal Control Related to Financial Reporting

The evaluation of internal control related to financial reporting under the Internal Control Reporting System of the Financial Instruments and Exchange Act is implemented with the last day of the consolidated accounting period as the record date. The evaluation is implemented according to generally accepted standards for evaluations of internal control related to financial reporting. The status of development of a system of internal control related to financial reporting as of March 31, 2020 is progressing appropriately and is functioning effectively, and the internal control report to this effect has been evaluated and confirmed by the CEO (Chief Executive Officer) and CFO (Chief Financial Officer), and has been audited by the accounting auditors before publication.

Link
- The 89th Securities Report and Internal Control Report (Japanese only)

Audit

Auditing by Corporate Auditors

The Company has four corporate auditors (including two outside corporate auditors), who attend important meetings including those of the Board of Directors, inspect business sites and subsidiaries, interview members of the Internal Audit Department, and audit the execution of duties by directors and others in accordance with the audit policy and audit plan established by the Board of Corporate Auditors. The Company has a system in place whereby corporate auditors can gather information when necessary from directors or other employees when a situation arises that may cause significant damage to the Company, a significant violation of laws, regulations or the Articles of Incorporation, or another serious matter related to compliance. Moreover, the Company assigns employees to assist corporate auditors in their duties to ensure they can smoothly accomplish their work.

Internal Audit

The Company has established the Internal Audit Department—with 13 members—as an internal auditing organization under the direct supervision of the President and conducts internal audits of business execution at SUBARU and its domestic and overseas Group companies from an independent and objective standpoint. At the beginning of the fiscal year, the department prepares an internal audit plan for the fiscal year that takes into consideration the internal control status and risks to the Group as a whole and systematically implements the plan. The department prepares and distributes to the directors, corporate auditors, and concerned parties audit reports on the results of internal audits and reports on a half-yearly basis at the Board of Directors' Meeting and on a quarterly basis at the Executive Management Board Meeting. The Internal Audit Department and corporate auditors work to deepen collaboration and strengthen the auditing function through monthly internal audit report meetings held by the department and quarterly dialogues about internal control. The department and corporate auditors endeavor to strengthen the auditing function through quarterly information sharing with the accounting auditors. Moreover, the department is evaluated regularly by third-party experts to confirm internal auditing is being undertaken appropriately.

The Company has established Corporate Governance Guidelines to clarify its basic policy, framework, and operational policies related to Corporate Governance.

Link
- The Corporate Governance Guidelines
- The Corporate Governance Report (Japanese only)

Messages from the Outside Directors

Yasuyuki Abe

Outside Director
Served as outside corporate auditor from June 2016 to June 2019
Appointed as outside director in June 2019

Contributing to SUBARU's Greater Corporate Value through Sound Discussions with the Board of Directors and Other Company Officers

I believe the Board of Directors has long excelled in areas such as the numerous opportunities given to outside directors to speak their minds, and most importantly, that those opinions are received and discussed sincerely and seriously. SUBARU outside directors have diverse backgrounds and experience, and their opinions based on this knowledge contribute to a variety of meaningful discussions. On the other hand, there is an area I feel is changing. In order for meetings to progress efficiently, things such as pre-meeting explanations and distributing reference materials are being prepared more carefully. Moreover, I feel the quality of discussions is increasing, with previous discussions being reflected where necessary in the proceedings of subsequent meetings of the Board of Directors. Also, I feel there is growing trust and stronger relationships among officers because opportunities outside the meetings of the Board of Directors for building mutual understanding among officers. While terms come to an end and members change, I believe our mission as outside directors is to maintain the current positive atmosphere and continue sound discussions to increase SUBARU corporate value.

In this era of significant change brought on by CASE[1] technologies, it is generally considered difficult for a company of SUBARU's size to survive. I believe it is our size, however, that enables greater agility and conversely makes it highly possible for us to gain an advantage. It is, however, difficult for SUBARU to respond simultaneously to various situations around the world on its own. It is important to take a balanced approach to focus further on priority strengths and utilize outside help in areas where this is possible. COVID-19 has the potential to completely change people's values and lifestyles. In such times, it is vital we keep protecting our brand value, not least for our loyal customers who continue to love SUBARU. I believe SUBARU must continue contributing to society through our business activities to help the world—that some consider irrecoverably damaged—toward greater prosperity.

1 An acronym of the words: Connected, Autonomous, Shared & Services, and Electric

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Natsunosuke Yago

Outside Director
Appointed as outside director in June 2019

Giving Unique Advice as an Outside Director Based on a Vision for SUBARU's Future and Continual Reference to Societal Perspectives

Over the past year, I have gained an understanding of SUBARU's corporate culture. Put simply, SUBARU's corporate culture is the pride all employees take in making wonderful SUBARU products. Behind this pride is SUBARU's history of not deviating from its business of making vehicles. Many manufacturing companies with diverse product lines lack the sense of unity borne of making the same product. Automotive companies, on the other hand, generally specialize in manufacturing vehicles, so these environments are good for fostering a sense of unity. In SUBARU's case this is a particularly strong characteristic and a key strength on which its growth is based. This kind of uniformity sometimes has the risk of not accepting differing perspectives and the company could collectively progress in a unified direction without question. The role of an outside director is to continually give insight from a societal point of view, without becoming ingrained in the corporate culture. To this end, I have, and will continue to, give advice based on a vision of SUBARU's future.

It will take the global economy two to three years to recover from the impact of the COVID-19 pandemic. While the impact on SUBARU, as an automobile manufacturer, can be expected to be limited to decreased demand, there is always a risk of supply chain interruptions. With respect to the supply chains necessary to manufacture an automobile, there is concern of severe impacts including maintaining funds and sufficient human resources at parts manufacturers. Maintaining a supply chain is vital for continuing to supply automobiles. Supply chain management skills will be vital in determining whether sales can be recovered during the COVID-19 recovery period. While this will be a period that will truly test our resolve, I hope we can continue to believe that the keys to survival and growth remain in our own hands. Meanwhile, information and communications technology, including mobile devices, with be a growth industry in the social and lifestyle transformations post COVID-19. I also believe, however, there will be an increased desire for automobiles as a means of transport instead of public transportation. As another example, demand for automobiles—a necessity of suburban life—may increase as people desire more spacious suburban living that is suited to remote working. Of course, this demand will be for vehicles that are environmental friendly, safe, secure, and enjoyable to drive.

Miwako Doi
Outside Director
Appointed as outside director in June 2020

SUBARU's First Female Outside Director—Delivering New Innovation through a Positive Attitude that Sets New Precedents

In June 2020, I was appointed as SUBARU's first female director, and I have experience working in human interface (user-friendliness) research and development at TOSHIBA CORPORATION for more than 35 years. My goal in developing human interfaces was that they would be easy, fun, and safe to use. These goals match with SUBARU's mid-term management vision, STEP (Speed, Trust, Engagement, Peace of mind and enjoyment). I believe I can contribute from a user's perspective to a cost-balanced realization of the STEP vision.

Also, as a woman in my career path researching human interface, I was always told what I was doing was unprecedented, but I took this with the positive attitude of setting new precedents. I will use this same positive attitude to contribute to finding ways SUBARU can innovate in this COVID-19 era of socially distanced lifestyles and lockdown-impacted economic conditions.

The SUBARU Group's CSR

In STEP, the mid-term management vision developed in 2018, SUBARU envisions achieving a transition, by 2025, from a company making things, to a company making people smile, guided by our unwavering Management Philosophy of aiming to be a compelling company with a strong market presence built upon its customer-first principle. To achieve this vision, we have adopted the "Six Priority Areas for CSR" approach and will continue to promote initiatives based on the SUBARU Global Sustainability Policy and to fulfill our corporate social responsibilities, thereby providing Enjoyment and Peace of Mind to our customers and other stakeholders. The SUBARU Group aspires to be a truly global company trusted by society and to contribute to the development of a more affluent, sustainable society.

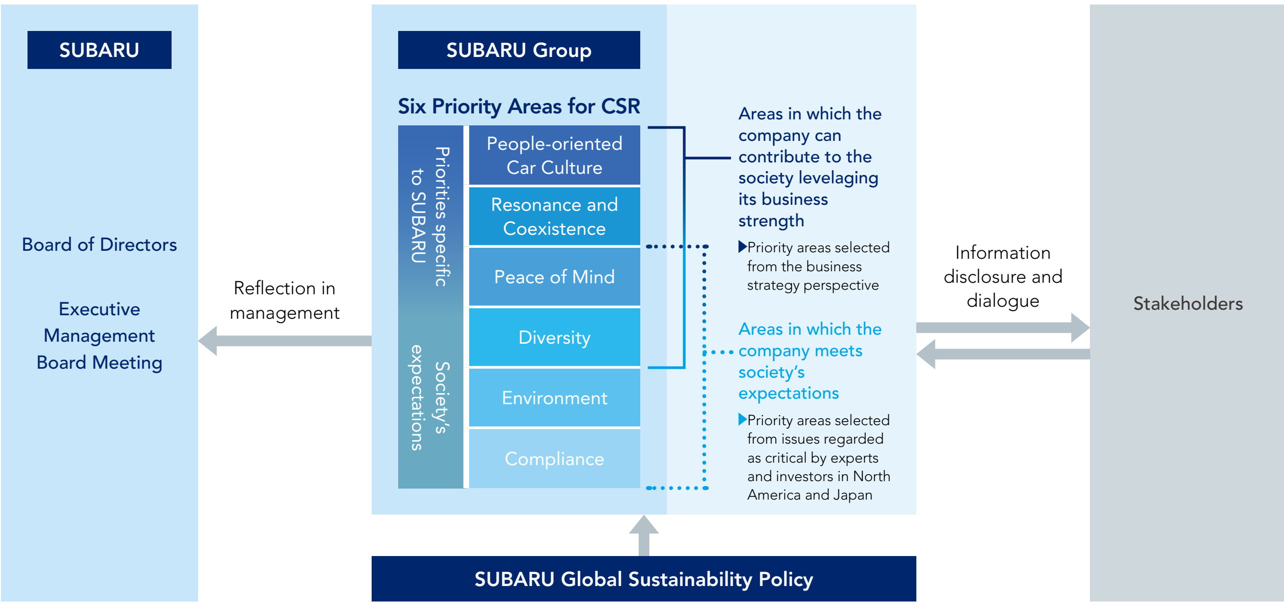
Process of Identifying Six Priority Areas for CSR

In accordance with STEP, our mid-term management vision, we reviewed the SUBARU Group's Eight CSR Action Items for CSR initiatives and established the Six Priority Areas for CSR.

To select the priority areas, the SUBARU Group first identified 41 CSR priority topics for which social needs were high and then conducted a questionnaire among experts and investors in North America and Japan. Finally, we examined the areas from two perspectives: areas in which we can contribute to society by leveraging our business strengths, and areas related to the demands of society. As a result, the SUBARU Group selected People-oriented Car Culture, Resonance and Coexistence, Peace of Mind, and Diversity as the four areas where SUBARU could contribute to society by leveraging our business strengths, and Peace of Mind, Diversity, Environment, and Compliance as the four areas where the SUBARU Group could work to meet the demands of society. Peace of Mind and Diversity appear in both categories, because Peace of Mind is an area in which society's needs and the strengths of the SUBARU Group's business coincide, while Diversity refers not only to diversity in the community, but also to diversity in a broad sense, including in the products that the SUBARU Group offers to customers.

Based on the SUBARU Global Sustainability Policy revised in April 2020, we will promote initiatives in the six priority areas on a groupwide, global basis.

Reflecting SUBARU Group's Six Priority Areas for CSR in Management



Establishment of SUBARU Global Sustainability Policy

Until recently, the SUBARU Group promoted various initiatives in line with its CSR Policy, revised in June 2009. However, to cope with changes in the social environment and in relationships with our stakeholders, we established the "SUBARU Global Sustainability Policy" in April 2020 as a guideline to be shared by all Group employees on a global basis. This Policy is applied to SUBARU Corporation and all its subsidiaries.

SUBARU Global Sustainability Policy

We, SUBARU Group, are committed to sustainable business practices designed to promote harmony between people, society and the environment in the following ways:

1. Through our business activities, we will contribute to the resolution of various social issues, including the protection of the global environment, and to the creation of a sustainable society.
2. Respecting the quality and originality of our products, we will continue to provide SUBARU's unique value using advanced technologies, and enrich the lives of all those involved with the SUBARU Group.
3. As a good corporate citizen in the international community, we respect human rights, diverse values and individuality, and treat all stakeholders with sincerity in every interaction.
4. We strive to maintain and advance the workplace environment so that employees can work safely in peace, and with a sense of satisfaction.
5. We respect international rules and the laws and regulations of each country and region, as well as local culture and customs, and pursue fair and transparent corporate governance.
6. We make use of dialogue with stakeholders to make management decisions, and disclose corporate information in a timely and proper manner.

Establishment of Human Rights Policy

The SUBARU Group thinks of people first and places them at the heart of its manufacturing. It considers respect for individual human rights and individuality as a key management issue in realizing its corporate philosophy of continuously promoting harmony between people, society, and the environment while contributing to the prosperity of society. It has established the Human Rights Policy to guide its efforts in this regard. This policy complies with the UN Guiding Principles on Business and Human Rights and applies to SUBARU Corporation and all its subsidiaries. The SUBARU Group will also extend its human rights initiatives by urging its business partners and other parties involved in its operations, including its supply chain, to respect human rights based on this policy.

Link
● For further details: Human Rights Policy

Activities in the Six Priority Areas for CSR in Relation to SDGs

The Sustainable Development Goals (SDGs) for 2030 are development goals for achieving a sustainable future, and the SUBARU Group recognizes the importance of responding to these goals. By clarifying visions for 2025 regarding the Group's Six Priority Areas for CSR, SUBARU will reinforce its efforts in each priority area and make positive contributions toward achieving the SDGs.

Six Priority Areas for CSR Basic Concepts and Vision for 2025

Six Priority Areas for CSR	Basic Concepts	Visions for 2025
People-oriented Car Culture	SUBARU believes that a car is more than just a means of transport. SUBARU will foster a sustainable mobility culture by providing customers with added value in the form of products and services which make the car a partner that enriches people's lives and minds, while cherishing the human emotions of enjoyment and peace of mind.	Become a company that enriches people's lives and minds as a partner.
Resonance and Coexistence	SUBARU will become a company that is trusted by, and resonates and coexists with both individual customers and society as a whole by engaging seriously with their voices through greater person-to-person communication.	Become a company that is widely trusted by, resonates and coexists with society.
Peace of Mind	SUBARU will become a company that provides all stakeholders with the utmost peace of mind.	Become a company that provides the utmost peace of mind to all stakeholders.
Diversity	The SUBARU Group's approach to promoting diversity has two key elements: offering products that respect diverse forms of market value, and respecting and reflecting the diverse values of all those who work for the SUBARU Group.	Promote businesses that create diverse forms of market values while respecting the diverse values of all people.
Environment	In order to pass on "The earth, the sky and nature," SUBARU's fields of business, to future generations, we provide utmost care to the environment with our company-wide activities.	Cherish and protect the global environment–The earth, the sky and nature–through Group-wide activities.
Compliance	SUBARU will become a company that operates in accordance with laws, regulations, and societal norms, ensuring that our focus on compliance as a priority permeates throughout and is practiced by all those who work for the SUBARU Group.	Act in good faith and become a company that is trusted by and resonates with society.

Activities in the Six Priority Areas for CSR in Relation to SDGs

Six Priority Areas	Relevant Stakeholders	Themes	Initiatives: FYE 2020	Initiatives: FYE 2021	Initiatives: FYE 2022–FYE 2026	Visions/KPIs (FYE 2026–FYE 2031)	Relevant SDGs
People-oriented Car Culture	Customers	Enjoyment of driving a car	Evolution of Subaru Global Platform and Integration with Intelligent Technology (Achieving a safe and enjoyable driving with peace of mind like a skilled driver)			Become a company that enriches people's lives and minds as a partner. ▶KPI • Continue satisfaction surveys. (Improve customer satisfaction.)	9.1 11.2
		Providing enjoyment of customization	Development of high-quality accessories matched with new models				
			Expansion of the lineup of high-performance, value-added items				
		Enhancing the brand image	Promotion of the brand strategy (SUBARU, the Beloved Brand: More than a Car Company)				
			Promotion of marketing activities that match the characteristics of each market				
			Promotion of motorsports and continuation of awareness-raising activities				
			Advancement of SUBARU's "Dynamic x Solid" design identity to "bolder" expression				
		Proposing new forms of mobility	Development of technologies in cooperation with relevant ministries and agencies		Investigation of future mobility		
	Local communities	Disseminating car culture	Dissemination of SUBARU's manufacturing practice and its endeavors for "Enjoyment and Peace of Mind"				
Resonance and Coexistence	Customers	Strengthening relationship with customers	Investment in dealers' stores (in Japan)	Enhancement of new ways of connecting with customers through IoT		Become a company that is widely trusted by, resonates and coexists with society. ▶KPIs • Continue satisfaction surveys. (Improve customer satisfaction.) • Enhance connection with customers through IoT (MySubaru, the next-generation system, telematics)	11.2 17.16
			Enhancement of customer loyalty				
			Continuation of customer interaction programs				
			Provision of products that benefit people's lives				
		Establishing a new maintenance system	Development of a maintenance system for marketing BEVs				
	Business partners	Coexistence and mutual prosperity with business partners	CSR surveys and awareness programs at business partners	Building of relationships with business partners from the perspective of CSR			
	Employees	Creating a safe working environment	Reinforcement of efforts for occupational health and safety, improvement of plant environments				
			Creation of a safe and rewarding workplace environment, building of a brand that is loved by employees				
			Continuation of production operations and maintenance of employment at each site				
			Utilization of athletic teams, boosting of employee morale				
	Local communities	Revitalizing relationships with local communities	Reinforcement of community exchange and partnership activities				
			Contribution and relationship-building through sporting activities				
Peace of Mind	Customers	Improving safety functions	Advancement of Advanced Driver Assistance System (ADAS)			Become a company that provides the utmost peace of mind to all stakeholders. ▶KPIs • Achieve a goal of zero fatal traffic accidents* by 2030 • Improve impact energy absorption ability to 1.4 times	3.6
			Adoption of Advanced Automatic Collision Notification (AACN) system and expansion of its functions				
			Continuous enhancement of crash safety				
			Development of autonomous flight control systems (collision avoidance technology)				
		Contributing to safe driving	Implementation of safe driving seminars for senior citizens on a continuous basis				
		Establishing and strengthening a reliable product supply system	Establishment of a timely and efficient supply system of spare parts and accessories				
				Enhancement of product supply capacity			
		Improving inspection and maintenance quality	Promotion of accurate, high-quality inspection and maintenance				
		Securing and improving quality	Revision of the quality policy	Promotion of initiatives to produce vehicles of choice in terms also of quality			
			Improvement of the quality of operations in all processes, from product planning to production, sales, and service				
			Placing of the highest priority on quality by implementing quality caravans and providing education for fostering quality awareness				
			Optimization of the span of management in manufacturing departments				
	Employees	Creating a safe workplace	Continuation and reinforcement of activities of the health and safety committees				
			Maintenance and enhancement of workplace health and safety, and promote a more comfortable workplace environment				
			Formulation and implementation of plans for health promotion initiatives		Reinforcement of health promotion efforts		
			Secure and create employment				
	Local communities	Contributing to safety of local communities	Promotion of plant environment improvement		Promotion of a sense of trust regarding stable operations		
			Reduction of environmental impact and prevention of pollution				
	Governments	Contributing to safe lives of people	Contribution to the creation of a society in which people's lives and property are protected and people can enjoy peace of mind				

1 Fatal traffic accidents of SUBARU drivers/passengers and pedestrians/cyclists SUBARU cars collide with

Six Priority Areas	Relevant Stakeholders	Themes	Initiatives FYE 2020	Initiatives FYE 2021	Initiatives FYE 2022–FYE 2026	Visions/KPIs (FYE 2026–FYE 2031)	Relevant SDGs
Diversity	Employees	Promoting active roles for female employees	Appointment of more female managers: FYE 2021 (to five times the number in 2014), FYE 2026 (to over 12 times the number in 2014)			**Promote businesses that create diverse forms of market values while respecting the diverse values of all people.** KPIs • Increase female managers.(To five times the number in 2014 by 2020, to over 12 times by 2025) • The number of participants in career development training • Achieve the legally prescribed employment rate. • 100% of those applying for reemployment	5 GENDER EQUALITY 5.5 5.5.2 8 DECENT WORK AND ECONOMIC GROWTH 8.5
			Childcare support for female employees in direct departments				
		Utilizing diverse human resources	Review of the human resources system for senior employees		Operation of the human resources system for senior employees		
			Promotion of active roles for non-Japanese human resources				
			Examination and promotion of a workplace environment that pays due consideration to minorities in society				
			Compliance with the legally prescribed employment rate for persons with disabilities: 2.3% in and after FYE 2021				
		Promote diverse work styles	Diverse work styles: Support for labor management by introducing a new attendance management system and expansion of teleworking				
		Securing human resources at group companies	Maintenance and expansion of diverse forms of employment				
	Business partners	Efforts in cooperation with business partners	CSR surveys and awareness programs at business partners	Reinforcement of efforts for CSR throughout the supply chain			
			Enhancement of the understanding of employees, promotion of cooperation with the National Association of Minority Automobile Dealers (NAMAD)				
	Customers	Providing a wide range of products	Incorporation of feedback on diverse market needs				
					Design parts that can be used in multiple vehicle models		
Environment	Customers	Popularizing vehicles that reduce environmental impact	Expansion of the sale of electric vehicles (HEVs and PHEVs)			**Cherish and protect the global environment–The earth, the sky and nature–through Group-wide activities.** KPIs • Reduce direct emissions by 30% from FYE 2017 levels by 2030 (aggregate amount basis). • Make at least 40% of SUBARU global sales electric vehicles (EVs) or hybrid electric vehicles (HEVs) by 2030. • Apply electrification technologies to all SUBARU vehicles produced and sold worldwide by the first half of the 2030s. • Formulate a resource circulation strategy including secondary batteries. • Enhance recycling rates.	13 CLIMATE ACTION 13.1 13.2 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 12.2 12.5
			Development and marketing of electric vehicles (BEVs and SHEVs)				
		Environmental protection in cooperation with customers	Planning of activities to protect outdoor fields	Implementation of activities to protect outdoor fields on a continuous basis			
	Governments	Business activities to help reduce environmental impact	Introduction of solar power generation for self-consumption				
			Introduction of TEPCO's Aqua Premium				
			Renewable Energy Certificate, etc.	Energy conservation investment and effective utilization of facilities			
			Continuation of conservation efforts in cooperation with governments				
	Business partners	Environmental efforts in cooperation with business partners	Establishment and maintenance of an environmental management system				
				Selection of business partner while considering transportation for overseas sites			
				Efficient parts storage and transportation, and reduction of transportation volume			
				Promotion of retailers' continuous efforts for energy saving, water quality conservation, and recycling			
			Optimization of logistics and CKD costs				
Compliance	Governments	Ensuring comprehensive export control	Reinforcement of security and export control initiatives			**Act in good faith and become a company that is trusted by and resonates with society.** KPIs • Promote initiatives to respect human rights based on the Human Rights Policy; Communicate the policy throughout the entire supply chain. • Strengthen CSR procurement management. • Provide compliance and legal trainings.	8 DECENT WORK AND ECONOMIC GROWTH 8.7 8.8 16 PEACE, JUSTICE AND STRONG INSTITUTIONS 16.5 16.5.2
		In-house education and dissemination	Continuation of compliance training and executive lectures				
			Promotion of compliance from the perspective of the SUBARU Group				
			Establishment and dissemination of internal rules and manuals on laws and regulations				
	Employees	Protecting human rights of workers	Prevention of harassment				
			Maintenance and improvement of the workplace environment by promoting work style reform and complying with the Labor Standards Act				
			Formulation of the Human Rights Policy	Establishment and dissemination of the Human Rights Policy	Promotion of initiatives to respect human rights of workers		
	Business partners	Maintaining fair relationships	CSR surveys and awareness programs at business partners	Reinforcement of efforts for CSR throughout the supply chain			
			Promotion of fair trade on a continuous basis				

Quality Initiatives

Approach to Quality

Quality is the foundation of "Enjoyment and Peace of Mind," SUBARU's core value, and delivering quality is one of our most fundamental responsibilities to our customers. Quality reforms are a top priority in STEP, SUBARU's mid-term management vision, and we are reviewing all business processes, from product planning and parts procurement by suppliers to production and shipping at our plants, and implementing reforms.

To ensure that we become a company that resonates with and inspires trust in our customers, we revised our quality policy in April 2019 and are actively promoting the provision of high-quality products and services that impress our customers. SUBARU has also established quality policies at affiliated companies in Japan and overseas in accordance with the business content of each company and regional characteristics, and affiliated companies practice quality control based on these policies. In FYE March 2021, we established the Quality Assurance Management Office to supervise quality assurance across the entire SUBARU Group, including the Aerospace Company. The roles of this office will include developing and managing the SUBARU Group's organizational structure and systems required to assure quality, maintaining their effectiveness, and continually improving them.

Quality Policy

At SUBARU, quality is our highest priority as we earn the trust of our customers.

1. We will deliver long lasting products that our customers can use with peace of mind.
2. We will continually improve our products and services by always listening closely to our customers' voice.
3. We will be a good corporate citizen in all markets where we do business by ensuring compliance with all internal rules, local laws, regulations and social norms.

Revised in April 2019

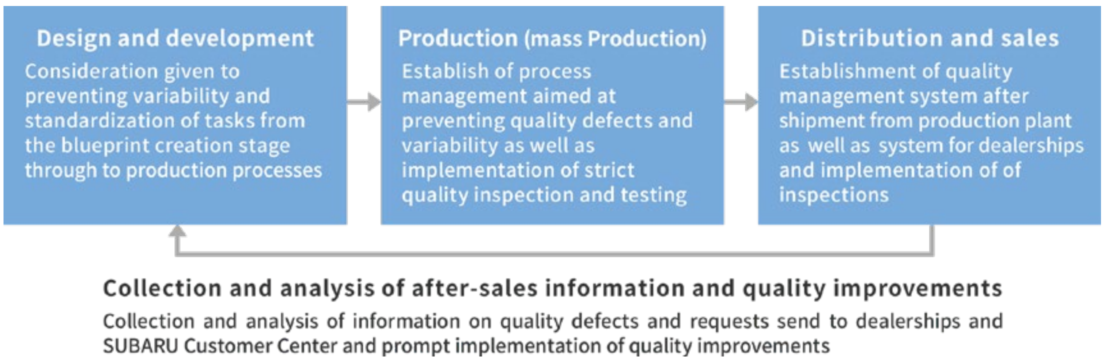
Quality Management System

1. Establish Quality Management System (QMS) based on the Quality Policy and ISO 9001 Standard and put it into practice for orderly and effective operations.
2. Aim to improve customer satisfaction by assuring that products will comply with both customer requirements and applicable statutory and regulatory requirements.
3. Strive to continually improve the QMS through operational improvements.

Operation of Quality Management Cycle

With its QMS, SUBARU works to assure quality in each process from design and development to sales as well as creating a cycle to create even higher quality products. In addition, SUBARU strives to work through this cycle swiftly in order to meet customer needs without any delay.

Quality Management Cycle



Operation of a System for Improving Quality

SUBARU has established a quality improvement system with Quality Assurance Division at the heart of efforts in order to analyze after-sales quality defects and customer requests to realize higher-quality development and production. Based on customers' feedback collected from around the world, SUBARU works with the relevant in-house departments and suppliers in identifying quality issues, investigating their cause, and planning countermeasures.

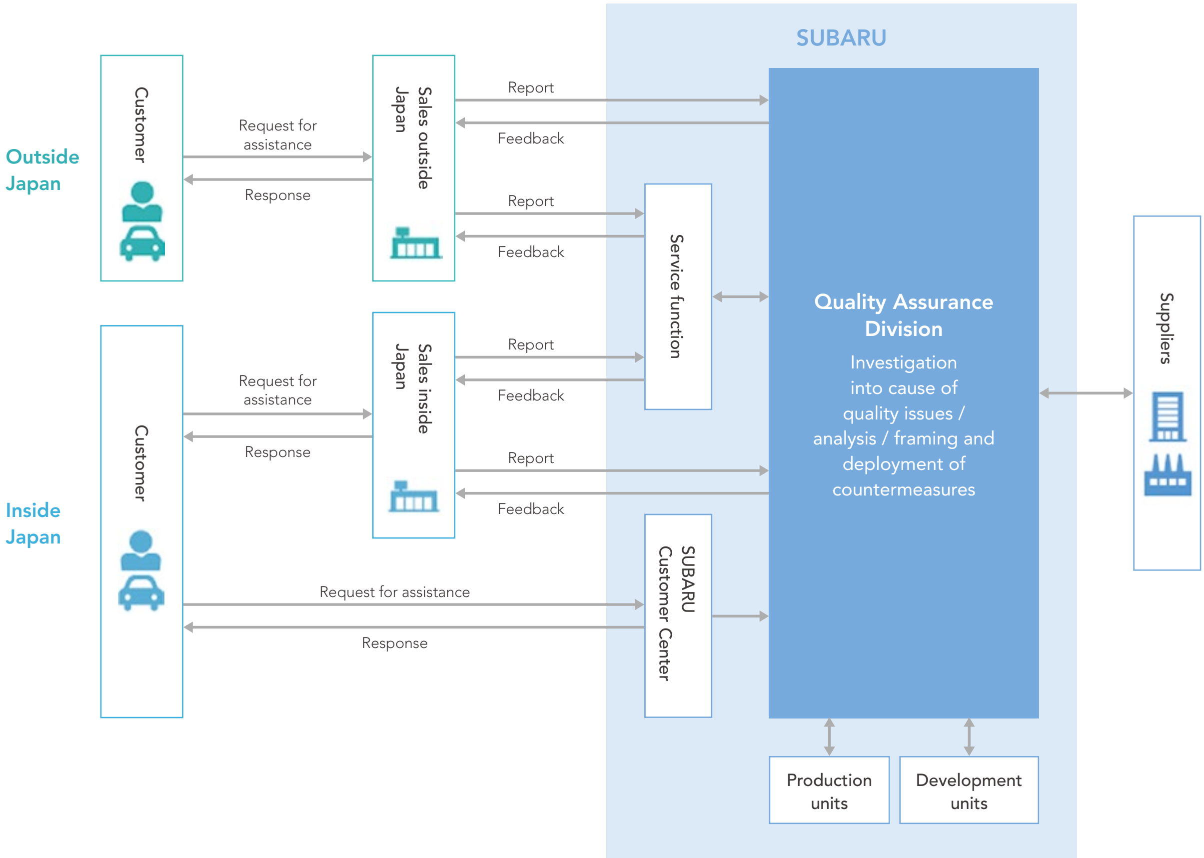
We are promoting measures to prevent recurrence of the Final Vehicle Inspection Issue, with the COP[1] Supervision Section taking the lead.

In FYE March 2019, we transferred responsibility for final vehicle inspections from the Manufacturing Division to the Quality Assurance Division. This ensures the independence of final vehicle inspections from manufacturing departments. As well as placing quality first on a solid footing by raising awareness among final vehicle inspectors and improving the workplace environment, we have been conducting radical revisions of the final vehicle inspection system with an eye to the future.

Furthermore, we will ensure that all external stakeholders understand SUBARU's initiatives, by such means as holding tours of our car manufacturing plants for shareholders and investors.

1 Conformity of Production

Quality Improvement System



Efforts for Improving Quality

Quality Control Training

We provide quality training as part of our employee training program to enable employees to learn basic QC[2] and problem-solving techniques tailored to their year of entry into the company and their qualification requirements.

2 QC: Quality control

Main curriculum for quality

- Quality control training (Introduction/Intermediate/Advanced)
- Lectures to foster quality awareness

Global Quality Meeting

Aiming to ensure that the customer-first mindset runs through our quality management, SUBARU attaches great importance to dialogue with dealers, as they are responsible for dealing with customers across the globe. We participate in technical liaison meetings held twice a year for the Japanese market, while in overseas markets, we take part in twice-yearly main dealerships (G8) service meetings and block conferences held in six regions[1]. We take in the views of dealers expressed at these meetings to make decisions on the optimum means of addressing product issues that inconvenience our customers.

1 Block conferences are held in a country in each of the six regions—the CIS, Central Europe, Northern Europe, Southern Europe, Oceania, and Central and South America
Their participants include representatives from dealerships and expatriates working in the region

Quality Caravan

Since FYE March 2019 we have been holding an event called the Quality Caravan at all our business sites to inform participants of customer feedback and the quality status of SUBARU products. Our aim in doing so is to provide each and every employee with an accurate understanding of the current state of SUBARU and create an environment in which they are conscious of putting quality first at all times and approach their work in that mindset. In addition to employees, we also receive a large number of participants from suppliers.

In FYE March 2021, Subaru of Indiana Automotive, Inc., SUBARU's production base in the U.S., is organizing the event to raise global awareness of quality. Going forward, we will continue to engage in awareness activities, while enhancing the program and extending the duration, among other improvements.

At the Global Quality Meeting

At the Quality Caravan

Response to Recalls

SUBARU is taking measures to cope with recalls in order to prevent accidents and to protect customers.

In the event of product defects that can infringe safety and laws and regulations, SUBARU promptly establishes a committee structure of staff from departments involved in quality to investigate, and determines the specific details of our response based on the laws and regulations of each country. Moreover, SUBARU sends direct mails from our dealerships to affected customers to inform them that they can have their cars repaired free of charge.

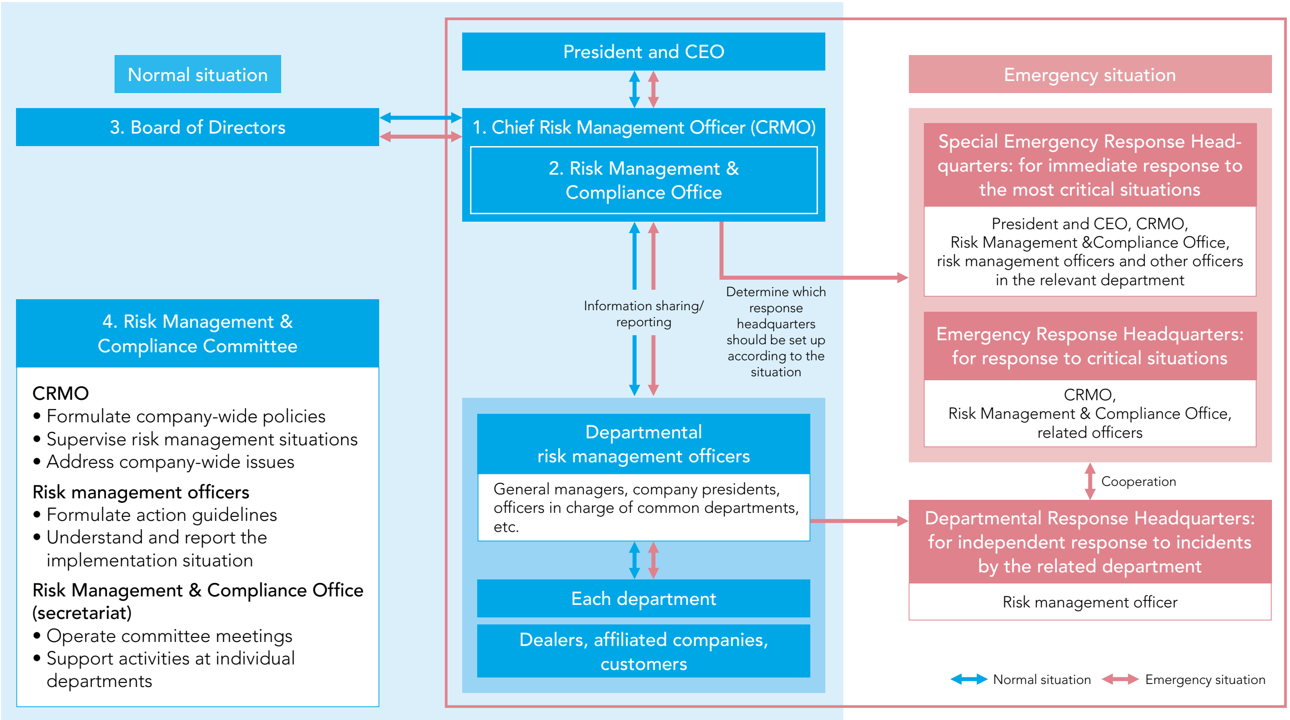
As of April 2020, SUBARU had no cases of violating laws and in-house regulations in regard to information provision on quality and safety.

Risk Management

Approach to Risk Management

SUBARU promotes strategic risk management—in addition to emergency response measures— as one of the most important management priorities to minimize damage in the event of a risk eventuating for various risks that would seriously impact our business operations. We will work to increase corporate value by rapidly responding to changes in global conditions; working to strengthen our management foundation to ensure sustainability of our business; investing greater resources into minimizing human, social and economic losses; and becoming more resilient to risk.

Risk Management System



1. Chief Risk Management Officer (CRMO)

The Chief Risk Management Officer (CRMO) supports the President in leading Group risk management and compliance activities for the purpose of enhancing the effectiveness of group-wide internal controls and risk management.

2. Risk Management & Compliance Office

The Risk Management & Compliance Office, under the control of the CRMO, is working to clearly identify emerging risks and prevent expansion of risks impacting the entire Group by collaborating closely with Group companies and departments, including company-wide shared corporate operations departments.

3. Board of Directors

The Board of Directors works to strengthen and firmly establish the risk identification and management framework by ensuring ample opportunities for discussions on topics such as establishing a framework for risk management, ensuring independence of the Internal Audit Department (Audit Department), and clarifying the basic approach to internal control for subsidiaries.

4. Risk Management & Compliance Committee

The Risk Management & Compliance Committee, launched in FYE March 2021, is the successor to the Compliance Committee, and leads risk management activities during normal times and deliberates and reports on matters related to risk management and compliance.

Risk Associated with Business Activities

The business activities of SUBARU Group are affected by various environmental changes and uncertainties. Uncertainties that will cause a significant impact on Group business continuity, business performance and financial standing are identified as risks and are classified into three major categories according to their characteristics. The impact of risk events when they occur is minimized through risk management such as daily monitoring of risks and mitigation measures when a risk emerges.

The following are the major business risks that have the potential to have a major impact—in terms of promoting the STEP mid-term management vision, and business activities—on business performance, financial position and cash flow to the extent of several tens of billions of yen or more and have a potential significant impact on investor decisions. Note, however, this is not an exhaustive list of risks.

Main Business Risks

Risks relating to fluctuations in the economic and financial environment	Uncertainties impacted by trends in external environments such as economic and financial markets
Risks relating to industry and business activities	Uncertainties involved in internal and external environments directly impacting daily business activities and changes in the operating environment of strategic areas targeted by the Group
Risks arising from national regulations and other events affecting business activities	Risks related to political or regulatory procedures, climate change, or events such as disasters, war or terrorism

15 Risks Affecting Business Activities

Risks relating to fluctuations in the economic and financial environment

- Economic trends in major markets
- Financial markets fluctuations
- Exchange rate fluctuations
- Change in raw material costs

Risks arising from national regulations and other events affecting business activities

- Political, regulatory and legal procedures in various countries that impact business activities
- Climate change
- Impact of disasters, war, terrorism, infections, etc.

Risks relating to industry and business activities

- Focus on specific businesses and markets
- Changes in the demand and competitive environment in the market
- Responsibility related to products, sales and services
- Supply chain disruptions
- Intellectual property infringement
- Information network security
- Compliance
- Secure and train human resources

Impact on business performance or financial standing

*Please refer to pages 13–17 of the Securities Report for further details on risks to SUBARU business activities

Crisis-level Risks

Among the various types of risk, SUBARU calls those risks that are particularly dangerous to its business operations and that SUBARU cannot handle through regular decision-making channels "crisis-level risks," and categorizes them as follows: natural disaster, accident, internal human factors, external human factors, social factors (domestic, overseas), and compliance. SUBARU is creating various manuals for dealing with each of these types of emergencies.

BCP

At SUBARU, the Risk Management & Compliance Office plays a pivotal role in establishing regulations related to BCPs. During emergencies, the Office centrally grasps group-wide information, establishing a system to manage company-wide response. In addition, during normal times we work to enhance the speed and accuracy of risk recognition and identification to the best of our ability by clarifying the roles of each department and the domain of management responsibilities. In conjunction with this, we are regularly preparing and updating manuals and are implementing training. Furthermore, each business site develops its own BCP, including specifying key operations, establishing an emergency contact system, and developing a telework system. While closely collaborating with company-wide shared corporate operations departments, we are implementing measures to accurately and speedily carry out business continuity and early restoration of operations.

Emergency Response Policy

1. Give first priority to people's survival and physical safety.
2. Minimize loss of stakeholder interests and corporate value.
3. Act always with honesty, fairness, and transparency, even in an emergency.

Response to COVID-19

In early February 2020, the Coronavirus Countermeasure Headquarters was established under the control of the President. The Headquarters, which functions on a practical level under the overall leadership of the Chief Risk Management Officer (CRMO), gathers information from domestic and overseas Group companies and implements measures to ensure business continuity and, in accordance with the changing situation, prevent the spread of COVID-19 with the health of customers, suppliers and employees as the first priority.

Coronavirus Countermeasure Headquarters

- President and CEO
  - Overall supervision: CRMO (Chief Risk Management Officer)
    - Overall supervision coordination: Risk Management & Compliance Office (secretariat)
    - Responsible persons in individual departments
      - Offices/plants supervision
      - Companies supervision
      - Financing related
      - IT systems related
      - Group companies related
      - Legal services
      - Cooperation between offices/plants
      - Management decision support
      - Safety/health/personnel protection
      - Executives support
      - Stakeholder communication
      - Market related
      - Supply chain management
      - Technical conformity support
      - Quality assessment support
      - Decision as to whether or not to suspend production lines

Specific Countermeasures

Employees	Since the beginning of the COVID-19 pandemic, we have prioritized the health of employees and their families and have been promoting a flexible approach to ensuring business continuity. • Halted business travel to all areas of China and other countries and domestic travel • Voluntarily refrained from holding or participating in domestic and overseas events • Promoted varying work start times with the flextime system • Encouraged employees working in offices to take lunch breaks at varied times • While gradually strengthening our IT response, a work-from-home system has been fully implemented since April mainly in the Tokyo area (promoting flexible working styles, with an ongoing maximum 50% office-based work rate in the Tokyo area)
Production/ Sales Sites	United States: Production at Subaru of Indiana Automotive, Inc. (SIA) was temporarily halted from March 23 to May 11, 2020, and has it since been operating at adjusted production volumes Japan: Production at Gunma Plant was temporarily halted from April 9 to May 11, 2020, and was operating at adjusted production volumes until June 19
Business Continuity	• Since April 2020, operational funds have been acquired from financial institutions • As contingency preparation should the impact of COVID-19 becomes long term, we are ensuring we can respond flexibly in case of unforeseen increases in capital demands, while taking into consideration business continuity from supply chains to value chains. We have taken measures such as setting corporate bond and commercial paper issuance quotas, in addition to commitment line for the amount of approximately 200 billion yen.

Environmental Initiatives

Approach to the Environment

In its Environmental Policies, SUBARU states that "our fields of business are the earth, the sky and nature" and focuses on efforts aimed at coexistence with nature. In STEP, our mid-term management vision, we are committed to making environmental contributions by enhancing the environmental performance of our products. We include "Environment" in the Six Priority Areas for CSR and deem it important to conduct environmental activities as a precondition to continue our business activities.

In order to foster environmental activities across the SUBARU Group, we have our Environment Committee as well as a cross-company integrated environmental management system, which covers SUBARU Corporation's sites as well as its domestic and overseas consolidated production companies and dealers.

Based on this system, we are fostering environmental management activities through an all-SUBARU approach, including formulating medium- to long-term environmental targets, implementing measures to achieve the targets, complying with environmental laws and regulations, managing chemical substances, and compiling environmental performance data.

SUBARU Environmental Policies

SUBARU Sustainability Principles

"The earth, the sky and nature" are SUBARU's fields of business.

With the automotive and aerospace businesses as the pillars of SUBARU's operations, our fields of business are the earth, the sky and nature. Preservation of the ecosystem of our planet, the earth, the sky and nature, is of utmost importance to ensure the future sustainability of both society and our organization. We align our business strategy to enhance these global goals in all of our operations.

1. **We develop and deliver products to meet societal needs and contribute to the environment through advanced technologies.**
   By striving to create advanced technologies that put the environment and safety first, we will develop and deliver products that can contribute to protecting the earth's environment.
2. **We focus on efforts aimed at coexistence with nature.**
   Together with efforts to reduce carbon-dioxide emissions in all of our operations, we will promote active engagement with nature by stressing forest conservation.
3. **We take on challenges as one through an all-SUBARU approach.**
   Utilizing our unique organizational character that allows us to oversee the entire supply chain, all of us together will take on the challenges of environmental protection of our planet through an all-SUBARU approach.

Environmental Principles

SUBARU's fields of business are the earth, the sky and nature. SUBARU understands that the health and preservation of biodiversity and controlling climate change are critical to ensuring a sustainable future for our planet earth, nature, communities, and businesses.

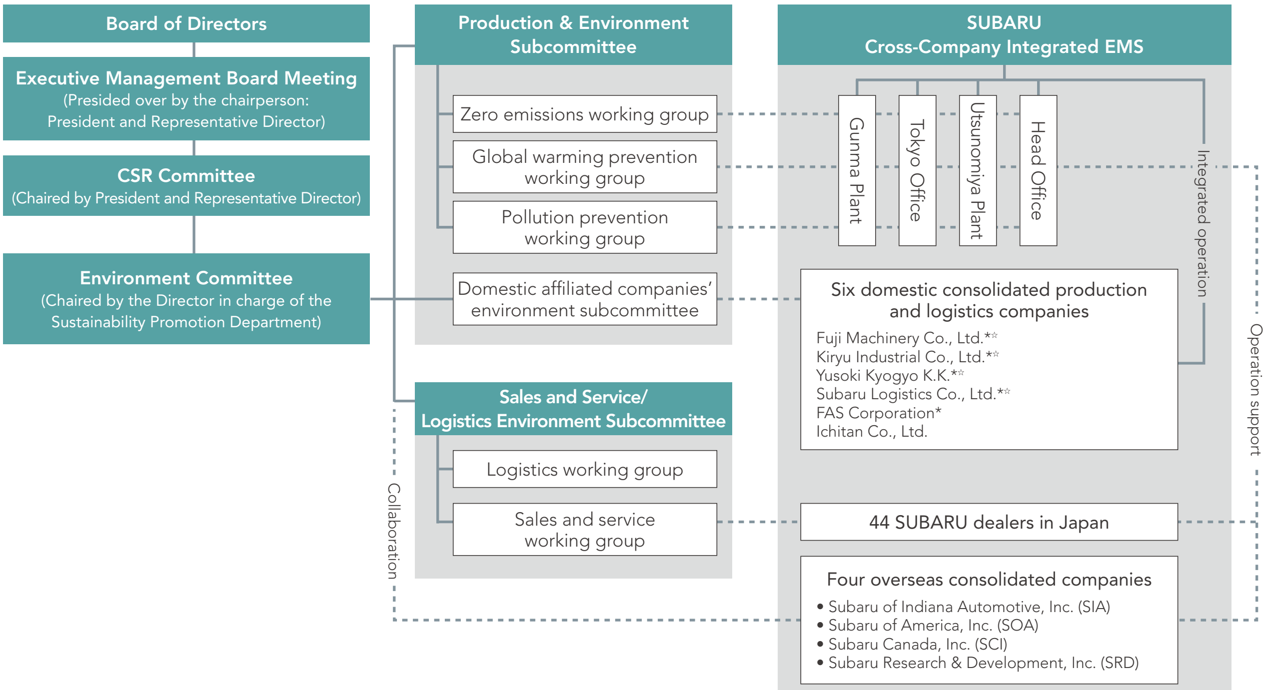
Products	Purchasing	Production
We develop our products and conduct R&D in light of the lifecycle environmental impacts of our products.	Our purchasing activities reflect consideration for biodiversity and other aspects of environmental protection.	We strive to minimize our environmental impact through improving energy efficiency and waste management.
Logistics	**Sales**	**Management**
We strive to minimize our environmental impact through enhancing energy efficiency and promoting pollution prevention.	We endeavor to recycle resources efficiently and reduce waste.	We will strive to improve our sustainability program through contributions that meet societal needs and by publicizing our activities as Team SUBARU.

[Established: April 1998, Revised: April 2017]

Environmental Management System

SUBARU comprehensively manages the entire progress and direction of its environmental management measures through the Environment Committee and based on the cross-company integrated environmental management system (EMS). The director in charge of environmental issues oversees the integrated EMS and chairs the Environment Committee. In principle, the related issues are reviewed regularly, at least once a year, and details of discussions held by the Environment Committee are reported to the CSR Committee. Moreover, important issues are discussed and reported at the Executive Management Board Meeting and Board of Directors meetings.

SUBARU Group's Environmental Management Organization



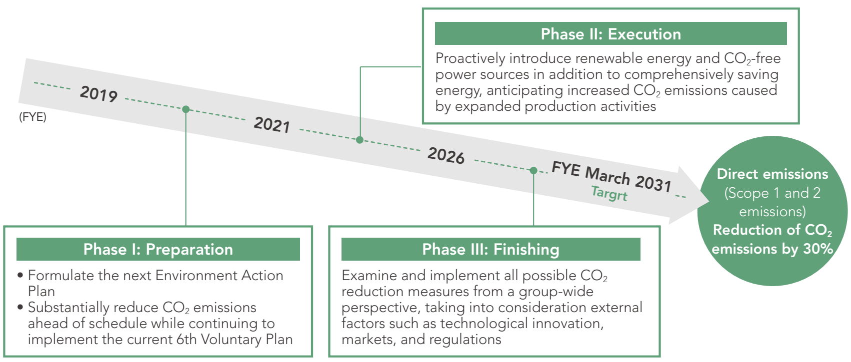
☆Companies comprising the domestic affiliated companies' working group
*Group certification

Environment Action Plan

Among various environmental problems, climate change in particular has significant impacts on societies and economies. Accordingly, measures must be implemented to deal with climate change as a pressing issue from a long-term perspective. SUBARU regards climate change countermeasures as a priority and has set a target of reducing the total amount of CO_2 emitted directly by the SUBARU Group (Scope 1 and 2 emissions) by 30% relative to FYE March 2017 levels by FYE March 2031.

Although it will not be easy for SUBARU to meet this reduction target while it continues to grow, we believe it is important to share the same goal with society and work to "keep the increase in global average temperature to well below 2°C above pre-industrial levels," as upheld in the Paris Agreement. Accordingly, we have drawn up for the period up to FYE March 2031 and are examining specific measures to be taken based on that roadmap. Presently, we are in Phase I of the roadmap and working to reduce our CO_2 emissions by 20,000 tons, which constitutes around 3% of the SUBARU Group's annual direct CO_2 emissions, earlier than planned by the end of FYE March 2021.

Environment Action Plan 2030 (Scope 1 and 2 emissions)



Climate Change

Recognizing that climate change is one of the most pressing global issues, SUBARU is committed to contributing to the establishment of a decarbonized society in support of the purpose of the Paris Agreement to decarbonize the world at the earliest possible time in the second half of the 21st century.

Risks and Opportunities Identified

In order to ensure sustainable business activities, SUBARU works to understand risks and opportunities associated with climate change. Risks identified at present are as follows: climate change initiatives may not progress as planned, or transition risks and physical risks which are almost unforeseeable at this time may develop into actual issues wielding a serious impact on the SUBARU Group's business performance and financial standing; and these scenarios involve a number of possible difficult situations, such as an increase in R&D and other expenses, a decline in customer satisfaction and damaged brand images resulting in lost sales opportunities, and extreme weather disrupting procurement/production/logistics activities. On the other hand, adequate progress of efforts against climate change could provide opportunities for creating new markets and employment as well as reducing capital and energy costs.

Main Risks Identified

Relating to Business Management in General

(1) If SUBARU fails to implement adequate initiatives to achieve low-carbon/zero-carbon outcomes, its brand value could be harmed, which could affect the company's sales and recruiting ability. Capital costs could also rise, due to increased difficulty in obtaining financing from medium- and long-term investors.

(2) There is an argument that nationally determined contributions (NDCs) need to be expanded to be able to achieve the Paris Agreement's "well below 2°C" target, and thus countries may revise their NDCs to set more stringent targets. Such revisions could have a significant impact on SUBARU's business activities.

(3) As an impact of climate change, extreme torrential rain will frequently cause floods in various locations, which could pose risks of SUBARU's operations being affected by disrupted supply of raw materials and submerged factories.

Relating to Products

(1) If SUBARU fails to meet fuel economy regulations imposed in Japan, the U.S., Europe, and China, the company could incur additional costs or losses related to negative incentives, such as fines or non-penal fines for legal violation, and credit purchase for unmet standards. Also, some of our products could fail to satisfy certain fuel economy standards, resulting in restrained sales opportunities.

(2) At present, it is difficult to predict technological progress and price optimization for electrification, which will likely cause a substantial gap with the real state of market needs.

In such a situation, SUBARU could incur unnecessary and excessive R&D costs while facing a decline in customer satisfaction, resulting in unexpected losses and reduced sales opportunities as well as hampered advancement of the company's electrification efforts.

(3) To promote electrification, it is crucial to ensure profitability for the entire product cycle ranging from procurement and use to disposal. Thus, it is essential to involve SUBARU's upstream and downstream partners in exerting efforts toward this end. Failure to do this could render the company unable to meet the profitability goal for the entire product life cycle.

(4) SUBARU views electrification as a medium- to long-term steady trend, and also anticipates the possibility of its swift and sweeping penetration of the market at some stage. SUBARU could be unprepared for such prospect in terms of technology and timely product lineups, and thus suffer from a resultant loss of product sales opportunities.

(5) There is a possibility that SUBARU might suffer from shortages of natural resources used for tires and metal resources for electrification technologies.

Related to Production Phase

(1) If SUBARU continues to use energy derived from fossil fuels, it could incur rising costs, due not only to geopolitical factors associated with petroleum and the like, but also to carbon taxes, emission quotas, and other government policies and regulations.

(2) If use of renewable energy does not grow as expected, SUBARU could face a slower progress in achieving its Scope 1 and 2 emissions reduction goals.

Main Opportunities Identified

(1) If SUBARU advances its efforts to make products more environmentally friendly as planned and global climate change mitigation/adaptation efforts progress adequately, the company will be able to maintain its key markets, and this scenario also implies a possibility of the company creating new markets through receiving support for its safe and reliable products, a source of its strength, even in the face of intensifying extreme weather conditions that are to some extent unavoidable in certain parts of the world.
(2) Through contributing to addressing climate change issues, SUBARU could increase its brand value, thereby enhancing its sales and recruiting ability. This could make it easier for the company to obtain financing from investors, thereby lowering capital costs.
(3) Regarding energy use during the production phase, by transitioning to renewable energy while at the same time giving due consideration to cost-effectiveness, SUBARU could overcome the risk of being exposed to price fluctuations involved in energy derived from fossil fuels, thereby preventing future cost increases.

*The risks and opportunities described above are based on past facts and currently available information, and may change significantly due to such factors as future economic trends and the business environment facing SUBARU. The opportunities described represent those for SUBARU's products to contribute to climate change adaptation and do not anticipate climate change-related deterioration

Medium- to Long-term Goals (Long-term Visions and Milestones)

In order to contribute to a decarbonized society, SUBARU has set long-term goals (long-term visions) for 2050 and medium-term goals (milestones) for around 2030, regarding the product and production phases (Scopes 1 and 2).

Category	Target year	Goal
Products (Scope 3)	2050	Reduce average well-to-wheel CO_2 emissions from new vehicles (in operation) by 90% or more compared to 2010 levels
	Early 2030s	Apply electrification technologies to all SUBARU vehicles produced and sold worldwide
	Up to 2030	Make at least 40% of SUBARU global sales electric vehicles (EVs) or hybrid electric vehicles (HEVs)
Plants and offices (Scope 1 and 2)	FYE March 2051	Achieve carbon neutrality
	FYE March 2031	Reduce CO_2 emissions by 30% compared with FYE March 2017 (total volume basis)

Aiming at a 20,000 t-CO_2 Reduction from Plants and Offices

The SUBARU Group has set up a target of reducing CO_2 generated from its plants and offices by 30% (total volume basis) by FYE March 2031 from FYE March 2017, as stipulated in the SUBARU Environmental Action Plan 2030. As a step toward accomplishing this target, we are promoting group-wide efforts to eliminate 20,000 t-CO_2 by FYE March 2021.

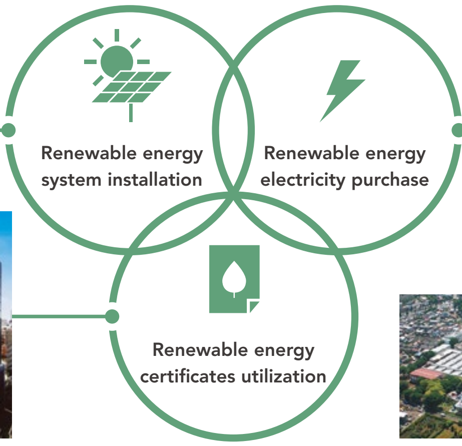
In FYE March 2020, our efforts resulted in a reduction of 18,000 t-CO_2. In FYE March 2021, we will seek to achieve a 23,000 t-CO_2 reduction, exceeding the target for the milestone year.

Efforts to Achieve the Target of Reducing 20,000 t-CO_2 Emissions

Captive-consumption solar power system

Purchase of hydroelectricity


Gunma Oizumi Plant




Utsunomiya South Plant/ 2nd South Plant


SUBARU Accessory Center, etc.


Head Office and SUBARU Training Center


Tokyo Office


Gunma Main Plant

Compliance Initiatives

Approach to Compliance

At SUBARU, compliance is positioned as one of our most important management issues in our Corporate Governance Guidelines. We instill in each employee a strong awareness that thorough group-wide compliance forms the foundation of SUBARU's management, that we must observe all laws and internal regulations relevant to our business activities, that our corporate activities must be executed in manner that is fair and just and in conformance with general social ethics, common sense and standards, and that these principles should be reflected in their actions, create and operate a compliance system/organization, and carry out activities such as providing all kinds of training for these purposes.

Corporate Code of Conduct and Conduct Guidelines

At SUBARU, we have set forth the Corporate Code of Conduct (P.01) and Conduct Guidelines as compliance criteria for the purpose of putting our view of compliance as important into practice in our corporate activities. Its contents are detailed in the Compliance Manual that every Subaru Group employee owns, while the Compliance Manual: Essential Version provides a concise summary, promoting thorough enforcement in every day action.

Corporate Code of Conduct

Based on SUBARU's Corporate Philosophy, the Corporate Code of Conduct sets forth the basic policy that all executives and employees must observe for customers, business partners, shareholders, regional communities, and all stakeholders.

Conduct Guidelines

These guidelines specifically set forth standards for actions in order to put the basic policy as exemplified by the Corporate Code of Conduct into practice in the daily business activities of all executives and workers.

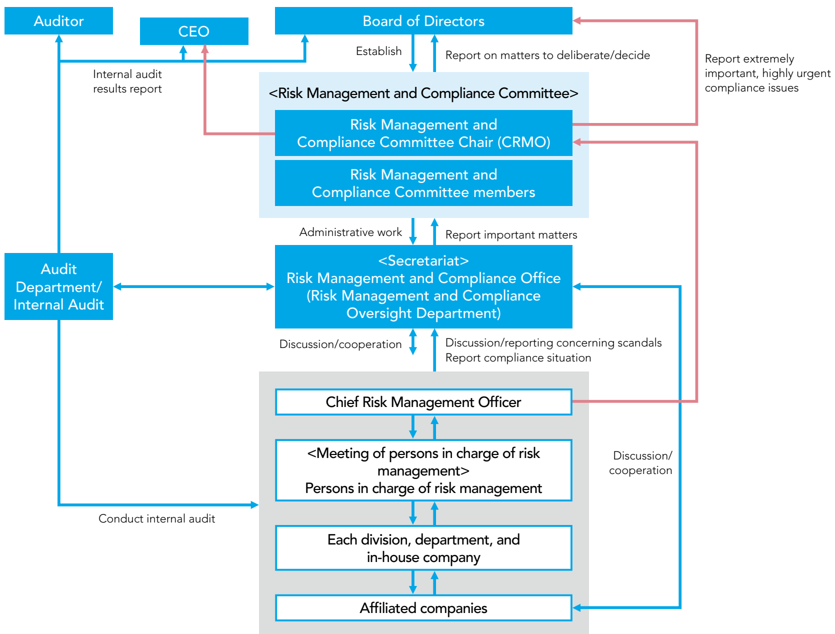
Rules for Compliance

SUBARU has Compliance Regulations which set forth the systems, organization and management processes related to compliance. In FYE March 2020, for the purpose of promoting better understanding of the systems, organization and management processes related to compliance and striving for thorough implementation of efforts, we performed a systematic review of the Compliance Regulations, after which the Compliance Committee deliberated and approved the establishment and revision of several rules related to compliance. Starting in FYE March 2021, we are further enhancing efforts on compliance based on these rules.

Management System of Compliance

SUBARU has established the Compliance Committee as a groupwide organization to promote compliance and to deliberate, discuss, make decisions, and exchange information related to important matters. Also, each department formulates their own implementation plan (compliance program) to promote compliance every fiscal year, and moves forward with continuous, systematic independent activities. In FYE March 2020, the Director and Executive Vice President was newly appointed Chief Risk Management Officer (CRMO) in April, and appointed Chair of the Committee. Also in April, the newly established Risk Management and Compliance Office was appointed secretariat for the Committee. These efforts were carried out for the purpose of accelerating global, groupwide initiatives related to compliance under the direction of the Committee Chair. Also, starting in FYE March 2021, the Committee's name was changed to the Risk Management and Compliance Committee, and it will deliberate, discuss, make decisions, and exchange information on important matters related to risk management, in addition to those related to compliance.

Compliance System



Compliance Hotline

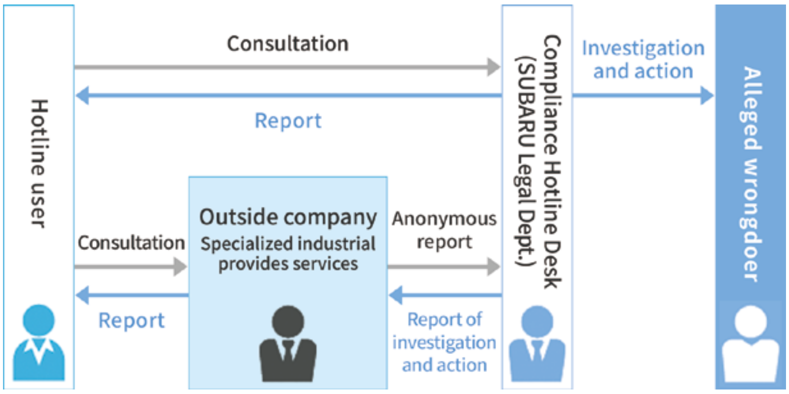
When regular and temporary employees of the SUBARU Group detect a problem related to compliance in the group, they can consult with the Hotline Desk by using the Compliance Hotline. Based on the relevant regulations, the Hotline Desk is where employees affiliated with the appointed Risk Management and Compliance Office directly receive mail, telephone calls, and e-mail, investigate facts, and provide response. We have also established a desk outside the company staffed by external specialists to increase the hours in which service is available and to increase the confidentiality of those contacting the desk. The Desk works to quickly resolve consultation matters upon conducting a fact-finding investigation headed by the Risk Management and Compliance Office Manager. Also, it reports to the proper management members and the Risk Management and Compliance Committee, working toward preventive measures.

We strive to instill a mindset of being assertive regarding use of the system and to improve compliance awareness through efforts to make the existence of the system common knowledge. This has increased the number of consultations, and we have seen improvements in the management of the system, such as an increase in the number of events that lead to improvements in the corporate culture in addition to proper response and issue resolution.

FYE March 2020, Itemization of the Contents of Consultations with the Compliance Hotline

Itemization of the contents of consultations	Number
Workplace environment	14
Labor related	68
Personal relationships, suspicion of harassment	84
Other compliance-related issues (Work violations, suspicion of wrongdoing, etc.)	50
Total	216

Compliance Hotline (Consultation and resolution procedure)



Compliance Activities

Implementation of Training

In enforcing thorough compliance, we believe that initiatives in which the entire SUBARU Group acts in concert are necessary. We conduct compliance training and training for legal affairs in practical business for all Group employees organized by our Legal Department, Risk Management and Compliance Office, and human resource and education departments.

Also, each department and affiliated company creates their own unique education plan based on their compliance program, supplemented with study groups on important laws related to their work and compliance enlightenment training.

At the Compliance training

In FYE March 2020, we started offering the compliance training we have been providing for employees of a designated rank to all regular and non-regular employees in an effort to further expand the range of compliance. Also, in addition to a training course with Risk Management and Compliance Office members serving as the instructors, we also established a course in which executives from various departments speak from their own experience, promoting further understanding of compliance on the part of our employees and encouraging communication with executives. In FYE March 2020, approximately 7,700 people participated in trainings conducted by or involving the Legal Department and the Risk Management and Compliance Office.

Compliance Implementation Support Tools

In order to promote compliance in everyday work, we create and provide various implementation support tools other than the Compliance Manual, such as in areas of specialization at affiliated companies.

To make knowledge of the Compliance Hotline common, we distribute cards containing information on the framework of the system and the contact address for consulting services, and also put up posters in all workplaces. In FYE March 2019, we updated the design of the information cards and posters to deliver a message that encourages employees to proactively use the system even for things that feel only slightly suspicious. In addition, we are making efforts for the timely report of highly urgent information and to call the entire group's attention to such matters.

Compliance Hotline card

Enactment of the Tax Policy

SUBARU enacted its Tax Policy in June 2020. This basic policy sets forth our posture and way of thinking toward the tax laws we should comply with when paying the appropriate amount of tax.

Tax Policy

The SUBARU Group is able to conduct its business operations thanks to support from society, and the company strongly recognizes the importance of returning profits to society. The SUBARU Group considers fulfilling its tax obligations to be an essential element of this. The SUBARU Group strives to ensure compliance with the tax laws and regulations of each country and jurisdiction, pursuant to the international rules and standards set out by international organizations, thereby fulfilling its societal obligations through appropriate tax payment, while aiming for sustainable growth through sound business activities.

1. Compliance with tax laws and tax-related regulations
   The SUBARU Group undertakes applicable tax return filing and tax payment procedures in compliance with the tax laws and tax-related regulations of each country, and relevant tax treaties.
2. Tax corporate governance
   The SUBARU Group establishes and implements a structure to appropriately identify, manage and report tax risk. In order to respond to changes in its businesses, and in light of complex tax operations, the SUBARU Group enhances this structure by assigning to it employees with tax expertise. Furthermore, the SUBARU Group raises awareness and provides guidance and consultation regarding tax compliance to SUBARU Group companies, making use of external professionals, and properly fulfills its tax payment obligations.
3. Appropriate intercompany transaction prices (Transfer Pricing)
   The SUBARU Group conducts inter-group transactions and transactions with unrelated parties applying economically rational (arm's length) prices, and does not inappropriately set prices through arbitrary manipulation.
4. Compliance with Anti-Tax Haven Rules
   The SUBARU Group does not establish entities that are unnecessary for its business with the aim of tax avoidance, and the SUBARU Group pays taxes pursuant to the substance of its businesses in accordance with the tax laws and regulations.
5. Relationship with tax authorities
   The SUBARU Group strives to maintain trust with tax authorities by dealing with the authorities in a good faith manner; for example, by providing fact-based information in an appropriate and timely manner in response to requests.

Human Resources Initiatives

Human Resources Development

Approach to Human Resources Development

The SUBARU Group aspires to grow "from a company making things, to a company making people smile," as upheld as the goal of the STEP mid-term management vision, and to become a company that is trusted by customers and other stakeholders. We believe that the key to realizing this is the entire workforce of the SUBARU Group. To achieve STEP, the SUBARU Group will work to provide an environment that enables all employees to both grow and feel pride in their work, and will reform the corporate culture to create a company that is open to new ideas so that each and every employee can readily contribute their thoughts and opinions. By empowering employees to exert their full potential toward enhancing the appeal of the SUBARU brand, we will continue to boost the Group's corporate value.

Training and Education

SUBARU has positioned human resource development as an extremely important element of our efforts to achieve STEP. To help employees remain motivated to achieve their own professional development, SUBARU utilizes the personnel system, which consists of occupational skill certification programs, a performance appraisal system, a goal management system, and personnel rotations, as well as the education and training systems, as a tool for the development of human resources.

In addition, SUBARU's affiliated companies in Japan and overseas promote initiatives in accordance with the business domain of each company and regional characteristics.

Regular Reviews and Career Development

Through the operation of the personnel system, each employee's job outcomes and performance levels for skills are objectively evaluated. In addition, under the goal management system, all SUBARU employees have an interview four times a year (for goal setting, interim confirmation, outcome confirmation, and evaluation sharing) and the supervisors and subordinates agree on the challenges necessary for growth. Both men and women are treated appropriately and there is no gender gap in the basic salary.

Programs for Upgrading Skills

SUBARU has put in place a wide-ranging training system to enable all employees to fulfill the roles required of them at each qualification level.

■ Rank-specific Education

Rank-specific education takes the form of newly appointed personnel training, which is provided to all employees at the time of promotion and tailored to their qualifications. SUBARU has established programs that facilitate growth through practice and reflection to enable employees to assuredly demonstrate the abilities required for each qualification. For regular employees, these mainly focus on problem-solving, while for mid-level and manager class employees, they include human resource development and leadership. In FYE March 2020, about 2,000 employees took and completed these programs.

■ Managerial Talent Development

SUBARU offers training for selected mid-level and manager class employees with the aim of continually fostering the next generation of managerial talent.

■ Education by Job Skill

SUBARU has established an in-house training program called the "professional program," which employees are encouraged to apply to in order to improve their business skills and acquire new ones. SUBARU also offers support, mainly for mid-level employees, to attend business school.

■ Globally Focused Talent Development

SUBARU has developed programs focused primarily on improving foreign language skills and encourages wide-ranging skills development tailored to the challenges and operational needs of individual employees.

Diversity

Approach to Diversity

For the SUBARU Group to continue offering customers the unique value of the SUBARU brand, SUBARU employees need to be able to exert their unique talents informed by their own personal values and characteristics. This is why SUBARU values the differences in gender, nationality, culture, and lifestyle among its employees and strives to create workplace environments where everyone can make a meaningful contribution. In addition, SUBARU's affiliated companies in Japan and overseas promote initiatives in accordance with the business domain of each company and regional characteristics.

Diversity System

The Diversity Promotion Office leads the efforts of the SUBARU Group in relation to diversity. The Office has designated "supporting female employees to take on more active roles," "promoting the employment of people with disabilities," "promoting the reemployment of post-retirement age workers," and "promoting the recruitment of non-Japanese workers" as priority themes. Among them, SUBARU has placed particular emphasis on efforts to support and empower female employees.

Initiatives for Diversity Promotion

Empowerment of Female Employees

SUBARU is promoting initiatives for the empowerment of female employees, mainly by supporting employees in their efforts to balance work and childcare and in their pursuit of career development.

SUBARU set itself the target of increasing the number of female managers by five times the 2014 level in 2020, and achieved this goal in 2019, a year ahead of schedule. SUBARU is further strengthening its efforts aimed at developing female managers by setting a new target to increase the number of female managers to 12 times or more the 2014 level by 2025.

To support career development, SUBARU has conducted a wide range of initiatives, including the mentor system and the career development training for female team leaders. We believe that sharing development plans with supervisors of female employees is indispensable for the career development of female employees, and each year we provide opportunities for the supervisors to discuss such plans with the Human Resources Department.

In FYE March 2020, sessions to share development plans were held for general managers in all development-related departments, where the participants confirmed the promotion of a training-based development policy. In FYE March 2021, we will introduce a new career vision training program for female employees in their 20s with the aim of fostering career awareness among women at an early stage of their careers. We will further strengthen our efforts to create a workplace environment in which they can plan their own career paths and make a meaningful contribution on a level playing field. In addition, we conduct interviews with employees returning to work after childcare leave to support the early resumption of their full roster of duties. Our aim is to ease their anxiety about building a career while balancing work and family responsibilities and to foster their career awareness.

In the future, SUBARU will further strengthen job rotation, which helps female employees to expand their work horizon and develop themselves to a greater degree.

Status of Female Employees (SUBARU non-consolidated)

			FYE March 2020
Proportion of female employees			7.1%
Proportion of female managers			1.9%
	Breakdown	General managers and equivalent positions	1.3%
		Managers and equivalent positions	2.0%

Employment of People with Disabilities

SUBARU strives to create workplace environments in which people with disabilities can truly shine. To achieve this goal, SUBARU leverages the ideas and opinions of our employees with disabilities and their family members.

In FYE March 2020, SUBARU held study group sessions for personnel in charge of hiring people with disabilities at our affiliates in Japan to share awareness toward achieving the legally prescribed rate of employment of people with disabilities on a groupwide basis. As of April 2020, SUBARU has 291 employees with disabilities, mainly engaged in manufacturing work, and the percentage of employees with disabilities is 2.3%.

Specified Subsidiary Company SUBARU Bloom Co., Ltd.

SUBARU Bloom Co., Ltd. (SBC) proactively employs people with disabilities. As of April 2020, 69 employees and 18 instructors engage in the cleaning service provided by SBC to SUBARU's dormitories and plants. As a company proactively employing people with disabilities, SBC has registered with the "Supporter Company for Employment of People with Disabilities" program implemented by Gunma Prefecture's Department of Employment Support for People with Disabilities.

In FYE March 2020, SBC widely accepted study visits by local people and also introduced its initiatives to those in charge of the employment of students by companies at two neighboring special education schools.

SBC will continue to expand its network for the employment of people with disabilities while working to stabilize the management of the company and improve its operational quality. As a company that helps individual employees to "bloom like flowers," SBC will strive for the stability of management, foster employment, and make local contributions.

Certificate of Supporter Company for Employment of People with Disabilities issued by Gunma Prefecture

Reemployment of Retirees

SUBARU introduced the Senior Partner Program and the Senior Staff Program with an eye to helping solve employment problems faced by employees after retiring at the age of 60 and to make more effective use of human resources. We have reviewed the programs to proactively utilize the experience and abilities of retired employees for the education of younger employees and to pass down the skills possessed by the retirees to future generations. As a result, all those who want to be reemployed can now work for SUBARU and other Group companies. (In FYE March 2020, the number of employees aged 60 and older totaled 461)

Employment of Non-Japanese Employees

SUBARU employs non-Japanese new graduates and mid-career workers as regular and temporary employees regardless of their nationality. In order to help non-Japanese employees to deepen their understanding of their work, we prepare our safety and quality policy-related documents, work manuals, and other documents in multiple languages. At the Gunma Plant with lots of non-Japanese employees, we have stationed interpreters in English, Portuguese, Tagalog, Spanish, Chinese and other languages at each of the facilities to foster communication between Japanese and non-Japanese employees. Moreover, we provide Japanese employees with opportunities to receive language training and engage in overseas training, thereby helping them to enhance their ability to communicate with people from other countries and understand cultural differences. These initiatives contribute to revitalizing the company and securing human resources in a stable manner.

Employee Diversity at SOA

At Subaru of America, Inc. (SOA), a group of employees with diverse experiences, points of view and values learn from each other to grow, leading to the creation of the next generation of business and makes the company stronger. The principles of diversity, equity, and inclusion are woven into the corporate organization of SUBARU. Five employee groups have been active, born from employee activities.

Women's Network

This group was established based on the idea that supporting female coworkers leads to an advancement of workplace policies for all employees. In addition to creating opportunities for career advancement for all employees regardless of their gender, it is also a place to for female employees to build their networks.

BLENDS

This group offers support for workers with African or Latinx backgrounds as a place that aims to implement the opinions of employees.
It supports cultural events and activities rooted in regions to promote a corporate culture of diversity, contributing to creating a broad, open community.

Out + Ally

The first employee group funded at SOA, it is an alliance group between LGBTQ+ and heterosexual/cisgender member. Their activities include support for education, examination, and counseling for those living with HIV/AIDS, assistance with meal provision, and more.

SARGE

This group is for former servicepersons as well as their families and supporters. Once military service is completed, it can be challenging to return to civilian life. Employees created this group to share useful information, create a network, and provide a place for communication.

EVOLVE

This group was founded to improve physical and mental health of employees while enjoying various meetings and get-togethers for encouragement. Staring with providing useful health information, the group supports and encourages employee self-improvement.

Work-Life Balance

Approach to Work-Life Balance

As a precondition to increase customer satisfaction, the SUBARU Group believes it is vital to provide employees with workplaces where they can work with vigor and peace of mind and demonstrate their abilities to the fullest. In order to help diverse employees to maintain their work-life balance, we are diversifying work style options and expanding the relevant systems. Moreover, our affiliated companies in Japan and abroad are fostering initiatives suitable for local business conditions and regional characteristics.

Initiatives for Work-Life Balance

Work Style Reforms

SUBARU's response to the Act on the Arrangement of Related Acts to Promote Work Style Reform[1]

Item	Details
Accurate calculation of employees' working hours	In July 2018, introduced a company-wide attendance management system for the central management of all electromagnetic records (computer logs and clock-in and clock-out records) for the accurate calculation of employees' working hours.
Encouraging employees to take at least five paid days off per year	In FYE March 2020, began implementing measures for all employees, including an initiative to encourage employees who are newly entitled to take 10 or more paid days off to take at least five days off within seven months after the entitlement. Also established operational rules to ensure that all employees can take at least five paid days off per year.
Imposing an upper limit on overtime working hours	Has been limiting the number of overtime work hours to 590 hours and below annually and to 79 hours and below monthly, setting the criteria stricter than those stipulated by law.
Raising the premium pay rate for overtime work exceeding 60 hours per month	Has been implementing necessary measures since FYE March 2011.
Equal pay for equal work	Began reviewing the amount of allowances granted to non-regular employees in FYE March 2021.

1 This law was enacted in June 2018 to revise the labor-related laws to foster work style reforms

Appropriate Management of Working Hours

When introducing a new attendance management system in FYE March 2019 to manage employees' working hours in the unit of one minute, we recalculated employees' past working hours in reference to electromagnetic records such as computer logs. As a result, it was revealed that not all employees' working hours had been appropriately managed. We therefore conducted a survey targeting all employees and made appropriate payments in a retrospective manner to employees who were confirmed to have been unpaid for part of their working hours.

Reduction of Long Working Hours

In addition to "no-overtime days," SUBARU also established in FYE March 2016 "ultra no-overtime day," on which all managers and general employees leave work on time across its sites. Moreover, mainly targeting the staff of the development and administrative departments of the Gunma Plant and the development department of the Tokyo Office, we make it a rule to lock the doors on the office floor at 10:00 p.m., thereby making all those working on the floor leave before the doors are locked. By clearly imposing limits on overtime work, we are helping employees to be more conscious about their working hours.

Flex-time System

SUBARU introduced the flex-time system in FYE March 1999. Subsequently in FYE March 2017, we reduced the number of the core working hours for the system from four to two hours, thereby enabling employees to work in styles more suitable for their job details and job schedules. They can now control their working hours more flexibly. For example, they can leave work earlier during the low-peak period for their work. The flex-time system thus contributes to reducing employees' working hours and improving their private life.

Non-Financial Information

Number of Employees

SUBARU consolidated number of employees	FYE March 2016	FYE March 2017	FYE March 2018	FYE March 2019	FYE March 2020
Total number of employees (persons)	31,151	32,599	33,544	34,200	35,034

SUBARU non-consolidated number of employees		FYE March 2016	FYE March 2017	FYE March 2018	FYE March 2019	FYE March 2020
Total number of employees (persons)[1]		14,787	15,217	15,530	15,885	16,318
Male[2]		13,858	14,229	14,477	14,774	14,823
Female[2]		929	988	1,053	1,111	1,139
Part-time[3]						356
Average age (ages)		38.5	38.5	38.6	38.5	37.4
Average length of employment (years)		16.0	15.8	15.9	15.8	15.8
Number of managers (persons)	Male	1,032	1,028	1,020	1,030	1,051
	Female	7	11	13	14	20
Number of new graduate hires (persons)	Male	483	479	494	473	498
	Female	36	69	80	74	68
Number of mid-career hires (persons)	Male	267	397	221	317	161
	Female	23	23	15	15	24
Total number of people who quit the company (persons)		189	258	249	339	329

1 Number of employees excludes executive officers, advisors, and dispatch employees
2 Regular employees
3 Disclosed from FYE March 2020

Number of Employees who Took Childcare Leave (SUBARU non-consolidated)

System for employees to take leave for childcare		FYE March 2016	FYE March 2017	FYE March 2018	FYE March 2019	FYE March 2020
Total number of employees who took childcare leave (persons)		107	96	98	101	122
Male		6	8	10	21	42
Female		101	88	88	80	80
Rate of employee who returned to work (%)	Male	100	100	100	100	100
	Female	98	100	100	97.5	95
Rate of employees who remained at the company one year after returning to work (%)	Male	100	87.5	83.3	100	85
	Female	95	100	97.2	90	95

Number of Employees who Took Long-term Care Leave (SUBARU non-consolidated)

System for employees to take leave to take care of the family member in need of long-term care	FYE March 2016	FYE March 2017	FYE March 2018	FYE March 2019	FYE March 2020
Number of employees who took long-term care leave (persons)	9	4	5	9	30

Employment of People with Disabilities

	April 2016	April 2017	April 2018	April 2019	April 2020
Number of employees with disabilities (persons)[4]	247	261	269	280	291
Employment rate of people with disabilities (%)[5]	2.13	2.17	2.28	2.30	2.30

4 According to the method of calculation specified in the Act on Employment Promotion etc., of Persons with Disabilities, one person with severe disabilities is counted as two persons with disabilities
5 Including the number of employees with disabilities at SUBARU's specified subsidiary company

Human Rights Initiatives

Approach to Human Rights

The SUBARU Group puts people first and engages in people-oriented manufacturing. Based on the belief that respect for the rights and characteristics of individuals is an important management issue for realizing SUBARU's corporate philosophy of promoting harmony between people, society, and the environment while contributing to the prosperity of society, the SUBARU Group clarified its responsibilities to respect human rights by establishing its "Human Rights Policy" in April 2020.

Human Rights Policy was formulated in full considerations of stakeholders' views and expectations, incorporating outside experts' insights and discussion contents with overseas business sites. This policy is run globally and appropriately, being ready to address future environmental changes.

Link ● For further details: Human Rights Policy

Management System

We have appointed Representative Director, President and CEO as a director who is responsible for leading the process of developing the Policy and assigning resources as needed for its implementation and continued improvement.

The Representative Director, President and CEO also serves as head of the CSR Committee, where we hold discussions on human rights issues and initiatives.

Initiatives to Promote Respect for Human Rights

Based on the belief that respect for the rights and characteristics of individuals is an important management issue for realizing SUBARU's corporate philosophy, the CSR Committee decided to form the Human Rights Task Team in March 2019, which was materialized in April 2019 and is comprised of the Human Resources Department, IR Department, Sustainability Promotion Department, and Procurement Planning Department. As a result of multiple discussions with outside experts and specialists, the Task Team formulated the Human Rights Policy in April 2020. It sets forth that the SUBARU Group's universal sense of purpose in acting for the good of people not only applies to our customers and employees, but also extends across the entire value chain. Going forward, the SUBARU Group will continue managing its operations in line with respect for human rights.

Activities to Raise Awareness of Human Rights

The SUBARU Group's Human Rights Policy states that it "expects and encourages our business partners and other stakeholders associated with our operations, including those in the supply chain, to respect human rights in accordance with this policy." We have been conducting SUBARU's new employee training and manager training on the theme of diversity, and going forward, we will analyze and conduct awareness raising activities in order to further increase employees' respect for human rights.

Preventing Harassment

The SUBARU Group regards the prevention of discrimination and harassment as important issues, and this is expressed in the Human Rights Policy. Seeking to prevent all forms of harassment, we prohibit such behavior in our work regulations, and it is also mentioned in the Conduct Guidelines. We have prepared the Power Harassment Explanatory Booklet, and ensure that all SUBARU employees are aware of its contents.

Also, we distribute the Power Harassment Prevention Handbook to all managers and supervisors, and make efforts to prevent harassment.

We have set up a Compliance Hotline (P.66) and a Harassment Advice Line internally and externally to accept requests for consultations regarding harassment, creating an environment in which all employees, including those at group companies, can receive advice. By creating a management system in which it is easy to seek advice, we encourage carefree consultations, and attempt to detect and resolve problems at an early stage.

Social Contribution Initiatives

Approach to Social Contribution

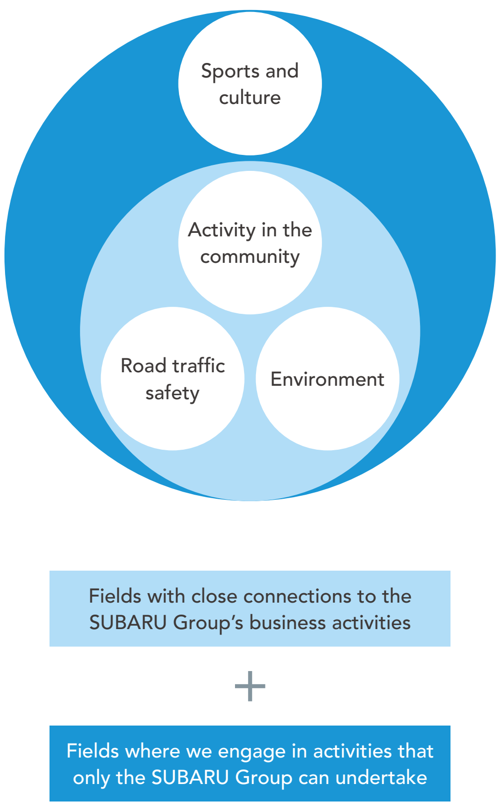
The SUBARU Group has developed its social contribution policy in the hope of ingraining the practice of social contribution into corporate culture and to foster sincere commitment to such practice. In accordance with the policy, we promote social contribution activities in the four fields—activity in the community, environment, road traffic safety, and sports and culture—which we have selected as befitting a socially responsible transportation equipment manufacturer.

In FYE March 2020, we established a social contribution vision for 2025, in addition to a set of 2025 visions for the Group's Six Priority Areas for CSR. Aiming at this vision, we will pursue social contribution initiatives based on the decision to shift "From being a company making things, to a company making people smile," as described in STEP, our mid-term management vision.

Social Contribution Policy

1. We contribute to the development of science and technology and automobile culture and to the promotion of road safety.
2. We contribute to the fostering of human resources who understand the pleasure, importance and preciousness of creative manufacturing.
3. We contribute to the development of the communities in which we operate.
4. We support each other in contributing to society as good citizens.

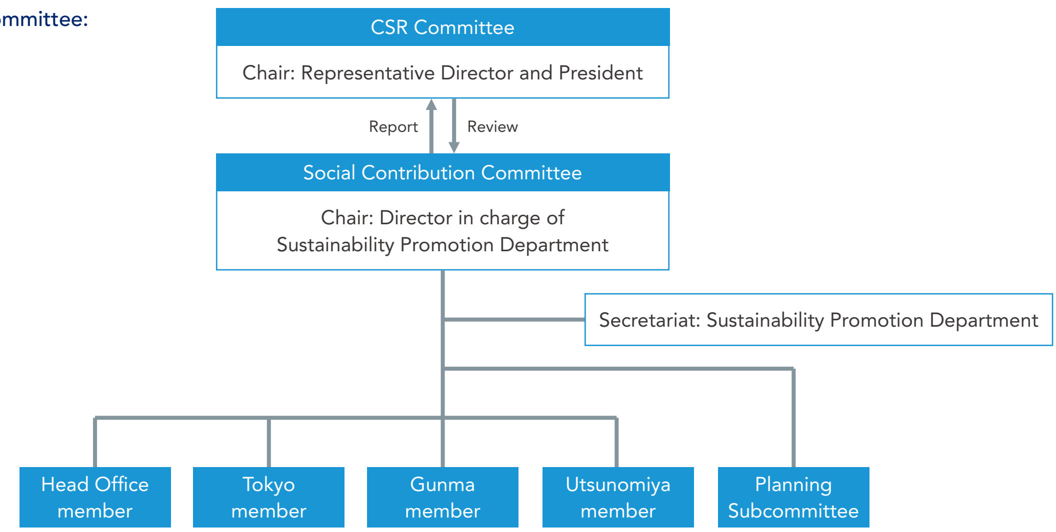
The Four Fields of Social Contribution Initiatives



Social Contribution Management System

SUBARU has established the Social Contribution Committee to actively promote and continue social contribution activities that make use of our technology and expertise. The Committee was reorganized in April 2019 during corporate restructuring. The newly appointed chair is also the director in charge of the Sustainability Promotion Department, which was assigned to serve as secretariat. Under the Committee, the cross-organizational Planning Subcommittee has been created to discuss issues related to companywide activities, ranging from planning and preparation to implementation, evaluation and review. The Committee meets every six months to compile reported activity results and issues, and discuss improvement plans to invigorate efforts.

Social Contribution Committee: Organization Chart



Promoting initiatives under five promises to embody Resonance and Coexistence throughout the United States

Aiming to become more than just an automobile company, Subaru of America, Inc. (SOA) runs the Subaru Love Promise program. Committed to making the world a better place, we, together with our retailers, encourage many community partners to join our activities to spread the Love Promise in five categories.

Subaru Loves the Earth

There are many SUBARU customers who love nature. The Subaru Love Promise that SOA is promoting includes many activities to protect the natural environment, one of which is providing support for one of which is National Park Partnership. They have offered donations continuously since 2013, and the funds have been used for a wide range of purposes, from the reduction and recycle of trash at national parks to enlightenment activities for attendees. Also, in partnership with company TerraCycle, they have been conducting the collection of waste matter that is hard to recycle.

Subaru Loves to Care

SOA supports the activities of many non-profit organizations in order to contribute to the health of a diverse range of people including patients who suffer from incurable diseases and people with disabilities. They also support scientific societies for leukemia and lymphoma, and also cooperate with our U.S. dealerships to donate blankets to about 150,000 patients with blood cancer.

Subaru Loves to Help

SOA offers a wide range of assistance through charitable organizations that support those facing hardships, such as the elderly and children, poor families, and disaster victims, such as provide meals and the cars to transport them, offering shelters and nursing during disasters, and maintaining disaster vehicles. They also cooperate on various initiatives with our U.S. dealerships, such as provide 50 million meals, through U.S. food bank Feeding America, to people who have become unemployed due to the spread of the novel coronavirus and are facing difficulties in having meals.

Subaru Loves Learning

There are many children, even in the United States, who do not have the opportunity to receive an education. SOA is providing various kinds of support for organizations that work to support learning and increase opportunities for education for such children. Since 2015, they have partnered with the American Association for the Advancement of Science to donate over 270,000 science books to U.S. schools.

Subaru Loves Pets

The Subaru Love Promise not only applies to people, but the safety and peace of mind of pets and wild animals is also an important subject. SOA is involved in support activities for regional organizations engaged in the care and adoption of protected pets, including the American Society for the Prevention of Cruelty to Animals. Also, to further protect the safety of animals, SOA is supporting crash-test for animals which are conducted by the Center for Pet Safety.

Consolidated Ten-Year Financial Summary

SUBARU Corporation and its consolidated subsidiaries
Years ended March 31

		J-GAAP					
		'11/3	'12/3	'13/3	'14/3	'15/3	'16/3
Operating results (for the year)							
Net sales[1]	Millions of yen	¥1,580,563	¥1,517,105	¥1,912,968	¥2,408,129	¥2,877,913	¥3,232,258
Cost of sales	Millions of yen	1,241,427	1,222,419	1,501,809	1,728,271	2,017,490	2,187,136
Gross profit	Millions of yen	339,136	294,686	411,159	679,858	860,423	1,045,122
Selling, general and administrative expenses[1]	Millions of yen	255,001	250,727	290,748	353,369	437,378	479,533
Operating income	Millions of yen	84,135	43,959	120,411	326,489	423,045	565,589
Income before income taxes	Millions of yen	63,214	52,879	93,082	328,865	392,206	619,003
Net income attributable to owners of parent	Millions of yen	50,326	38,453	119,588	206,616	261,873	436,654
Depreciation/amortization[2, 3]	Millions of yen	56,062	58,611	61,544	61,486	71,821	72,938
Capital expenditures[3]	Millions of yen	67,378	67,035	94,986	98,537	135,346	168,338
R&D expenses	Millions of yen	42,907	48,115	49,141	60,092	83,535	102,373
Financial position (at year-end)							
Net assets	Millions of yen	413,963	451,607	596,813	770,071	1,030,719	1,349,411
Shareholders' equity	Millions of yen	412,661	450,302	595,365	765,544	1,022,417	1,343,732
Total assets[4]	Millions of yen	1,188,324	1,352,532	1,577,454	1,888,363	2,199,714	2,592,410
Ratio of shareholders' equity to total assets[4]	%	34.7	33.3	37.7	40.5	46.5	51.8
Cash flows							
Net cash provided by (used in) operating activities	Millions of yen	138,208	54,865	166,715	313,024	311,543	614,256
Net cash provided by (used in) investing activities	Millions of yen	(51,109)	(26,602)	(71,370)	(33,903)	(172,780)	(255,676)
Free cash flow	Millions of yen	87,099	28,263	95,345	279,121	138,763	358,580
Net cash provided by (used in) financing activities	Millions of yen	(39,408)	2,586	(60,766)	(63,011)	(110,546)	(126,190)
Per share							
Net income (EPS)	Yen	64.56	49.27	153.23	264.76	335.57	559.54
Net assets (BPS)	Yen	528.88	576.97	762.87	980.98	1,310.15	1,721.90
Dividends	Yen	9	9	15	53	68	144
Other information							
Non-consolidated exchange rate	Yen to the U.S. dollar	86	79	82	100	108	121
Number of shares issued	Thousands of shares	782,865	782,865	782,865	782,865	782,865	782,865
Number of shareholders[5]	Persons	34,240	33,139	28,890	51,386	70,942	79,594
Number of employees (parent only)	Persons	12,429	12,359	12,717	13,034	13,883	14,234
Number of employees (consolidated)	Persons	27,296	27,123	27,509	28,545	29,774	31,151
Number of units							
Consolidated automobile unit sales[6]	Thousand units	657	640	724	825	911	958
SUBARU vehicle unit production	Thousand units	624	635	692	772	887	929
Domestic	Thousand units	459	465	511	609	681	693
Overseas[7]	Thousand units	165	171	181	164	207	236

*The SUBARU Group has voluntarily applied the International Financial Reporting Standards (IFRS) since the first quarter of FYE March 2020
1 Change of accounting policy effective from FYE March 2019 (deduction of sales incentives from net sales); Retroactively applied to the figures for FYE March 2018
2 Accompanying a change in accounting policy effective from the FYE March 2019, change of depreciation method for certain tangible fixed assets of the Company and its major domestic consolidated subsidiaries from the declining-balance method to the straight-line method
3 Total amount of property, plant and equipment and intangible assets

'17/3	'18/3	'19/3
¥3,325,992	¥3,232,695	¥3,160,514
2,386,266	2,442,706	2,561,753
939,726	789,989	598,761
528,916	410,542	403,232
410,810	379,447	195,529
394,695	297,340	195,838
282,354	220,354	147,812
85,653	102,102	102,749
196,616	193,789	169,960
114,215	121,084	102,719
1,464,888	1,561,023	1,612,825
1,458,664	1,552,844	1,605,291
2,762,321	2,866,474	2,982,725
52.8	54.2	53.8
345,442	366,298	174,006
(254,252)	(150,711)	(158,327)
91,190	215,587	15,679
(189,044)	(170,937)	(96,617)
365.77	287.40	192.78
1,902.56	2,025.31	2,093.60
144	144	144
108	111	111
769,175	769,175	769,175
76,471	132,570	133,879
14,708	14,879	15,274
32,599	33,544	34,200
1,065	1,067	1,000
1,033	1,036	977
698	687	605
335	349	372

IFRS

		'19/3	'20/3
Operating results (for the year)			
Revenue	Millions of yen	¥3,156,150	**¥3,344,109**
Cost of sales	Millions of yen	2,558,262	**2,728,605**
Gross profit	Millions of yen	597,888	**615,504**
Selling, general and administrative expenses	Millions of yen	298,875	**308,227**
Operating profit	Millions of yen	181,724	**210,319**
Profit before tax	Millions of yen	186,026	**207,656**
Profit for the period attributable to owners of parent	Millions of yen	141,418	**152,587**
Depreciation/amortization[3]	Millions of yen	187,077	**192,742**
Capital expenditures[3]	Millions of yen	274,281	**284,669**
R&D expenditures	Millions of yen	102,719	**118,735**
Financial position (at year-end)			
Total equity	Millions of yen	1,689,899	**1,720,123**
Equity attributable to owners of parent	Millions of yen	1,682,248	**1,712,881**
Total assets	Millions of yen	3,180,597	**3,293,908**
Ratio of equity attributable to owners of parent to total assets	%	52.9	**52.0**
Cash flows			
Net cash provided by (used in) operating activities	Millions of yen	250,732	**210,134**
Net cash provided by (used in) investing activities	Millions of yen	(190,119)	**(25,844)**
Free cash flows	Millions of yen	60,613	**184,290**
Net cash provided by (used in) financing activities	Millions of yen	(141,551)	**(15,818)**
Per share			
Profit for the period attributable to owners of parent (EPS)	Yen	184.44	**198.99**
Equity attributable to owners of parent (BPS)	Yen	2,193.97	**2,233.76**
Dividends	Yen	144	**100**
Other information			
Non-consolidated exchange rate	Yen to the U.S. dollar	111	**109**
Number of shares issued	Thousands of shares	769,175	**769,175**
Number of shareholders[5]	Persons	133,879	**145,289**
Number of employees (parent only)	Persons	15,274	**15,806**
Number of employees (consolidated)	Persons	34,200	**35,034**
Number of units			
Consolidated automobile unit sales[6]	Thousand units	1,001	**1,034**
SUBARU vehicle unit production	Thousand units	977	**1,022**
Domestic	Thousand units	605	**654**
Overseas[7]	Thousand units	372	**367**

4 Application of Partial Amendments to Accounting Standard for Tax Effect Accounting, effective from FYE March 2019; Retroactively applied to the figures for FYE March 2018
5 Number of shares per trading unit: 100 shares
6 Automobile unit sales of SUBARU CORPORATION and its consolidated subsidiaries
7 U.S. production base Subaru of Indiana Automotive, Inc.

Five-Year Unit Sales

Years ended March 31

Consolidated Automobile Sales by Region

(Number of thousand units)

	'16/3	'17/3	'18/3	'19/3	'20/3
Japan					
Legacy	11.4	11.1	9.3	6.1	**4.7**
Impreza	39.8	51.6	66.7	47.4	**42.9**
Forester	22.0	24.2	18.1	32.1	**30.1**
Levorg	23.6	23.8	21.3	13.2	**11.8**
WRX	7.0	6.6	8.3	7.1	**8.5**
Exiga	4.5	4.3	3.5	0.2	**—**
SUBARU BRZ	2.0	2.3	1.9	1.3	**1.2**
OEM	0.9	2.1	2.9	2.7	**2.7**
Others	0.5	0.6	0.5	0.1	**—**
Passenger cars	111.6	126.4	132.6	110.2	**101.9**
Minicars	33.7	32.5	30.9	26.0	**23.9**
Japan total	145.3	158.9	163.4	136.2	**125.8**
U.S.					
Legacy	221.5	275.3	234.4	213.9	**197.2**
Impreza	150.9	168.6	213.7	197.0	**196.5**
Forester	171.9	182.6	186.2	155.6	**200.5**
WRX	33.5	37.0	32.5	26.5	**21.0**
Ascent	—	—	—	63.1	**84.6**
Tribeca	0.0	0.0	0.0	—	**—**
SUBARU BRZ	4.7	4.0	4.2	3.7	**1.8**
U.S. total	582.7	667.6	670.9	659.7	**701.6**
Canada					
Legacy	13.4	15.2	14.2	13.3	**13.0**
Impreza	17.1	18.0	23.1	22.1	**25.7**
Forester	13.1	14.2	14.3	12.5	**14.8**
WRX	3.2	4.9	4.5	4.1	**2.5**
Ascent	—	—	—	4.1	**4.0**
SUBARU BRZ	0.8	0.7	0.7	0.7	**0.4**
Canada total	47.6	53.1	56.8	56.8	**60.4**
Europe					
Legacy	10.4	8.1	6.9	6.5	**8.8**
Impreza	10.0	12.6	16.6	14.9	**13.2**
Forester	13.2	15.2	13.2	9.1	**12.7**
Levorg	6.6	3.6	1.9	0.8	**1.9**
WRX	1.2	0.9	1.2	0.3	**—**
SUBARU BRZ	0.4	0.6	0.4	0.5	**0.4**
Europe total	41.8	40.9	40.2	32.1	**37.0**
Russia					
Legacy	1.4	1.0	1.5	1.4	**0.8**
Impreza	0.4	0.2	1.6	1.4	**1.0**
Forester	3.9	4.2	4.6	5.3	**6.8**
WRX	0.0	0.0	0.1	0.0	**0.0**
BRZ	0.0	—	—	—	**—**
Russia total	5.7	5.3	7.7	8.1	**8.7**
Australia					
Legacy	15.7	15.4	13.3	10.6	**8.0**
Impreza	13.2	15.2	25.1	16.7	**16.1**
Forester	12.1	13.1	12.4	12.2	**16.9**
Levorg	0.0	2.1	1.1	0.3	**0.3**
WRX	3.2	2.8	2.8	1.5	**1.3**
BRZ	0.5	0.4	0.9	0.4	**0.5**
Australia total	44.6	49.1	55.7	41.7	**43.1**

(Number of thousand units)

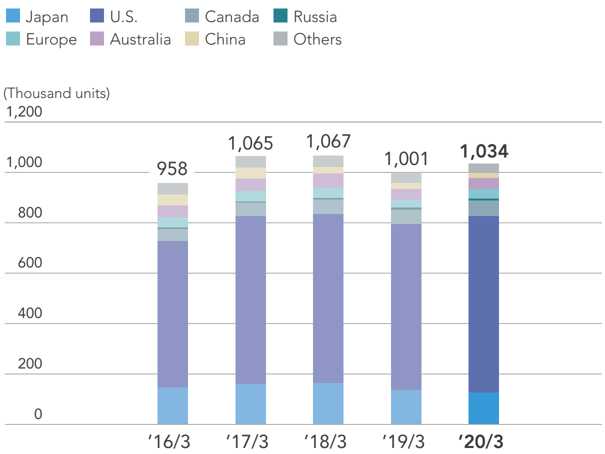
	'16/3	'17/3	'18/3	'19/3	'20/3
China					
Legacy	16.0	11.3	5.5	3.8	**2.7**
Impreza	6.6	5.6	4.6	3.8	**1.6**
Forester	21.3	26.6	15.7	15.2	**15.6**
BRZ	0.5	0.6	1.0	—	**0.8**
China total	44.4	44.0	26.9	22.8	**20.6**
Other regions					
Legacy	8.6	7.0	6.0	4.3	**2.6**
Impreza	19.0	18.7	22.0	19.2	**15.0**
Forester	14.5	16.9	14.5	16.9	**16.7**
Levorg	1.1	1.1	0.9	1.1	**0.9**
WRX	2.1	1.6	1.6	1.4	**1.1**
Ascent	—	—	—	—	**0.0**
BRZ	0.4	0.3	0.2	0.3	**0.3**
Other regions total	45.8	45.6	45.2	43.3	**36.7**
Overseas total	812.6	905.6	903.5	864.6	**908.0**
Global total	957.9	1,064.5	1,066.9	1,000.8	**1,033.9**

Consolidated Automobile Sales by Model

(Number of thousand units)

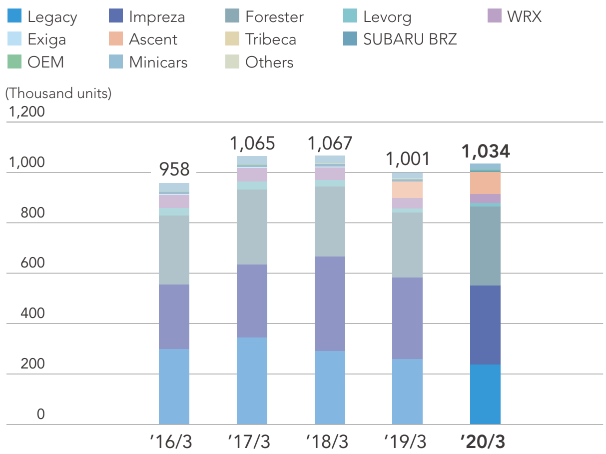
	'16/3	'17/3	'18/3	'19/3	'20/3
Legacy	298.3	344.4	291.2	259.9	**237.8**
Impreza	257.1	290.5	373.4	322.5	**312.0**
Forester	272.1	297.0	279.0	258.8	**314.1**
Levorg	31.3	30.6	25.3	15.4	**15.0**
WRX	50.1	53.7	51.0	41.0	**34.4**
Exiga	4.5	4.3	3.5	0.2	**—**
Ascent	—	—	—	67.2	**88.6**
Tribeca	0.0	0.0	0.0	—	**—**
SUBARU BRZ	9.4	8.9	9.3	6.9	**5.4**
OEM	0.9	2.1	2.9	2.7	**2.7**
Minicars	33.7	32.5	30.9	26.0	**23.9**
Others	0.5	0.6	0.5	0.1	**—**
Global total	957.9	1,064.5	1,066.9	1,000.8	**1,033.9**

Consolidated Automobile Sales by Region



*Automobile sales of SUBARU CORPORATION and its consolidated subsidiaries

Consolidated Automobile Sales by Model



*Automobile sales of SUBARU CORPORATION and its consolidated subsidiaries

Financial Review

The SUBARU Group has voluntarily applied the International Financial Reporting Standards (IFRS) since the first quarter of FYE March 2020. The figures for previous fiscal years have also been recalculated on an IFRS basis.

Business Segments and Scope of Consolidation

The SUBARU Group ("the Group") consists of three business segments: the core Automotive Business Unit, which accounts for approximately 95% of consolidated revenue; the Aerospace Company; and Other Businesses, consisting of businesses that do not belong to either of the other two segments. In the fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020; the "fiscal year under review"), SUBARU CORPORATION ("the Company"), 73 subsidiaries, and 10 equity-method affiliated companies were included in the scope of consolidation.

Overview of Business Performance

Consolidated revenue of the Group for the fiscal year under review resulted in 3,344.1 billion yen, up by 188.0 billion yen (6.0%) compared with the previous fiscal year. Key fluctuation factors included 244.6 billion yen increase from the sales volume and mixture as a result of increased overseas automobile unit sales and 59.4 billion yen decrease due to a currency exchange loss. Operating profit was 210.3 billion yen, up by 28.6 billion yen (15.7%). Major positive contributions included 39.2 billion yen increase brought by the sales volume and mixture which was a result of automobile unit sales growth in overseas as well as sales incentive control, and 16.1 billion yen decrease in research and development ("R&D") expenses due to the increase in its capitalized portion in conjunction with the adoption of IFRS. Major negative impact, on the other hand, was 29.0 billion yen loss on currency exchange caused by the yen's appreciation against the U.S. dollar by 2 yen. Profit before tax resulted in 207.7 billion yen, up by 21.6 billion yen (11.6%) compared with the previous fiscal year. Profit for the period attributable to owners of parent stood at 152.6 billion yen, up year on year by 11.2 billion yen (7.9%).

The impact of the spread of COVID-19 on the results for the fiscal year under review was minor.

(Amounts in billions of yen, ratios in %)

	Revenue	Operating profit (Ratio to revenue)	Profit before tax (Ratio to revenue)	Profit for the period attributable to owners of parent (Ratio to revenue)	Foreign exchange rates
FYE March 2020	3,344.1	210.3 (6.3)	207.7 (6.2)	152.6 (4.6)	¥109/USD ¥121/EUR
FYE March 2019	3,156.2	181.7 (5.8)	186.0 (5.9)	141.4 (4.5)	¥111/USD ¥129/EUR
Change	188.0	28.6	21.6	11.2	
Percentage change	6.0	15.7	11.6	7.9	

Segment Information

Automotive Business Unit

Revenue from the Automotive Business Unit for the fiscal year under review was 3,193.9 billion yen, up by 186.3 billion yen (6.2%) compared with the previous fiscal year, and operating profit of the segment resulted in 200.3 billion yen, also up by 28.2 billion yen (16.4%). Overseas sales rose by 43,000 units (5.0%) to 908,000 units, led by the strong demand for the Forester and Ascent in the U.S. In the domestic market, unit sales declined by 10,000 units (7.7%) to 126,000 units, as sales of the Impreza and other models decreased. As a result, combined overseas and domestic unit sales increased by 33,000 units (3.3%) to 1.034 million units.

Aerospace Company

Revenue from the Aerospace Company was 142.1 billion yen, up by 8.0 billion yen (6.0%) compared with the previous fiscal year, as the production of the Boeing 787 and Boeing 777X increased. In contrast, operating profit of the segment resulted in 5.1 billion yen, down by 1.0 billion yen (15.9%).

Other Businesses

Revenue from Other Businesses was 8.0 billion yen, down by 6.4 billion yen (44.2%), and operating profit was 3.6 billion yen, up by 0.3 billion yen (8.8%), compared with the previous fiscal year.

(Amounts in billions of yen, ratios in %)

	Revenue				Operating profit			
	FYE March 2019	FYE March 2020	Change	Percentage change	FYE March 2019	FYE March 2020	Change	Percentage change
Automotive	3,007.6	**3,193.9**	186.3	6.2	172.1	**200.3**	28.2	16.4
Aerospace	134.1	**142.1**	8.0	6.0	6.0	**5.1**	(1.0)	(15.9)
Others	14.4	**8.0**	(6.4)	(44.2)	3.3	**3.6**	0.3	8.8
Adjustment	—	**—**	—	—	0.3	**1.4**	1.1	329.8
Total	3,156.2	**3,344.1**	188.0	6.0	181.7	**210.3**	28.6	15.7

R&D Expenditures, Capital Expenditures, and Depreciation Expenses

R&D expenditures in the fiscal year under review amounted to 118.7 billion yen, up by 16.0 billion yen (15.6%) compared with the previous fiscal year. Of that amount, 116.1 billion yen was related to the Automotive Business Unit. Since the IFRS requires a certain portion of R&D expenditures that meets the set criteria to be capitalized as an intangible asset and depreciated over its estimated useful life, the amount of R&D expenditures does not match the amount of R&D expenses on the consolidated statement of income.

In the fiscal year under review, the Group made capital expenditures of 126.0 billion yen, up by 12.0 billion yen (10.5%) compared with the previous fiscal year. Among the total capital expenditures, 119.3 billion yen has been spent in relation to the Automotive Business Unit. The Company made investments of 51.0 billion yen mainly for the improvement and maintenance of production and inspection lines, production facilities for new products, R&D facilities, improvement of quality and working environment, and sales networks. Subaru of Indiana Automotive, Inc. (SIA), our production base in the U.S., also made investments of 46.3 billion yen, mainly for the production facilities to handle new products and for production capacity expansion. Depreciation expenses in the fiscal year under review were 96.1 billion yen, up by 7.0 billion yen (7.9%) year on year. These figures in this section do not include leases, capital expenditures and amortization for intangible assets.

Liquidity and Source of Funds

Financial Position

Total assets as of March 31, 2020 stood at 3,293.9 billion yen, up by 113.3 billion yen compared with the previous fiscal year-end. Major increasing factors were cash and cash equivalent by 156.6 billion yen, inventories by 56.5 billion yen, and intangible assets and goodwill by 54.3 billion yen; while major decreasing factors included other financial assets in current assets by 190.0 billion yen. Total liabilities amounted to 1,573.8 billion yen, up by 83.1 billion yen year on year. Major increasing factors were current and non-current financing liabilities by 135.5 billion yen, and other current and non-current liabilities by 47.8 billion yen; on the other hand, major decreasing factors were trade and other payables by 68.2 billion yen, and current and non-current provisions by 27.9 billion yen. Total equity resulted in 1,720.1 billion yen, up by 30.2 billion yen compared with the previous fiscal year. While retained earnings increased by 46.6 billion yen, other components of equity decreased by 16.1 billion yen.

The fiscal year-end balance of interest-bearing debt (excluding lease liabilities) amounted to 239.2 billion yen, up by 135.5 billion yen year on year. The debt/ equity ratio was 0.14, remaining at a safe level.

Cash Flows

In the fiscal year under review, net cash provided by operating activities was 210.1 billion yen, down from 250.7 billion yen provided in the previous fiscal year. Major cash in-flow items were profit before tax of 207.7 billion yen, and depreciation and amortization of 192.7 billion yen; while major cash out-flow items were increase in inventories of 70.2 billion yen, and decrease in trade and other payables of 67.9 billion yen. Net cash used in investing activities was 25.8 billion yen, down from 190.1 billion yen used in the previous fiscal year. Cash in-flow factors such as proceeds from sale and collection of other financial assets of 319.7 billion yen were surpassed by cash out-flow factors including purchase of other financial assets of 260.0 billion yen. Net cash used in financing activities totaled 15.8 billion yen, down from 141.6 billion yen used in the previous fiscal year. Major cash out-flow items included dividends paid to owners of parent of 110.4 billion yen, which were partially offset by proceeds from long-term borrowings (net basis against repayment of long-term borrowings payable) of 98.4 billion yen.

Other Financial Information

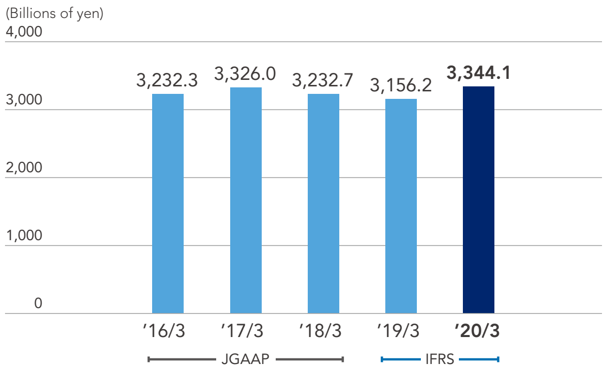
The summary of consolidated financial results and presentation materials for results briefings are published in the Investor Relations section of the Company's website.

Link ● The Investor Relations section of SUBARU website

Financial Highlights

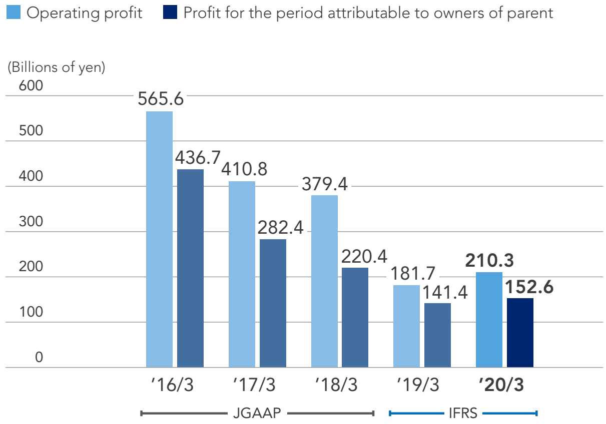
The SUBARU Group has voluntarily applied the International Financial Reporting Standards (IFRS) since the first quarter of FYE March 2020. The figures for previous fiscal years have also been recalculated on an IFRS basis.

Revenue

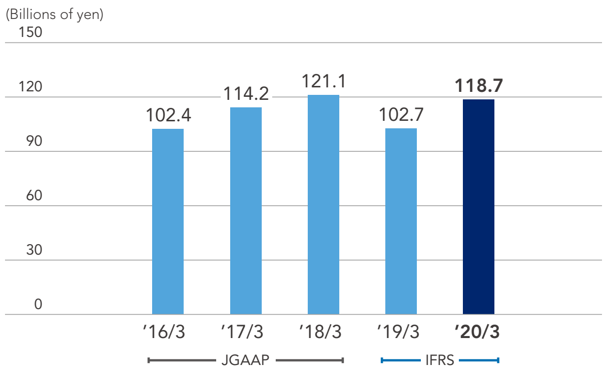


*Change of accounting policy effective from FYE March 2019 (deduction of sales incentives from net sales) Retroactively applied to the figures for FYE March 2018

Operating Profit/ Profit for the Period Attributable to Owners of Parent

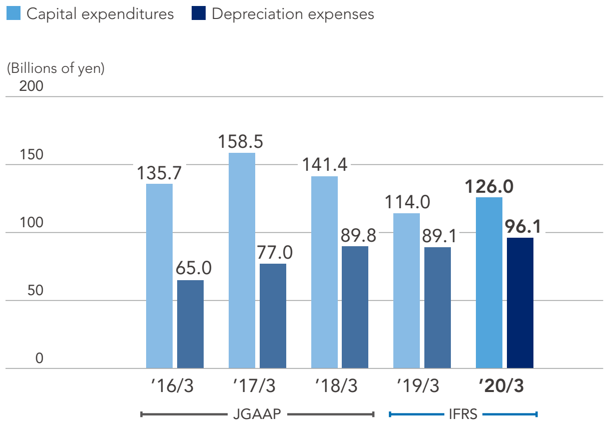


R&D Expenditures



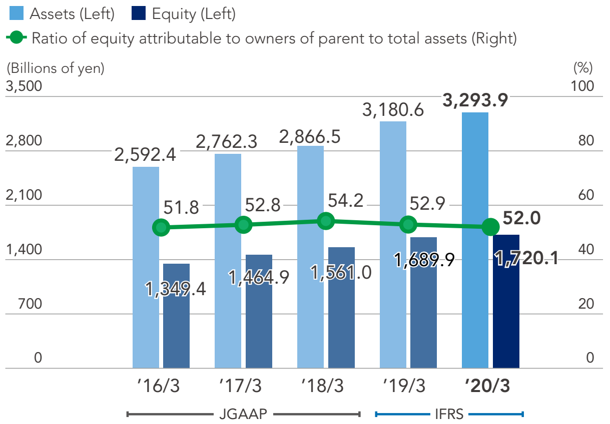
*Amount of expenditures for R&D activities incurred during the reporting period. Since the IFRS requires a certain portion of R&D expenditures that meets the set criteria to be capitalized as an intangible asset and depreciated over its estimated useful life, the amount of R&D expenditures does not match the amount of R&D expenses on the consolidated statement of income

Capital Expenditures/Depreciation Expenses

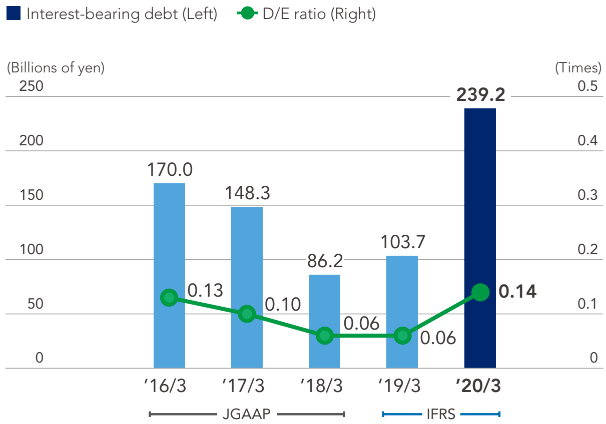


*Change in accounting policy effective from the FYE March 2019 (change of the depreciation method for certain tangible fixed assets of the Company and its domestic consolidated subsidiaries from the declining-balance method to the straight-line method)
*Figures above do not include leases, capital expenditures and amortization for intangible assets

Assets/Equity/Ratio of Equity Attributable to Owners of Parent to Total Assets



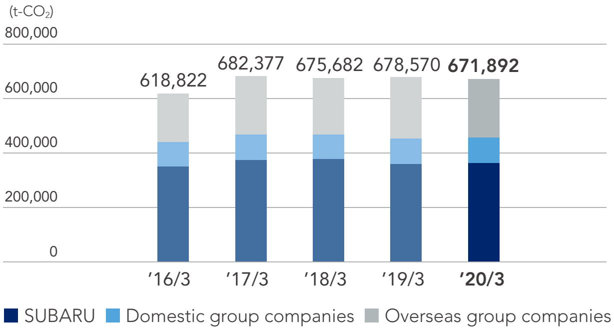
Interest-Bearing Debt/D/E Ratio



*The above figures do no include lease liabilities

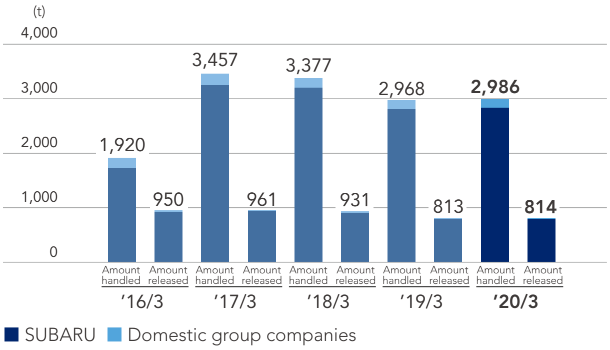
Non-Financial Highlights

CO_2 Emissions (Scope 1, Scope 2)



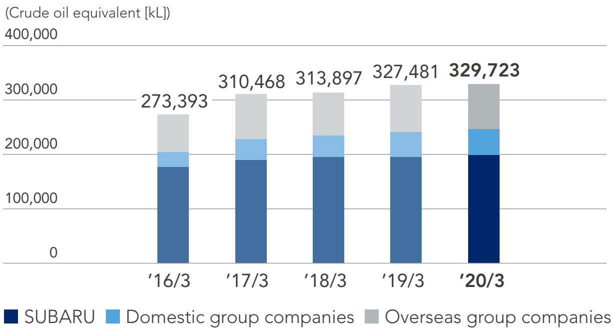
Change in emissions factor:
This year, SUBARU has changed the basis for CO_2 emissions calculations from "non-adjusted greenhouse gas emissions" to "adjusted greenhouse gas emissions," based on the Act on Promotion of Global Warming Countermeasures. In accordance with this change, we recalculated and revised the figures to as far back to as FYE 2016.

Chemical Substances Regulated by Pollutant Release and Transfer Register (PRTR) Law of Japan



Scope
SUBARU: Gunma Plant, Tokyo Office, Utsunomiya Plant, Handa Plant
Group companies in Japan:
Yusoki Kogyo K.K., Fuji Machinery Co., Ltd., Ichitan Co., Ltd., Kiryu Industrial Co., Ltd., Subaru Logistics Co., Ltd.

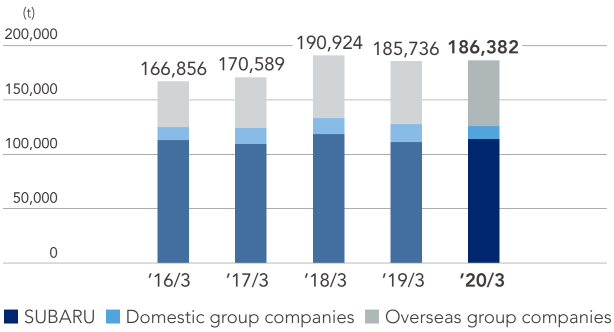
Energy Consumption



*Data for Subaru Corporation is calculated based on the notification required by the Act on the Rational Use of Energy.

CO_2 Emissions (Scopes 1, 2, 3) / Energy Consumption
Scope of target
SUBARU
Domestic group companies:
Yusoki Kogyo K.K., Fuji Machinery Co., Ltd., Ichitan Co., Ltd., Kiryu Industrial Co., Ltd., Subaru Logistics Co., Ltd., SUBARU dealerships
Overseas group companies:
Subaru of Indiana Automotive, Inc., Subaru of America, Inc., Subaru of Canada, Inc., Subaru Research & Development, Inc.

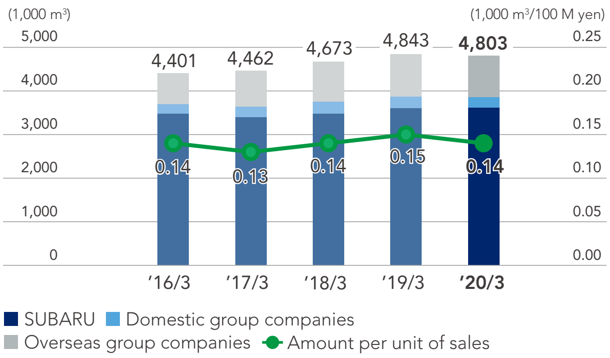
Waste Generation



Scope
SUBARU: Gunma Plant, Tokyo Office, Utsunomiya Plant
Group companies in Japan:
Yusoki Kogyo K.K., Fuji Machinery Co., Ltd., Ichitan Co., Ltd., Kiryu Industrial Co., Ltd., Subaru Logistics Co., Ltd.
Overseas group companies:
Subaru of Indiana Automotive, Inc., Subaru of America, Inc., Subaru Canada, Inc., Subaru Research & Development, Inc.

*The waste generation amount includes metal scrap that is sold.
*We do not export or import waste deemed hazardous under the terms of Annex I, II, III, and IV of the Basel Convention 2.

Water Consumption (Total Amount Used)



Scope
SUBARU:
Gunma Plant, Tokyo Office, Utsunomiya Plant, Handa Plant, Handa West Plant
Group companies in Japan:
Yusoki Kogyo K.K., Fuji Machinery Co., Ltd., Ichitan Co., Ltd., Kiryu Industrial Co., Ltd., Subaru Logistics Co., Ltd.
Overseas group companies:
Subaru of Indiana Automotive, Inc., Subaru of America, Inc., Subaru Canada, Inc., Subaru Research & Development, Inc.

Raw Materials

Raw materials used in automobiles in FYE 2020		Recycling method
Iron	664,330 t	Delivered to dealers in the form of iron scrap for reuse
Aluminum	30,468 t	Re-melted at plants and reused almost entirely
Plastics	23,314 t	Crushed again at plants and reused partially

History of the SUBARU Group

SUBARU, which can trace some of its roots to Aircraft Research Laboratory, has continuously nurtured highly creative technologies and increased corporate value by enhancing the SUBARU brand to respond to major changes in the times.

1917	Establishment of Aircraft Research Laboratory
1931	Establishment of Nakajima Aircraft Co., Ltd.
1945	Change of company name from Nakajima Aircraft to Fuji Sangyo

1946 Production of the first Rabbit Scooter

1953	Establishment of Fuji Heavy Industries Ltd. Start of aircraft production and automobile development
1960	Opening of the Gunma Main Plant
1960	Listing of shares on the Tokyo Stock Exchange
1966	Signing of a business alliance agreement with Isuzu Motors Ltd.
1968	Establishment of Subaru of America, Inc. (SOA)
1968	Dissolution of the business alliance with Isuzu Motors Ltd.
1968	Signing of a business alliance agreement with Nissan Motor Co., Ltd.
1968	Start of exports of Robin engines for snowmobiles to Polaris (USA)
1969	Start of operation of the Yajima Plant
1972	Release of the Leone 4WD Estate Van, the world's first mass-production 4WD passenger vehicle
1978	Conclusion of a 767 business agreement with Boeing
1983	Start of full-scale operation of the Oizumi Plant
1987	Release of the Justy model equipped with the world's first electro-continuously variable transmission (ECVT)
1987	Establishment of Subaru-Isuzu Automotive, Inc. (SIA) in the U.S. in a joint venture with Isuzu Motors Ltd.
1989	Establishment of Subaru Canada, Inc. (SCI)
1989	Completion of Subaru Research & Testing Center (SKC)
1990	Subaru of America (SOA) made a wholly owned subsidiary
1991	Participation in the Boeing 777 program
1993	Start of operation of the Handa Plant
1999	Capital and business alliance with General Motors Corporation (GM) (USA)
1999	Business alliance with Suzuki Motor Corporation
2000	Dissolution of the business alliance with Nissan Motor Co., Ltd.
2002	Dissolution of the SIA joint venture with Isuzu Motors Ltd. and formal signing of a contract production agreement
2003	The Legacy wins the 2003–2004 Car of the Year Japan award
2003	Subaru of Indiana Automotive, Inc. (SIA) made a wholly owned subsidiary
2005	Participation in the Boeing 787 program Delivery of main wings for next-generation transport aircraft and next-generation fixed-wing patrol aircraft
2005	Dissolution of the alliance with GM, agreement to enter into a business alliance with Toyota Motor Corporation
2007	Start of production of Toyota cars (Camry) at SIA
2012	Start of knockdown production of the SUBARU XV in Malaysia
2012	Termination of production of mini-vehicles and shift to marketing on an OEM basis
2014	Signing of an agreement to participate in a project to develop and mass produce the Boeing 777X
2016	Termination of contract production of the Toyota Camry at SIA Transfer of production of Impreza vehicles for North America to SIA
2016	All-new Impreza Sport/GR wins the 2016–2017 Car of the Year Japan award
2017	Change of company name to SUBARU CORPORATION
2017	Termination of production and sales of SUBARU general-purpose engines and generators
2018	Introduction of the SUBARU BELL 412EPX helicopter
2019	Agreement on the further developing and strengthening of SUBARU's long-term partnership with Toyota Motor Corporation under a new business and capital alliance

SUBARU Models through the Years

1958

SUBARU 360 released

1961

SUBARU
Sambar truck released

1966

SUBARU 1000
four-door sedan released

1969

R-2 released

1971

Leone coupe released

1972

Rex released

1977

Brat released

1983

Domingo released

1984

Justy released

1985

Alcyone released

1989

Legacy series released

1992

Vivio released

1992

Impreza series released

1997

Forester released

1998

Pleo released

2003

Outback released

2005

B9 Tribeca released

2008

Exiga released

2012

SUBARU BRZ released

2012

SUBARU XV released

2014

Levorg released

2014

WRX released

2018

Ascent released
(Exclusively for North America)

Corporate Information

Domestic Facilities

Name			Location	Land Area (Thousand m²)	Building Area (Thousand m²)	Number of Employees (Persons)	Main Products
Head Office	Head Office (Ebisu)		Tokyo	4	14	681	—
	SUBARU Training Facility (SUBARU Academy)		Tokyo	10	13	42	—
	Other	Parts Distribution Center, Pre Delivery Inspection Center, parking lot, Vicinity of Oizumi Plant, etc.	Gunma	573 [12]	247	171	—
Automotive Business Unit	Tokyo Office		Tokyo	158	79	1,688	—
	Gunma Plant	Gunma Main Plant	Gunma	585 [14]	330	4,735	LEVORG, IMPREZA, SUBARU XV, WRX, and SUBARU BRZ
		Gunma Yajima Plant	Gunma	550	319	3,271	LEGACY, OUTBACK, IMPREZA, SUBARU XV, and FORESTER
		Gunma Oizumi Plant	Gunma	304	238	2,872	Automobile engines and transmissions
		Gunma Ota North Plant	Gunma	44	25	0	—
		SUBARU R&E Center (Sano)	Tochigi	1,081	25	162	—
		SUBARU R&E Center (Bifuka)	Hokkaido	3,614	0	0	—
Aerospace Company	Utsunomiya Plant		Tochigi	572	228	1,847	Aircraft
	Handa Plant		Aichi	59	31	293	Aircraft
	Handa West Plant		Aichi	51	13	44	Aircraft
Subtotal (1)				7,605	1,562	15,806	

Other	The site of airport	Gunma	622	0
	Utsunomiya airstrip	Tochigi	105	0
	Welfare facility	—	215	96
	Lease to affiliates	Aichi	37	8
	Isesaki business office	Gunma	157	60
	Eco Utsunomiya factory	Tochigi	6	1
	Saitama Plant	Saitama	143	74
Subtotal (2)			1,285	239
Total (1)+(2)			8,890	1,801

1. [ ]: area of tenancy
2. Welfare facility includes 37 sites of dormitories and company houses
3. Number of employees excludes executive officers, advisors, and dispatches

Main Subsidiaries (Domestic)

(As of April 1, 2020)
(Number of employees: as of March 31, 2020)

Name	Established	Location	Representative	Capital (Millions of yen)	Investment Ratio* (%)	Number of Employees (Persons)	FYE March 2020 Net Sales (Millions of yen)	Operations
Fuji Machinery Co., Ltd.	1950. 7. 18	Gunma	Tamaki Kamogawa	480	100.0	483	44,077	Manufacture and sales of automobile parts, industrial product parts and agricultural transmissions
Ichitan Co., Ltd.	1951. 2. 2	Gunma	Satoshi Maeda	480	100.0	231	20,060	Manufacture and sales of forging parts of automobile and industrial machinery
KIRYU INDUSTRY Co., Ltd.	1960.12.23	Gunma	Toshiaki Tamegai	400	100.0	309	11,705	Manufacture of specially-equipped SUBARU automobiles, engines, and sheet metal repair parts, remanufacture of transmissions, and after-sales service for industrial products
Subaru Tecnica International Inc.	1988. 4. 2	Tokyo	Yasuo Hiraoka	250	100.0	112	4,828	Management of motor sports activities, sales of motor sports parts and merchandise, technical development, R&D support, and automobile maintenance
Subaru Used cars Sales & Marketing Co., Ltd.	1988. 4. 2	Kanagawa	Masahiro Maeda	100	100.0	20	2,659	Tack-related operation of used cars, head office of SUAA Kanto, sales of supplies
Subaru Auto Accessories Ltd.	1987. 3. 9	Saitama	Toshio Masuda	70	100.0	74	14,011	Sales, research & development, licensing of technology and import-export business of automobile accessories, parts and service materials
Subaru Logistics Co., Ltd.	1986. 3. 27	Gunma	Masaki Okawara	96	100.0	360	23,515	Shipping, land freight, warehousing, maintenance and insurance for automobiles and their components
H. B. C. Co., Ltd.	1983. 8. 29	Kanagawa	Junichi Tsukamoto	490	68.0	8	817	Storing and shipping of automobiles for international sales
Subaru Finance Co., Ltd.	1988. 7. 1	Tokyo	Mitsuru Takahashi	2,000	100.0	222	24,856	Leasing and rental of SUBARU automobiles, credit, financing and sales of auto insurance
SUBARU TECHNO CORPORATION	1985. 3. 2	Tokyo	Hiromi Tamou	70	100.0	970	9,164	Design, plan, research, experiment, examination and compile technical material of automobile, aircraft, general-purpose engine and environmental tool
Subaru Intelligent Service Ltd.	2005. 3. 1	Tokyo	Yoshinori Saito	40	75.0	58	2,555	Development of technical service documents including service manuals and owners manuals
Yusoki Kogyo K. K.	1950. 7. 15	Aichi	Eiji Tanikawa	100	100.0	135	2,142	Manufacture and sales of aircraft parts
Fuji Aircraft Maintenance Co., Ltd.	1988.10.31	Tokyo	Takayuki Kobayashi	30	100.0	190	1,450	Inspection, service and maintenance of aircraft and onboard equipment
Fuji Aerospace Corporation	1991. 6. 14	Tochigi	Yasuhiro Hamanaka	30	100.0	175	1,645	Processing and assembly of aircraft parts
Fuji Aerospace Technology Co., Ltd.	1994. 4. 1	Tochigi	TBD	20	100.0	94	2,732	Contract design, drafting, translation, calculation, analytical testing and software development for aircraft
Subaru Kohsan Co., Ltd.	1977. 2. 2	Tokyo	Masami Iida	675	100.0	85	7,058	Deal/rental of real estate, administrative operation of rental hall and conference room, administrative operation/rental of parking ground, travel agency
SUBARU IT CREATIONS CORPORATION	1993. 4. 1	Saitama	Nozomu Oyama	100	100.0	294	21,983	Development, maintenance and operation of information systems and related consulting services; sales and leasing of information equipment
Subaru Living Service Co., Ltd.	1988. 4. 2	Tokyo	Masami Iida	20	100.0	307	19,033	Sales of office supplies and daily commodities, real estate services, and personal import services

*On a consolidated basis

Main Subsidiaries (Overseas)

(As of April 1, 2020)
(Number of employees: as of March 31, 2020)

Region	Name	Established	Address	Representative	Investment Ratio* (%)	Number of Employees (Persons)	Operations
North America	Subaru of America, Inc.	1968.2	One Subaru Drive, Camden, NJ 08103, U.S.A.	Thomas J. Doll	100	1,286	Sales of SUBARU vehicles and supplies
	Subaru of Indiana Automotive, Inc.	1987.3	5500 State Road 38 East, Lafayette, IN 47905, U.S.A.	Fumiaki Hayata	100	6,322	Manufacture of SUBARU vehicles, purchasing of parts, sales for Subaru of America, Inc.
	North American Subaru, Inc.	1985.9	C/O Subaru of America, Inc. One Subaru Drive, Camden, NJ 08103, U.S.A.	Makoto Ikemura	100	84	Technical research on SUBARU vehicles in North American market, government relations
	Subaru Research & Development, Inc.	1986.6	50255 Michigan Avenue, Van Buren Township, MI48111, U.S.A. 6431 Global Drive Cypress, CA 90630, U.S.A. 14382 Chambers Road, Tustin, CA 92780, U.S.A. 46718 Fremont Blvd, Fremont, CA 94538, U.S.A. C/O Subaru of Indiana Automotive, Inc. 5500 State Road 38 East, Lafayette, IN 47905, U.S.A.	Tetsuo Fujinuki	100	76	Compiling of technical information about automobile market of North America, research and development of SUBARU vehicles
	Subaru Canada, Inc.	1989.1	560 Suffolk Court Mississauga, Ontario, L5R 4J7, Canada	Yasushi Enami	100	169	Sales of SUBARU vehicles and supplies
Europe	Subaru Europe N.V./S.A.	2002.3	Leuvensesteenweg 555 B/8, 1930 Zaventem, Belgium	Takeshi Kubota	100	41	Sales of SUBARU vehicles and supplies
	Subaru Italia S.p.A.	1985.7	Via Montefeltro, 6/A, 20156 Milano, Italy	Kunichika Koshimizu	100	53	Sales of SUBARU vehicles and supplies
	N.V. Subaru Benelux	1974.3	Leuvensesteenweg 555 B/1, 1930 Zaventem, Belgium	Shunsuke Sawada	100	35	Sales of SUBARU vehicles and supplies
	Subaru Vehicle Distribution B.V.	2001.5	Merseyweg 40, 3197 KG Botlek, Netherlands	Shunsuke Sawada	50	0	Contract of discharging and transporting inland for dealers in Middle Europe, PDI operation
Asia	Subaru of China Ltd.	2006.3	Room405, Building D2, Liangmaqiao Diplomatic Office Building No.19 Dongfangdonglu Chaoyang District, Beijing 100600, China	Hiroaki Takahashi	60	181	Sales of SUBARU vehicles and supplies
	Subaru Technology Beijing. Co., Ltd.	2013.6	Room401A, Building D2, Liangmaqiao Diplomatic Office Building No.19 Dongfangdonglu Chaoyang District, Beijing 100600, China	Hisato Imamura	100	42	Authentication, research and development of SUBARU vehicles in Chinese market

*On a consolidated basis

Sales Agents (Domestic)

(As of April 1, 2020)

Area	Group	Head	Agent	Subsidiary	Location	President	New Car Base
Hokkaido Tohoku area (9)			Kushiro Subaru Inc.		Hokkaido	Hiroshi Uehara	1
			Obihiro Subaru Inc.		Hokkaido	Takashi Ishihara	1
			Hokkaido Subaru Inc.	○	Hokkaido	Tomoo Takenaka	19
	Tohoku region	○	Miyagi Subaru Inc.	○	Miyagi	Kazuto Sakamoto	11
			Aomori Subaru Inc.	○	Aomori	Nobuhiro Mori	6
			Iwate Subaru Inc.	○	Iwate	Yasuo Watanabe	9
			Akita Subaru Inc.	○	Akita	Takaharu Mitsui	6
			Yamagata Subaru Inc.	○	Yamagata	Shinsuke Ito	5
			Fukushima Subaru Inc.	○	Fukushima	Ryoichi Uchida	11
Kanto Hokushinetsu area (12)	Hoku Shinetsu region	○	Niigata Subaru Inc.	○	Niigata	Shiro Ohta	11
			Subaru Shinshu Inc.	○	Nagano	Masao Kawada	10
			Hokuriku Subaru Inc.	○	Ishikawa	Osamu Ueno	12
			Nanshin Subaru Inc.		Nagano	Hirotada Shibata	1
			Fuji Subaru Inc.		Gunma	Wataru Miyata	17
			Tochigi Subaru Inc.		Tochigi	Kazumasa Kodaira	12
			Ibaraki Subaru Inc.		Ibaraki	Naoki Otsuki	10
			Saitama Subaru Inc.		Saitama	Hiroshi Yoshizawa	16
			Kanagawa Subaru Inc.	○	Kanagawa	Taisuke Suzuki	26
			Chiba Subaru Inc.	○	Chiba	Tsuguto Nakamura	20
	Tokyo/Yamanashi		Tokyo Subaru Inc.	○	Tokyo	Hiroki Kurihara	32
			Yamanashi Subaru Inc.	○	Yamanashi	Hirohiko Kumada	3
Chubu Kinki area (11)			Shizuoka Subaru Inc.		Shizuoka	Shinichi Ishida	12
	Tokai region	○	Nagoya Subaru Inc.	○	Aichi	Takumi Ogasawara	21
			Gifu Subaru Inc.	○	Gifu	Koichi Numa	8
			Mie Subaru Inc.	○	Mie	Masato Yachida	7
			Subaru Higashi Aichi Inc.		Aichi	Yasuo Nishikawa	3
			Fukui Minami Subaru Inc.		Fukui	Satoshi Okada	1
			Nara Subaru Inc.		Nara	Shinichi Takagi	5
	Kinki region	○	Osaka Subaru Inc.	○	Osaka	Motoya Yamamoto	25
			Kyoto Subaru Inc.	○	Kyoto	Kinya Abe	7
			Shiga Subaru Inc.	○	Shiga	Tetsuo Inoue	7
			Hyogo Subaru Inc.	○	Hyogo	Masamichi Kudo	18
Chugoku Shikoku Kyushu area (12)	Chugoku/ Shikoku region	○	Hiroshima Subaru Inc.	○	Hiroshima	Atsushi Ishikawa	9
			Sanin Subaru Inc.	○	Tottori	Wataru Ishihara	6
			Okayama Subaru Inc.	○	Okayama	Sadayuki Hata	7
			Yamaguchi Subaru Inc.	○	Yamaguchi	Kenichi Kobayashi	6
			Higashi Shikoku Subaru Inc.	○	Kagawa	Hiromi Fujita	7
			Shikoku Subaru Inc.	○	Ehime	Tsukasa Morita	7
	Kyushu region	○	Fukuoka Subaru Inc.	○	Fukuoka	Tatsuya Yamano	16
			Nishi Kyushu Subaru Inc.	○	Nagasaki	Kenichi Fujii	6
			Kumamoto Subaru Inc.	○	Kumamoto	Tetsuya Matsumoto	8
			Oita Subaru Inc.	○	Oita	Toshiki Sugihara	5
			Minami Kyushu Subaru Inc.	○	Kagoshima	Kenichi Hasegawa	10
			Okinawa Subaru Inc.	○	Okinawa	Koichi Okazaki	3
Total		6	44	33	—	—	443

Distributors (Overseas)

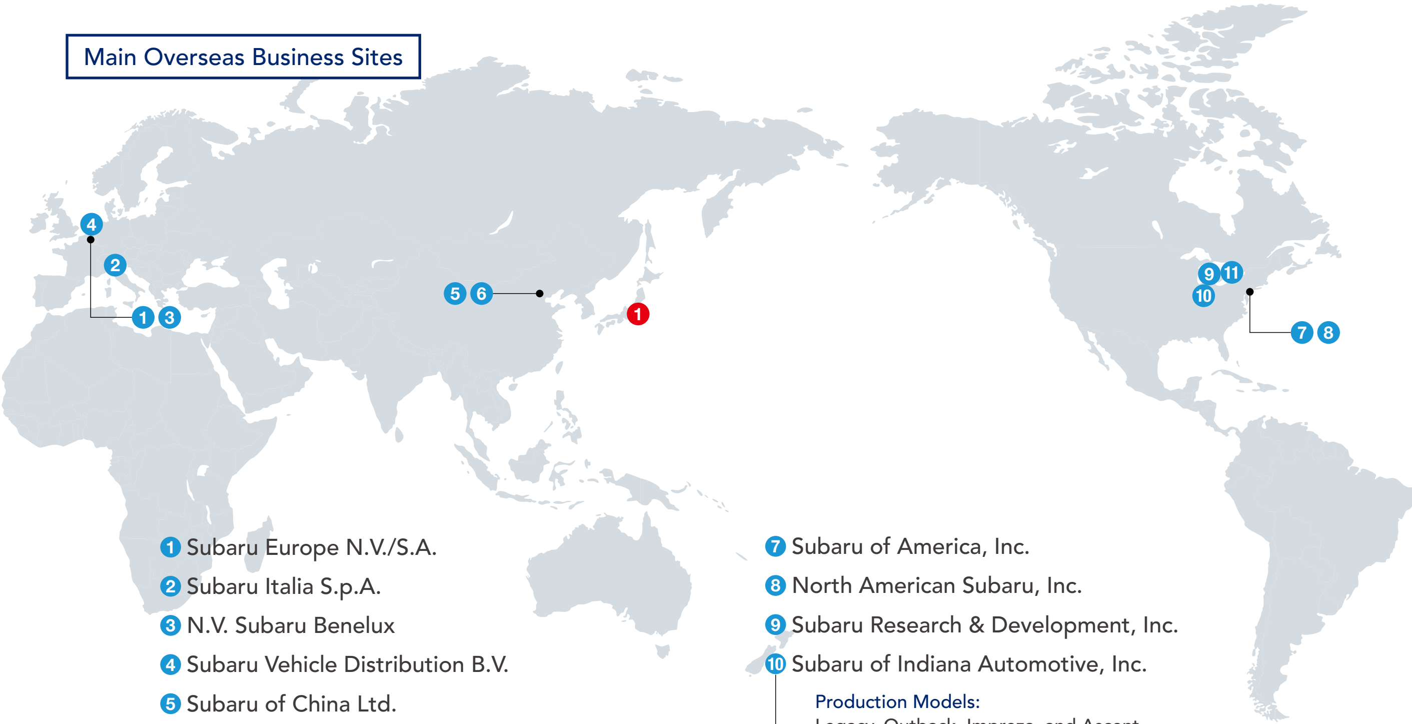
(As of April 1 2020)
(Dealer numbers: as of December 31, 2019)

Region	Market	Company	Location	Number of Dealers	Investment Ratio* (%)
North America	U.S.	Subaru of America, Inc.	Camden, NJ, U.S.A.	633	100%
	Canada	Subaru Canada, Inc.	Mississauga, Ontario, Canada	94	100%
Total	2 countries			—	—
Europe	Germany	SUBARU DEUTSCHLAND GMBH	Friedberg, Germany	150	29%
	Switzerland	SUBARU SCHWEIZ AG	Safenwil, Switzerland	137	0%
	Sweden	Subaru Nordic AB	Arlöv, Sweden	126	0%
Total	30 countries			—	—
CIS, the Middle East, and Africa	Israel	Japanauto-Israel Auto Corporation Ltd.	Petah tikva, Israel	12	0%
	Russia	SUBARU MOTOR (RUSSIA) LLC	Moscow, Russia	48	33%
Total	16 countries			—	—
Oceania	Australia	Subaru (Aust) Pty Ltd.	Sydney, Australia	123	8%
	New Zealand	Subaru of New Zealand	Auckland, New Zealand	16	0%
Total	8 countries			—	—
Latin America	Chile	Inchcape Automotriz Chile S.A.	Santiago, Chile	31	0%
	Peru	Inchcape Latam Perù S.A.	Lima, Peru	11	0%
Total	22 countries			—	—
Asia	Taiwan	Subaru of Taiwan Co., Ltd.	Taoyuan City, Taiwan	22	35%
	Thailand	TC Subaru (Thailand) Co., Ltd.	Bangkok, Thailand	33	0%
	Malaysia	TC Subaru Sdn Bhd	Selangor, Malaysia	31	0%
Total	10 countries			—	—
	China	Subaru of China Ltd.	Beijing, China	160	60%
Total	1 country			—	—

*On a consolidated basis

Global Network

Main Overseas Business Sites

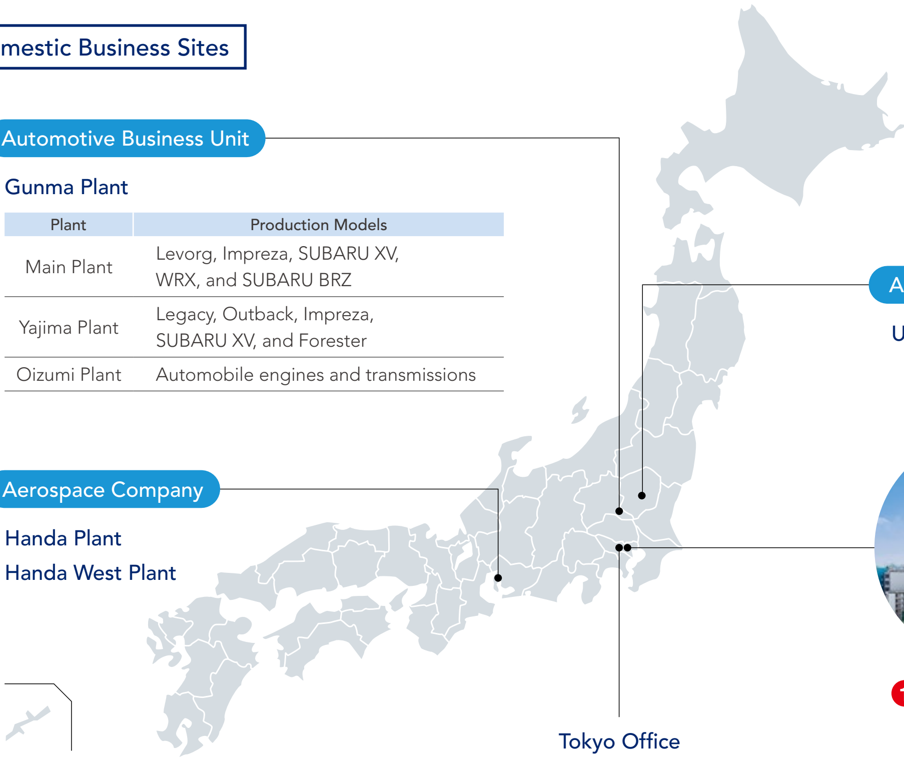


1 Subaru Europe N.V./S.A.
2 Subaru Italia S.p.A.
3 N.V. Subaru Benelux
4 Subaru Vehicle Distribution B.V.
5 Subaru of China Ltd.
6 Subaru Technology Beijing. Co., Ltd.

7 Subaru of America, Inc.
8 North American Subaru, Inc.
9 Subaru Research & Development, Inc.
10 Subaru of Indiana Automotive, Inc.
Production Models:
Legacy, Outback, Impreza, and Ascent

11 Subaru Canada, Inc.

Main Domestic Business Sites



Automotive Business Unit

Gunma Plant

Plant	Production Models
Main Plant	Levorg, Impreza, SUBARU XV, WRX, and SUBARU BRZ
Yajima Plant	Legacy, Outback, Impreza, SUBARU XV, and Forester
Oizumi Plant	Automobile engines and transmissions

Aerospace Company

Handa Plant
Handa West Plant

Aerospace Company

Utsunomiya Plant

Tokyo Office

1 Head Office

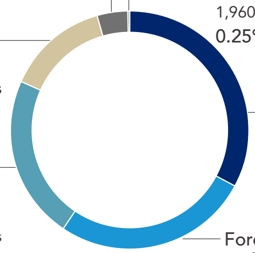
Corporate Data (As of March 31, 2020)

Company Name	SUBARU CORPORATION
Established	July 15, 1953
Paid-In Capital	¥153,795 million
Fiscal Year-End	March 31
Accounting Auditors	KPMG AZSA LLC
Main Businesses	**Automotive:** The manufacture, sale, and repair of passenger cars and their components **Aerospace:** The manufacture, sale, and repair of airplanes, aerospace-related machinery, and their components
Number of Affiliates	73 consolidated subsidiaries and 10 equity-method affiliated companies
Number of Employees	15,806 (consolidated: 35,034) (excluding executive officers, advisors and dispatches)
Website Addresses	**Corporate website:** https://www.subaru.co.jp/en/ **Investor information website:** https://www.subaru.co.jp/en/ir/

Stock Information (As of March 31, 2020)

Common Stock Authorized	1,500,000,000 shares
Common Stock Issued	769,175,873 shares
Number of Shareholders	152,889
Number of Shares per Trading Unit	100 shares
Stock Exchange Listing	Tokyo Stock Exchange
Securities Code	7270
Transfer Agent	Mizuho Trust & Banking Co., Ltd. 2-1, Yaesu 1-chome, Chuo-ku, Tokyo 103-8670, Japan Telephone: 0120-288-324 (toll-free)

Breakdown of Shareholders



Major Shareholders

Name	Number of Shares Held (in thousands)	Percentage of Total Shares Held
Toyota Motor Corporation	153,600	20.02
The Master Trust Bank of Japan, Ltd. (Trust account)	68,332	8.91
Japan Trustee Services Bank, Ltd. (Trust account)	42,671	5.56
BNYM TREATY DTT 15	18,729	2.44
GIC PRIVATE LIMTED-C	13,917	1.81
Japan Trustee Services Bank, Ltd. (Trust account 9)	12,924	1.68
Japan Trustee Services Bank, Ltd. (Trust account 5)	12,646	1.65
JP MORGAN CHASE BANK 385151	10,721	1.40
MIZUHO SECURITIES ASIA LIMITED-CLIENT A/C	10,112	1.32
Mizuho Bank, Ltd.	10,078	1.31

*Number of shares held are rounded down to the nearest thousand shares
*The percentage of total shares held is calculated based on the number of shares excluding treasury stock of 1,960,368 shares

Contact for Inquiries:
Investor Relations Dept., SUBARU CORPORATION
Address: Ebisu Subaru Bldg., 1-20-8, Ebisu, Shibuya-ku,
Tokyo 150-8554, Japan
Telephone: +81-3-6447-8000 (switchboard)

SUBARU

SUBARU CORPORATION

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https://www.subaru.co.jp/en/ir/

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Consolidated Financial Statements

(1) Consolidated Statement of Financial Position

(Unit: Millions of yen)

	Note	Transition date (as of April 1, 2018)	FYE 2019 (as of March 31, 2019)	FYE 2020 (as of March 31, 2020)
Assets				
Current assets				
Cash and cash equivalents	7	765,591	702,328	858,966
Trade and other receivables	8,21	343,463	344,237	364,839
Inventories	9	328,941	403,473	459,940
Income taxes receivable		4,316	9,704	15,648
Other financial assets	10	372,531	394,406	204,373
Other current assets		54,126	59,582	74,748
Subtotal		1,868,968	1,913,730	1,978,514
Assets held for sale		761	4	251
Total current assets		1,869,729	1,913,734	1,978,765
Non-current assets				
Property, plant and equipment	11	770,698	808,710	820,491
Intangible assets and goodwill	12	153,175	155,510	209,775
Investment property	13	27,278	25,414	23,986
Investments accounted for using equity method	14	7,502	8,821	9,831
Other financial assets	10	41,654	40,121	19,730
Other non-current assets		85,876	100,764	112,843
Deferred tax assets	25	114,625	127,523	118,487
Total non-current assets		1,200,808	1,266,863	1,315,143
Total assets		3,070,537	3,180,597	3,293,908

(Unit: Millions of yen)

	Note	Transition date (as of April 1, 2018)	FYE 2019 (as of March 31, 2019)	FYE 2020 (as of March 31, 2020)
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables	15	435,929	404,395	336,223
Financing liabilities	16,28	69,315	15,274	12,173
Other financial liabilities	17,28	40,077	51,621	44,126
Income taxes payable		42,408	4,331	2,642
Provisions	18	241,773	289,912	261,162
Other current liabilities	21	278,766	297,917	328,081
Total current liabilities		1,108,268	1,063,450	984,407
Non-current liabilities				
Financing liabilities	16,28	21,138	88,452	227,037
Other financial liabilities	17,28	67,803	73,856	67,855
Employee benefits	19	47,320	52,618	56,525
Provisions	18	37,379	45,537	46,398
Other non-current liabilities	21	143,131	162,197	179,849
Deferred tax liabilities	25	2,727	4,588	11,714
Total non-current liabilities		319,498	427,248	589,378
Total Liabilities		1,427,766	1,490,698	1,573,785
Equity				
Equity attributable to owners of parent				
Capital stock	20	153,795	153,795	153,795
Capital surplus	20	160,197	160,192	160,178
Treasury shares	20	(7,054)	(6,910)	(6,722)
Retained earnings	20	1,317,639	1,350,639	1,397,239
Other components of equity	20	9,742	24,532	8,391
Total equity attributable to owners of parent		1,634,319	1,682,248	1,712,881
Non-controlling interests		8,452	7,651	7,242
Total equity		1,642,771	1,689,899	1,720,123
Total liabilities and equity		3,070,537	3,180,597	3,293,908

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
Consolidated Statement of Income

(Unit: Millions of yen)

	Note	FYE 2019 (April 1, 2018 to March 31, 2019)	FYE 2020 (April 1, 2019 to March 31, 2020)
Revenue	6,21	3,156,150	3,344,109
Cost of sales		(2,558,262)	(2,728,605)
Gross profit		597,888	615,504
Selling, general and administrative expenses	22	(298,875)	(308,227)
Research and development expenses		(108,558)	(92,460)
Other income	23	6,731	7,751
Other expenses	23	(15,839)	(12,026)
Share of profit (loss) of investments accounted for using equity method	14	377	(223)
Operating profit		181,724	210,319
Finance income	24	13,701	15,844
Finance costs	24	(9,399)	(18,507)
Profit before tax		186,026	207,656
Income tax expense	25	(45,237)	(55,065)
Profit for the period		140,789	152,591
Profit for the period attributable to			
Owners of parent		141,418	152,587
Non-controlling interests		(629)	4
Profit for the period		140,789	152,591
Profit for the period per share attributable to owners of parent			
Basic (yen)	26	184.44	198.99

Consolidated Statement of Comprehensive Income

(Unit: Millions of yen)

	Note	FYE 2019 (April 1, 2018 to March 31, 2019)	FYE 2020 (April 1, 2019 to March 31, 2020)
Profit for the period		140,789	152,591
Other comprehensive income (after deduction of tax)			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans		(610)	(475)
Net changes in revaluation of capital financial assets measured at fair value through other comprehensive income	30	535	(763)
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		15,519	(12,581)
Share of other comprehensive income of investments accounted for using equity method	14	(186)	(182)
Net changes in revaluation of liability financial assets measured at fair value through other comprehensive income	30	1,251	1,966
Other comprehensive income (after deduction of tax) total	20	16,509	(12,035)
Comprehensive income		157,298	140,556
Comprehensive income attributable to			
Owners of parent		158,099	140,965
Non-controlling interests		(801)	(409)
Comprehensive income		157,298	140,556

(3) Consolidated Statement of Changes in Equity
FYE 2019 (April 1, 2018 to March 31, 2019)

(Unit: Millions of yen)

	Note	Equity attributable to owners of parent						Non-controlling interests	Total capital
		Capital stock	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Total		
Balance at the beginning of the year		153,795	160,197	(7,054)	1,317,639	9,742	1,634,319	8,452	1,642,771
Comprehensive income									
Profit for the period		—	—	—	141,418	—	141,418	(629)	140,789
Other comprehensive income (after deduction of tax)	20	—	—	—	—	16,681	16,681	(172)	16,509
Comprehensive income total		—	—	—	141,418	16,681	158,099	(801)	157,298
Transfer to retained earnings	20	—	—	—	1,892	(1,892)	—	—	—
Transactions with owners									
Dividends paid	27	—	—	—	(110,468)	—	(110,468)	—	(110,468)
Purchase of treasury shares		—	—	(5)	—	—	(5)	—	(5)
Disposal of treasury shares		—	(5)	149	—	—	144	—	144
Transfer from retained earnings to capital surplus		—	—	—	—	—	—	—	—
Capital transactions and others		—	—	—	158	—	158	—	158
Total transactions with owners		—	(5)	144	(110,310)	—	(110,171)	—	(110,171)
Balance at the end of the year		153,795	160,192	(6,910)	1,350,639	24,532	1,682,248	7,651	1,689,899

FYE 2020 (April 1, 2019 to March 31, 2020)

(Unit: Millions of yen)

	Note	Equity attributable to owners of parent							
		Capital stock	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Total	Non-controlling interests	Total capital
Balance at the beginning of the year		153,795	160,192	(6,910)	1,350,639	24,532	1,682,248	7,651	1,689,899
Comprehensive income									
Profit for the period		—	—	—	152,587	—	152,587	4	152,591
Other comprehensive income (after deduction of tax)	20	—	—	—	—	(11,622)	(11,622)	(413)	(12,035)
Comprehensive income total		—	—	—	152,587	(11,622)	140,965	(409)	140,556
Transfer to retained earnings	20	—	—	—	4,519	(4,519)	—	—	—
Transactions with owners									
Dividends paid	27	—	—	—	(110,475)	—	(110,475)	—	(110,475)
Purchase of treasury shares		—	—	(7)	—	—	(7)	—	(7)
Disposal of treasury shares		—	(45)	195	—	—	150	—	150
Transfer from retained earnings to capital surplus		—	31	—	(31)	—	—	—	—
Capital transactions and others		—	—	—	—	—	—	—	—
Total transactions with owners		—	(14)	188	(110,506)	—	(110,332)	—	(110,332)
Balance at the end of the year		153,795	160,178	(6,722)	1,397,239	8,391	1,712,881	7,242	1,720,123

(4) Consolidated Statement of Cash Flows

(Unit: Millions of yen)

	Note	FYE 2019 (April 1, 2018 to March 31, 2019)	FYE 2020 (April 1, 2019 to March 31, 2020)
Net cash provided by (used in) operating activities			
Profit before tax		186,026	207,656
Depreciation and amortization		187,077	192,742
Share of loss (profit) of investments accounted for using equity method		(377)	223
Finance income		(13,701)	(15,844)
Finance costs		9,399	18,507
Decrease (increase) in trade and other receivables		(268)	(23,916)
Decrease (increase) in inventories		(71,373)	(70,173)
Increase (decrease) in trade and other payables		(11,197)	(67,939)
Increase (decrease) in provisions and employee benefits		58,435	(24,797)
Others		(4,837)	28,865
Subtotal		339,184	245,324
Interest received		11,987	12,838
Dividends received		1,730	1,258
Interest paid		(1,874)	(1,800)
Income taxes paid		(100,295)	(47,486)
Net cash provided by (used in) operating activities		250,732	210,134
Net cash provided by (used in) investing activities			
Net decrease (increase) in time deposits		14,028	127,404
Purchase of property, plant and equipment		(130,621)	(131,690)
Proceeds from sale of property, plant and equipment		4,261	5,387
Purchase of intangible assets and expenditure on internally generated intangible assets		(45,331)	(82,379)
Purchase of other financial assets		(314,836)	(259,956)
Proceeds from sale and collection of other financial assets		284,241	319,652
Others		(1,861)	(4,262)
Net cash provided by (used in) investing activities		(190,119)	(25,844)
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term borrowings	28	(17,482)	(2,400)
Repayments of long-term borrowings	28	(43,382)	(7,592)
Proceeds from long-term borrowings	28	75,300	106,000
Proceeds from issuance of bonds	28	―	40,000
Repayments of lease liabilities	28	(45,741)	(41,230)
Dividends paid to owners of parent		(110,384)	(110,375)
Others		138	(221)
Net cash provided by (used in) financing activities		(141,551)	(15,818)
Effect of exchange rate changes on cash and cash equivalents		17,675	(11,834)
Net increase (decrease) in cash and cash equivalents		(63,263)	156,638
Cash and cash equivalents at beginning of period		765,591	702,328
Cash and cash equivalents at end of period	7	702,328	858,966

Notes to Consolidated Financial Statements

SUBARU CORPORATION AND CONSOLIDATED SUBSIDIARIES

1. Reporting Entity

SUBARU CORPORATION ("the Company") is a public company domiciled in Japan.
The Company's consolidated financial statements comprise the Company and its consolidated subsidiaries ("the Group") and the Group's interests in affiliates.
Principal manufacturing facilities are located in Japan and the United States of America.
In automobile business, the group manufactures, sells, and repairs passenger cars and related products.
In aerospace business, the group manufactures, sells, and repairs aircrafts, space-related devices, and the parts.

2. Basis of Preparation

(1) Compliance of consolidated financial statements with International Financial Reporting Standards ("IFRS")
The Group's consolidated financial statements have been prepared in accordance with IFRS as prescribed in Article 93 of Ordinance on Consolidated Financial Statements as they satisfy the requirement of a "Specified Company" set forth in Article 1-2 of Ordinance on Consolidated Financial Statements."
The Group has applied IFRS from the consolidated fiscal year started April 1, 2019, and the annual consolidated financial statements for the consolidated fiscal year ended March 31, 2020 are the first consolidated financial statements prepared in accordance with IFRS. Date of transition to IFRSs was April 1, 2018.
The Group applied IFRS 1 "First-time Adoption of International Financial Reporting Standards" ("IFRS 1").
The effect of the transition to IFRS on the Group's financial position, result of operations, and cash flows is provided in "39. First-time adoption of IFRS."
The public announcement of the consolidated financial statements for the consolidated fiscal year ended March 31, 2020 have been approved by Tomomi Nakamura, the Representative Director of the Board, President and Chief Executive Officer, and Toshiaki Okada, Chief Financial Officer, on June 24, 2020.

(2) Functional currency and presentation currency
The Group's consolidated financial statements are presented in Japanese yen, which is the Company's functional currency. Amounts presented in Japanese yen are rounded to the nearest million yen, except when otherwise indicated.

(3) Basis of measurement
The Group's consolidated financial statements have been prepared on the historical cost basis, except for certain assets and liabilities separately stated in "3. Significant Accounting Policies".

3. Significant Accounting Policies

The following accounting policies applied in the preparation of the consolidated financial statements, including the statement of financial position as of the date of transition to IFRSs, have been consistently applied to all the reporting periods presented.

(1) Basis of consolidation

1. Subsidiaries

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
Financial statements of subsidiaries are included in the consolidated financial statements from the date when the control is obtained until the date when the control is lost.
The financial statements of subsidiaries have been adjusted in order to ensure consistency with the accounting policies adopted by the Company as necessary. Intragroup balances and transactions, and any unrealized gain or loss arising from intragroup transactions are eliminated in preparation of the consolidated financial statements.
Changes in the Company's ownership interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The difference between adjustment of non-controlling interests and fair value of any consideration paid is recognized directly in equity as the interest attributed to the owners of the parent.
Non-controlling interests of consolidated subsidiaries are recognized separately from the interests of the Group. Comprehensive income of a subsidiary is attributed to the owners of the parent and non-controlling interests even if this results in the non-controlling interests having a deficit balance.
When control over a subsidiary is lost, any gain or loss on disposal of the interest sold is recognized in profit or loss.

2. Affiliates

Affiliates are entities over which the Group has a significant influence over the decisions on financial and operating policies, but does not have control.
Investment in an affiliate is initially recognized at cost and then is accounted for using the equity method of accounting.
The financial statements of affiliates have been adjusted, if necessary, when their accounting policies differ from those of the Group.

(2) Foreign currency translation

1. Foreign currency transactions

Each company in the Group specifies its own functional currency, the currency of the primary economic environment in which the entity operates, and measures transactions based on the functional currency.
When the entity prepares non-consolidated financial statements, the foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of the transactions.
Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the fiscal year end date.
Exchange differences arising from the translation and settlement are usually recognized in profit or loss. However, exchange differences arising from the translation of equity financial instruments specified as measuring fair value through other comprehensive income are recognized in other comprehensive income.

2. Financial statements of foreign operations

All the assets and liabilities of foreign operations are translated at the exchange rates at the end of the reporting period. Revenue and expenses of foreign operations are translated into Japanese yen at the average exchange rates for the period, unless exchange rates significantly fluctuate during the period. If the exchange rates significantly fluctuate, revenue and expenses of foreign operations are translated at the foreign exchange rates at the date of the transaction.

Exchange differences arising from translation of foreign operations' financial statements are recognized in other comprehensive income. When a foreign operations are disposed of, the cumulative amount of exchange differences relating to the foreign operations are recognized in profit or loss.

(3) Financial instruments

1. Financial assets

(i) Initial recognition and measurement

The Group classifies financial assets as financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, or financial assets subsequently measured at amortized cost.

The Group initially recognizes trade receivables on the date when they arise. All other financial instruments are initially recognized when the Group becomes a party to the contractual provision of a financial instrument.

Financial assets are initially measured at their fair value plus transaction costs that are directly attributable to the acquisition of the financial asset, unless they are classified as measured at fair value through profit or loss. Trade receivables that do not contain a significant financing component are initially measured at the transaction price.

Financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met:

・ A financial asset is held within a business model whose objective is to hold the asset in order to collect the contractual cash flows; and

・ The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instrument are classified as financial assets measured at fair value through other comprehensive income if both of the following conditions are met:

・ The financial asset is held within the Group's business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

・ The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

When any of the above-mentioned conditions is not met for financial assets except for equity instruments, the financial assets are classified as financial assets measured at fair value through profit or loss.

Equity instruments may be designated as financial assets measured at fair value through other comprehensive income on an individual basis, except for equity instruments held for trading purposes. The designation has been applied continuously. Equity instruments that are not designated as such are classified as measured at fair value through profit or loss.

(ii) Subsequent measurement

Financial assets are subsequently measured based on the classification of the asset as follows.

Financial assets measured at amortized cost are measured at amortized cost using the effective interest method.

Changes in the fair value of financial assets measured at fair value through profit or loss are recognized in profit or loss.

Changes in the fair value of debt instruments measured at fair value through other comprehensive income are recognized in other comprehensive income, except for interest income, exchange gain and loss, and impairment loss recognized in net profit and loss. Profit or loss is recognized at derecognition.
Meanwhile, changes in the fair value of equity instruments measured at fair value through other comprehensive income are recognized in other comprehensive income. The dividends from relevant financial assets are recognized in profit or loss as part of the financial income. The cumulative amount recognized in other comprehensive income is reclassified not to profit or loss but to retained earnings when the financial asset is derecognized or the fair value of the asset declines significantly.

(iii) Impairment of financial assets
For impairment of financial assets measured at amortized cost, debt instruments measured at fair value through other comprehensive income, lease receivables, and contract assets, expected credit losses are recognized as a loss allowance.
The Group determines, at the end of each reporting period, whether credit risk on the asset has increased significantly since initial recognition. When the credit risk has not increased significantly since initial recognition, an amount equal to 12-month expected credit losses is measured as the loss allowance. When the credit risk has increased significantly since initial recognition, an amount equal to lifetime expected credit losses is measured as the loss allowance.
However, for trade receivables, lease receivables and contract assets, the loss allowance is measured at an amount equal to the lifetime expected credit losses.

Expected credit losses of financial instruments are estimated using the following methods:

・ An unbiased and probability-weighted amount determined by evaluating a range of possible outcomes;

・ The time value of money; and

・ Reasonable and supportable information about past events, current conditions and forecasts of future economic conditions that is available without undue cost or effort at the reporting date.

The amounts of these measurements are recognized in profit or loss.
If the amount measured as expected credit losses decreases after recognition of impairment loss, the decreased amount is reversed and recognized in profit or loss.

(iv) Derecognition of financial assets
The Group derecognizes its financial assets only if the contractual rights to receive the cash flows from the financial assets expire, or if the Group transfers substantially all the risks and rewards of ownership of the financial asset.

2. Financial liabilities
(i) Initial recognition and measurement
The Group classifies financial liabilities as financial assets measured at fair value through profit or loss, or financial assets measured at amortized cost. The Group determines the classification at initial recognition. The Group recognizes financial liabilities when the Group becomes a party to the contractual provisions of the instruments.
All the financial liabilities are initially measured at fair value. However, financial liabilities measured at amortized cost are measured at their fair value less transaction costs that are directly attributable to the acquisition.

(ii) Subsequent measurement

Financial liabilities are subsequently measured according to the classification as follows.

Financial liabilities held for trading and derivatives are included in financial liabilities measured at fair value through profit or loss. They are subsequently measured at fair value, and changes in the fair value are recognized in profit or loss for the period.

Financial liabilities measured at amortized cost are subsequently measured at amortized cost using the effective interest method.

Amortization using the effective interest method and gains and losses on derecognition are recognized in profit or loss for the period as part of the financial income or costs.

(iii) Derecognition of financial liabilities

The Group derecognizes financial liabilities when they are extinguished, i.e. when the obligation specified in the contract is discharged or canceled, or expires.

3. Presentation of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Group currently has a legal right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

4. Derivatives and hedge accounting

The Group enters into forward exchange contracts in order to fix cash flows related to the recognized financial assets and liabilities and future transaction. Interest rate swaps are used in order to fix cash flows of interest paid related to the borrowings.

There are no derivatives stated above to which hedge accounting is applied.

(4) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with maturities of three months or less that is readily convertible to cash and subject to insignificant risk of change in value.

(5) Inventories

Inventories are measured at the lower of acquisition cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated selling expenses. The acquisition cost is generally calculated using the cost method based on the moving average method and comprises all the costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(6) Property, plant and equipment

Property, plant, and equipment is measured based on the cost model and stated at acquisition cost less accumulated depreciation and impairment losses.

The acquisition cost includes costs directly attributable to the acquisition of the asset, costs related to disassembly, retirement and site restoration, as well as borrowing costs to be capitalized.

Depreciation of assets other than land and construction in progress is calculated on the straight-line method over the estimated useful lives of the assets. The estimated useful lives of major assets are as follows;

・ Buildings and structures: 2 to 60 years

・ Machinery and vehicles: 2 to 20 years

・ Tools, furniture and fixtures: 2 to 20 years

The estimated useful lives, residual value, and amortization methods are reviewed at the end of each fiscal year, and if there are any changes made, those changes are applied prospectively as a change in an accounting estimate.

(7) Intangible assets and goodwill

1. Goodwill

The Group measures goodwill as the fair value of consideration transferred including the recognized amount of any non-controlling interests in the acquiree at the acquisition date, less the net recognized amount (usually fair value) of the identifiable assets acquired and liabilities assumed at the acquisition date. Goodwill is not amortized. Instead, it is tested for impairment annually and if any indication of potential impairment exists. Any impairment loss for goodwill is recognized in profit or loss and is not reversed in subsequent periods. Goodwill is recorded at acquisition cost less any accumulated impairment losses.

2. Capitalized development costs

Expenditures related to research activities in order to gain new scientific and technical knowledge are recognized as expenses as incurred. Development expenditure is capitalized as intangible assets only when the cost can be measured reliably, there is a technical and commercial feasibility of completing the development, it is probable that the outcome will generate a future economic benefit, and the Group has intention, ability and sufficient resources to use or sell the outcome of the development and to complete the development.

The estimated useful lives of capitalized development costs that are amortized using the straight-line method are as follows.

・ Capitalized development costs: 2 to 5 years

3. Other intangible assets

The Group applies the cost method in measuring separately acquired intangible assets, which are recorded at acquisition cost at initial recognition. After initial recognition, intangible assets excluding goodwill are amortized using the straight-line method over their estimated useful lives, and are recorded at acquisition cost less accumulated amortization and impairment losses. Estimated useful lives of major intangible assets are as follows. The Group has no intangible assets with indefinite useful lives.

・ Software: 2 to 10 years

The estimated useful lives and amortization methods are reviewed at the end of each fiscal year, and if there are any changes made, those changes are applied prospectively as a change in an accounting estimate.

(8) Lease

At the inception of the lease contract, the Group assesses whether an arrangement is a lease or contains a lease. When the right to control the use of specific assets transfers in exchange for consideration for a certain period due to a contract, it means lease or includes lease. When the Group determines if the right to control the use of specific assets transfers or not, the Group uses the definition of lease in IFRS 16.

< Lease as a lessee >

The Group recognizes right-of-use assets and lease liabilities at the inception of the lease.

Right-of-use assets are measured at acquisition cost at the inception of the lease. After the commencement date, right-of-use assets are measured by using the cost model at acquisition cost less accumulated depreciation and impairment losses. Right-of-use assets are amortized from the date of inception to the end of estimated useful life of the underlying leased asset if the right to use is transferred to lessee until the end of the lease term or if acquisition cost of right-of-use assets reflects the exercise of a purchase option. Otherwise right-of-use assets are amortized from the date of inception to the earlier of the end of the estimated useful life of the right-of-use assets or the end of the lease term.

Lease liabilities are measured at the present value of the lease payments that are not paid at the date of inception. After the commencement date, the carrying amount of the lease liabilities are increased to reflect interest on the lease liabilities and decreased the lease payments made. Lease liabilities are re-measured and carrying amounts of right-of-use assets are revised or the change is recognized in profit or loss if the Group reviews lease liabilities or if the modification is not accounted for as a separate lease.

As for short-term leases or leases for which the underlying asset is of low value, the Group applies IFRS 16.5, 6, and recognizes lease payments as an expense using the straight-line method over the lease term.

< Lease as a lessor >

Lease transactions are classified as finance leases if all the risks and rewards incidental to ownership of underlying assets are substantially transferred, and all other leases are classified as operating leases.

A receivable from customer held under a finance lease is initially recognized at the amount of the gross investment in the lease discounted at the interest rate implicit in the lease and included in Trade and other receivables in the consolidated statements of financial position.

An underlying asset subject to an operating lease is recognized in the consolidated statements of financial position, and lease payments from operating leases are recognized as revenue over the lease term.

(9) Investment property

Investment property is held to earn rentals or for capital appreciation or both. Investment property is measured by using the cost model and is recorded at acquisition cost less accumulated depreciation and impairment losses. Depreciation of an investment property other than land and construction in progress is recognized on a straight-line basis over the estimated useful lives of the asset. The estimated useful lives of major assets are as follows:

・ Buildings and structures: 3 to 41 years

(10) Impairment

At the end of each fiscal year, the Group assesses the carrying amounts of non-financial assets other than inventory and deferred tax assets to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated. Recoverable amounts of goodwill and intangible assets that are not yet ready for use are estimated at the same time every year.

The recoverable amount of an individual asset or cash-generating units is the higher of value in use or fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects the time value of money and the risks specific to the asset. Assets not assessed individually in test of impairment are integrated into the smallest cash-generating unit that generates cash inflows which are largely independent of cash inflows from other assets or a group of assets. Cash-generating units of goodwill are determined on the basis of the units managed for the purpose of internal reporting and are within the scope of business segments before aggregation. The goodwill acquired in a business combination is allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination.

Corporate assets in the Group do not generate cash inflows independently. If there is any indication that corporate assets may be impaired, the Group determines the recoverable amount of the cash-generating unit to which corporate asset belongs.

When the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount, an impairment loss is recognized in profit or loss. An impairment loss for a cash-generating unit is recognized by first reducing the carrying amount of any goodwill allocated to the cash-generating unit, and then reducing proportionally the carrying amount of other assets in the unit.

An impairment loss for goodwill is not reversed. The Group assesses whether there is any indication that an impairment loss recognized in prior years for an asset other than goodwill may no longer exist or may have decreased at the end of each fiscal year. An impairment loss is reversed when there has been a change in the estimates used to determine an asset’s recoverable amount. Impairment losses are reversed up to the amount not exceeding the carrying amount (net of depreciation) that would have been determined if no impairment losses had been recognized in prior years.

(11) Employee benefits

1. Short-term employee benefits

For short-term employee benefits including salaries, bonuses and paid annual leave, when the employees render related services, the amounts expected to be paid in exchange for those services are recognized as expenses.

2. Retirement benefit plans

The Group sponsors a defined benefit plan and a defined contribution plan as retirement benefit plans for employees.

(a) Defined contribution plans

For defined contribution plans, when the employees render related services, the contribution payables to the defined contribution plan are recognized as expenses.

(b) Defined benefit plans

The Group has adopted lump-sum payment on retirement and defined benefit pension plans as defined benefit plans.

The present value of defined benefit obligations, related current service costs and past service costs are determined using the projected unit credit method.

The discount rates are determined by reference to market yields at the end of the reporting period on high-quality corporate bonds which have maturities corresponding to the future settlements of benefits in each year.

The net defined benefit liability (asset) is determined as the present value of the defined benefit obligation less the fair value of the plan assets. Net interest on the net defined benefit liability (asset) is recognized in profit or loss as financial expenses.

The Group recognizes the difference arising from remeasurement of present value of the defined benefit obligation and the fair value of the plan asset in other comprehensive income when it is incurred, and reclassifies it immediately to retained earnings from other components of equity.

The Group recognizes any past service cost as an expense at the earlier of the following dates.

(i) when the plan amendment or curtailment occurs; and

(ii) when related restructuring costs are recognized

(12) Provisions

Provisions are recognized when the Group has present legal or constructive obligations as a result of past events, it is probable that outflows of resources embodying economic benefits will be required to settle the obligations, and reliable estimates can be made of the amount of the obligations. Where the effect of the time value of money is material, the amount of a provision is measured at the discounted present value of the estimated future cash flow using a pre-tax rate that reflects the time value of money and the risks specific to the liability. The unwinding of the discount due to the passage of time is recognized as finance costs.

1. Asset retirement obligations

Provisions for asset retirement obligations are recognized mainly for the estimated cost of restoring the leased site at the end of the lease term.

2. Provision for product warranties

For the payment of after-sales service expenses incurred, provision for product warranties is recognized based on past experiences and the estimated future warranty costs, principally in accordance with terms and conditions of warranty.

The expenses related to the warranty items in accordance with notifications to the competent authority are recognized as provision for product warranties when it is probable that outflows of resources embodying economic benefits will be required, and reliable estimates can be made of the amount of the obligations.

3. Provision for loss on construction contracts

The provision for losses on uncompleted construction of contracts in the Aerospace segment is provided when substantial losses on the contracts are anticipated at the fiscal year end for the next fiscal year and beyond and such losses can be reasonably estimated.

(13) Revenue

1. Revenue from contracts with customer

The Group identifies a performance obligation in a contract with a customer, and recognizes as revenue the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to the customer. Amounts collected on behalf of taxation authorities such as consumption taxes and value added taxes are not included into the amount. If variable consideration is included in the consideration promised in a contract with a customer, some or all of an amount of variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Revenue is recognized at a point in time or over a certain period of time in accordance with satisfaction of a performance obligation in a contract with a customer.

With regard to revenue from the sale of cars, performance obligations are principally considered to be fulfilled at the time of delivery of the cars, at which point customers obtain control of the cars and revenue is recognized.

In automobile business, fare-paying extended warranty service is provided for the products as an option in addition to normal warranty. The revenue from the extended warranty service is recognized over a certain period of time in accordance with the progress of the performance obligation.

2. Revenue from financial lease

When the Group is lessor as the manufacturer or dealer, cost of sales and selling profit or loss corresponding to revenue for a portion identified as sale of products are recognized in profit or loss at the inception of the leases.

Finance income from financial leases is recognized based on a pattern reflecting a constant rate of return on the net investment in the lease of the Group.

3. Revenue from operating leases

Revenue from operating leases is recognized on a straight-line basis over the lease term.

4. Interest income

Interest income is recognized using the effective interest method

5. Dividend income

Dividend income is recognized when the right to receive the payment is established.

(14) Government grants

Government grants are recognized at fair value when there is a reasonable assurance that the Group complies with the conditions attached to them and the grants will be received. Government grants are recognized in profit or loss over the periods in which the related costs for which the grants are intended to compensate are recognized as expenses. With regard to government grants that are compensation for acquisition of assets, the amount of the grants is deducted from the acquisition cost of the assets.

(15) Income taxes

Income taxes are composed of current and deferred taxes. Income taxes are recognized in profit or loss, except for items that are recognized in other comprehensive income or directly in equity and those arising from business combinations.

Current income taxes are measured at the amount that is expected to be paid to or refunded from the taxation authorities. The amount of these taxes is calculated based on tax rates and tax laws that are enacted or substantively enacted by the end of the consolidated reporting period in the countries where the Group conducts business activities and gains net taxable profit or loss.

Deferred income taxes are recognized based on the temporary differences between the tax base for assets and liabilities and the carrying amounts at the end of the consolidated reporting period, and the carryforward of unused tax losses and unused tax credits.

Deferred tax assets are recognized for all the deductible temporary differences etc. to the extent that it is probable that taxable profit will be available against which the deductible temporary differences etc. can be utilized. Deferred tax liabilities are recognized for all the taxable temporary differences in principle.

However, no deferred tax assets and liabilities are recognized on following temporary differences:

・ Taxable temporary differences arising from the initial recognition of goodwill;

・ Temporary differences arising from the initial recognition of an asset or liability in a transaction which is not a business combination and, at the transaction, affects neither accounting profit nor taxable profit; and

・ Taxable temporary differences associated with investments in subsidiaries and affiliates, where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to utilize all or part of the benefit of the deferred tax assets. Unrecognized deferred tax assets are reassessed at the end of each reporting period and recognized only to the extent that it is probable that the deferred tax assets can be recovered by future taxable profits.

Deferred tax assets and liabilities are measured at the tax rates and tax laws that are expected to apply to the fiscal year when the assets are realized or the liabilities are settled, based on tax rates and tax laws that are enacted or substantively enacted at the end of the consolidated reporting period.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to offset current tax liabilities against current tax assets, and income taxes are levied by the same taxation authority on the same taxable entity.

(16) Earnings per share

Basic earnings per share is calculated by dividing profit for the year attributable to owners of the parent by the weighted average number of common stocks outstanding during the reporting period, adjusted for the number of treasury stocks acquired.

(17) Operating segment

An operating segment is a component of the Group that engages in business activities where revenues are earned and expenses are incurred, including inter-segment transactions. The Board of Directors regularly reviews the operating results of all the operating segments for which discrete financial information is available, in order to make decisions about resources to be allocated to the segments and assess their performance.

(18) Non-current assets held for sale

An asset or asset group of which the carrying amount is expected to be recovered through a sale transaction rather than through continuous use is classified as non-current assets held for sale or disposal group if the following conditions are met: it is highly probable that the asset or asset group will be sold within one year; the asset or asset group is available for immediate sale in its present condition; and the Group management is committed to a sale plan. In such cases, the non-current asset is not depreciated or amortized and is measured at the lower of its carrying amount and fair value less costs to sell.

(19) Equity

1. Common stock and capital surplus

The common shares issued by the Company are classified as equity, and the proceeds from issuance of common shares are included in common stock and capital surplus.

2. Treasury stock

Treasury stock is measured at acquisition cost, and deducted from equity. No gain or loss is recognized on the purchase, sale or retirement of the Group's treasury stock. Any difference between the carrying amount and consideration received on the sale of treasury stocks is recognized directly in capital surplus.

(20) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of the cost of that asset, until the asset is substantially ready for its intended use or sale.

All other borrowing costs are recognized in profit or loss in the consolidated reporting period in which they are incurred.

4. Significant accounting estimates and judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.
The estimates and the underlying assumptions are reviewed on an ongoing basis. The effect of a change in an accounting estimate is recognized in the period of the change and future periods.

Judgments made by management that have significant effects on the amounts reported in the consolidated financial statements are as follows:

・ Recognition of intangible assets arising from development (note “3. Significant Accounting Policies, (7) Intangible assets and goodwill”); and
・ Accounting for contracts including lease (note “3. Significant Accounting Policies, (8) Lease”).

Significant accounting estimates made by management are as follows:

・ Recoverability of deferred tax assets (note “3. Significant Accounting Policies, (15) Income taxes”); and
・ Accounting treatments and evaluation of provisions (note “3. Significant Accounting Policies, (12) Provisions”)

The impact of the spread of COVID-19 on the Group's business activities is described in “38.Significant Subsequent Event”.
The Group has made accounting estimates, including the recoverability of deferred tax assets, based on the assumption that the impact of the spread of COVID-19 on business activities will continue for a certain period of time in next consolidated fiscal year, but not for a long period of time.
The impact on the Group’s financial results for the consolidated fiscal year ended March 31, 2020 is minimal.

5. New accounting standards not yet adopted by the Group

None of the new or revised major standards and interpretations that have been issued by the date of approval of the public announcement of the consolidated financial statement but are not yet adopted early by the Group significantly affects the Group's consolidated financial statements.

6. Segment information

The operating segments are the components of the Company for which separate financial information is available that is evaluated regularly by the Board of Directors in deciding allocation of management resources and in assessing performance.

The Company recognizes Automobile as its main business, and introduces an internal company system in Aerospace division. This framework makes clearer the responsibility of each division and accelerates business execution. The Company manages the subsidiaries on the basis of this classification. Therefore, the business segments consist of "Automobile", "Aerospace", and "Others" which neither belongs to Automobile nor Aerospace. The reporting segments are "Automobile" and "Aerospace" segments.

Accounting method for business segment reported is almost the same as the description in "3. Significant Accounting Policies".

Reported segment profit or loss is based on the operating profit.

Intersegment sales and transfers are based on the current market prices.

Principal products and services of each segment are as follows:

Segment	Principal products and services
Automobile	Automobiles and relevant products
Aerospace	Aircrafts, parts of space-related devices, and relevant products
Others	Real estate lease, etc.

(1) Information about the amount of revenue, profit or loss and other material items for each segment

Business segment information of the Group as of transition date and as of and for the consolidated fiscal years ended March 31, 2019 and 2020 is as follows:

Transition date (April 1, 2018)

(Unit: Millions of yen)

	Automobiles	Aerospace	Subtotal	Others	Eliminations or Corporate	Consolidated
Segment assets	2,782,582	235,099	3,017,681	78,763	(25,907)	3,070,537
Investments accounted for using the equity method	7,448	—	7,448	54	—	7,502

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

(Unit: Millions of yen)

	Automobiles	Aerospace	Subtotal	Others	Eliminations or Corporate	Consolidated
Revenue						
(1) External customers	3,007,637	134,144	3,141,781	14,369	—	3,156,150
(2) Intersegment	3,133	804	3,937	26,848	(30,785)	—
Total revenue	3,010,770	134,948	3,145,718	41,217	(30,785)	3,156,150
Operating profit	172,083	6,025	178,108	3,278	329	181,724
Finance Income						13,701
Finance Costs						(9,399)
Profit before tax						186,026
Segment assets	2,878,374	250,961	3,129,335	76,572	(25,310)	3,180,597
Other items						
Depreciation and amortization	180,648	4,748	185,396	1,681	—	187,077
Share of profit (loss) of investments accounted for using the equity method	563	—	563	(186)	—	377
Investments accounted for using the equity method	7,500	—	7,500	1,321	—	8,821
Additional non-current assets	265,978	6,210	272,188	2,093	—	274,281

Note: 1. The method to calculate the operating profit of each segment is correspondent to the method to calculate the operating profit in the consolidated statements of income, and Finance income, Finance costs, and Income tax expense are not included. Operating costs which are not allocated to each segment directly are allocated on the basis of the most reasonable standard to allocate.

2. Total amount of each segment and Eliminations or Corporate is correspondent to the amount of total assets in the consolidated statements of financial position, and Investments accounted for using the equity method, derivative assets, and deferred tax assets are included. Assets which are not allocated to each segment directly less the amount included in Eliminations or Corporate are allocated into each segment on the basis of the most reasonable standard to allocate.

3. Eliminations or Corporate includes elimination of intersegment transactions and corporate assets. Corporate assets primarily consist of cash and cash equivalents and financial assets measured at fair value through other comprehensive income.

FYE 2020 (April 1, 2019 to March 31, 2020)

(Unit: Millions of yen)

	Automobiles	Aerospace	Subtotal	Others	Eliminations or Corporate	Consolidated
Revenue						
(1) External customers	3,193,949	142,141	3,336,090	8,019	―	3,344,109
(2) Intersegment	2,985	―	2,985	27,461	(30,446)	―
Total revenue	3,196,934	142,141	3,339,075	35,480	(30,446)	3,344,109
Operating profit	200,263	5,065	205,328	3,577	1,414	210,319
Finance Income						15,844
Finance Costs						(18,507)
Profit before tax						207,656
Segment assets	2,977,628	273,378	3,251,006	67,710	(24,808)	3,293,908
Other items						
Depreciation and amortization	186,254	4,991	191,245	1,497	―	192,742
Share of profit (loss) of investments accounted for using the equity method	329	―	329	(552)	―	(223)
Investments accounted for using the equity method	7,264	―	7,264	2,567	―	9,831
Additional non-current assets	295,638	5,407	301,045	3,259	―	304,304

Note: 1. The method to calculate the operating profit of each segment is correspondent to the method to calculate the operating profit in the consolidated statements of income, and Finance income, Finance costs, and Income tax expense are not included. Operating costs which are not allocated to each segment directly are allocated on the basis of the most reasonable standard to allocate.

2. Total amount of each segment and Eliminations or Corporate is correspondent to the amount of total assets in the consolidated statements of financial position, and Investments accounted for using the equity method, derivative assets, and deferred tax assets are included. Assets which are not allocated to each segment directly less the amount included in Eliminations or Corporate are allocated into each segment on the basis of the most reasonable standard to allocate.

3. Eliminations or Corporate includes elimination of intersegment transactions and corporate assets. Corporate assets primarily consist of cash and cash equivalents and financial assets measured at fair value through other comprehensive income.

(2) Information about products and services

Information about products and services is omitted since the classifications of products and services are the same as reporting segments.

(3) Information about geographic areas

The revenue and carrying amounts of non-current assets other than financial instruments and deferred tax assets based on the location of the Group as of transition date and as of and for the consolidated fiscal years ended March 31, 2019 and 2020 are as follows:

Transition date (April 1, 2018)

(Unit: Millions of yen)

	Japan	North America	(US)	Europe	Asia	Others	Total
Non-current assets (other than financial instruments and deferred tax assets)	751,887	283,358	281,412	692	1,090	－	1,037,027

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

(Unit: Millions of yen)

	Japan	North America	(US)	Europe	Asia	Others	Total
Revenue	594,108	2,199,928	2,060,699	100,584	116,310	145,220	3,156,150
Non-current assets (other than financial instruments and deferred tax assets)	783,209	305,933	304,129	464	792	－	1,090,398

Note: Revenue is based on the location of customers and classified by countries or areas.

FYE 2020 (April 1, 2019 to March 31, 2020)

(Unit: Millions of yen)

	Japan	North America	(US)	Europe	Asia	Others	Total
Revenue	572,668	2,413,127	2,267,912	116,242	106,365	135,707	3,344,109
Non-current assets (other than financial instruments and deferred tax assets)	838,263	327,851	323,887	538	443	－	1,167,095

Note: Revenue is based on the location of customers and classified by countries or areas.

(4) Information about major customers

Information about major customers is omitted because there was no specific customer whose revenue is equal to or more than 10% of the revenue on the consolidated statements of income.

7. Cash and cash equivalents

Cash and cash equivalents consist of the following:

(Unit: Millions of yen)

	Transition date (April 1, 2018)	FYE 2019 (as of March 31, 2019)	FYE 2020 (as of March 31, 2020)
Cash and deposits	606,821	692,128	853,244
Short-term investments	158,770	10,200	5,722
Total	765,591	702,328	858,966

Cash and cash equivalents are classified as financial assets measured at amortized cost.

Short-term investments held by the Group are mainly money market funds.

There are no significant cash and cash equivalents which is subject to the limitation of use as of March 31.2020.

8. Trade and other receivables

Trade and other receivables consist of the following:

(Unit: Millions of yen)

	Transition date (April 1, 2018)	FYE 2019 (as of March 31, 2019)	FYE 2020 (as of March 31, 2020)
Notes receivable and Accounts receivable-trade	89,887	108,708	105,522
Accounts receivable-other	46,959	30,717	38,381
Trade loans	156,955	165,040	178,492
Others	49,662	39,772	42,444
Total	343,463	344,237	364,839
Receivables expected to be collected within 12 months	208,066	199,651	202,761
Receivables expected to be collected beyond 12 months	135,397	144,586	162,078
Total	343,463	344,237	364,839

Trade and other receivables other than lease receivables and contract assets are classified as financial assets measured at amortized cost.

9. Inventories

Inventories consist of the following:

(Unit: Millions of yen)

	Transition date (April 1, 2018)	FYE 2019 (as of March 31, 2019)	FYE 2020 (as of March 31, 2020)
Finished goods and merchandise	219,012	265,492	294,148
Work in process	67,999	69,407	75,350
Raw materials and supplies	41,930	68,574	90,442
Total	328,941	403,473	459,940

The amounts of write-down of inventories recognized as an expense for the consolidated fiscal years ended March 31, 2019 and 2020 were 1,061 million yen and 1,461 million yen respectively.

10. Other financial assets

Other financial assets consist of the following:

(Unit: Millions of yen)

	Transition date (April 1, 2018)	FYE 2019 (as of March 31, 2019)	FYE 2020 (as of March 31, 2020)
Financial assets measured at amortized cost			
Debt instruments	270,975	276,800	59,736
Financial assets measured at fair value through profit or loss			
Derivatives	5,339	246	1,131
Debt securities	791	490	21,485
Financial assets measured at fair value through other comprehensive income			
Equity securities	38,201	36,181	8,922
Debt securities	98,879	120,810	132,829
Total	414,185	434,527	224,103
Financial assets expected to be collected within 12 months	372,531	394,406	204,373
Financial assets expected to be collected beyond 12 months	41,654	40,121	19,730
Total	414,185	434,527	224,103

Equity securities including stocks held to maintain or strengthen the business relationship with investees are, at initial recognition, designated as financial assets measured at fair value through other comprehensive income. Major securities included in the equity securities designated as financial assets measured at fair value through other comprehensive income at the transition date and for the consolidated fiscal years ended March 31, 2019 and 2020 consist of the following:

Transition date (April 1, 2018)

(Unit: Millions of yen)

	Fair value
IBJ Leasing Company, Limited (Current, Mizuho Leasing company, Limited)	2,160
The Gunma Bank,Ltd.	1,722
TOKYO LIGHT ALLOY CO., LTD.	806
The Kyoritsu Co., Ltd.	805
Sakamoto Research & Development Holdings Ltd.	775
NIPPON STEEL & SUMITOMO METAL CORPORATION (Current; NIPPON STEEL CORPORATION)	713
Mizuho Financial Group, Inc.	712
Central Glass Co., Ltd.	694
Shigeru Co., Ltd.	564
Mitsui O.S.K. Lines, Ltd.	515
NIPPON STEEL KOWA REAL ESTATE CO.,LTD.	352
OSHIMA ELECTRIC WORKS CO., LTD.	282

FYE 2019 (as of March 31, 2019)

(Unit: Millions of yen)

	Fair value
The Gunma Bank,Ltd.	1,194
TOKYO LIGHT ALLOY CO., LTD.	878
The Kyoritsu Co., Ltd.	868
Sakamoto Research & Development Holdings Ltd.	729
Mizuho Financial Group, Inc.	637
Shigeru Co., Ltd.	606
NIPPON STEEL KOWA REAL ESTATE CO.,LTD.	421
Mitsui O.S.K. Lines, Ltd.	401
OSHIMA ELECTRIC WORKS CO., LTD.	313
Nippon Yusen Kabushiki Kaisha	294

FYE 2020 (as of March 31, 2020)

(Unit: Millions of yen)

	Fair value
TOKYO LIGHT ALLOY CO., LTD.	995
The Gunma Bank,Ltd.	935
The Kyoritsu Co., Ltd.	847
Sakamoto Research & Development Holdings Ltd.	709
Shigeru Co., Ltd.	625
Mizuho Financial Group, Inc.	460
NIPPON STEEL KOWA REAL ESTATE CO.,LTD.	439
OSHIMA ELECTRIC WORKS CO., LTD.	330
Mitsui O.S.K. Lines, Ltd.	294

(Derecognition of equity securities designated as financial assets measured at fair value through other comprehensive income)
A part of the financial assets measured at fair value through other comprehensive income are sold based on the assessment of business relationship, etc. The fair value of equity securities designated as financial assets measured at fair value through other comprehensive income that are derecognized upon sale and cumulative gains and losses that have been previously recognized in equity as other comprehensive income for the consolidated fiscal years ended March 31, 2019 and 2020 consist of the following:

(Unit: Millions of yen)

	FYE 2019 (April 1, 2018 to March 31, 2019)	FYE 2020 (April 1, 2019 to March 31, 2020)
Fair value	5,637	27,924
Cumulative gains (losses)	3,549	8,306

There are no equity securities designated as financial assets measured at fair value through other comprehensive income for which cumulative gain or loss is transferred to retained earnings due to significant decrease of fair value.
Most of dividend received from equity securities designated as financial assets measured at fair value through other comprehensive income arise from the investment held as of the end of reporting period.

11. Property, plant and equipment

(1) The movement of carrying amount, acquisition cost, accumulated depreciation and accumulated impairment losses of "Property, plant and equipment" are the follows:

FYE 2019 (April 1, 2018 to March 31, 2019)
Carrying amount

(Unit: Millions of yen)

	Buildings and structures	Machinery, equipment and vehicles	Vehicles used for operating lease*1	Land	Tools, furniture and fixtures	Construction in progress *2	Right-of-use assets	Others	Total
Beginning balance	205,924	188,450	18,638	167,225	64,777	55,908	88,414	—	770,698
Acquisition	25,596	106,023	42,333	5,946	34,613	68,139	73,300	881	314,498
Depreciation *3	(13,143)	(47,995)	(5,580)	—	(32,203)	—	(46,731)	(451)	(140,523)
Disposals	(1,896)	(5,588)	(1,807)	(2,602)	(319)	(29)	(36)	—	(10,470)
Reclassification to assets held for sale	—	—	—	(4)	—	—	—	—	(4)
Foreign exchange differences	1,871	3,016	865	173	2,132	702	(21)	—	7,873
Others*4	(164)	(34,473)	(38,640)	1,106	(4,111)	(93,386)	(2,334)	—	(133,362)
Ending balance	218,188	209,433	15,809	171,844	64,889	31,334	112,592	430	808,710

Note: 1. Amounts of “Vehicles used for operating lease” are included in “Machinery, equipment and vehicles”.
2. Construction in progress includes the expenditures related to the property, plant and equipment under construction.
3. Depreciation is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statements of income.
4. Others include transfers from vehicles to inventory, construction in progress to each item, amount of government grants reduced, etc.

FYE 2020(April 1, 2019 to March 31, 2020)
Carrying amount

(Unit: Millions of yen)

	Buildings and structures	Machinery, equipment and vehicles	Vehicles used for operating lease*1	Land	Tools, furniture and fixtures	Construction in progress *2	Right-of-use assets	Others	Total
Beginning balance	218,188	209,433	15,809	171,844	64,889	31,334	112,592	430	808,710
Acquisition	22,303	82,244	43,516	1,333	53,107	74,083	32,767	—	265,837
Depreciation *3	(13,684)	(50,146)	(4,991)	—	(36,221)	—	(44,764)	(430)	(145,245)
Disposals	(890)	(7,653)	(2,242)	(676)	(272)	(389)	(24)	—	(9,904)
Reclassification to assets held for sale	(33)	(11)	—	(207)	—	—	—	—	(251)
Foreign exchange differences	(957)	(1,235)	(282)	(120)	(999)	(370)	(168)	—	(3,849)
Others*4	(262)	(30,183)	(32,797)	256	14	(64,047)	(585)	—	(94,807)
Ending balance	224,665	202,449	19,013	172,430	80,518	40,611	99,818	—	820,491

Note: 1. Amounts of “Vehicles used for operating lease” are included in “Machinery, equipment and vehicles”.
2. Construction in progress includes the expenditures related to the property, plant and equipment under construction.
3. Depreciation is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statements of income.
4. Others include transfers from vehicles to inventory, construction in progress to each item, etc.

Acquisition costs

(Unit: Millions of yen)

	Buildings and structures	Machinery, equipment and vehicles	Vehicles used for operating lease*1	Land	Tools, furniture and fixtures	Construction in progress *2	Right-of-use assets	Others	Total
Transition date (April 1, 2018)	432,687	632,376	22,648	179,464	363,809	55,908	147,714	157	1,812,115
FYE 2019 (as of March 31, 2019)	451,964	662,176	19,282	183,981	374,897	31,334	172,683	1,038	1,878,073
FYE 2020 (as of March 31, 2020)	466,314	673,572	22,605	184,281	405,041	40,611	184,697	1,036	1,955,552

Note: 1. Amounts of “Vehicles used for operating lease” are included in “Machinery, equipment and vehicles”.
2. Construction in progress includes the expenditures related to the property, plant and equipment under construction.

Accumulated depreciation and accumulated impairment loss

(Unit: Millions of yen)

	Buildings and structures	Machinery, equipment and vehicles	Vehicles used for operating lease*1	Land	Tools, furniture and fixtures	Right-of-use assets	Others	Total
Transition date (April 1, 2018)	226,763	443,926	4,010	12,239	299,032	59,300	157	1,041,417
FYE 2019 (as of March 31, 2019)	233,776	452,743	3,473	12,137	310,008	60,091	608	1,069,363
FYE 2020 (as of March 31, 2020)	241,649	471,123	3,592	11,851	324,523	84,879	1,036	1,135,061

Note: Amounts of “Vehicles used for operating lease” are included in “Machinery, equipment and vehicles”.

(2) The carrying amount of property, plant and equipment pledged as collateral for liabilities

For the amount of property, plant and equipment pledged as collateral for liabilities, please refer to "16. Financing liabilities".

(3) Commitment.

For a discussion of our commitments to acquire property, plant and equipment, please refer to "33. Commitments"

12. Intangible assets and goodwill

The movement of carrying amount, acquisition cost, accumulated amortization and accumulated impairment losses of Intangible assets and goodwill are as follows:

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

Carrying amount

(Unit: Millions of yen)

	Software	Capitalized development costs	Others*1	Total
Beginning balance	25,614	120,188	7,373	153,175
Separate acquisitions	11,163	—	14,003	25,166
Internally generated	—	31,041	—	31,041
Amortization *2	(9,985)	(35,763)	(297)	(46,045)
Impairment losses	(1)	—	(10)	(11)
Disposals	(144)	(150)	(30)	(324)
Foreign exchange differences	62	—	70	132
Others	3,517	(398)	(10,743)	(7,624)
Ending balance	30,226	114,918	10,366	155,510

Note: 1. Others include Goodwill.

2. Amortization of "Intangible assets and goodwill" is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statements of income.

FYE 2020(April 1, 2019 to March 31, 2020)

Carrying amount

(Unit: Millions of yen)

	Software	Capitalized development costs	Others*1	Total
Beginning balance	30,226	114,918	10,366	155,510
Separate acquisitions	12,544	—	18,772	31,316
Internally generated	—	61,187	—	61,187
Amortization *2	(12,419)	(33,842)	(795)	(47,056)
Disposals	(6)	—	(9)	(15)
Foreign exchange differences	(97)	—	(106)	(203)
Others	352	(499)	9,183	9,036
Ending balance	30,600	141,764	37,411	209,775

Note: 1. Others include Goodwill.

2. Amortization of "Intangible assets and goodwill" is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statements of income.

Acquisition costs

(Unit: Millions of yen)

	Software	Capitalized development costs	Others	Total
Transition date (April 1, 2018)	72,171	173,417	14,204	259,793
FYE 2019 (as of March 31, 2019)	94,949	203,729	18,088	316,766
FYE 2020 (as of March 31, 2020)	104,143	229,585	45,694	379,422

Accumulated depreciation and Accumulated impairment losses

(Unit: Millions of yen)

	Software	Capitalized development costs	Others	Total
Transition date (April 1, 2018)	46,557	53,229	6,831	106,618
FYE 2019 (as of March 31, 2019)	64,723	88,811	7,722	161,256
FYE 2020 (as of March 31, 2020)	73,543	87,821	8,283	169,647

13. Investment property

The movement of carrying amount, acquisition cost, accumulated depreciation and accumulated impairment losses of Investment property are as follows:

(1) The movement of carrying amount of Investment property

Carrying amount

(Unit: Millions of yen)

	FYE 2019 (April 1, 2018 to March 31, 2019)	FYE 2020 (April 1, 2019 to March 31, 2020)
Beginning balance	27,278	25,414
Acquisition	198	56
Depreciation	(509)	(441)
Disposals	(1,245)	(291)
Others	(308)	(752)
Ending balance	25,414	23,986

(2) Acquisition costs, accumulated depreciation, accumulated impairment losses, and fair value

(Unit: Millions of yen)

	Transition date (April 1, 2018)	FYE 2019 (as of March 31, 2019)	FYE 2020 (as of March 31, 2020)
Acquisition costs	38,592	36,885	35,636
Accumulated depreciation	(10,788)	(10,699)	(10,927)
Accumulated impairment losses	(526)	(772)	(723)
Carrying amount	27,278	25,414	23,986
Fair value	40,136	40,207	40,949

The fair value of major investment property is based on the assessment by the independent appraiser certified as adequate professional in the area in which the property is located.

The assessment is based on the appraised value by discounted cash flow method or transaction prices in market of observable similar assets, etc.

The level of the fair value hierarchy of investment property is level 3.

For fair value hierarchy, please refer to "30. Fair Value".

(3) Profit and loss from investment property

(Unit: Millions of yen)

	FYE 2019 (April 1, 2018 to March 31, 2019)	FYE 2020 (April 1, 2019 to March 31, 2020)
Rental income	3,830	3,729
Rental expenses	(2,110)	(1,940)
Profit	1,720	1,789

Rental income is mainly stated in "Revenue" in the consolidated statements of income.
Rental expenses are the expenses corresponding to rental income (costs related to depreciation, repairs, insurance and taxes, etc.), and stated in "Cost of sales" and "Selling, general and administrative expenses", and "Other expenses" in the consolidated statements of income.

14. Investments accounted for using the equity method

The carrying amounts of investments accounted for using the equity method are as follows:

(Unit: Millions of yen)

	Transition date (April 1, 2018)	FYE 2019 (as of March 31, 2019)	FYE 2020 (as of March 31, 2020)
Investments accounted for using the equity method	7,502	8,821	9,831

The Group's share of profit (loss) and other comprehensive income (loss) of investments accounted for using the equity method are as follows:

(Unit: Millions of yen)

	FYE 2019 (April 1, 2018 to March 31, 2019)	FYE 2020 (April 1, 2019 to March 31, 2020)
Share of profit (loss) of investments accounted for using the equity method	377	(223)
Share of other comprehensive income (loss) of investments accounted for using the equity method	(186)	(182)
Total	191	(405)

For the consolidated fiscal years ended March 31, 2019 and 2020, there are no individually significant affiliates or joint ventures in investments accounted for using the equity method.

15. Trade and other payables

Trade and other payables consist of the following:

(Unit: Millions of yen)

	Transition date (April 1, 2018)	FYE 2019 (as of March 31, 2019)	FYE 2020 (as of March 31, 2020)
Notes payable and Accounts payable-trade	314,377	306,970	267,657
Electronically recorded obligations-operating	64,863	63,772	33,376
Accounts payable-other	45,951	31,375	33,470
Others	10,738	2,278	1,720
Total	435,929	404,395	336,223
Payables expected to be paid within 12 months	435,929	404,395	336,223
Payables expected to be paid beyond 12 months	—	—	—
Total	435,929	404,395	336,223

Trade and other payables are classified as financial liabilities measured at amortized cost.

16. Financing liabilities

(1) Financing liabilities consist of the following:

Financial covenants are attached to a part of borrowings as of March 31, 2020.

The Company observes the covenants for the consolidated fiscal year ended March 31, 2020. The covenants are monitored to maintain the required level.

(Unit: Millions of yen)

	Transition date (April 1, 2018)	FYE 2019 (as of March 31, 2019)	FYE 2020 (as of March 31, 2020)	Average interest rate*1	Payment due date
Short-term borrowings	26,333	7,682	4,753	1.60%	
Current portion of long-term borrowings	42,982	7,592	7,420	0.17%	
Long-term borrowings	21,138	88,452	187,037	0.17%	2022-2027
Bonds	–	–	40,000	*2	*2
Total	90,453	103,726	239,210		

Note: 1. Average interest rate represents the weighted-average interest rates on outstanding balances of financing liabilities as of March 31, 2020.

2. For Average interest rate and Payment due date of Bonds, please refer to (2) below.

(2) Bonds consist of the following

(Unit: Millions of yen)

Company Name	Brand	Date of issuance of bonds	Transition date (April 1, 2018)	FYE 2019 (as of March 31, 2019)	FYE 2020 (as of March 31, 2020)	Interest rate	Repayment Date
The Company	1st Unsecured bond Limited to inter-bond transactions with a pari passu clause	December 17, 2019	–	–	10,000	0.12%	December 17, 2024
The Company	2nd Unsecured bond Limited to inter-bond transactions with a pari passu clause	December 17, 2019	–	–	15,000	0.21%	December 17, 2026
The Company	3rd Unsecured bond Limited to inter-bond transactions with a pari passu clause	December 17, 2019	–	–	15,000	0.28%	December 17, 2029

(3) Assets pledged as collateral

1. Assets pledged as collateral consist of the following:

(Unit: Millions of yen)

	Transition date (April 1, 2018)	FYE 2019 (as of March 31, 2019)	FYE 2020 (as of March 31, 2020)
Assets pledged as collateral			
Buildings and structures	10,369	9,593	9,370
Machinery and vehicles	118	85	48
Land	18,265	16,779	16,276
Total	28,752	26,457	25,694

2. Secured liabilities

Secured liabilities consist of the following:

(Unit: Millions of yen)

	Transition date (April 1, 2018)	FYE 2019 (as of March 31, 2019)	FYE 2020 (as of March 31, 2020)
Short-term borrowings	8,728	1,280	540
Current portion of long-term borrowings	1,388	864	446
Long-term borrowings	11,454	10,596	10,155
Others	1,752	1,733	1,321
Total	23,322	14,473	12,462

As is customary in Japan, bank loans are extended under general agreements which provide that security and guarantees for present and future indebtedness will be given upon request from the bank. And in the event of delay in payment or default by the Group, the bank shall have the right to offset cash deposits about all the liabilities and to foreclose depending on the content of agreement.

17. Other financial liabilities

Other financial liabilities consist of the following:

(Unit: Millions of yen)

	Transition date (April 1, 2018)	FYE 2019 (as of March 31, 2019)	FYE 2020 (as of March 31, 2020)
Financial liabilities measured at amortized cost			
Liabilities related to chargeable subcontracting	14,386	13,177	18,234
Long-term accounts payable-other	3,642	3,355	2,805
Guarantee deposits received	6,777	6,665	6,464
Financial liabilities measured at fair value through profit or loss			
Derivatives	162	2,062	2,028
Lease liabilities			
Lease liabilities (Current)	25,529	36,382	23,864
Lease liabilities (Non-current)	57,384	63,836	58,586
Total	107,880	125,477	111,981
Liabilities expected to be paid within 12 months	40,077	51,621	44,126
Liabilities expected to be paid beyond 12 months	67,803	73,856	67,855
Total	107,880	125,477	111,981

18. Provisions

FYE 2019 (April 1, 2019 to March 31, 2020)

(Unit: Millions of yen)

	Provision for product warranties	Provision for loss on construction contracts	Others*1	Total
Beginning of the period	300,897	666	33,886	335,449
Increase during the year	186,061	3,112	30,347	219,520
Decrease during the year (utilized)	(210,689)	(666)	(29,009)	(240,364)
Decrease during the year (reversal)	(423)	—	(313)	(736)
Others	(4,872)	—	(1,437)	(6,309)
Ending of the period	270,974	3,112	33,474	307,560
Current liabilities	224,768	3,112	33,282	261,162
Non-current liabilities	46,206	—	192	46,398
Total	270,974	3,112	33,474	307,560

Note: Others include asset retirement obligations, etc.

(Provision for product warranties)

Provision for product warranties is recognized at the total amount of the following estimations to cover future claim expenses for products sold.

1. Estimated amount based on past experiences with consideration given to the expected level of future warranty costs in accordance with the terms and conditions of the warranties
2. Estimated amount calculated as the expenses related to product recall in accordance with the notifications to the competent authorities

Provision for product warranties is used for expenditures based on the demand from customers and dealers.

(Provision for loss on construction contracts)

To cover loss on contracts in the Aerospace segment, a provision for loss on construction contracts is recognized for uncompleted construction of contracts at the consolidated fiscal year -end for which substantial losses are anticipated and such losses can be reasonably estimated. The timing of expenditure depends on the progress of construction contracts in the future.

19. Employee benefits

(1)Outline of employee benefits

The Company and its consolidated domestic subsidiaries have lump-sum retirement payment plans, defined benefit pension plans, and the Company and certain domestic subsidiaries have defined contribution pension plans. In addition, in certain occasions, additional retirement payments are made to employees for their retirement.

Consolidated foreign subsidiaries primarily have defined contribution plans.

As of March 31, 2020, 51 companies including the Company and its consolidated domestic subsidiaries have lump-sum retirement payment plans, and there are 6 defined benefits pension plans, and also 25 defined contribution plans. In addition, there are 2 multi-employer defined benefits pension plans.

In contract-type corporate pension plan, the Company is obliged to comply with laws and regulations, appointments made by Minister of Ministry of Health, as well as to faithfully accomplish their duties for the

participants, etc. It is prohibited that the Company signs asset management agreement for the purpose of a third party interest other than self or participants and orders specific method about the management of contribution.
In domestic corporate pension plan, the Company makes actuarial review on the basis of corporate financial position and review of asset management every five years, and raises premium when funding standard is not satisfied.
In the management of plan assets, the Company builds most appropriate portfolio for the purpose of the securement of stable income under the acceptable risks to secure employees' future benefit, and makes an effort to keep the allocation of assets based on the portfolio, and reviews the portfolio regularly in response to the change of market environment and status of funding.
Major plans of the Group are exposed to the interest rate risk, etc.

(2)Reconciliation
FYE 2019(April 1, 2018 to March 31, 2019)

(Unit: Millions of yen)

	Plan assets		The present value of the defined benefit obligations		Net defined benefit liabilities(assets)	
	Plans in Japan	Plans outside Japan	Plans in Japan	Plans outside Japan	Plans in Japan	Plans outside Japan
Beginning balance	108,110	5,385	128,798	30,160	20,688	24,775
Current service cost	–	–	8,681	1,962	8,681	1,962
Interest income or expense	241	–	709	1,229	468	1,229
Remeasurements of net defined benefit liabilities(assets)						
(i) Return on plan assets (excluding amounts included in interest)	(507)	255	–	–	507	(255)
(ii) Actuarial gains and losses	–	–	1,749	(1,973)	1,749	(1,973)
Actuarial gains and losses arising from changes in demographic assumptions	–	–	153	105	153	105
Actuarial gains and losses arising from changes in financial assumptions	–	–	1,596	(2,078)	1,596	(2,078)
Effect of changes on foreign exchange rates	–	241	–	1,331	–	1,090
Contributions to the plan						
Contributions by the employer	4,564	183	–	–	(4,564)	(183)
Payments from the plan	(2,977)	(289)	(5,906)	(707)	(2,929)	(418)
Others	(12)	106	(144)	167	(132)	61
Ending balance	109,419	5,881	133,887	32,169	24,468	26,288

This reconciliation does not include other employee benefits about welfare program, etc., 1,857 million yen of beginning balance, 1,862 million yen of ending balance.

FYE 2020(April 1, 2019 to March 31, 2020)

(Unit: Millions of yen)

	Plan assets		The present value of the defined benefit obligations		Net defined benefit liabilities(assets)	
	Plans in Japan	Plans outside Japan	Plans in Japan	Plans outside Japan	Plans in Japan	Plans outside Japan
Beginning balance	109,419	5,881	133,887	32,169	24,468	26,288
Current service cost	–	–	8,161	1,862	8,161	1,862
Interest income or expense	596	–	595	1,204	(1)	1,204
Remeasurements of net defined benefit liabilities(assets)						
(i) Return on plan assets (excluding amounts included in interest)	223	110	–	–	(223)	(110)
(ii) Actuarial gains and losses	–	–	(1,260)	1,722	(1,260)	1,722
Actuarial gains and losses arising from changes in demographic assumptions	–	–	–	(749)	–	(749)
Actuarial gains and losses arising from changes in financial assumptions	–	–	(1,260)	2,471	(1,260)	2,471
Effect of changes on foreign exchange rates	–	(116)	–	(631)	–	(515)
Contributions to the plan						
Contributions by the employer	3,644	190	–	–	(3,644)	(190)
Payments from the plan	(3,280)	(304)	(5,902)	(826)	(2,622)	(522)
Others	(74)	114	(22)	161	52	47
Ending balance	110,528	5,875	135,459	35,661	24,931	29,786

This reconciliation does not include other employee benefits about welfare program, etc., 1,862 million yen of beginning balance, 1,808 million yen of ending balance.

(3)Components of plan assets

(Unit: Millions of yen)

	Transition date (April 1, 2018)			FYE 2019 (as of March 31, 2019)			FYE 2020 (as of March 31, 2020)		
	Quoted market prices in active markets			Quoted market prices in active markets			Quoted market prices in active markets		
	With	Without	Total	With	Without	Total	With	Without	Total
Cash and cash equivalents	5,588	–	5,588	3,488	–	3,488	3,673	–	3,673
Shares issued by Japanese companies	11,588	–	11,588	10,787	–	10,787	9,375	–	9,375
Shares issued by foreign companies	8,619	–	8,619	4,406	–	4,406	5,890	–	5,890
Subtotal	20,207	–	20,207	15,193	–	15,193	15,265	–	15,265
Bonds issued by Japanese companies	71,095	–	71,095	73,306	–	73,306	75,476	–	75,476
Bonds issued by foreign companies	5,330	–	5,330	5,927	–	5,927	3,692	–	3,692
Subtotal	76,425	–	76,425	79,233	–	79,233	79,168	–	79,168
Life insurance - General accounts	–	3,610	3,610	–	3,679	3,679	–	3,791	3,791
Others	–	7,665	7,665	–	13,707	13,707	–	14,506	14,506
Subtotal	–	11,275	11,275	–	17,386	17,386	–	18,297	18,297
Total	102,220	11,275	113,495	97,914	17,386	115,300	98,106	18,297	116,403

(4)Significant actuarial assumptions used to determine the present value of defined benefit obligations at the end of each consolidated fiscal year are as follows:

	Transition date (April 1, 2018)		FYE 2019 (as of March 31, 2019)		FYE 2020 (as of March 31, 2020)	
	Plans in Japan	Plans outside Japan	Plans in Japan	Plans outside Japan	Plans in Japan	Plans outside Japan
Discount rate	0.6%	4.2%	0.5%	4.1%	0.5%	3.3%

Sensitivity analysis about effects on defined benefit obligations due to any change in actuarial assumptions mentioned above are as follows:

(Unit: Millions of yen)

	Transition date (April 1, 2018)		FYE 2019 (as of March 31, 2019)	
	Plans in Japan	Plans outside Japan	Plans in Japan	Plans outside Japan
Discount rate				
1.0% increase	(12,132)	(3,738)	(12,070)	(4,053)
1.0% decrease	14,722	2,988	14,633	3,821

Sensitivity analysis about effects of each actuarial assumption is calculated on the basis that there are no changes in other actuarial assumptions.
Therefore, if these assumptions change in combination, the effects may be different from the amounts stated above.
In addition, approximate amounts are stated above because the projected cash flow is not taken into account for all benefit payments of the plans.
The Group expects to contribute 4,319 million yen from April 1, 2020 to March 31, 2021.
The Group's weighted-average durations of the defined benefit obligations for the consolidated fiscal years ended March 31, 2019 and 2020 were 13 years in Japan and 6 years outside Japan , and 12 years in Japan and 6 years outside Japan, respectively.

(5)Multi-employer plan
Some domestic subsidiaries participate in a pension fund, which is a multi-employer plan.
The fund is a defined benefits pension plan. However, the amount of pension assets corresponding to contributions cannot be calculated reasonably. Therefore, the method where contribution payable to the pension fund is recognized as retirement benefit expenses is adopted.
If a plan is liquidated and settled, shortfalls are collected or residual assets are distributed on the basis of the minimum base amount calculated by laws. If an employer withdraws from the multi-employer plan, liabilities and shortfalls expected due to withdrawal are collected.

Information about the multi-employer plan is as follows:

Funding status of the multi-employer plan as a whole

(Unit: Millions of yen)

	Transition date (April 1, 2018)	FYE 2019 (as of March 31, 2019)	FYE 2020 (as of March 31, 2020)
Plan assets	9,130	9,070	9,064
Total amount of actuarial liabilities and minimum actuarial reserve for the purpose of pension financing calculation	11,180	10,215	10,150
Difference	(2,050)	(1,145)	(1,086)

Note: The latest figures for each consolidated fiscal year end are mainly disclosed.

Ratio of contributions by the Group to the fund in the overall plan
FYE 2019 5% (Principally, April 1, 2018 to March 31, 2019)
FYE 2020 5% (Principally, April 1, 2019 to March 31, 2020)

(Contributions to the multi-employer plans in the next financial year)
The Group estimates the contributions to the multi-employer plans for the consolidated fiscal year ending March 31, 2021 to be 23 million yen.

(6) Personnel expenses
Personnel expenses included in the consolidated statements of income are as follows:

(Unit: Millions of yen)

	FYE 2019 (April 1, 2018 to March 31, 2019)	FYE 2020 (April 1, 2019 to March 31, 2020)
Personnel expenses	302,836	314,156
Contributions to defined contribution pension plans	5,496	5,693

Personnel expenses include salaries, bonuses, social security expenses and retirement benefit expenses, etc.

20. Equity and Other components of equity

(1) Management of Capital

The Group makes investments in capital and research and development to improve corporate value through growth on a global basis.

In order to meet these funding needs, the Group makes capital management through consideration of the balance between financing liabilities and equity.

Equity Ratios as of April 1, 2018, and March 31, 2019 and 2020 are as follows:

Equity means "equity attributable to owners of the parent", and Equity Ratio is obtained by dividing equity by total liabilities and equity.

(Unit: Millions of yen)

	Transition date (April 1, 2018)	FYE 2019 (as of March 31, 2019)	FYE 2020 (as of March 31, 2020)
Equity	1,634,319	1,682,248	1,712,881
Total Liabilities and Equity	3,070,537	3,180,597	3,293,908
Equity Ratio	53.2%	52.9%	52.0%

(2) Capital Surplus and Retained Earnings

The Companies Act of Japan provides that no less than 50% of the paid-in amount or proceeds of issuance of shares shall be incorporated in common stock, and that the remaining shall be incorporated in capital reserves. Capital reserves may be incorporated in common stock upon approval of the General Meeting of Shareholders.

Number of authorized shares as of April 1, 2018, and March 31, 2019 and 2020 is 1,500,000,000. The changes in the number of the paid-in outstanding shares for the consolidated fiscal years ended March 31, 2018, 2019 and 2020 are as follows:

	Number of Shares
Transition date (April 1, 2018)	769,175,873
Change	—
FYE 2019 (as of March 31, 2019)	769,175,873
Change	—
FYE 2020 (as of March 31, 2020)	769,175,873

All shares issued by the Company are no-par-value stock with no restriction on rights.

(3) Retained Earnings

The Companies Act of Japan provides that earnings in an amount equal to 10% of the cash dividends from retained earnings shall be appropriated as a capital reserve or a legal retained earnings on the date of distribution of retained earnings until an aggregated amount of capital reserve and legal reserve equals 25% of the common stock. The amount of legal retained earnings can be used to compensate for deficits. Legal reserves may be used upon approval of the General Meeting of Shareholders.

(4) Treasury Stock

Under the Companies Act of Japan, the number of shares and total value of treasury stock acquisition may be determined, upon approval of the General Meeting of Shareholders, within the amount available for distribution. Furthermore, treasury stock may be acquired through market transactions or tender offers in accordance with the articles of incorporation within the conditions set forth in the Companies Act, upon approval of the Board of Directors.

The changes in the treasury stock as of April 1, 2018, and March 31, 2019 and 2020 are as follows:

	Number of Shares
Transition date (April 1, 2018)	2,455,039
Increase	3,078
Decrease	(43,276)
FYE 2019 (as of March 31, 2019)	2,414,841
Increase	2,436
Decrease	(56,909)
FYE 2020 (as of March 31, 2020)	2,360,368

The increase of 3,078 treasury stock in the consolidated fiscal year ended March 31, 2019 is due to purchase of shares less than one unit. The decrease of 43,276 treasury stock in the consolidated fiscal year ended March 31, 2019 is due to disposal on July 20, 2018 as compensation to grant restricted stock that was passed as a resolution in the Board of Directors Meeting on April 28, 2017.

The increase of 2,436 treasury stock in the consolidated fiscal year ended March 31, 2020 is due to purchase of shares less than one unit. The decrease of 56,909 treasury stock in the consolidated fiscal year ended March 31, 2020 is due to disposal on July 31, 2019 as compensation to grant restricted stock that was passed as a resolution in the Board of Directors Meeting on April 28, 2017.

(5) Other Components of Equity

1. Remeasurements of defined benefit plans

The amount of remeasurements of defined benefit plans is comprised of the amounts of the difference between the actuarial assumptions and actual results at the beginning of the consolidated fiscal year, changes in actuarial assumptions and revenue from plan assets excluding amount included in interest. This amount is recognized as other comprehensive income and immediately transferred from other components of equity to retained earnings.

2. Net changes in revaluation of equity instruments designated as measured at fair value through other comprehensive income and net changes in revaluation of debt instruments measured at fair value through other comprehensive income

Cumulative gain or loss on revaluation of financial assets measured at fair value through other comprehensive income

3. Exchange differences on translating foreign operations

Exchange differences arising from translation of the financial statement of consolidated foreign operations from the respective functional currencies to Japanese yen, which is the presentation currency of the Group.

The changes in the components of accumulated other components of equity as of April 1, 2018, and March 31, 2019 and 2020 are as follows:

(Unit: Millions of yen)

	Remeasurements of defined benefit plans	Net changes in revaluation of equity instruments designated as measured at fair value through other comprehensive income	Net changes in revaluation of debt instruments measured at fair value through other comprehensive income	Exchange differences on translating foreign operations	Other comprehensive income under the equity method	Total
Transition date (April 1, 2018)	–	10,806	(1,064)	–	–	9,742
Adjustment during the year	(610)	535	1,251	15,691	(186)	16,681
Reclassification to retained earnings	610	(2,502)	–	–	–	(1,892)
FYE 2019 (as of March 31, 2019)	–	8,839	187	15,691	(186)	24,532
Adjustment during the year	(475)	(763)	1,966	(12,168)	(182)	(11,622)
Reclassification to retained earnings	475	(4,994)	–	–	–	(4,519)
FYE 2020 (as of March 31, 2020)	–	3,082	2,153	3,523	(368)	8,391

(6) Other Comprehensive Income

Each component of other comprehensive income and related tax effect including non-controlling interests for the consolidated fiscal years ended March 31, 2019 and 2020 are as follows:

(Unit: Millions of yen)

	FYE 2019 (April 1, 2018 to March 31, 2019)			FYE 2020 (April 1, 2019 to March 31, 2020)		
	Before tax	Tax benefit (expense)	Net of tax	Before tax	Tax benefit (expense)	Net of tax
Items that will not be reclassified to profit or loss:						
Remeasurements of defined benefit plans:						
Amount incurred during the year	(1,057)	447	(610)	(402)	(73)	(475)
Net changes	(1,057)	447	(610)	(402)	(73)	(475)
Net changes in revaluation of equity instruments designated as measured at fair value through other comprehensive income:						
Amount incurred during the year	597	(62)	535	(1,048)	285	(763)
Net changes	597	(62)	535	(1,048)	285	(763)
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translating foreign operations:						
Amount incurred during the year	15,519	—	15,519	(12,581)	—	(12,581)
Reclassification to profit or loss	—	—	—	—	—	—
Net changes	15,519	—	15,519	(12,581)	—	(12,581)
Share of other comprehensive income of investments accounted for using the equity method:						
Amount incurred during the year	(186)	—	(186)	(182)	—	(182)
Reclassification to profit or loss	—	—	—	—	—	—
Net changes	(186)	—	(186)	(182)	—	(182)
Net changes in revaluation of debt instruments measured at fair value through other comprehensive income						
Share of other comprehensive income						
Amount incurred during the year	1,589	(338)	1,251	2,484	(518)	1,966
Reclassification to profit or loss	—	—	—	—	—	—
Net changes	1,589	(338)	1,251	2,484	(518)	1,966
Total other comprehensive income	16,462	47	16,509	(11,729)	(306)	(12,035)

The components of other comprehensive income included in non-controlling interests for the consolidated fiscal years ended March 31, 2019 and 2020 are as follows:

(Unit: Millions of yen)

	FYE 2019 (April 1, 2018 to March 31, 2019)	FYE 2020 (April 1, 2019 to March 31, 2020)
Exchange differences on translating foreign operations	(172)	(413)

21. Revenue

(1) Breakdown of revenue

The Group has adopted “IFRS 15 Revenue from Contracts with Customers” and recognizes revenue based on the following five - step approach.

Step 1: Identify the contracts with a customer
Step 2: Identify the performance obligations in the contracts
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to performance obligations
Step 5: Recognize revenue when performance obligations are satisfied

The automotive segment is mainly engaged in manufacturing and sales of automobiles as well as providing services such as maintenance.
For sale of vehicles, revenue is recognized primarily at the time of delivery of the product as we consider that upon delivery the customer obtains control of the product and the performance obligation is satisfied. Maintenance and other service revenue are recognized over a certain period of time. Payment for the sale of a product is generally made within 30 days of the transfer of control of the product to the customer.

The contract with the customer for the sale of the product includes a clause that guarantees that the product complies with the agreed specifications and the Group recognizes the provision for product warranty for the costs related to that warranty. For details of the provision for product warranty, please refer to "3. Significant Accounting Policies (12) Provisions 2. Provision for product warranty".

The aerospace segment has contracts with customers. Revenue from contract construction is recognized based on the progress of performance obligations. The progress is measured by an input method based on the costs incurred. Payments for contracts are generally made in stages based on the contracts with customers.

As described in “6. Segment Information” in the notes to the consolidated financial statements, the Group's business segment is classified into three categories: automotive, aerospace, and others. Revenue is broken down by region based on the location of the customer. The relationship between these disaggregated revenues and the revenue of each reportable segment is as follows:

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

(Unit: Millions of yen)

	Automotive	Aerospace	Others*3	Total
Revenue from contracts with customers				
Japan	527,606	45,638	5,402	578,646
North America	2,101,390	88,261	5,248	2,194,899
Europe	100,289	243	52	100,584
Asia	116,267	2	41	116,310
Others	145,094	—	126	145,220
Total	2,990,646	134,144	10,869	3,135,659
Revenue arising from other sources *2	16,991	—	3,500	20,491
Total	3,007,637	134,144	14,369	3,156,150

Note: 1. The amounts mentioned above reflect elimination of internal transactions.
2. Revenue recognized from other sources includes lease revenue of products that are accounted for in accordance with "IFRS 16 Leases", etc.
3. Other segment includes real estate leasing business, etc.

FYE 2020 (April 1, 2019 to March 31, 2020)

(Unit: Millions of yen)

	Automotive	Aerospace	Others	Total
Revenue from contracts with customers				
Japan	506,405	46,761	4,481	557,647
North America	2,313,306	95,297	55	2,408,658
Europe	116,143	83	16	116,242
Asia	106,360	—	5	106,365
Others	135,674	—	33	135,707
Total	3,177,888	142,141	4,590	3,324,619
Revenue arising from other sources *2	16,061		3,429	19,490
Total	3,193,949	142,141	8,019	3,344,109

Note: 1. The amounts mentioned above reflect elimination of internal transactions.
2. Revenue recognized from other sources includes lease revenue of products that are accounted for in accordance with "IFRS 16 Leases", etc.
3. Other segment includes real estate leasing business, etc.

(2) Contract balances

The balances of receivables, contract assets and contract liabilities arising from contracts with customers as of April 1, 2018 and March 31, 2019 and 2020:

(Unit: Millions of yen)

	Transition date (April 1, 2018)	FYE 2019 (as of March 31, 2019)	FYE 2020 (as of March 31, 2020)
Receivables included in Trade and other receivables	89,887	108,708	105,522
Contract assets included in Trade and other receivables	30,471	22,469	27,415
Contract liabilities included in other current liabilities	88,706	102,059	111,900
Contract liabilities included in other non-current liabilities	136,480	159,233	175,321

The contract assets mainly relate to the Group's right to the consideration for the work of contracts for aircraft production and periodic repairs in the aerospace business that have been recognized based on measurement of progress. Contract assets are transferred to receivables when all deliveries of such construction are completed. The contract liability mainly relates to contracts with defense industries in the aerospace business for which revenue is recognized upon completion of aircraft production and periodic repairs, as well as advance consideration received from customer for contracts.

Of the revenues recognized in the consolidated fiscal year ended March 31, 2020, the amount included in the contract liability balance at the beginning of the consolidated fiscal year was 70,441 million yen, and the amount in the consolidated fiscal year ended March 31, 2019 was 57,460 million yen.

The amount of revenue recognized in the consolidated fiscal year ended March 31, 2020 from performance obligations satisfied (or partially satisfied) in past periods is immaterial.

(3) Transaction price allocated to the remaining performance obligations

Breakdown of the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) and revenue expected to be recognized for each period are as follows:

There are no significant amounts that are not included in the transaction price among the consideration arising from contracts with customers. In addition, as a practical expedient, transactions whose expected contract periods are equal to or less than one year on an individual basis are not included in the following breakdown calculation.

(Unit: Millions of yen)

	FYE 2019 (as of March 31, 2019)	FYE 2020 (as of March 31, 2020)
Within 1 year	203,471	175,357
Over 1 year	330,559	339,110
Total	534,030	514,467

(4) Costs to fulfill a contract with a customer or costs of obtaining a contract recognized as assets

The Group has no material incremental costs of obtaining a contract or costs to fulfill a contract that should be recognized as assets.

22. Selling, general and administrative expenses

The breakdown of selling, general and administrative expenses is as follows:

(Unit: Millions of yen)

	FYE 2019 (April 1, 2018 to March 31, 2019)	FYE 2020 (April 1, 2019 to March 31, 2020)
Advertising expenses	84,385	83,807
Salary and bonus	71,792	73,245
Depreciation and amortization expenses	24,873	26,424
Transportation and warehousing expenses	22,236	20,911
Others	95,589	103,840
Total	298,875	308,227

23. Other income and other expenses

(1) Other income

Breakdown of other income is as follows:

(Unit: Millions of yen)

	FYE 2019 (April 1, 2018 to March 31, 2019)	FYE 2020 (April 1, 2019 to March 31, 2020)
Gain on settlement of factory shutdown related costs	—	2,534
Gain on transfer of business	1,294	—
Gain on sales of property, plant and equipment	1,151	2,141
Revenue from investment property	493	392
Government grants	370	—
Others	3,423	2,684
Total	6,731	7,751

(2) Other expenses

Breakdown of other expenses is as follows:

(Unit: Millions of yen)

	FYE 2019 (April 1, 2018 to March 31, 2019)	FYE 2020 (April 1, 2019 to March 31, 2020)
Loss on sales of property, plant and equipment	5,610	5,376
Expenses related to factory shut down	2,532	—
Others	7,697	6,650
Total	15,839	12,026

24. Finance Income and Finance Costs

(1) Finance income

Finance income for the consolidated fiscal years ended March 31, 2019 and 2020 consist of the following:

(Unit: Millions of yen)

	FYE 2019 (April 1, 2018 to March 31, 2019)	FYE 2020 (April 1, 2019 to March 31, 2020)
Interest income:		
Financial assets measured at amortized cost	9,251	9,976
Debt instruments measured at fair value through other comprehensive income	3,043	2,457
Gains (losses) on derivatives:		
Financial assets and financial liabilities measured at fair value through profit or loss	—	919
Dividends received:		
Equity instruments measured at fair value through other comprehensive income	1,244	918
Others	163	1,574
Total	13,701	15,844

(2) Finance cost

Finance costs for the consolidated fiscal years ended March 31, 2019 and 2020 consist of the following:

(Unit: Millions of yen)

	FYE 2019 (April 1, 2018 to March 31, 2019)	FYE 2020 (April 1, 2019 to March 31, 2020)
Interest expense:		
Financial liabilities measured at amortized cost	732	786
Lease liabilities	1,076	1,019
Gains (losses) on derivatives:		
Financial assets and financial liabilities measured at fair value through profit or loss	6,993	—
Gains (losses) on foreign exchange	221	12,901
Gains (losses) on investment trust		
Debt instruments measured at fair value through profit or loss	—	3,412
Others	377	389
Total	9,399	18,507

25. Notes on Income Taxes

(1) Income Taxes

1. Income tax expense recognized in profit or loss

(Unit: Millions of yen)

	FYE 2019 (April 1, 2018 to March 31, 2019)	FYE 2020 (April 1, 2019 to March 31, 2020)
Current income tax expense		
Current year	54,214	38,707
Prior year adjustment	1,748	1,064
Total current income tax expense	55,962	39,771
Deferred income tax expense		
Recognition and reversal of temporary differences	(12,180)	14,563
Write-down of deferred tax asset	1,455	731
Total deferred income tax	(10,725)	15,294
Total	45,237	55,065

2. Reconciliation between the statutory income tax rate and the average effective tax rate

The statutory income tax rate in Japan for the consolidated fiscal years ended March 31, 2019 and 2020 is 30.5%. The tax rates for the foreign subsidiaries are calculated based on the general tax rate in each tax jurisdiction.

(Unit: Millions of yen)

	FYE 2019 (April 1, 2018 to March 31, 2019)	FYE 2020 (April 1, 2019 to March 31, 2020)
Statutory income tax rate	30.5%	30.5%
Permanently non-deductible items	0.3%	0.6%
Tax credits for testing and research expenses	(4.9)%	(1.7)%
Modification and refund of income taxes for prior periods	0.9%	0.5%
Difference in statutory income tax rates of foreign subsidiaries	(1.8)%	(2.6)%
Changes in unrecognized deferred tax assets	0.6%	0.4%
Others	(1.3)%	(1.2)%
Average effective tax rate after applying tax effect accounting	24.3%	26.5%

(2) Deferred Tax Assets and Deferred Tax Liabilities

1. The components by major factor in deferred tax assets and deferred tax liabilities

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

(Unit: Millions of yen)

	Beginning balance	Recognized in profit or loss	Recognized in other comprehen sive income	Others (translation gains and losses, etc.)	Ending balance
Deferred tax assets					
Unrealized profit on inventories	18,862	(3,377)	―	―	15,485
Retirement benefit liabilities	21,764	1,108	444	290	23,606
Depreciation of fixed assets	8,585	87	―	―	8,672
Provisions	82,581	21,247	―	875	104,703
Inventories	2,737	(650)	―	40	2,127
Accrued business tax	2,843	(2,436)	―	―	407
Others	53,017	392	―	(614)	52,795
Total deferred tax assets	190,389	16,371	444	591	207,795
Deferred tax liabilities					
Depreciation of fixed assets	17,206	5,373	―	642	23,221
Deferred income of overseas subsidiaries	16,441	2,821	―	736	19,998
Financial assets measured at fair value through other comprehensive income	3,595	―	400	(1,052)	2,943
Reserve for advanced depreciation	1,690	(72)		―	1,618
Net defined benefit assets	527	(344)	(3)	―	180
Intangible assets	38,288	(2,088)	―	―	36,200
Others	744	(44)	―	―	700
Total deferred tax liabilities	78,491	5,646	397	326	84,860
Net deferred tax assets (liabilities)	111,898	10,725	47	265	122,935

FYE 2020 (April 1, 2019 to March 31, 2020)

(Unit: Millions of yen)

	Beginning balance	Recognized in profit or loss	Recognized in other comprehen sive income	Others (translation gains and losses, etc.)	Ending balance
Deferred tax assets					
Unrealized profit on inventories	15,485	1,835	—	—	17,320
Retirement benefit liabilities	23,606	2,074	(73)	(127)	25,480
Depreciation of fixed assets	8,672	1,111	—	—	9,783
Provisions	104,703	(7,909)	—	(268)	96,526
Inventories	2,127	(63)	—	(11)	2,053
Accrued business tax	407	(173)	—	—	234
Others	52,795	(2,158)	—	(2,239)	48,398
Total deferred tax assets	207,795	(5,283)	(73)	(2,645)	199,794
Deferred tax liabilities					
Depreciation of fixed assets	23,221	3,248	—	(385)	26,084
Deferred income of overseas subsidiaries	19,998	(1,730)	—	(394)	17,874
Financial assets measured at fair value through other comprehensive income	2,943	—	233	(1,304)	1,872
Reserve for advanced depreciation	1,618	87	—	—	1,705
Net defined benefit assets	180	(180)	—	—	—
Intangible assets	36,200	7,801	—	—	44,001
Others	700	785	—	—	1,485
Total deferred tax liabilities	84,860	10,011	233	(2,083)	93,021
Net deferred tax assets (liabilities)	122,935	(15,294)	(306)	(562)	106,773

Deferred tax assets and liabilities recognized in the consolidated statement of financial position are as follows:

(Unit: Millions of yen)

	Transition date (April 1, 2018)	FYE 2019 (as of March 31, 2019)	FYE 2020 (as of March 31, 2020)
Deferred tax assets	114,625	127,523	118,487
Deferred tax liabilities	2,727	4,588	11,714
Net deferred tax assets (liabilities)	111,898	122,935	106,773

2. Deductible temporary differences and carryforward of unused tax losses for which deferred tax assets are not recognized are as follows. Deductible temporary differences and carryforward of unused tax losses are presented on a tax amount basis.

(Unit: Millions of yen)

	Transition date (April 1, 2018)	FYE 2019 (as of March 31, 2019)	FYE 2020 (as of March 31, 2020)
Deductible temporary differences	856	1,737	3,017
Carryforward of unused tax losses	211	458	218
Total	1,067	2,195	3,235

3. The components by expiry of the carryforward of unused tax losses for which deferred tax assets are not recognized are as follows. The following amounts are presented on a tax amount basis.

(Unit: Millions of yen)

	Transition date (April 1, 2018)	FYE 2019 (as of March 31, 2019)	FYE 2020 (as of March 31, 2020)
Within 1 year	1	0	—
Within 2 years	0	—	10
Within 3 years	—	10	48
Within 4 years	11	238	—
Over 5 years	199	210	160
Total	211	458	218

4. For the consolidated fiscal years ended March 31, 2019 and 2020, the Group does not recognize deferred tax liabilities for future taxable temporary differences related to the investment in subsidiaries. This is because the Group can control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. The temporary differences related to the investment in subsidiaries for which deferred tax liabilities are not recognized as of April 1, 2018 and March 31, 2019 and 2020 are 488,029 million yen, 554,110 million yen and 650,257 million yen, respectively.

26. Earnings per Share

Basis for calculation of Earnings Per Share

Earnings per share attributable to owners of the parent for the consolidated fiscal years ended March 31, 2019 and 2020 are calculated based on the following information. There were no potentially dilutive common shares outstanding for the consolidated fiscal years ended March 31, 2019 and 2020.

	FYE 2019 (April 1, 2018 to March 31, 2019)	FYE 2020 (April 1, 2019 to March 31, 2020)
Profit for the year attributable to owners of the parent (million yen)	141,418	152,587
Weighted average number of common shares outstanding, basic (thousands of shares)	766,749	766,799
Basic earnings per share attributable to owners of the parent (yen)	184.44	198.99

27. Dividends

1. Dividend payout

The amounts of dividends paid are as follows:

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

Resolution	Type of shares	Total amount of dividends (yen)	Dividend per share (yen)	Record date	Effective date	Source for dividend
The 87th Ordinary General Meeting of Shareholders on June 22, 2018	Common shares	55,233	72.0	March 31, 2018	June 25, 2018	Retained earning
The Board of Directors Meeting on November 5, 2018	Common shares	55,236	72.0	September 30, 2018	December 5, 2018	Retained earning

FYE 2020 (April 1, 2019 to March 31, 2020)

Resolution	Type of shares	Total amount of dividends (yen)	Dividend per share (yen)	Record date	Effective date	Source for dividend
The 88th Ordinary General Meeting of Shareholders on June 21, 2019	Common shares	55,236	72.0	March 31, 2019	June 24, 2019	Retained earning
The Board of Directors Meeting on November 6, 2019	Common shares	55,240	72.0	September 30, 2019	December 3, 2019	Retained earning

2. Dividends payable for the case when resolution made on or after April 1, 2020

Dividends payable for the case when the record date is in the consolidated fiscal year ended March 31, 2020, effective on or after April 1, 2020 is as follows:

Resolution	Type of shares	Total amount of dividends (yen)	Dividend per share (yen)	Record date	Effective date	Source for dividend
The 89th Ordinary General Meeting of Shareholders on June 23, 2020	Common shares	21,482	28.0	March 31, 2020	June 24, 2020	Retained earning

28. Cash Flow Information

(1) Reconciliation of liabilities arising from financing activities

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

(Unit: Millions of yen)

	Beginning balance	Cash flow	Non-cash changes			Ending balance
			Acquisitions	Changes in foreign currency exchange rates	Others	
Short-term borrowings	26,333	(17,482)	—	(248)	(921)	7,682
Long-term borrowings	64,120	31,918	—	—	6	96,044
Lease liabilities	82,913	(45,741)	63,071	(25)	—	100,218
Total	173,366	(31,305)	63,071	(273)	(915)	203,944

FYE 2020 (April 1, 2019 to March 31, 2020)

(Unit: Millions of yen)

	Beginning balance	Cash flow	Non-cash changes			Ending balance
			Acquisitions	Changes in foreign currency exchange rates	Others	
Short-term borrowings	7,682	(2,400)	—	(147)	(382)	4,753
Long-term borrowings	96,044	98,408	—	—	5	194,457
Bonds	—	40,000	—	—	—	40,000
Lease liabilities	100,218	(41,230)	23,636	(174)	—	82,450
Total	203,944	94,778	23,636	(321)	(377)	321,660

29. Financial Risk Management

(1) Risk Management

The Group's business activities are affected by the business environment and the financial market environment. Financial instruments held or assumed during the course of the business activities are subject to inherent risks. The risks include (1) credit risk, (2) liquidity risk and (3) market risk.

The Group establishes an internal management system and implements crisis management to minimize the impact on the Group's financial condition and business performance using financial instruments.

Specifically, the Group manages those risks according to the following methods.

(2) Credit Risk

(a) Credit risk of financial assets held by the Group

Credit risk is the risk that a party to a financial instrument defaults on its contractual obligations and causes a financial loss for the Group. Specifically, the Group is exposed to the following credit risks:

1. The Group's trade receivables, lease receivables, contract assets and other receivables are exposed to the credit risk of customers and counterparties.
2. Bonds and other securities held to manage surplus funds are exposed to the credit risk of the issuers.
3. Derivative transactions conducted by the Group for the purpose of hedging foreign exchange and interest rate risks as well as banking transactions are exposed to the credit risk of the financial institutions that are counterparties to the transactions."

(b)The Group's response to the risks

Regarding credit risk of customers, the Group has a system where the due date and balances of each customer are managed and the credit status is monitored in accordance with the credit management standards of each company.

For receivables except for trade receivables, lease receivables and contract assets, the Group determines that the credit risk of a financial asset has increased significantly since initial recognition if the financial asset is 30 days or more past the contractual due date (including a request for a grace period) after the transaction date.

However, the Group does not determine that the credit risk has increased significantly if it is due to temporary demand for funds and the risk of default is low and it is obvious that the customer has the ability to meet contractual cash flow obligations in the near future based on objective data such as external ratings even if there is a delay in payment and a request for a grace period.

For debt instruments recorded as securities, the Group determines that the credit risk has increased significantly from initial recognition if the credit risk is not assessed to be low based on the rating information provided by the major rating agencies.

Expected credit losses are measured and recognized based on financial information available during the transaction and credit risk management processes, taking into account macroeconomic conditions such as the number of bankruptcies and material changes in the actual or expected performance of the debtor.

If the debtor does not pay within 90 days after the due date or the debtor commences legal liquidation proceedings due to bankruptcy, etc., it is determined as a default

If there is a default, or if there is evidence of impairment of the issuer or debtor, such as significant financial difficulties, it is determined that the credit is impaired. The Group directly reduces the gross carrying amount of a financial asset when the Group has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof and determines that write-off is appropriate based on a credit check.

Even if a financial asset is written down, the collection activities are continued for fulfillment and the amounts collected are recorded in profit or loss.

The Group's receivables do not have a significant concentration of credit risk on a particular business partner or group of business partners.

Since the Group conducts derivative transactions and banking transactions only with financial institutions with high creditworthiness, there is little credit risk due to the default of the counterparties. In addition, the Group conducts surplus investment and derivative transactions only with highly rated financial institutions in order to reduce the occurrence of credit risk beforehand. The finance and accounting department obtains the approval by the applicable person set forth in the authority rules for each case based on each company's internal rules and related policies that define the details.
There are few past due receivables.

Aggregation of the net carrying value of financial assets and the amount of guarantee obligation recognized in the consolidated statement of financial position without taking into account the value of the collateral received as credit enhancement is the maximum exposure to credit risk.
The Group generally holds on products that have been sold as collateral for operating loans to customers.

(Measurement of expected credit losses on other receivables and debt instruments)
If the credit risk on other receivables and debt securities is not found to have increased significantly since initial recognition as of the closing date, the Group calculates the loss allowance for the financial instruments by estimating the 12-month expected credit losses using grouping by similar credit risk characteristics and based on historical credit loss experience and forecast information.
On the other hand, if the credit risk is found to have increased significantly since initial recognition as of the closing date, the Group calculates the loss allowance by estimating the lifetime expected credit losses for the collection of the financial instrument based on historical credit loss experience and forecast information.

(Measurement of expected credit losses on trade receivables, lease receivables, and contract assets)
For all trade receivables, lease receivables and contract assets, the loss allowance is calculated based on the lifetime expected credit losses until the trade receivables, lease receivables or contract assets, as applicable, are collected using a simplified approach and grouping by similar credit risk characteristics.
For trade receivables, the loss allowance is calculated by estimating the lifetime expected credit losses based on historical bad debt experience and forecast information on the age of receivables for each trade receivable.

(Unit: Millions of yen)

	Loss allowance for expected credit loss measured at an amount equal to 12-month expected credit losses	Loss allowance for expected credit loss measured at an amount equal to the lifetime expected credit losses			Total
		Assets that are not credit-impaired financial assets	Credit-impaired financial assets	Operating receivables, lease receivables, contract assets, etc.	
Transition date (April 1, 2018)	12	252	3,249	189	3,702
Increase during the period (provision)	21	50	22	25	118
Decrease during the period (intended use)	—	(38)	(13)	(59)	(110)
Others*1	—	—	(100)	(17)	(117)
FYE 2019 (Balance as of March 31, 2019)	33	264	3,158	138	3,593
Increase during the period (provision)	7	88	53	21	169
Decrease during the period (intended use)	(21)	(57)	(2,670)	—	(2,748)
Others*1	(3)	—	(51)	—	(54)
FYE 2020 (Balance as of March 31, 2020)	16	295	490	159	960

Note: 1. Others mainly include the reversal of loss allowance due to collection.
2. All debt instruments measured at fair value through other comprehensive income have high credit ratings and no material provisions are recognized for them.

Guarantee contract

The Group mainly provides guarantees to subsidiaries' business partners, but credit risk is not included in the above table because it is limited and immaterial.

The amount of the guarantees is described in “35. Contingencies”.

(3) Market risk

1) Foreign currency exchange risk

(Foreign currency exchange risk management)

The Group hedges foreign currency fluctuation risks of trade receivables and payables denominated in foreign currencies that are identified by currency and by month by using, in principle, forward exchange contracts and currency options. Depending on the exchange rate situation, forward exchange contracts and other transactions are used against the net position of trade receivables and trade payables denominated in foreign currencies for a maximum of six months.

(Currency sensitivity analysis)

Sensitivity analysis of the foreign currency exchange risk associated with financial instruments held by the Group and its subsidiaries at the end of the consolidated fiscal years ended March 31, 2019 and 2020 is as follows. The following scenario demonstrates the impact of a 1% appreciation (increase) of the Japanese yen against the US dollar on profit after tax, holding all variables other than the foreign currency exchange rate as constant, for foreign exchange risk exposure arising from deposits, trade receivables and payables denominated in foreign currencies of which foreign exchange differences are recognized at the end of the consolidated fiscal year in profit or loss.

(Unit: Millions of yen)

	Transition date (April 1, 2018)	FYE 2019 (as of March 31, 2019)	FYE 2020 (as of March 31, 2020)
Impact on profit after income taxes	(1,557)	(1,112)	(888)

(4) Liquidity Risk

Liquidity Risk Management

"The Group raises funds by borrowings from financial institutions and corporate bonds. The Group is exposed to a risk that the Group would not be able to repay liabilities by the due date in the event of disruptions of financial system and financial markets or a significant reduction of credit rating by rating agencies. (Hereinafter referred to as "Liquidity risk".)

In order to ensure liquidity and stability, the Group has sufficient cash and cash equivalents as well as maintains liquidity that satisfies the level of cash required by entering into commitment line agreements, etc. with major financial institutions.

The unused portions of the committed lines are as follows:

(Unit: Millions of yen)

	Transition date (April 1, 2018)	FYE 2019 (as of March 31, 2019)	FYE 2020 (as of March 31, 2020)
Specified commitment line contract	237,441	229,652	213,825

(Maturity analysis of financial liabilities)

1) Non-derivative financial liabilities

Non-derivative financial liabilities by maturity as of April 1, 2018 and March 31, 2019 and 2020 are as follows:

Transition date (April 1, 2018)

(Unit: Millions of yen)

	Carrying amount	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total contractual cash flows
Trade and other payables	435,929	435,929	—	—	—	—	—	435,929
Financing liabilities	90,453	69,445	7,900	7,312	4,130	1,390	463	90,641
Other financial liabilities	107,718	39,915	12,556	6,551	6,362	4,713	45,877	115,974
Total	634,100	545,289	20,455	13,863	10,492	6,103	46,340	642,544

FYE 2019 (as of March 31, 2019)

(Unit: Millions of yen)

	Carrying amount	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total contractual cash flows
Trade and other payables	404,395	404,395	—	—	—	—	—	404,395
Financing liabilities	103,726	15,389	7,460	15,103	51,326	9,915	5,013	104,206
Other financial liabilities	123,415	49,964	17,090	6,387	4,244	4,174	42,673	124,532
Total	631,536	469,748	24,550	21,490	55,570	14,089	47,686	633,133

FYE 2020 (as of March 31, 2020)

(Unit: Millions of yen)

	Carrying amount	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total contractual cash flows
Trade and other payables	336,223	336,223	—	—	—	—	—	336,223
Financing liabilities	239,210	12,538	15,353	51,502	45,666	56,208	59,854	241,121
Other financial liabilities	109,953	42,098	13,175	5,617	5,401	6,522	43,617	116,430
Total	685,386	390,859	28,528	57,119	51,067	62,730	103,471	693,774

Financial guarantee contracts cause payment obligation on the basis of demand for performance. Guarantees to the clients are described in “35. Contingencies”.

2) Derivative financial liabilities

Derivative financial liabilities by maturity as of April 1, 2018 and March 31, 2019 and 2020 are as follows:

Transition date (April 1, 2018)

(Unit: Millions of yen)

	Carrying amount	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total contractual cash flows
Revenue	—	42,022	—	—	—	—	—	42,022
Expenditure	—	(42,183)	—	—	—	—	—	(42,183)
Derivative financial liabilities	(162)	(161)	—	—	—	—	—	(161)

FYE 2019 (as of March 31, 2019)

(Unit: Millions of yen)

	Carrying amount	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total contractual cash flows
Revenue	—	103,152	—	—	—	—	—	103,152
Expenditure	—	(105,199)	(5)	(5)	(5)	—	—	(105,214)
Derivative financial liabilities	(2,062)	(2,047)	(5)	(5)	(5)	—	—	(2,062)

FYE 2020 (as of March 31, 2020)

(Unit: Millions of yen)

	Carrying amount	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total contractual cash flows
Revenue	—	149,702	—	—	—	—	—	149,702
Expenditure	—	(151,702)	(9)	(9)	(6)	(2)	—	(151,728)
Derivative financial liabilities	(2,028)	(2,000)	(9)	(9)	(6)	(2)	—	(2,026)

30. Fair Value

(1) Definition of Fair Value Hierarchy

The Group uses a three-level hierarchy system when measuring fair value. The following is a description of the three levels of hierarchy:

Level 1: Quoted prices in active markets for identical assets or liabilities that the Group has the ability to access as of the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly

Level 3: Unobservable inputs for the assets or liabilities

(2) Method of Fair Value Measurement

The fair values of assets and liabilities are determined based on relevant market information and through the use of an appropriate valuation method.

The measurement methods and assumptions used in the measurement of assets and liabilities are as follows:

(Cash and cash equivalents, Trade and other receivables, Trade and other payables)

Cash and cash equivalents, Trade and other receivables, and Trade and other payables are measured at amortized cost. Lease receivables are measured in accordance with IFRS 16.

The fair value of operating loans and lease receivables is calculated based on the present value of the receivables discounted by the interest rate, taking into account the maturity period and credit risk, for each receivable classified by a certain period. Therefore, fair value measurements are classified as Level 3 because credit risks are not observable.

The fair values of financial assets other than lease receivables and operating loans approximate their carrying amounts of those financial assets due to their short-term maturities.

(Other debt instruments)

Debt instruments (instruments measured at amortized cost) consist mainly of Commercial paper and negotiable certificates of deposit. Debt securities (instruments measured at fair value) consist mainly of government bonds, corporate bonds, medium-term notes, and investment trust.

The fair value of government bonds and investment trust with an active market is measured by using quoted market prices. Fair value measurement for government bonds is classified as Level 1.

The fair value of other debt instruments except for the instruments mentioned above is measured based on the proprietary pricing models provided by financial institutions using observable inputs in the market such as credit ratings and discount rates. Fair value measurements for other debt instruments are classified as Level 2.

Other debt instruments are reported as other financial assets (current).

(Equity instruments)

Equity instruments consist mainly of stocks.

The fair value of equity instruments with an active market is measured by using quoted market prices.

Fair value measurement for equity instruments with an active market is classified as Level 1.

As a general rule, the fair value of equity instruments with no active market is measured mainly by using the comparable company valuation method and other appropriate valuation methods. Fair value measurement for equity instruments with no active market is classified as Level 3.

Equity instruments are reported as other financial assets (non-current).

Such fair value measurements are conducted in accordance with the Group accounting policy approved by the appropriate person of authority and based upon valuation methods determined by an accountant of the Group.

(Financing liabilities)

Financing liabilities are measured at amortized cost. However, borrowings recognized in securitization transactions of accounts receivable using trusts are measured in accordance with IFRS 9.The fair value of financing liabilities is measured by discounting future cash flows using interest rates currently available for liabilities of similar terms and remaining maturities. Fair value measurement for financing liabilities is mainly classified as Level 2.

(Derivatives)

Derivatives consist mainly of foreign currency forward exchange contracts, foreign currency option contracts and interest rate swap agreements.

The fair values of derivatives are measured based on observable inputs such as foreign exchange rates and quoted prices obtained from the financial institutions. Fair value measurements for these derivatives are classified as Level 2.

Derivatives are reported as other financial assets (current) or other financial liabilities (current).

(Other financial liabilities)

Other financial liabilities other than derivatives mainly include liabilities related to chargeable subcontracting. Liabilities related to chargeable subcontracting are measured at amortized cost.

Lease liabilities are measured in accordance with IFRS 16.

(3) Assets and Liabilities Measured at Fair Value on a recurring basis

Transition date (April 1, 2018)

(Unit: Millions of yen)

	Level 1	Level 2	Level 3	Total
Other financial assets				
Financial assets measured at fair value through profit or loss:				
Derivatives				
Foreign exchange instruments	—	5,339	—	5,339
Debt instruments	—	791	—	791
Total	—	6,130	—	6,130
Financial assets measured at fair value through other comprehensive income:				
Equity instruments	33,773	—	4,428	38,201
Debt instruments	46,965	51,914	—	98,879
Total	80,738	51,914	4,428	137,080
Total	80,738	58,044	4,428	143,210
Other financial liabilities:				
Financial liabilities measured at fair value through profit or loss:				
Derivatives				
Foreign exchange instruments	—	162	—	162
Total	—	162	—	162

FYE 2019 (as of March 31, 2019)

(Unit: Millions of yen)

	Level 1	Level 2	Level 3	Total
Other financial assets				
Financial assets measured at fair value through profit or loss:				
Derivatives				
Foreign exchange instruments	—	246	—	246
Debt instruments	—	490	—	490
Total	—	736	—	736
Financial assets measured at fair value through other comprehensive income:				
Equity instruments	31,478	—	4,703	36,181
Debt instruments	64,289	56,521	—	120,810
Total	95,767	56,521	4,703	156,991
Total	95,767	57,257	4,703	157,727
Other financial liabilities:				
Financial liabilities measured at fair value through profit or loss:				
Derivatives				
Foreign exchange instruments	—	2,062	—	2,062
Total	—	2,062	—	2,062

FYE2020 (as of March 31, 2020)

(Unit: Millions of yen)

	Level 1	Level 2	Level 3	Total
Other financial assets				
Financial assets measured at fair value through profit or loss:				
Derivatives				
Foreign exchange instruments	—	1,131	—	1,131
Debt instruments	21,134	351	—	21,485
Total	21,134	1,482	—	22,616
Financial assets measured at fair value through other comprehensive income:				
Equity instruments	4,104	—	4,818	8,922
Debt instruments	64,688	68,141	—	132,829
Total	68,792	68,141	4,818	141,751
Total	89,926	69,623	4,818	164,367
Other financial liabilities:				
Financial liabilities measured at fair value through profit or loss:				
Derivatives				
Foreign exchange instruments	—	2,028	—	2,028
Total	—	2,028	—	2,028

The Group recognizes the transfers between the levels of the fair value hierarchy at the end of the day on which an event or change in conditions that causes the transfer has occurred.
There were no material transfers between the levels.

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the consolidated fiscal years ended March 31, 2019 and 2020 are as follows:

(Unit: Millions of yen)

	FYE 2019 (April 1, 2018 to March 31, 2019) Capital financial assets	FYE 2020 (April 1, 2019 to March 31, 2020) Capital financial assets
Beginning balance	4,428	4,703
Total gains or losses:		
Profit or loss	–	–
Other comprehensive income	275	115
Purchases	–	–
Sales	–	–
Exchange differences on translating foreign operations	–	–
Ending Balance	4,703	4,818
Unrealized gains or losses included in profit or loss on assets held at March 31. 2020	–	–

Note: 1. Gains or losses included in profit or loss for the consolidated fiscal years ended March 31, 2019 and 2020 are included in finance income and finance costs in the consolidated statements of income.

2. Gains or losses included in other comprehensive income for the consolidated fiscal years ended March 31, 2019 and 2020 are included in net changes in revaluation of equity instruments designated as measured at fair value through other comprehensive income in the consolidated statements of comprehensive income.

(4) Financial Assets and Financial Liabilities that are not measured at fair value

The carrying amounts and fair values of financial assets and financial liabilities that are not measured at fair value as of April 1, 2018 and March 31, 2019 and 2020 are as follows:

(Unit: Millions of yen)

	Transition date (April 1, 2018)		FYE 2019 (as of March 31, 2019)		FYE 2020 (as of March 31, 2020)	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Trade and other receivables						
Operating loans	156,955	164,248	165,040	172,539	178,492	186,162
Lease receivables	17,202	18,848	14,792	16,456	12,928	14,239
Account receivables and other receivables*1	169,306	–	164,405	–	173,419	–
Other financial asset*1&2	270,975	–	276,800	–	59,736	–
Financing liabilities						
Borrowings	90,453	90,527	103,726	103,754	199,210	199,185
Bonds payables	–	–	–	–	40,000	39,704
Trade and other payables*1	435,929	–	404,395	–	336,223	–
Other financial liabilities*1&3	24,805	–	23,197	–	27,503	–

Note: 1. Disclosure of fair value is omitted because the fair values approximate their carrying amounts due to their short-term maturities

2. Items disclosed in “(3) Assets and Liabilities Measured at Fair Value on a recurring basis” are not included.

3. Other financial liabilities do not include derivatives of 162 million yen (April 1, 2018), 2,062 million yen (March 31, 2019) and 2,028 million yen (March 31, 2020) and lease liabilities of 82,913 million yen (April 1, 2018), 100,218 million yen (March 31, 2019) and 82,450 million yen (March 31, 2020).
4. The table does not include cash and cash equivalents, commercial paper and negotiable certificates of deposit measured at amortized cost whose fair values approximate their respective carrying amounts.

(5) Assets and Liabilities Measured at Fair Value on a non-recurring basis
There are no assets and liabilities measured at fair value on a non-recurring basis as of April 1, 2018, and March 31, 2019 and 2020.

31. Transfers of financial assets that do not meet the requirement for derecognition
The Group securitizes a part of its financial assets.

The Group's aerospace company securitizes account receivables through trusts. The Group transfers a part of beneficiary rights, but transferees have recourse to the transferor (the Group).Therefore, we have determined that the Group retains substantially all the risks and rewards of ownership, and the transfer of beneficiary rights is accounted for as a financing transaction.

Transferred assets and liabilities for which transferees have recourse are as follows:

(Unit: Millions of yen)

	Transition date (April 1, 2018)		FYE 2019 (as of March 31, 2019)		FYE 2020 (as of March 31, 2020)	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Trade and other receivables	4,251	4,251	3,330	3,330	2,948	2,948
Borrowings	4,251	4,251	3,330	3,330	2,948	2,948

32. Offsetting of Financial Assets and Financial Liabilities

Information about offsetting of financial assets and financial liabilities as of April 1, 2018 and March 31, 2019 and 2020 is as follows:

Transition date (April 1, 2018)

(Unit: Millions of yen)

	Gross amounts of recognized financial assets and financial liabilities	Amounts offset in the consolidated statements of financial position	Net amounts presented in the consolidated statements of financial position	Amounts subject to master netting agreements or similar agreements that do meet offsetting criteria	Net amounts
Other financial assets					
Derivatives	5,339	—	5,339	(162)	5,177
Other financial liabilities					
Derivatives	162	—	162	(162)	—

FYE 2019 (as of March 31, 2019)

(Unit: Millions of yen)

	Gross amounts of recognized financial assets and financial liabilities	Amounts offset in the consolidated statements of financial position	Net amounts presented in the consolidated statements of financial position	Amounts subject to master netting agreements or similar agreements that do meet offsetting criteria	Net amounts
Other financial assets					
Derivatives	246	—	246	(246)	—
Other financial liabilities					
Derivatives	2,062	—	2,062	(246)	1,816

FYE 2020 (as of March 31, 2020)

(Unit: Millions of yen)

	Gross amounts of recognized financial assets and financial liabilities	Amounts offset in the consolidated statements of financial position	Net amounts presented in the consolidated statements of financial position	Amounts subject to master netting agreements or similar agreements that do meet offsetting criteria	Net amounts
Other financial assets					
Derivatives	1,131	—	1,131	(1,131)	—
Other financial liabilities					
Derivatives	2,028	—	2,028	(1,131)	897

Amounts that do not meet offsetting criteria are financial assets and financial liabilities subject to enforceable master netting agreements that the Group does not intend to settle on a net basis.

33. Commitment

The following table shows commitments for the purchase of assets after the transition date and at the end of the reporting period:

(Unit: Millions of yen)

	Transition date (April 1, 2018)	FYE 2019 (as of March 31, 2019)	FYE 2020 (as of March 31, 2020)
Purchase of property, plant and equipment	21,028	30,073	34,481

34. Leases

1. Information as Lessee

(1) Information as Lessee

(Unit: Millions of yen)

	FYE 2019 (as of March 31, 2019)	FYE 2020 (as of March 31, 2020)
Real estate	7,376	6,778
Machinery	1,390	1,447
Vehicles	10	11
Tools	37,955	36,528
Total depreciation charge for right-of-use assets	46,731	44,764
Interest expense on lease liabilities	1,076	1,019
Lease expenses with the exemption of short-term lease*1	1,658	1,855
Lease expenses with the exemption of leases of low-value assets*2	1,385	1,040
Total lease expense (net)	50,850	48,678
Total cash outflow for leases	49,860	45,144

There is no material income from sub-leasing of right-of-use assets.

Note: 1. The Group applies IFRS 16.6 to short-term leases.
2. The Group applies IFRS 16.6 to leases of low-value assets.
3. For increase in right-of-use assets, please refer to "11.Property, plant and equipment".

(Unit: Millions of yen)

	Transition date (April 1, 2018)	FYE 2019 (as of March 31, 2019)	FYE 2020 (as of March 31, 2020)
Real estate	42,436	43,121	45,123
Machinery	15,115	16,094	14,577
Vehicles	38	49	38
Tools	30,825	53,328	40,080
Total carrying amount of right-of-use assets	88,414	112,592	99,818

(2) Maturity analysis of lease liabilities

(Unit: Millions of yen)

	Total	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	After 5 years
Transition date (April 1, 2018)	92,348	26,559	10,364	5,511	4,977	4,703	40,234
FYE 2019 (as of March 31, 2019)	109,692	37,396	15,892	5,565	5,061	4,812	40,966
FYE 2020 (as of March 31, 2020)	89,897	24,834	9,367	5,598	5,313	4,845	39,940

Management policy for Liquidity Risk
Exposure to liquidity risk is managed by maintaining sufficient capital resources, a sufficient level of liquidity and a sound balance sheet.

(3) The nature of the lessee's leasing activities
The Group is the lessee under several operating leases, primarily for production tools such as molds, and network equipment and devices, as well as for real estate such as stores, company-owned houses and warehouses for the automotive business.

(4) Future cash outflows to which the lessee is potentially exposed and which are not reflected in the measurement of lease liabilities
There are no material future cash outflows to which the lessee is potentially exposed and which are not reflected in the measurement of lease liabilities.

(5) Restrictions or covenants imposed by leases
There are no restrictions or covenants imposed by leases (e.g. restrictions on dividends, additional borrowings and additional leases).

(6) Variable lease payments
For some lease agreements, the amount of lease payment varies based on the transactions with the counterparties. The amounts of variable lease payments recognized as expenses in the consolidated fiscal years ended March 31, 2019 and 2020 are not material.

2. Information as Lessor
(1) Finance Leases
A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset. All other leases are classified as operating leases.
A lease receivable under a finance lease is recognized at an amount equal to the net investment in the lease at the commencement date.
The Group purchases insurance to cover physical damages to vehicles.

(i) Lease income

(Unit: Millions of yen)

	FYE 2019 (April 1, 2018 to March 31, 2019)	FYE 2020 (April 1, 2019 to March 31, 2020)
Selling profit or loss	2,646	1,974
Finance income on the net investment in the lease	2,039	1,780

(ii)The nature of the lessor's leasing activities (finance lease)
The Group mainly leases out vehicles under finance leases.

(iii) Significant changes in the carrying amount of the net investment in the lease
Not applicable

(iv) Maturity analysis of the lease payments receivable

(Unit: Millions of yen)

	Transition date (April 1, 2018)	FYE 2019 (as of March 31, 2019)	FYE 2020 (as of March 31, 2020)
Within 1 year	7,964	7,626	6,404
1 to 2 years	5,456	4,175	4,000
2 to 3 years	3,494	2,955	2,489
3 to 4 years	2,322	1,864	1,499
4 to 5 years	1,347	972	970
After 5 years	33	16	4
Total	20,616	17,608	15,366
Unearned financial income	3,809	3,208	2,814
Present value of unguaranteed residual value	395	392	376
The net investment in the lease	17,202	14,792	12,928

(2) Operating Lease

(i) Lease income

(Unit: Millions of yen)

	FYE 2019 (April 1, 2018 to March 31, 2019)	FYE 2020 (April 1, 2019 to March 31, 2020)
Lease income	9,333	8,493

(ii) The nature of the lessor's leasing activities (operating lease)

The Group leases out vehicles and real estates such as office buildings under operating leases.

(iii) Maturity analysis of lease payments

(Unit: Millions of yen)

	Total	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	After 5 years
Transition date (April 1, 2018)	196	125	48	16	6	1	—
FYE 2019 (as of March 31, 2019)	179	120	43	12	3	1	—
FYE 2020 (as of March 31, 2020)	457	305	125	20	5	2	—

The Group purchases insurance to cover physical damages to vehicles.

Most of the amounts disclosed in (i) lease revenues are vehicle rental fees at overseas subsidiaries and real estate rental income from office buildings, etc. Vehicle rental fees are paid in full at the time the contract starts, and the possibility that lessee’s option of cancellation is not exercised by lessee is not secure reasonably as for real estate rental income. Therefore, (iii) the maturity analysis of lease payments does not include the amounts related to those transactions.

35. Contingencies

(1)Guarantees

Guarantees provided by the Group to the clients are as follows:

(Unit: Millions of yen)

	Transition date (April 1, 2018)	FYE 2019 (as of March 31, 2019)	FYE 2020 (as of March 31, 2020)
Customers of SUBARU Canada Inc.	22,207	20,901	29,030
Employees:	7,407	6,308	5,304
Tan Chong Subaru Automotive (Thailand) Co., Ltd.	—	—	1,086
Others	181	100	117
Total	29,795	27,309	35,537

(2) Other Contingencies

Based on the modified agreement between the U.S. subsidiary of Takata Co., Ltd.(Current, TKJP Corporation) and the National Highway Traffic Safety Administration (NHTSA) of the United States dated May 4, 2016, Notification "Extended schedule of the recalls of airbag inflators manufactured by Takata Co., Ltd." released by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) of Japan dated May 27, 2016, and recall policies in other regions including China and Australia in consideration of the request by the U.S. and Japanese authorities, expenses for extension of recall for airbag inflators manufactured by Takata are accrued to the extent that the amount can be reasonably estimated. There is a possibility that additional accrual may be required due to events in the future.

36. Significant subsidiaries

Significant subsidiaries as of March 31, 2020

Name	Address	Capital	Equity Interest	Main Businesses
Fuji Machinery Co., Ltd.	Gunma	480 Million yen	100.0%	Manufacture and sales of automotive parts
Ichitan Co., Ltd.	Gunma	480 Million yen	100.0%	Manufacture and sales of automotive parts
KIRYU INDUSTRY Co., Ltd.	Gunma	400 Million yen	100.0%	Manufacturing of repair parts for Subaru cars, Subaru vehicle rust prevention works, Manufacture of custom-build car, etc.
Subaru Logistics Co., Ltd.	Gunma	96 Million yen	100.0%	Shipping, land freight and warehousing of Subaru vehicles, etc.
H.B.C. Co., Ltd.	Kanagawa	490 Million yen	68.0%	Storing and shipping of Subaru vehicles
Hokkaido Subaru Inc.	Hokkaido	98 Million yen	100.0%	Sales of Subaru vehicles and components
Miyagi Subaru Inc.	Miyagi	80 Million yen	100.0%	Sales of Subaru vehicles and components
Niigata Subaru Inc.	Niigata	100 Million yen	100.0%	Sales of Subaru vehicles and components
Kanagawa Subaru Inc.	Kanagawa	100 Million yen	100.0%	Sales of Subaru vehicles and components
Chiba Subaru Inc.	Chiba	100 Million yen	100.0%	Sales of Subaru vehicles and components
Tokyo Subaru Inc.	Tokyo	100 Million yen	100.0%	Sales of Subaru vehicles and components
Nagoya Subaru Inc.	Aichi	100 Million yen	100.0%	Sales of Subaru vehicles and components
Osaka Subaru Inc.	Osaka	100 Million yen	100.0%	Sales of Subaru vehicles and components
Hiroshima Subaru Inc.	Hiroshima	92 Million yen	100.0%	Sales of Subaru vehicles and components
Fukuoka Subaru Inc.	Fukuoka	50 Million yen	100.0%	Sales of Subaru vehicles and components
Subaru Finance Co., Ltd.	Tokyo	2,000 Million yen	100.0%	Leasing and rental of Subaru vehicles; credit and financing related to Subaru vehicles
Subaru of Indiana Automotive, Inc. (SIA)	US	USD 794,045,000	100.0%	Purchasing of production parts for Subaru vehicles, sales of completed vehicles to Subaru of America Inc. (SOA) and others
Subaru of America, Inc. (SOA)	US	USD 241,000	100.0%	Sales of Subaru manufactured vehicles, Subaru of Indiana Automotive, Inc. (SIA) manufactured vehicles and parts
Subaru Canada, Inc. (SCI)	Canada	CND 30,000,000	100.0%	Sales of Subaru manufactured vehicles, Subaru of Indiana Automotive, Inc. (SIA) manufactured vehicles and parts
Subaru Europe N.V./S.A. (SE)	Belgium	EUR 87,504,000	100.0%	Sales of Subaru vehicles and components
Subaru of China Ltd. (SOC)	Belgium	CNY 187,354,000	60.0%	Sales of Subaru vehicles and components

Name	Address	Capital	Equity Interest	Main Businesses
North American Subaru Inc. (NASI)	US	USD 5,000	100.0%	Technical investigation for Subaru manufactured vehicles, Subaru of Indiana Automotive, Inc. (SIA) manufactured vehicles in North America market, automobile related regulatory compliance in the US
Yusoki Kogyo K.K.	Aichi	100 Million yen	100.0%	Manufacture and sales of aircraft parts to Subaru
Fuji Aircraft Maintenance Co., Ltd.	Tokyo	30 Million yen	100.0%	Inspection, service and maintenance of aircrafts
Subaru Kohsan Co., Ltd.	Tokyo	675 Million yen	100.0%	Rental and management of real estate
SUBARU IT CREATIONS CORPORATIONS	Saitama	100 Million yen	100.0%	IT system development and operation for Subaru Group

Note: 1. In the “Main Businesses “column, the name of the segment information is stated.
2. The Company is a specified subsidiary.
3. There are no companies that have filed a Securities Registration Statement or Annual Report.
4. With respect to Subaru of America Inc., the percentage of net sales (excluding intercompany sales between consolidated companies) in the consolidated net sales exceeds 10%.
Key profit and loss information

	(Unit: Millions of yen)
(1) Net sales	2,164,192
(2) Ordinary income	100,813
(3) Net income	74,015
(4) Net assets	335,611
(5) Total assets	848,391

37. Related Parties

Compensation to Key Management

Compensation paid to the directors of the Company is as follows:

(Unit: Millions of yen)

	FYE 2019 (April 1, 2018 to March 31, 2019)	FYE 2020 (April 1, 2019 to March 31, 2020)
Short-term employee benefits	473	501
Stock compensation	51	53

38. Significant Subsequent Event

Impact of the global pandemic of COVID-19

Operations had been suspended due to the spread of COVID-19. SIA, the Group's U.S. manufacturing base had suspended its operations since March 23, 2020 and Gunma Plant had suspended its operations since April 9 respectively. But SIA and all plants in Japan has already resumed operations on May 11, 2020.

Production volume at SIA and the Gunma Plant has been reduced because of the continued impact on the supply chain and sales activities due to the continued anti-infection measures, such as stay-at-home orders around the world.

The impact on the results for the consolidated fiscal year ending March 2021 and beyond is currently under investigation.

Large amount of borrowings

In order to prepare for liquidity risk due to the global decline in demand caused by the spread of COVID-19, the Group borrowed a total of 211,500 million yen from financial institutions from April 21, 2020 to May 29, 2020 as described below in accordance with the resolution of the Board of Directors' meeting held on March 31, 2020.

(1) Use of funds: Working capital
(2) Lender: Mizuho Bank, Ltd. and others
(3) Amount and terms of borrowings: The Group borrowed 211,500 million yen based on the commitment line agreement and the deed loan agreement. The interest rate was determined considering market interest rates.
(4) Borrowing date: April 21, 2020, April 27, 2020, April 30, 2020, May 15, 2020, May 20, 2020, and May 29, 2020.
(5) Final repayment date: July 21, 2020 - May 20, 2030
(6) Pledged assets: Unsecured and unguaranteed

39. First-time adoption

The Group has been disclosing consolidated financial statements in accordance with IFRS from the consolidated fiscal year ended March 31, 2020. The most recent consolidated financial statements prepared in accordance with Japanese GAAP are for the consolidated fiscal year ended on March 31, 2019. The transition date to IFRS was April 1, 2018. The reclassification column in the reconciliation table includes items that do not have an effect on retained earnings and comprehensive income, while the recognition/measurement difference column includes items that have an effect on retained earnings and comprehensive income. Amounts in the reconciliation table are rounded to the nearest million in yen.

1. Exemption under IFRS 1

IFRS 1 requires full retrospective application of IFRS for the first-time adopters. However, it provides some voluntary and mandatory exemptions from full retrospective applications. Adjustments as a result of the first-time adoption of IFRS and these exemptions are recognized through retained earnings or other components of equity at the date of transition. Exemptions adopted by the Group in transitioning to IFRS from Japanese GAAP are as follows:

・Business combinations

Under IFRS 1, a first-time adopter may elect not to apply IFRS 3 “Business Combinations” retrospectively to business combinations that occurred before the date of transition to IFRS. The Group has elected to apply IFRS 3 prospectively from the date of transition. Accordingly, business combinations completed prior to the transition date have not been restated, thus any goodwill arising from business combinations that took place before the date of transition is recognized at the carrying amount based on Japanese GAAP at the date of transition to IFRS. The Group performed impairment testing of the goodwill on the date of transition to IFRS to determine whether there was any indication that the goodwill may be impaired or not.

・Exchange differences arising from translating foreign operations

A first-time adopter may elect to deem the cumulative translation adjustments for foreign operations to be zero on the date of transition. The Group has deemed the cumulative amount of exchange differences arising from translating foreign operations on the date of transition to be zero.

・Lease

A first-time adopter may evaluate whether an arrangement contains a lease or not on the date of transition to IFRS. The Group adopts this exemption and evaluates it based on facts and circumstances existing on that date.

2. Mandatory exemptions of IFRS 1

IFRS 1 prohibits full retrospective application for estimates and non-controlling interest. The Group prospectively applies IFRS to these items.

3. Reconciliation table

The disclosure of reconciliation required upon transition to IFRS is as follows:

1. Reconciliation of equity as of the transition date (April 1, 2018)

(Unit: Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Recognition and measurement differences	IFRS	Note	Presentation under IFRS
Cash and deposits	765,397	194	—	765,591	1	Cash and cash equivalents
Notes and accounts receivable-trade	154,907	212,590	(24,034)	343,463	5	Trade and other receivables
Short-term loans receivable	185,364	(185,364)	—			
Lease investment assets	17,120	(17,120)	—			
Merchandise and finished goods	202,435	94,755	31,751	328,941	5	Inventories
Work in process	52,307	(52,307)	—			
Raw materials and supplies	42,448	(42,448)	—			
Short-term investment securities	242,573	129,796	162	372,531	1	Other financial assets
Others	107,893	(47,662)	(6,105)	54,126		Other current assets
		4,316	—	4,316		Income taxes receivable
		761	—	761		Assets held for sale
Total current assets	1,770,444	97,511	1,774	1,869,729		Total current assets
Property, plant and equipment	703,108	(28,176)	95,766	770,698	3,6,7	Property, plant and equipment
		27,278	—	27,278	3	Investment property
Intangible assets	28,293	137	124,745	153,175	6	Intangible assets and goodwill
Investment securities	113,465	(75,702)	3,891	41,654	2,9	Other financial assets
		7,502	—	7,502	2	Investments accounted for using the equity method
Deferred tax assets	139,171	(41,601)	17,055	114,625	10	Deferred tax assets
Others	115,355	(31,912)	2,433	85,876		Other non-current assets
Allowance for doubtful accounts	(3,362)	3,362	—			
Total fixed assets	1,096,030	(139,112)	243,890	1,200,808		Total non-current assets
Total assets	2,866,474	(41,601)	245,664	3,070,537		Total assets

(Unit: Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Recognition and measurement differences	IFRS	Note	Presentation under IFRS
Notes and accounts payable-trade	320,137	121,552	(5,760)	435,929		Trade and other payables
Short-term loans payable	22,082	42,982	4,251	69,315		Financing liabilities
Current portion of long-term debts	42,982	(42,982)	—			
Accrued income taxes	45,372	(2,964)	—	42,408		Income taxes payable
Provision	233,812	—	7,961	241,773	8	Provisions
Others	237,676	28,705	12,385	278,766	5	Other current liabilities
Accrued expenses	148,945	(148,945)	—			
		1,157	38,920	40,077	7	Other financial liabilities
Total current liabilities	1,051,006	(495)	57,757	1,108,268		Total current liabilities
Long-term debts	21,138	—	—	21,138		Financing liabilities
Net defined benefit liability	19,337	25,053	2,930	47,320	8	Employee benefits
Provisions	36,248	(298)	1,429	37,379		Provisions
Others	175,256	(36,341)	4,216	143,131	5	Other non-current liabilities
		12,081	55,722	67,803	7	Other financial liabilities
Deferred tax liabilities	2,466	(41,601)	41,862	2,727	10	Deferred tax liabilities
Total long-term liabilities	254,445	(41,106)	106,159	319,498		Total non-current liabilities
Total liabilities	1,305,451	(41,601)	163,916	1,427,766		Total liabilities
Capital stock	153,795	—	—	153,795		Capital stock
Capital surplus	160,197	—	—	160,197		Capital surplus
Treasury stock	(7,054)	—	—	(7,054)		Treasury shares
Retained earnings	1,283,539	—	34,100	1,317,639	4,5,6,8,10,11	Retained earnings
Accumulated other comprehensive income	(37,633)	—	47,375	9,742	4,9,11	Other components of equity
Non-controlling interests	8,179	—	273	8,452		Non-controlling interests
Total net assets	1,561,023	—	81,748	1,642,771		Total equity
Total liabilities and net assets	2,866,474	(41,601)	245,664	3,070,537		Total liabilities and equity

2. Reconciliation of equity as of March 31, 2019

(Unit: Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Recognition and measurement differences	IFRS	Note	Presentation under IFRS
Cash and deposits	831,700	(129,372)	―	702,328	1	Cash and cash equivalents
Notes and accounts receivable-trade	148,485	219,404	(23,652)	344,237	5	Trade and other receivables
Short-term loans receivable	198,737	(198,737)	―			
Lease investment assets	14,731	(14,731)	―			
Merchandise and finished goods	249,558	141,142	12,773	403,473	5	Inventories
Work in process	74,711	(74,711)	―			
Raw materials and supplies	66,431	(66,431)	―			
Short-term investment securities	119,963	274,197	246	394,406	1	Other financial assets
Others	121,903	(48,978)	(13,343)	59,582		Other current assets
		9,704	―	9,704		Income taxes receivable
		4	―	4		Assets held for sale
Total current assets	1,826,219	111,491	(23,976)	1,913,734		Total current assets
Property, plant and equipment	717,394	(29,274)	120,590	808,710	3,6,7	Property, plant and equipment
		25,414	―	25,414	3	Investment property
Intangible assets	33,754	3,856	117,900	155,510	6	Intangible assets and goodwill
Investment securities	122,453	(86,498)	4,166	40,121	2,9	Other financial assets
		8,821	―	8,821	2	Investments accounted for using the equity method
Deferred tax assets	151,019	(47,890)	24,394	127,523	10	Deferred tax assets
Others	135,132	(37,056)	2,688	100,764		Other non-current assets
Allowance for doubtful accounts	(3,246)	3,246	―			
Total fixed assets	1,156,506	(159,381)	269,738	1,266,863		Total non-current assets
Total assets	2,982,725	(47,890)	245,762	3,180,597		Total assets

(Unit: Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Recognition and measurement differences	IFRS	Note	Presentation under IFRS
Notes and accounts payable-trade	315,026	97,425	(8,056)	404,395		Trade and other payables
Short-term loans payable	4,352	7,592	3,330	15,274		Financing liabilities
Current portion of long-term debts	7,592	(7,592)	—			
Accrued income taxes	5,367	(1,036)	—	4,331		Income taxes payable
Provisions	281,705	95	8,112	289,912	8	Provisions
Others	236,468	61,826	(377)	297,917	5	Other current liabilities
Accrued expenses	161,661	(161,661)	—			
		2,792	48,829	51,621	7	Other financial liabilities
Total current liabilities	1,012,171	(559)	51,838	1,063,450		Total current liabilities
Long-term debts	88,452	—	—	88,452		Financing liabilities
Net defined benefit liability	22,900	26,623	3,095	52,618	8	Employee benefits
Provisions	44,422	(314)	1,429	45,537		Provisions
Others	196,915	(36,547)	1,829	162,197	5	Other non-current liabilities
		10,797	63,059	73,856	7	Other financial liabilities
Deferred tax liabilities	5,040	(47,890)	47,438	4,588	10	Deferred tax liabilities
Total long-term liabilities	357,729	(47,331)	116,850	427,248		Total non-current liabilities
Total liabilities	1,369,900	(47,890)	168,688	1,490,698		Total liabilities
Capital stock	153,795	—	—	153,795		Capital stock
Capital surplus	160,192	—	—	160,192		Capital surplus
Treasury stock	(6,910)	—	—	(6,910)		Treasury shares
Retained earnings	1,320,177	—	30,462	1,350,639	4,5,6,8,10,11	Retained earnings
Accumulated other comprehensive income	(21,963)	—	46,495	24,532	4,9,11	Other components of equity
Non-controlling interests	7,534	—	117	7,651		Non-controlling interests
Total net assets	1,612,825	—	77,074	1,689,899		Total equity
Total liabilities and net assets	2,982,725	(47,890)	245,762	3,180,597		Total liabilities and equity

3. Reconciliation of comprehensive income for the consolidated fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

(Unit: Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Recognition and measurement differences	IFRS	Note	Presentation under IFRS
Net sales	3,160,514	—	(4,364)	3,156,150	2	Revenue
Cost of sales	2,561,753	—	(3,491)	2,558,262	2,5	Cost of sales
Gross profit	598,761	—	(873)	597,888		Gross profit
Selling, general and administrative expenses	403,232	(101,711)	(2,646)	298,875	1,3,5	Selling, general and administrative expenses
		101,711	6,847	108,558	1,3	Research and development expenses
		6,901	(170)	6,731	1	Other income
		15,923	(84)	15,839	1	Other expenses
		377	—	377	1	Share of profit (loss) of investments accounted for using the equity method
Operating income	195,529	(8,645)	(5,160)	181,724		Operating profit
Non-operating income	17,580	(17,580)				
Non-operating expenses	16,870	(16,870)				
Ordinary income	196,239	(196,239)				
Extraordinary income	6,953	(6,953)				
Extraordinary loss	7,354	(7,354)				
		17,255	(3,554)	13,701	1,4	Finance income
		8,301	1,098	9,399	1,4	Finance costs
Income before income taxes	195,838	—	(9,812)	186,026		Profit before tax
Total income taxes	48,499	—	(3,262)	45,237		Income tax expense
Net income	147,339	—	(6,550)	140,789		Profit for the period
						Attribution of profit of the period
Net income attributable to owners of parent	147,812	—	(6,394)	141,418		Profit for the period attributable to owner of parent
Net income (loss) attributable to non-controlling interests	(473)	—	(156)	(629)		Profit (loss) for the period attributable to non-controlling interests

(Unit: Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Recognition and measurement differences	IFRS	Note	Presentation under IFRS
Net income	147,339	—	(6,550)	140,789		Profit for the period
Other comprehensive income						Other comprehensive income (after deduction of tax)
						Items that will not be reclassified to profit or loss
Measurements of defined benefit plans	(495)	1,566	(1,681)	(610)	5	Remeasurements of defined benefit plans
Remeasurements of other postretirement benefits of foreign consolidated subsidiaries	1,566	(1,566)				
Valuation difference on available-for-sale securities	(907)	—	1,442	535	4	Net changes in revaluation of capital financial assets measured at fair value through other comprehensive income
						Items that will be reclassified to profit or loss
						Exchange differences on translation of foreign operations
Foreign currency translation adjustments	15,520	—	(1)	15,519	6	Share of other comprehensive income of investments accounted for using equity method
Share of other comprehensive income of affiliates accounted for using the equity method	(186)	—	—	(186)		Net changes in revaluation of liability financial assets measured at fair value through other comprehensive income
			1,251	1,251		Other comprehensive income (after deduction of tax)
Total other comprehensive income	15,498	—	1,011	16,509		Other comprehensive income (after deduction of tax) total
Comprehensive income	162,837	—	(5,539)	157,298		Comprehensive income
						Attribution of comprehensive income
Comprehensive income attributable to owners of parent	163,482	—	(5,383)	158,099		Comprehensive income attributable to owners of parent
Comprehensive income attributable to non-controlling interests	(645)	—	(156)	(801)		Comprehensive income attributable to non-controlling interests

4. Notes to reconciliation of equity

1. Reclassification

Reclassification mainly includes the following:

(1) Transfer of cash and deposits

Term deposits with maturities exceeding three months included in “Cash and deposits” under Japanese GAAP are presented as “Other financial assets (current)” under IFRS. In addition, investments with original maturities of three months or less from the date of acquisition included in “Short-term investment securities” under Japanese GAAP are presented as “Cash and cash equivalents” under IFRS.

(2) Investments accounted for using the equity method

“Investments accounted for using the equity method” included in “Investment securities” under Japanese GAAP are separately presented under IFRS.

(3)Investment property

Based on IFRS presentation requirements, “Investment property” is reclassified from “Property, plant and equipment”.

2. Adjustments of recognition and measurement

The major adjustments of recognition and measurement are as follows:

(4) Transfer of cumulative foreign currency translation adjustments related to foreign operations

Upon the first-time adoption of IFRS, we adopted the exemptions in IFRS 1 and transferred all cumulative foreign currency translation adjustments as of the transition date to retained earnings.

(5) Revenue recognition

While revenue is recognized for sales of new cars at the time of the registration of vehicles under Japanese GAAP, it is recognized at the time of the delivery to customers under IFRS.

In accordance with this, the account receivables related to registered undelivered vehicles are derecognized, and inventory is recognized accordingly.

In addition, while the portion of provided services related to free maintenance and telematics in the US is not recognized as revenue because no consideration is received for it under Japanese GAAP, under IFRS, rendered services are treated as individual performance obligations and revenue is recognized over a certain period by allocating the transaction price among performance obligations.

(6) Adjustment of tangible fixed assets and intangible assets

Fixed asset acquisition tax is expensed under Japanese GAAP. Under IFRS, it is included in the acquisition cost of the asset. In addition, research and development costs, all of which are expensed under Japanese GAAP, are recognized as intangible assets if they meet certain requirements under IFRS.

(7)Adjustment of the right-of-use assets

Transactions that include a lease in a contract based on practical judgment are not capitalized under Japanese GAAP. However, they are recognized as tangible fixed assets under IFRS. In addition, the liabilities associated with the capitalization of the lease transactions are recognized as “Other financial liabilities” under IFRS.

(8) Unused paid leave and other long-term employee benefits
IFRS recognizes liabilities for unused paid leaves and other long-term employee benefits that were not required to be accounted for under Japanese GAAP.

(9)Fair value measurement of unlisted stocks
Under Japanese GAAP, unlisted stocks were initially recognized based on the acquisition cost and were subject to impairment as necessary in case of deterioration in financial position. Under IFRS, unlisted stocks are measured at fair value, resulting in recognition of the difference as other components of equity.

(10)Deferred tax assets and deferred tax liabilities
Under Japanese GAAP, the tax effect of elimination of unrealized gains and losses were calculated using the tax rate of the seller, and recoverability was also considered by the seller. Under IFRS, deferred taxes are calculated using the effective tax rate of the buyer and the recoverability of deferred tax assets is also determined by the buyer. As for other tax effects, balances of “Deferred tax assets” have been changed as a result of the review of the recoverability of deferred tax assets along with the adoption of IFRS.

(11) Retirement benefits
Under Japanese GAAP, actuarial gains or losses and past service costs in retirement benefits are recognized in other comprehensive income when incurred and amortized through profit or loss over a certain number of years within the average remaining years of service of employees at the time of occurrence.
Under IFRS, remeasurements of defined benefit plans are recognized in other comprehensive income when incurred, and past service costs are recognized in profit or loss when incurred. Remeasurements of defined benefit plans recognized in other comprehensive income are immediately transferred to retained earnings without going through profit or loss.

5. Notes to reconciliation of comprehensive income
(1) Presentation reclassification
Items that were presented as “Non-operating income”, “Non-operating expenses”, “Extraordinary income” or “Extraordinary loss” under Japanese GAAP are presented as “Finance income” or “Finance expenses” for financing-related gains and losses under IFRS.
Other items are classified based on functions and are presented as “Other income”, “Other expenses” or “Equity in earnings of affiliates”.
“Research and development expenses” that were included in selling, general and administrative expenses under Japanese GAAP are separately presented under IFRS.

(2) Adjustment for revenue
Under Japanese GAAP, sales of new cars are recognized as revenue at the time of the registration of vehicles. Under IFRS, revenue is recognized at the time of the delivery to customers.
In accordance with this, the account receivables related to registered undelivered vehicles are derecognized, and inventory is recognized accordingly.
In addition, the portion of provided services related to free maintenance and telematics in the U.S. is not recognized as revenue because no consideration is received for it under Japanese GAAP. Under IFRS, rendered services are treated as individual performance obligations and revenue is recognized over a certain period by allocating the transaction price among performance obligations.

(3) Adjustment for selling, general and administrative expenses
Under Japanese GAAP, all Research and development expenses were expensed. Under IFRS, Research and development expenses that meet certain requirements are recognized as “Intangible assets”.

(4) Adjustment for finance income and expenses
Under Japanese GAAP, gains and losses on sales and impairment losses on equity instruments were recognized in profit or loss. Under IFRS, the change in fair value is recognized in other comprehensive income and is transferred to “Retained earnings” when it is derecognized or the fair value significantly deteriorates for equity instruments designated as measured at fair value through other comprehensive income.

(5) Adjustment for remeasurements of defined benefit plans
Under Japanese GAAP, actuarial gains or losses are recognized in other comprehensive income when incurred, and the amount prorated by the straight-line method over a certain number of years within the average remaining years of service of employees is recognized in profit or loss from the following fiscal year. Under IFRS, remeasurements of defined benefit plans are recognized as other comprehensive income when incurred and are immediately reclassified to retained earnings. Under Japanese GAAP, past service costs are recognized in other comprehensive income when incurred, and the amount prorated by the straight-line method over a certain number of years within the average remaining service period of employees is recognized in profit or loss from the year in which they occur. Under IFRS, past service cost is recognized in profit or loss as incurred.

(6) Adjustment for exchange differences arising from translating foreign operations
Along with adjustment due to transition from Japanese GAAP to IFRS, exchange differences arising from translating foreign operations have changed.

6. Adjustment for retained earnings, net of tax

(Unit: Millions of yen)

	Transition date (April 1, 2018)	FYE 2019 (as of March 31, 2019)
(4) Transfer of cumulative foreign currency translation adjustments related to foreign operations	(36,193)	(36,193)
(5) Revenue recognition	(10,951)	(10,622)
(6) Adjustment of tangible fixed assets and intangible assets	92,101	87,734
(8) Unused paid leave and other long-term employee benefits	(7,416)	(7,481)
(10) Deferred tax assets and deferred tax liabilities	11,207	10,757
(11) Retirement benefits	(9,645)	(8,816)
Others	(5,003)	(4,917)
Total	34,100	30,462

7. Adjustment to Cash flows
Under Japanese GAAP, Research and development expenses are presented as “Net cash provided by (used in) operating activities” while under IFRS, capitalized expenses related to R&D are presented as “Net cash provided (used in) investing activities”.
Under Japanese GAAP, expenditures on right-of-use assets are presented as “Net cash provided (used in) operating activities”, while under IFRS, lease liabilities are recognized and the repayments are presented as “Net cash provided (used in) financing activities”.

40. Others

Quarterly information for the current consolidated fiscal year,

Cumulative period	Unit	1st quarter	2nd quarter	3rd quarter	FYE 2020
Revenue	(million yen)	833,423	1,605,673	2,484,564	3,344,109
Profit before tax	(million yen)	89,349	93,104	153,225	207,656
Profit for the period attributable to owners of parent	(million yen)	66,456	68,285	111,699	152,587
Profit for the period per share, basic	(yen)	86.67	89.05	145.67	198.99

Accounting period	Unit	1st quarter	2nd quarter	3rd quarter	4th quarter
Profit per share, basic	(yen)	86.67	2.39	56.62	53.32

Independent Auditor's Report

To the Board of Directors of SUBARU CORPORATION:

Opinion

We have audited the accompanying consolidated financial statements of SUBARU CORPORATION ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as of March 31, 2020, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards prescribed in Artilce 93 of "the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (hereinafter referred to as "IFRS").

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Corporate auditors and the board of corporate auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan

H. Fukuda

HIDETOSHI FUKUDA
Designated Engagement Partner
Certified Public Accountant

Yumiko Hosoi

YUMIKO HOSOI
Designated Engagement Partner
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TETSUO SAEKI
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 24, 2020