[Translation for Reference and Convenience Purposes Only]

To our shareholders:

Online information disclosure regarding the Notice of Convocation of the 91st Ordinary General Meeting of Shareholders

SUBARU CORPORATION

June 2, 2022

“Accounting Auditors,” “Consolidated Statement of Changes in Equity,” “Notes to the Consolidated Financial Statements,” “Statement of Changes in Net Assets,” and “Notes to Non-consolidated Financial Statements” are posted on the Company’s website for our shareholders as provided in law and Article 15 of the Company’s Articles of Incorporation.

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Business Report

Accounting Auditors

(1) Accounting Auditors KPMG AZSA LLC

(2) Accounting Auditor Compensation

(i)	Compensation for current fiscal period	228 million yen
(ii)	Total amount of money and other property interests payable by the Company and its subsidiaries	246 million yen

Notes: 1. As the Audit Agreement between the Company and accounting auditors make no distinction between the amounts of fees for audits under the Companies Act and audits under the Financial Instruments and Exchange Act, audit fees under the Financial Instruments and Exchange Act are not included in the amount of (i).
2. Of the Company's important subsidiaries, the foreign subsidiaries receive audits by a certified accounting or auditing company other than the Company's accounting auditors (including those who possess equivalent certifications overseas).

(3) Reason for Agreement on Accounting Auditors Compensation by Board of Corporate Auditors
The Board of Corporate Auditors scrutinized the Accounting Auditors' explanation of the contents of the audit including the planned number of days required for the accounting audit for the current fiscal period; review and assessment of the audit for the previous fiscal period; reasonableness of progress in audit by the Accounting Auditors, and the grounds for calculation of quotes underlying the compensation, and agreed to the amount of compensation for the Accounting Auditors.

(4) Non-audit business
Non-audit services included advisory business related to the Establishment of Holding Company in the US.

(5) Policy on dismissal or refusal of reappointment of Accounting Auditors
The Board of Corporate Auditors shall dismiss accounting auditors in case any of the events prescribed in the Items in Article 340, Paragraph 1 occur, and determine the agenda concerning dismissal or refusal of reappointment of accounting auditors, and the Board of Directors will propose such agenda to the meeting of shareholders pursuant to such decision.

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Consolidated Financial Statements

Consolidated Statements of Changes in Equity
FYE 2022 (April 1, 2021 to March 31, 2022)

(Unit: Millions of yen)

	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	160,178	(6,524)	1,435,291	34,995	1,777,735	8,648	1,786,383
Comprehensive income								
Profit for the period	–	–	–	70,007	–	70,007	589	70,596
Other comprehensive income (after deduction of tax)	–	–	–	–	85,887	85,887	993	86,880
Comprehensive income total	–	–	–	70,007	85,887	155,894	1,582	157,476
Transfer to retained earnings	–	–	–	4,064	(4,064)	–	–	–
Transactions with owners								
Dividends paid	–	–	–	(42,969)	–	(42,969)	–	(42,969)
Purchase of treasury shares	–	–	(8)	–	–	(8)	–	(8)
Disposal of treasury shares	–	(71)	208	–	–	137	–	137
Transfer from retained earnings to capital surplus	–	71	–	(71)	–	–	–	–
Total transactions with owners	–	–	200	(43,040)	–	(42,840)	–	(42,840)
Balance at the end of the year	153,795	160,178	(6,324)	1,466,322	116,818	1,890,789	10,230	1,901,019

Notes to Consolidated Financial Statements

(Basis of Preparing Consolidated Financial Statements)

1. Accounting standards of consolidated financial statements
The Group prepares its consolidated financial statements in conformity with International Financial Reporting Standards ("IFRS") in accordance with Article 120-1 of the Ordinance of Companies Accounting. The Group omits some disclosure items and notes required by IFRS in accordance with the second sentence of Article 120-1 of the Ordinance of Companies Accounting.

2. The scope of consolidation and application of the equity method

(1) Consolidated subsidiaries: 73
Domestic 51 ……… Fuji Machinery Co., Ltd., Ichitan Co., Ltd., Tokyo Subaru Inc., and 48 others;
Overseas 22 ……… Subaru of Indiana Automotive, Inc., Subaru of America, Inc., and 20 others

(2) Companies accounted for using the equity method: 10
Domestic 7 ……… Nishino Machine Industries Ltd., and 6 others
Overseas 3 ……… Subaru of Taiwan, Ltd. and 2 others.

3. Changes in the scope of consolidation and application of equity method

(1) Consolidated subsidiaries
Added -
Excluded -

(2) Companies accounted for using the equity method
Added Tan Chong Subaru Automotive (Thailand) Co., Ltd.
Excluded Dahlia Co., Ltd.

4. Accounting policies

(1) Financial instruments
1. Valuation standards and methods for 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 are originated. All other financial instruments are initially recognized when the Group becomes a party to the contractual provision of the financial instrument.
If financial assets are classified as financial assets measured at fair value through profit or loss, they are initially measured at their fair value, unless they are initially measured at their fair value plus transaction costs that are directly attributable to the transaction of the financial asset. 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 instruments 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 financial assets 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 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 profit and loss. Gains or losses on derecognition are recognized in profit or loss.

Meanwhile, changes in the fair value of equity instruments measured at fair value through other comprehensive income are recognized in other comprehensive income. The dividend from relevant financial assets are recognized in profit or loss as part of the financial income for the period. The cumulative amount recognized in other comprehensive income is not reclassified 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 the 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 recognized as the loss allowance.
However, for trade receivables, lease receivables and contract assets, the loss allowance is always 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 entity transfers substantially all the risks and rewards of ownership of the financial assets.

2. Financial liabilities

(i) Initial recognition and measurement

The Group classifies financial liabilities as either financial liabilities measured at fair value through profit or loss, or financial liabilities measured at amortized costs. 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 transaction.

(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 as part of financial income for the period.

(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 cancelled or expires.

3.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 payable related to the borrowings. There are no derivatives stated above to which hedge accounting is applied.

(2) Valuation standards and methods for 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 costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(3) Valuation standards, valuation methods and depreciation methods for 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.

(4) Valuation standards, valuation methods and amortization methods for 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 cost

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 cost that is amortized using the straight-line method are as follows.

・Capitalized development cost: 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

(5) Valuation standards, valuation methods and depreciation methods for lease assets
At the inception of the lease contract, the Group assesses whether an arrangement is a lease or contains a lease.

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

A lease liability is 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 liability is increased to reflect interest on the lease liability 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.

(6) Investment property
Investment property is held to earn rentals or for benefit from increase in value of the property 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: 2 to 50 years

(7) 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 is 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 performs an impairment test based on 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.

(8) 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

(9) 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 the manufacturer or dealer lessor, sales revenue, cost of sales and selling profit or loss 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.

(10) 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 obligation

A provision for asset retirement obligation is recognized mainly for the estimated cost of restoring the leased site at the end of the lease term.

2. Provision for product warranties

The Group provides product warranties based on the terms and conditions of warranties granted at the time of product sales, as well as free repair services on an individual basis in accordance with the notification to the competent authority.
The coverage of product warranties based on the terms and conditions of warranties is determined by the duration, mileage, cause of defects, and other factors in accordance with the terms and conditions of warranties in each country.

The Group recognize estimated warranty costs for the product warranties when products are sold to customers based on the terms and conditions of warranties. The estimated warranty costs are recorded based on the best estimates of future occurrences, which are based on the past repair experience and past sales volume for the total cost of repairing or replacing parts due to defects occurring within the warranty period.

The estimated 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. The estimated expenses are recorded based on the best estimate of the repair cost per unit, which is calculated based on past experience with product defects, and the number of units subject to repair, which is calculated based on past experience with product defects.

3. Provision for losses on construction contracts

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

4. Provision for environmental measures

The provision for environmental measures is recorded for the amount of the estimated expenses for complying with environmental regulations at the end of the fiscal year.

(11) Other principle matters for preparation of the consolidated financial statements

1. Unit of amount

Unit of amount is displayed by rounded off.

2. Application of consolidated taxation system

Consolidated taxation system is applied.

(Revenue recognition)

(1) Disaggregation 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 "(Basis of Preparing Consolidated Financial Statements) 4. Accounting policies (10) Provisions 2. Provision for product warranties".

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.

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 2022 (April 1, 2021 to March 31, 2022)

(Unit: Millions of yen)

	Automotive	Aerospace	Others*3	Total
Revenue from contracts with customers				
Japan	440,644	36,393	1,549	478,586
North America	1,975,705	25,898	226	2,001,829
Europe	64,181	—	30	64,211
Asia	73,390	—	13	73,403
Others	114,887	—	31	114,918
Total	2,668,807	62,291	1,849	2,732,947
Revenue arising from other sources *2	8,658	—	2,915	11,573
Total	2,677,465	62,291	4,764	2,744,520

(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 March 31, 2022 is as follows:

(Unit: Millions of yen)

	FYE 2022 (as of March 31, 2022)
Receivables included in Trade and other receivables	92,382
Contract assets included in Trade and other receivables	16,387
Contract liabilities included in other current liabilities	150,223
Contract liabilities included in other non-current liabilities	245,373

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, 2022, the amount included in the contract liability balance at the beginning of the consolidated fiscal year was 83,905 million yen.
The amount of revenue recognized 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 2022 (as of March 31, 2022)
Within 1 year	161,650
Over 1 year	462,778
Total	624,428

(4) Assets recognized from the costs to obtain or fulfil a contract with a customer

The Group has no material incremental costs incurred to obtain or fulfil a contract with a customer that should be recognized as assets.

(Accounting estimates)

Items for which the amount was recorded in the consolidated financial statements for the current fiscal year based on accounting estimates, and which may have a significant impact on the consolidated financial statements for the following fiscal year, are as follows.

Deferred tax assets	90,549 million yen

Deferred tax assets are recognized to the extent that it is probable that taxable income will be earned against which the future deductible temporary differences can be utilized. Deferred tax liabilities are recognized in principle for all taxable temporary differences.
The calculation of deferred tax assets may be affected by changes in uncertain economic conditions and other factors, and the timing and amount of actual taxable income may differ from the estimates. This could cause a significant impact on the amount of deferred tax assets in the consolidated financial statements for the following fiscal year.

Provision for product warranties	185,022 million yen

The method of calculating the provision for product warranties and the major assumptions used in the calculation are described in (Basis of Preparing Consolidated Financial Statements), (10) Provisions, 2. Provision for product warranties.

We believe that we have made sufficient provisions for the warranty costs that we expect to be incurred based on currently available information. However, since the calculation of the provision for product warranties involves the estimate of the warranty costs that would be incurred over multiple years in the future, the actual warranty costs may deviate from the estimates. This could cause the necessity of recording additional provisions for product warranties, and a significant impact on the consolidated financial statements.

(Consolidated Statements of Financial Position)

1. The allowances for assets are as follows:

The allowance for doubtful trade receivables and other receivables	338 million yen
The allowance for doubtful other financial assets (non-current)	499 million yen

2. Accumulated depreciation of property, plant and equipment 1,306,096 million yen

3. 6,973 million yen from national subsidies, etc. has been directly deducted from the amount of property, plant and equipment reported on the consolidated balance sheet.

4. Assets pledged as collateral and collateralized loans

(1) Assets pledged as collateral

Property, plant and equipment:	10,391 million yen

(2) Collateralized loans

Financing liabilities (current):	376 million yen
Financing liabilities (non-current):	9,394 million yen
Others:	496 million yen
Total	10,266 million yen

5. Contingent Liabilities

(1) Guarantor of third-party indebtedness from financial institutions

Customers of SUBARU Canada Inc.:	4,992 million yen
Employees:	3,633 million yen
Others:	186 million yen
Total	8,811 million yen

(2) Other Contingencies

Based on the modified agreement between the U.S. subsidiary of Takata Co., Ltd. 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.

6. The amount of discount of export bill 873 million yen

7. The unexecuted balance of overdraft facilities and lending commitments at a consolidated subsidiary (Subaru Finance Co., Ltd.) was as follows:

Total overdraft facilities and lending commitments:	6,800 million yen
Less amounts currently executed:	2,568 million yen
Unexecuted balance	4,232 million yen

8. Inventories and the provision for loss on construction contracts (provision in current liabilities) for which losses are expected are presented in gross amounts without offsetting. Of inventories related to construction contracts for which losses are expected, the amount corresponding to the provision for loss on construction contracts (provision in current liabilities) is 2,788 million yen (all work in process).

(Consolidated Statement of Changes in Net Assets)

1.Matters related to the type and total issued and outstanding stocks, and type and number of treasury stocks

Type of Stock	Number of stocks as at beginning of the consolidated fiscal year (shares)	Number of stocks increased during the consolidated fiscal year (shares)	Number of stocks reduced during the consolidated fiscal year (shares)	Number of stocks as at end of the consolidated fiscal year (shares)
Issued shares				
Common stock	769,175,873	–	–	769,175,873
Treasury stocks				
Common stock (Note)	2,305,130	3,688	60,716	2,248,102

(Note) Increase of 3,688 shares of Treasury stocks was due to purchase of Shares less than One Unit.
Decrease of 60,716 shares of Treasury stocks was due to retirement of treasury stocks on August 5, 2021 which were restricted transfer stocks resolved to be introduced at the Board of Directors meeting held on April 28, 2017.

2.Dividends

(1) Dividend payout

Resolution	Type of shares	Total amount of dividends (yen)	Dividend per share (yen)	Record date	Effective date
'The 90th Ordinary General Meeting of Shareholders on June 23, 2021	Common shares	21,484	28.00	March 31, 2021	June 24, 2021
'The Board of Directors Meeting on November 5, 2021	Common shares	21,485	28.00	September 30, 2021	December 1, 2021

(2) Of dividends whose criteria date belongs to the current consolidated fiscal year, those in which the effective date of the dividend is the following consolidated fiscal year

Resolution	Type of shares	Total amount of dividends (yen)	Source for dividend	Dividend per share (yen)	Record date	Effective date
'The 91st Ordinary General Meeting of Shareholders on June 22, 2022	Common shares	21,485	Retained earnings	28.00	March 31, 2022	June 23, 2022

(Financial instruments)

1.Summary of Financial Instruments Status

(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) market risk and (3) liquidity 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

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. The Group's trade receivables, lease receivables, contract assets and other receivables are exposed to the credit risk of customers and counterparties. Also, bonds and other securities held to manage surplus funds are exposed to the credit risk of the issuers. In addition, 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.

(3) Market Risk

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.

(4) Liquidity Risk

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 on the due date in the event of disruptions of financial system and financial markets or a significant reduction of credit rating by rating agencies.

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 with major financial institutions.

2. Fair Value of Financial Instruments

Amount on the consolidated balance sheet and fair value at March 31, 2022 are as follows.

Lease liabilities (107,123 million yen on the consolidated balance sheet) are not included in "Other financial liabilities".

Notes have been omitted for cash equivalents, as their fair value approximates their carrying amount due to their short maturities.

(Unit: Millions of yen)

	Amount on the consolidated balance sheet	Fair Value
Trade and other receivables		
Operating loans	165,676	171,866
Lease receivables	11,550	12,665
Account receivables and other receivables	160,161	-
Other financial assets		
Debt instruments measured at fair value	190,911	190,911
Equity instruments	123,079	123,079
Derivatives	1	1
Other	53,787	-
Financing liabilities		
Borrowings	244,045	242,987
Bonds	90,000	89,237
Trade and other payables	273,546	273,546
Other financial liabilities		
Derivatives	6,255	6,255
Other	38,094	-

3. Breakdown of fair value of financial instruments by level
(1) Valuation techniques used to calculate fair value
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 and assumptions 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 fair value) consist mainly of government bonds, corporate bonds, 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.
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, 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) Financial assets and liabilities recognized in the consolidated balance sheet at fair value

Financial assets and liabilities recognized in the consolidated balance sheet at fair value in the current year are as follows.

(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	—	1	—	1
Debt instruments	37,636	188	—	37,824
Total	37,636	189	—	37,825
Financial assets measured at fair value through other comprehensive income:				
Equity instruments	117,655	—	5,424	123,079
Debt instruments	54,559	98,528	—	153,087
Total	172,214	98,528	5,424	276,166
Total	209,850	98,717	5,424	313,991
Other financial liabilities:				
Financial liabilities measured at fair value through profit or loss:				
Derivatives	—	6,255	—	—
Total	—	6,255	—	6,255

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.

(4) Reconciliation of financial instruments classified in Level 3

The following is a reconciliation of the beginning to ending balances for Level 3 assets and liabilities measured at fair value on a recurring basis.

(Unit: Millions of yen)

	FYE 2022 (April 1, 2021 to March 31, 2022)
	Equity instruments
Beginning balance	5,163
Total gains or losses:	
Profit or loss	—
Other comprehensive income	261
Purchases	—
Sales	—
Exchange differences on translating foreign operations	—
Ending Balance	5,424
Unrealized gains or losses included in profit or loss on assets held at March 31. 2022	—

Note: 1. Gains or losses included in profit or loss for the consolidated fiscal years ended March 31, 2022 is 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, 2022 is 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.

(5) 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 March 31, 2022 is as follows:

(Unit: Millions of yen)

	FYE 2022 (as of March 31, 2022)	
	Carrying amount	Fair value
Trade and other receivables		
Operating loans	165,676	171,866
Lease receivables	11,550	12,665
Account receivables and other receivables*1	160,161	—
Other financial asset*1&2	53,787	—
Financing liabilities		
Borrowings	244,045	242,987
Bonds payables	90,000	89,237
Trade and other payables*1	273,546	—
Other financial liabilities*1&3	38,094	—

(Notes)

1) Disclosure of fair value is omitted because the fair values approximate their carrying amounts.
2) Items disclosed in “(3) Financial Assets and Financial Liabilities that are measured at fair value” are not included.
3) Other financial liabilities do not include derivatives of 6,255 million yen and lease liabilities of 107,123 million yen.
4) The table does not include cash and cash equivalents due to their fair values approximate their respective carrying amounts.

(Investment property)

1.Summary of investment properties
The Company and certain consolidated subsidiaries own rental office buildings and rental commercial facilities in Saitama prefecture and other locations.

2.Fair Value of Investment property

(Unit: Millions of yen)

Carrying Amount	Fair Value
21,942	37,579

(Notes)
1) Carrying amount represents acquisition cost less accumulated depreciation and accumulated impairment losses.
2) Fair values of certain main investment and rental properties are estimated by third party real-estate appraisers, adjusted by the Group using relevant indicators. Fair values of remaining properties are estimated by the Group based principally on land assessment value that are used to calculate property taxes.

(Per Share Information)

1. Net assets per share	2,465.41	yen
2. Income per share	91.28	yen

(Significant Subsequent Event)

Not applicable.

Non-consolidated Financial Statements

Non-consolidated Statements of Changes in Net Assets
FYE 2022 (April 1, 2021 to March 31, 2022)

(Unit: Millions of yen)

	Shareholders' equity								
		Capital surplus			Retained earnings				
						Other retained earnings			
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Provision of reserve for tax purpose reduction entry of land	General reserve	Retained earnings brought forward	Total retained earnings
Balance at the beginning of current period	153,795	160,071	—	160,071	7,901	1,341	35,335	599,108	643,685
Changes of items during the period									
Dividends from surplus	—	—	—	—	—	—	—	(42,969)	(42,969)
Net income	—	—	—	—	—	—	—	69,833	69,833
Purchase of treasury stock	—	—	—	—	—	—	—	—	—
Disposal of treasury stock	—	—	(71)	(71)	—	—	—	—	—
Transfer from retained earnings to capital surplus	—	—	71	71	—	—	—	(71)	(71)
Net changes of items other than shareholders' equity	—	—	—	—	—	—	—	—	—
Total changes of items during the period	—	—	—	—	—	—	—	26,793	26,793
Balance at the end of current period	153,795	160,071	—	160,071	7,901	1,341	35,335	625,901	670,478

[Translation for Reference and Convenience Purposes Only]

(Unit: Millions of yen)

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at the beginning of current period	(6,524)	951,027	6,209	6,209	957,236
Changes of items during the period					
Dividends from surplus	－	(42,969)	－	－	(42,969)
Net income	－	69,833	－	－	69,833
Purchase of treasury stock	(8)	(8)	－	－	(8)
Disposal of treasury stock	208	137	－	－	137
Transfer to capital surplus from retained earnings	－	－	－	－	－
Net changes of items other than shareholders' equity	－	－	16,495	16,495	16,495
Total changes of items during the period	200	26,993	16,495	16,495	43,488
Balance at the end of current period	(6,324)	978,020	22,704	22,704	1,000,724

Notes to Non-consolidated Financial Statements

(Significant accounting policies)

1. Valuation standards and methods for securities
(1) Held-to-maturity debt securities are stated using the amortized cost method. (straight-line method).
(2) Shares of subsidiaries and associates are stated at cost, as determined by the moving-average method.
(3) Available-for-sale securities for which fair values are available:
Fair value method based on the market price etc. at the end of the accounting period
(Unrealized holding gains and losses included as a separate component of net assets until realized; and the cost of sold securities is determined by the moving-average method).
Non-marketable securities: Mainly moving-average cost method.

2. Valuation standards and methods for investments in equity
Moving-average cost method.
In addition, investment in the union is evaluated by taking in the equivalent amount to the ownership in equity based on the latest available financial statements.

3. Valuation standards and methods for derivatives transactions: Fair value method

4. Valuation standards and methods for inventory
(1) Merchandise and finished goods: Mainly with moving-average cost method.
(Book value on the balance sheet is measured based on the lower of cost or market value.)
(2) Work in process, raw materials and supplies: Mainly with FIFO cost method.
(Book value on the balance sheet is measured based on the lower of cost or market value.)

5. Depreciation Method of Fixed Assets
(1) Property, plant and equipment (excluding lease assets): Straight-line method is mainly applied.
Primary period of depreciation are as follows:

Buildings:	2 to 50 years
Structures:	7 to 50 years
Machinery and equipment:	4 to 10 years
Vehicles:	3 to 7 years
Tools, furniture, and fixtures:	2 to 10 years

(2) Intangible assets (excluding leased assets): Straight-line method is applied.
Computer software used internally by the Company is amortized by the straight-line method over the relevant economic useful lives of 3 or 5 years.

(3) Leased assets
For leased assets under finance lease transactions in which the ownership is transferred to the lessee:
… The leased assets are depreciated by the same method as used for other property, plant and equipment owned by the Company.
For leased assets under finance lease transactions in which the ownership is not transferred to the lessee:
… The leased assets are depreciated by the straight-line method over the leased period and the residual value is zero.

6. Standards for provisions

(1) Allowance for doubtful accounts … Allowance for doubtful accounts is provided based on the amount calculated from the historical ratio of bad debt for ordinary receivables, and estimated amounts of uncollectible accounts for specific overdue receivables. Specific allowances are provided for the estimated amounts considered to be unrecoverable after reviewing individual recoverability of certain doubtful accounts such as claims provable in bankruptcy.

(2) Provision of allowance for investment loss … Allowance for losses on investments in subsidiaries based on the financial position of the investees and the recoverability of the investments in the future.

(3) Provision for bonuses … Employees' bonuses are recognized as expenses for the period in which those are incurred.

(4) Provision for product warranties … In order to prepare for future repair costs for products sold, the total of the following amounts has been recorded.
1. According to the terms and conditions of the warranties, estimated cost calculated based on the past experience and the future warranties estimation.
2. Estimated amount calculated as recall related costs based on notification to the competent authority.

(5) 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.

(6) Provision for environmental measures … In provision for expenses to comply with environmental regulations, the estimated amount to be incurred at the end of the current fiscal year is recorded.

(7) Provision for retirement benefits … Net defined benefit liability (assets) for employees is provided based on the estimated amounts of projected pension and severance obligation and plan assets at the end of the fiscal year. In determining retirement benefit obligations, the plan's benefit formula is used for attributing expected benefit to periods.
Unrecognized prior service cost is being amortized on the straight-line method over a period (16 years) that is shorter than the average remaining service period of the eligible employees.
Unrecognized net actuarial gain or loss is amortized from the following fiscal year on the straight-line method over a period (16 years) that is shorter than the average remaining service period of the eligible employees.

7. Basis for recognition of revenues and expenses
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.

8. Standard for Japanese yen conversion for significant foreign currency-denominated assets or liabilities
Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at each balance sheet date with the resulting gain or loss included in the statement of income of each period.

9. Other principle matters for preparation of the statements

(1) Method for accounting for retirement benefits
Accounting method for unrecognized actuarial differences and unrecognized prior service costs are different from accounting methods used for these items in the consolidated financial statements.

(2) Unit of amount
Unit of amount is displayed by rounded off.

(3) Application of consolidated taxation system
Consolidated taxation system is applied.

(4) Application of tax effect accounting for the transition from the Consolidated Taxation System to the Group Tax Sharing System
The Company is scheduled to transition from the Consolidated Taxation System to the Group Tax Sharing System beginning in the next fiscal year. However, with respect to items affected by transition to the Group Tax Sharing System established in "Law for Partial Revision of the Income Tax Law (Law No. 8 enacted of 2020)" and items for which Stand-Alone Tax Payment System was revised in conjunction with the transition to the Group Tax Sharing System, the Company does not apply the requirement of "Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, February 16, 2018)", Section 44, in accordance with "Practical Solution on Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (ASBJ PITF No. 39, March 31, 2020)", Section 3 and records the amount of deferred tax assets and deferred tax liabilities based on the requirements of the tax law before the revision.
Effective from the beginning of the next fiscal year, the Company plans to apply the " Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" ASBJ PITF No. 42, August 12, 2021), which provides for the accounting treatment and disclosure of income taxes and local income taxes and tax effect accounting when the Group Tax Sharing System is applied.

(Change in accounting policy)

(Application of Accounting Standard for Revenue Recognition)
Effective from the current fiscal year, the Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the "Accounting Standard for Revenue Recognition") etc.
The application of the Accounting Standard for Revenue Recognition, etc. is in accordance with the transitional treatment stipulated in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of retrospective application of the new accounting policy prior to the beginning of the current fiscal year is added to or deducted from retained earnings at the beginning of the current fiscal year, and the new accounting policy is applied from the beginning balance.
However, the new accounting policy was not applied retrospectively to contracts for which almost all revenue amounts were recognized in accordance with the previous treatment prior to the beginning of the current fiscal year by applying the method prescribed in Paragraph 86 of the Accounting Standard for Revenue Recognition. As a result, there is no effect on the beginning balance of retained earnings.

(Application of Accounting Standard for Measurement of Fair Value etc.)
The Company has adopted the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the "Accounting Standard for Fair Value Measurement ") etc. from the beginning of the current fiscal year.
In accordance with the transitional treatment stipulated in Section 19 of the Accounting Standard for Fair Value Measurement and Section 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new accounting policy stipulated by the Accounting Standard for Fair Value Measurement etc. will be applied prospectively.

(Revenue Recognition)
Notes have been omitted since the information that provides the basis for understanding revenue from contracts with customers is presented in the "Notes to Consolidated Financial Statements (Revenue Recognition)".

(Change in presentation)

(Balance Sheet)
The credit asset of 30,896 million yen related to automobile environmental regulations, which had been included in "Other" under investments and other assets until the previous fiscal year, has been reclassified to "Other" under intangible assets from the current fiscal year in order to be consistent with the consolidated statement of financial position.
As a result, 21,098 million yen presented as "Other" under investments and other assets in the balance sheet for the previous fiscal year is included in "Other" under intangible assets.

(Statements of Income)
"National subsidies" which was included in "Other" under extraordinary income in the previous fiscal year, is separately presented in the current fiscal year due to its increased significance of amount. To reflect this change in presentation, the financial statements for the previous fiscal year have been reclassified.
As a result, 77 million yen presented as "Other" under extraordinary income in the statement of income for the previous fiscal year has been reclassified as "National subsidies" of 21 million yen and "Other" of 56 million yen.

(Accounting estimates)

Items for which the amount was recorded in the non-consolidated financial statements for the current fiscal year based on accounting estimates, and which may have a significant impact on the non-consolidated financial statements for the following fiscal year, are as follows.

Deferred tax assets	104,065 million yen

Deferred tax assets are recognized based on the estimated timing and amount of taxable income based on future business plans. However, since the calculation of deferred tax assets may be affected by changes in uncertain economic conditions and other factors, and the timing and amount of actual taxable income may differ from the estimates. This could cause a significant impact on the amount of deferred tax assets in the non-consolidated financial statements for the following fiscal year.

Provision for product warranties	168,606 million yen

The Company provides product warranties based on the terms and conditions of warranties granted at the time of product sales, as well as free repair services on an individual basis in accordance with the notification to the competent authorities.
The coverage of product warranties based on the terms and conditions of warranties is determined by the duration, mileage, cause of defects, and other factors in accordance with the terms and conditions of warranties of each country.

The Company recognize estimated warranty costs for the product warranties when the products are sold to customers, based on the terms and conditions of warranties. The estimated warranty costs are recorded based on the best estimates of future occurrences, which are based on the past repair experience and past sales volume for the total cost of repairing or replacing parts due to defects occurring within the warranty period.

The estimated 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 payment will be required, and reasonable estimates can be made of the amount of the obligations. The estimated expenses are recorded based on the best estimate of the repair cost per unit, which is calculated based on past experience with product defects, and the number of units subject to repair, which is calculated based on past experience with product defects.

We believe that we have made sufficient provisions for the warranty costs that we expect to be incurred based on currently available information. However, since the calculation of the provision for product warranties involves the estimate of the warranty costs that would be incurred over multiple years in the future, the actual warranty costs may deviate from the estimates. This could cause the necessity of recording additional provisions for product warranties, and a significant impact on the non-consolidated financial statements.

(Balance Sheet)

1. Accumulated depreciation of property, plant and equipment 641,755 million yen
2. 6,672 million yen from national subsidies, etc. has been directly deducted from the amount of property, plant and equipment reported on the balance sheet.
3. Assets pledged as collateral and secured obligations
   (1) Assets pledged as collateral

Buildings	631million yen
Land	520 million yen
Total	1,151 million yen

   (2) Collateralized loans

Long-term loans-payable	9,020 million yen

   In addition, 33 million yen of land has been pledged as collateral for 2,272 million yen of long-term loans payable and received-guarantee deposited, etc. of affiliates.

4. Monetary claims and obligations to affiliates

Short-term monetary claims to affiliates	210,399 million yen
Short-term monetary obligations to affiliates	409,738 million yen
Long-term monetary claims to affiliates	76,431 million yen

5. Contingent liability
   (1) Guarantee obligation for loans from financial institutions

Subaru of America, Inc.	26,123 million yen
Employees	3,631 million yen
Subaru Kohsan Co., Ltd.	849 million yen
Subaru Auto Accessories Ltd.	504 million yen
Tan Chong Subaru Automotive (Thailand) Co., Ltd.	186 million yen
Total	31,293 million yen

   (2) Other contingent liabilities
   Based on the modified agreement between the U.S. subsidiary of Takata Co., Ltd. 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.

6. The amount of discount of export bill 873 million yen
7. Inventory and the provision for loss on construction contracts for which losses are expected are presented in gross amounts without offsetting. Of the inventory related to construction contracts for which losses are expected, the amount corresponding to provision for loss on construction is 2,788 million yen (all work in process).

(Income Statement)

1. Cost of Sales
   "Cost of sales" includes 1,497 million yen of reversal of provision for loss on construction contracts.

2. Transactions with affiliates

Operating Transactions	Net sales	1,223,261	million yen
	Purchase amount	319,139	million yen
	Other transactions	31,235	million yen
Non-Operating Transactions	Income	112,757	million yen
	Expenses	1,045	million yen

(Statement of Changes in Net Assets)

Type and number of treasury stocks at the end of the fiscal year
Common stock ………………………………………………………… 1,848,102 shares

(Accounting for Deferred Tax)

1. Main sources of deferred tax assets and liabilities

	As of March 31, 2022
	(Unit: Millions of yen)
Deferred tax assets	
Provision for product warranties	51,424
Tax loss carryforward	37,055
Valuation loss on investment securities	10,359
Accrued expenses	9,930
Amount exceeding the limit for provision for retirement benefits	8,565
Carry-forward creditable foreign tax	6,382
Depreciation of fixed assets, etc.	5,566
Provision for bonuses	4,521
Inventory	4,067
Amount exceeding the limit for allowance for doubtful accounts	888
Deferred expenses	542
Other	1,909
Subtotal deferred tax assets	141,208
Valuation allowance	(24,794)
Total deferred tax assets	116,414
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(9,964)
Prepaid pension cost	(1,797)
Reserve for reduction entry	(588)
Total deferred tax liabilities	(12,349)
Net deferred tax assets	104,065

2. Breakdown of primary items causing the difference between statutory effective tax rate and rate of income taxes after application of accounting for deferred tax

Statutory effective tax rate	30.5%
(Adjustment)	
Valuation allowance	6.9%
Total income of specified foreign subsidiaries	5.4%
Adjustment of income taxes for prior periods	0.7%
Dividends paid not deductible for income tax	(42.9) %
Other	0.2%
Effective tax rate after applying tax effect accounting	0.8%

(Transactions with Related Parties)

(Unit: Millions of yen)

Status	Name of Company, etc.	Ratio of voting rights	Relationship with related party	Contents of transaction		Amount of transaction (Note 4)	Account titles	Balance at the end of the fiscal year (Note 4)
Subsidiary	SUBARU Finance Co., Ltd.	100% direct ownership	Credit and financing related to SUBARU vehicles and leasing and rental of SUBARU vehicles; Concurrent appointment of corporate officers	Loans receivable (Note 1)		652,987	Loans receivable	123,402
				Repayment of loans (Note 1)		685,765		
Subsidiary	SUBARU of America Inc.	100% direct ownership	Sales of SUBARU vehicles and components; Concurrent appointment of corporate officers	Sales of products		655,028	Accounts receivable	37,562
				Purchase of products		102,660	Accounts payable	13,886
				Acceptance of surplus fund (Note 2)	Acceptance	264,532	Deposit	312,886
					Interest expenses	192		
				Guarantees (Note 3)		26,123		
Subsidiary	SUBARU of Indiana Automotive Inc.	100% direct ownership	Purchasing of production parts for SUBARU vehicles, sales of completed vehicles to SUBARU of America Inc. (SOA) and others; Concurrent appointment of corporate officers	Sales of products		198,116	Accounts receivable	27,045
				Purchase of products, etc.		248	Accounts payable	0
				Acceptance of surplus fund (Note 2)	Acceptance	63,386	Deposit	61,691
					Interest expenses	52		

Transaction terms and policies for determination of transaction terms
(Note)

1) Loans to SUBARU Finance Co., Ltd. are determined considering the market rate. No collaterals are received.
2) Acceptance of surplus funds is a transaction related to the CMS (Cash Management System) operated by the Group. The transaction amount is the average balance during the term. Interest expenses are determined considering market interest rates.
3) The Company guarantees loans from financial institutions, etc. of SUBARU of America, Inc.

(Per Share Information)

1. Net assets per share	1,304.17	yen
2. Net income per share	91.01	yen

(Significant subsequent Event)

Establishment of Holding Company

The Company has established a new wholly owned local subsidiary that has a holding company function in the US, based on a resolution passed by the Board of Directors on March 3, 2022.

1. Purpose of the Establishment of Holding Company

The Company has established a new local subsidiary in the US, which provides the corporate services and other similar services to the subsidiaries within its region, and thereby enhance the management base and internal control.

2. Overview of the Holding Company to be Established

(1)	Company Name:	Subaru USA Holdings Inc.
(2)	Address:	1209 Orange Street, in the City of Wilmington, County of New Castle, Delaware 19801
(3)	Representative:	Fumiaki Hayata, President
(4)	Business Description:	Provision of corporate services and other similar services to the US subsidiaries
(5)	Capital:	0.9 billion US dollars (Amount in Japanese currency 106.3 billion yen.) (at time of establishment)
(6)	Date of Establishment:	April 1, 2022
(7)	Capital Composition:	100% owned by the Company

3. Method of Contribution

The Company made Subaru USA Holdings Inc. a 100% owned subsidiary of the Company by contributing in kind all shares in the US subsidiaries owned by the Company (Subaru of Indiana Automotive, Inc., Subaru of America, Inc., North American Subaru, Inc., and Subaru Research & Development, Inc.).