[Translation for Reference and Convenience Purposes Only]

Matters Omitted in the Documents Accompanying the Notice of Convocation of the 92nd Ordinary General Meeting of Shareholders

SUBARU CORPORATION

June 1, 2023
(Start date of electronic provision measures: May 23, 2023)

The following items are posted on the Company website, etc. in accordance with legal requirements and provisions of Article 15 of the Articles of Incorporation and are therefore not included in the documents being sent to the shareholders.

-"Main Businesses", "Major Places of Business, Etc.", "Main Lenders", "Basic Approach to Corporate Governance", "Summary of Company Organizational Bodies and Key Meetings", "Policy and Procedures on Nomination of Candidates for Directors and Corporate Auditors", "Outside Directors and Corporate Auditors", "Summary of Contract for Limitation of Liability", "Summary of Directors and Officers Liability Insurance", "Summary of Evaluation of the Effectiveness of the Board of Directors", "Information on Shares Issued by the Company", "Information on Shares Held by the Company", "Company Framework and Policies" and "Accounting Auditors" of Business Report

-"Consolidated Statements of Financial Position", "Consolidated Statements of Income", "Consolidated Statement of Changes in Equity" and "Notes to Consolidated Financial Statements" of Consolidated Financial Statements

- "Non-consolidated Balance Sheet", "Non-consolidated Statements of Income", "Statement of Changes in Net Assets" and "Notes to Non-consolidated Financial Statements" of Financial Statements

-"Accounting Audit Report on Consolidated Financial Statements", "Accounting Audit Report on Non-consolidated Financial Statements" and "Board of Corporate Auditors' Report" of Audit Report

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Business Report

1. Matters concerning the status of SUBARU GROUP

(1) Main Businesses (as of March 31, 2023)

By Business Segment	Main Products
Automobile Division	Legacy, Levorg, WRX, Forester, Solterra, Ascent Impreza, Crosstrek (formerly SUBARU XV), SUBARU BRZ REX, Justy, Chiffon, Stella, Pleo, Sambar
Aerospace Division	Airplane, aerospace related machinery and components
Other Businesses	Real estate leasing

(2) Major Places of Business, Etc. (as of March 31, 2023)

[1] Company

Name	Address
Head Office	Shibuya-ku, Tokyo
Tokyo Office	Mitaka-shi, Tokyo
Gunma Plant	Ota-shi, Gunma, Oizumi-machi, Oura-gun, Gunma
Utsunomiya Plant	Utsunomiya-shi, Tochigi; Handa-shi, Aichi
SUBARU Test & Development Center	Sano-shi, Tochigi; Bifuka-cho, Nakagawa-gun, Hokkaido

[2] Domestic Subsidiaries/Overseas Subsidiaries

Please refer to "(5) Status of Principal Subsidiaries, Etc." (pp. 39-40) of Business Report in the Notice of Convocation of the 92nd Ordinary General Meeting of Shareholders.

(3) Main Lenders (as of March 31, 2023)

Lender	Amount of Borrowings (Million yen)
Mizuho Bank, Ltd.	52,500
MUFG Bank, Ltd.	23,900
Sumitomo Mitsui Banking Corporation	23,000
Sumitomo Mitsui Trust Bank, Limited	13,000
The Norinchukin Bank	13,000

2. Directors and Corporate Auditors

(1) Basic Approach to Corporate Governance

The Company aims to become a company "Delivering happiness to all," its vision, and is striving to strengthen corporate governance as one of the most important challenges for management in order to obtain the satisfaction and trust of all stakeholders through achievement of sustainable growth and improvement of medium- and long-term corporate value.

We aim to achieve efficient management by clearly separating management decision-making and oversight from business execution and increasing the speed of decision-making. Furthermore, through monitoring of business operations and advice provided by outside officers, we ensure appropriate management decision-making, oversight and business execution, and work to improve the systems for managing risks and ensuring compliance. To increase management transparency, we provide timely and appropriate disclosure of information.

(2) Summary of Company Organizational Bodies and Key Meetings

As a corporate governance system, we have adopted a Board of Corporate Auditors system, in which Board of Directors and the Board of Corporate Auditors perform decision making and oversight of the execution of important business operations. The Board of Directors was comprised of nine members at the end of March 2023, of whom three were highly independent outside directors. The Board of Corporate Auditors is composed of five members, three of whom are highly independent outside corporate auditors. This system is designed to ensure soundness and efficiency of operations by enhancing effectiveness of monitoring of business operation through the involvement of highly independent outside directors and outside corporate auditors.

Regarding the system for the execution of business operations, we employ an executive officer system to delegate the business execution authorities of directors to corporate vice presidents so as to clearly separate management decision-making and oversight from business execution thus increase the speed of decision-making.

(3) Policy and Procedures on Nomination of Candidates for Directors and Corporate Auditors

The Company believes that the composition and scale of the Board of Directors should strike a right balance of knowledge, experience, and ability as a whole necessary for the Company's sustainable growth and improvement of medium- to long-term corporate values. We also believe that the composition of the Board of Directors should ensure substantial diversity by taking into consideration gender and internationalization.

As for the nomination policy for directors, internal directors are nominated based on comprehensive evaluation and judgment of experience, knowledge, and expertise in light of requirements for officers derived from the Company's corporate philosophy and management strategy. Multiple outside directors are nominated from business executives and experts taking into account their experience, knowledge, and expertise. The number of directors is no more than 15 persons for internal and outside directors combined, as set forth by the Articles of Incorporation.

The Company has voluntarily set up an Executive Nomination Meeting in order to enhance the effective governance structure based on the existing organizational design. To ensure fairness and transparency in decisions on executive appointments, the Executive Nomination Meeting, in accordance with inquiries from Board of Directors, submits to the Board of Directors proposals on the nomination of candidates for directors and corporate auditors sufficiently deliberated on and approved by its members, more than half of them are independent outside directors. These personnel matters are decided by a resolution of the Board of Directors. The Executive Nomination Meeting in the fiscal period under review comprised of three outside directors and two internal directors, with its chairman being Director and Chairman Kazuo Hosoya. It met seven times in the fiscal period under review and discussed matters such as the Company's executive structure and appointments, the division of duties of executives, and the appointment of representatives of major consolidated subsidiaries upon improving the transparency of the process to nurture and select CEO and other officers by effectively using the successor plan for CEO and other officers, a 360-degree evaluation, and skill matrix of officers.

Consent by the Board of Corporate Auditors is obtained for nomination of candidates for corporate auditors.

When nominating candidates for directors and corporate auditors, the Meeting briefs the Board of Directors on biography, posts and main fields of responsibilities in the Company, significant positions concurrently held, and reasons for nominating the candidates for each nomination.

(4) Outside Directors and Corporate Auditors

Title	Name	Key activities and summary of duties performed in their expected roles
Outside Director	Yasuyuki Abe	Attended all of 13 Board of Directors meetings (attendance rate: 100%). Fulfilled his role as sound adviser on the Company's management, providing comments based on extensive experience and knowledge in business management and an advanced understanding of the field of IT, as well as abundant experience and insight he gained through his tenure as officer of a general trader where he was involved in management in both a supervisory and executional capacity. He also served as a member of the Executive Nomination and Executive Compensation Meetings.
Outside Director	Natsunosuke Yago	Attended all of 13 Board of Directors meetings (attendance rate: 100%). Fulfilled his role as sound adviser on the Company's management, providing comments based on extensive experience and broad knowledge and an advanced understanding of the field of internal control and governance, as well as abundant experience and insight he gained through his tenure in corporate management positions where he was involved in management in both a supervisory and executional capacity. He also served as a member of the Executive Nomination and Executive Compensation Meetings.
Outside Director	Miwako Doi	Attended all of 13 Board of Directors meetings (attendance rate: 100%). Fulfilled her role as a sound advisor on the Company's management, providing comments based on her high expertise and knowledge, given her abundant experience and outstanding track record mainly as a researcher and supervisor in the area of information technology. She also served as a member of the Executive Nomination and Executive Compensation Meetings.
Outside Corporate Auditor	Shigeru Nosaka	Attended all of 13 Board of Directors meetings (attendance rate: 100%) and 11 out of 12 Board of Corporate Auditors meetings (attendance rate: 91.7%). Fully performed his auditing function, providing comments based on experience and knowledge he gained through his tenure as officer of a listed company, particularly broad experience and knowledge on accounting and finance in corporate activities.
Outside Corporate Auditor	Kyoko Okada	Attended all of 13 Board of Directors meetings (attendance rate: 100%) and 11 out of 12 Board of Corporate Auditors meetings (attendance rate: 91.7%). Fully performed her auditing function, providing comments based on experience and knowledge she gained through her tenure as officer of a listed company, particularly broad experience and knowledge on CSR and corporate culture in corporate activities.
Outside Corporate Auditor	Yuri Furusawa	Following her appointment on June 22, 2022, attended all of 10 Board of Directors meetings (attendance rate: 100%) and all of 10 Board of Corporate Auditors meetings (attendance rate: 100%). Fully performed her auditing function, providing comments based on broad perspective and a high level of insight she gained through holding key positions in the Ministry of Land, Infrastructure, Transport and Tourism, and having been involved in the promotion of workstyle reform, active participation by women and diversity in the Cabinet Secretariat, as well as in the overseas business development in the private sector.

Note: In addition to the number of Board of Directors meetings held in the above table, one resolution was adopted in writing that was deemed to be a resolution of the Board of Directors in accordance with Article 370 of the Companies Act and the Articles of Incorporation.

(5) Summary of Contract for Limitation of Liability

The Company has executed a contract for limitation of damages under Article 423, Paragraph 1 of the Companies Act pursuant to the provisions of Article 427, Paragraph 1 of the act with Outside Directors Yasuyuki Abe, Natsunosuke Yago, and Miwako Doi, and Corporate Auditors Yoichi Kato, Hiromi Tsutsumi, Shigeru Nosaka, Kyoko Okada, and Yuri Furusawa. The maximum liability for damages pursuant to such contract shall be the amount prescribed in Article 425, Paragraph 1 of the Act.

(6) Summary of Directors and Officers Liability Insurance

The Company has executed a directors and officers liability insurance policy under which directors, corporate auditors, executive officers, officers dispatched to other companies, and major employees under the Companies Act of the Company and its specified subsidiaries are the insured parties with an insurance company, as set forth in Article 430-3, Paragraph 1 of the Companies Act. The insurance policy covers compensation for damages and legal expenses to be borne by the insured in cases when they receive a claim for damages as a result of their wrongful acts conducted in their capacity as directors and officers. However, to ensure appropriate execution of duties by directors and officers, there are certain liabilities that are not covered under the policy, such as those arising from actions performed in knowing violation of law. The premiums are fully paid by the Company and Hokuriku Subaru Inc. and there are no premiums actually paid by the insured.

(7) Summary of Evaluation of the Effectiveness of the Board of Directors

The Board of Directors periodically conducts analysis and evaluation on the effectiveness of the Board of Directors ("BoD") in accordance with the Corporate Governance Guideline, and reviews and implements improvement measures for the issues identified.

In the fiscal year ended March 31, 2023, aiming to apply the results of the evaluations toward enhancing the BoD's functions, the BoD confirmed efforts to address issues recognized in previous evaluations, reorganized the evaluation items on the survey and implemented interviews with certain directors, and assessed and analyzed the reasons and underlying factors behind differences in the recognition of issues. The results of this process are reported below.

[1] Evaluation and Analysis Methods
(Timing of implementation: January 2022/respondents: 14 directors and corporate auditors)

Process 1	Third-party body conducts anonymous self-evaluation survey of directors and auditors
Process 2	Third-party body conducts interviews with the chair of the BoD, Representative Director and President, and outside directors
Process 3	Third-party body aggregates and analyzes survey responses and interviews
Process 4	BoD verifies and discusses reports received from third-party bod

[2] Evaluation results
【General evaluation】

- The BoD is making solid, gradual progress on improvements by taking advantage of social gatherings of management personnel*, enhancing discussions on the Executive Nomination Meeting, and taking other steps.
- Improvements have been made in efforts aimed at "enhancing the quality of discussion of medium- to long-term management strategy" and "enhancing discussions on the establishment of a system to appropriately address newly identified risks," two areas for improvement that emerged in last fiscal year's evaluation.

【Characteristics of the Subaru Corporation BoD】

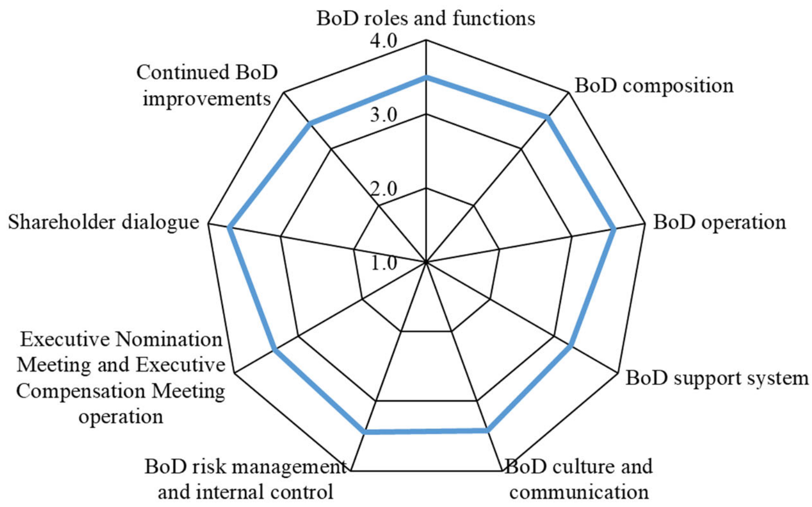
item	Summary
A BoD with a focus on the monitoring function	Both inside and outside officers recognize that the roles of the BoD are to examine the execution of business and monitor the status of various initiatives.
A framework conducive to open provision of information to the BoD	Business divisions appropriately provide information to outside officers through measures such as sharing internal information, offering opportunities for visits to factories and other sites, and utilizing social gatherings of management personnel. The company environment where outside officers can obtain access to internal materials and contact inside officers as necessary.
A united commitment to enhancing the value of the Subaru brand	Outside officers share in Subaru employees' consistent commitment to pursuing the "Evolution of the SUBARU Difference."

【Future points to examine for further enhancing the effectiveness of the BoD】

item	Summary
Discussing medium- to long-term management strategy (a continuing point for examination)	The BoD confirmed the need to establish common ground in approaching discussions of medium- to long-term management strategy in the automobile industry, where constant, rapid transformation contributes to a lack of clarity and certainty, so that it can optimally fulfill its supervisory responsibility.
Further bolstering the support system foroutside directors	The BoD confirmed the need to work on rolling out information via the BoD Secretariat in order to help outside directors perform their functions more effectively than before.
Further improving the effectiveness of the Executive Nomination Meeting	The BoD confirmed that it has been making solid progress through various efforts, including discussions of succession plans for the CEO position and other posts as well as skills matrices for officers, and will strive to implement continuing initiatives and propel further evolution.

*：Events for the exchange of opinions on important topics for corporate management, held by directors and corporate auditors but not requiring resolution

(Reference) Survey results



1 = Strongly disagree; 2 = Disagree; 3 = Agree; 4 = Strongly

(Reference) Survey question items

Evaluation item		
i	BoD roles and functions	Recognition of the roles and functions of the Board of Directors
		Delegation of authority to execution
		Reporting system
		Supervision of corporate management
ii	BoD composition	Size of the Board of Directors
		Composition of the Board of Directors (ratio of inside to outside directors)
		Composition of the Board of Directors (diversity and expertise)
iii	BoD operation	Frequency, length, and time allocation of meetings
		Relevance of agenda items
		Timing of proposals and discussions
		Quality and quantity of documents
		Timing of document distribution
		Prior explanation
		Content of explanations and reports
		Discussions by the Board of Directors
		Leadership by the Chair
iv	BoD support system	Environment and systems for the provision of information
		Provision of information to outside officers
		Training of outside officers
		Training of inside officers
v	BoD culture and communication	Diverse values
		Stakeholder perspectives
		Directors and business divisions
		Inside and outside directors
		Directors and corporate auditors
vi	BoD risk management and internal control	Risk management
		Group governance
		Internal control and compliance
vii	Executive Nomination Meeting and Executive Compensation Meeting operation	
viii	Shareholder dialogue	Supervision of proper disclosure of information to shareholders and investors
		Sharing the views of shareholders and investors
		Enhancing dialogue with shareholders and investors
ix	Continued BoD improvements	Status of improvements based on the previous fiscal year's effectiveness evaluation

For more information about the BoD Effectiveness Evaluation for the fiscal period under review, visit our website (https://www.subaru.co.jp/en/csr/pdf/governance_report_e.pdf).
For more information about the Company's Corporate Governance Guidelines, visit our website (https://www.subaru.co.jp/en/csr/pdf/governance_guideline_e.pdf).

3. Information on Shares Issued by the Company (as of March 31, 2023)

(1) Common Stock Authorized 1,500,000,000 shares
(2) Common Stock Issued 769,175,873 shares (including 1,794,065 treasury shares)
(3) Number of Shareholders 139,908 persons (down 7,599, or -5.4%)
(4) Major Shareholders (top 10)

Name of shareholder	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)	115,024	14.99
Custody Bank of Japan, Ltd. (trust account)	47,682	6.21
STATE STREET BANK AND TRUST COMPANY 505103	11,128	1.45
STATE STREET BANK WEST CLIENT - TREATY 505234	10,198	1.33
MIZUHO SECURITIES ASIA LIMITED - CLIENT A/C	10,165	1.32
Mizuho Bank, Ltd.	10,078	1.31
SSBTC CLIENT OMNIBUS ACCOUNT	9,287	1.21
Sompo Japan Insurance Inc.	8,267	1.08
JP MORGAN CHASE BANK 385781	8,035	1.05

Notes: 1. Number of shares held is rounded off to the nearest thousand shares.
2. The percentage of total shares held is calculated based on the number of shares excluding treasury stock of 1,794,065 shares.

(5) Status of the Company's Shares Granted to Directors as Consideration for the Execution of Duties in the Fiscal Period Under Review

The Company grants restricted stock units to Directors (excluding Outside Directors ; hereinafter the same shall apply) for the purpose of providing them an incentive for sustained improvement of the Company's corporate value and further value sharing with the shareholders, and provides monetary compensation for that (hereinafter, "Restricted Stock Compensation Plan"). Based on the resolution of the Board of Directors, Directors shall wholly contribute the monetary compensation claim paid as above in the form of properties contributed in kind, and shall, in return, receive shares of the Company's common stock through issuance or disposal. In addition, for the issuance or disposal of shares of the Company's common stock, the Company and eligible Directors shall enter into a restricted stock allotment agreement that includes provisions such as the one to restrict the transfer of the shares for the period starting from the date of allotment through the date the Director retires from the position (however, if the Director is consecutively appointed the Company's corporate vice president after retiring from the Director's position, the period through the date of retirement as corporate vice president).

Details of stock units that the Company has granted under the Restricted Stock Compensation Plan are as follows.

Category	Number of shares	Grantees
Directors (excluding Outside Directors)	20,848	5
Outside Director	-	-
Corporate Auditors	-	-

4. Information on Shares Held by the Company (as of March 31, 2023)

(1) Basic Policy Regarding Cross-shareholdings

The Company holds discussions with the companies whose shares it holds as cross-shareholdings and the Board of Directors every year measures the benefits of holding them quantitatively using dividend payout ratio and capital cost using WACC and compares and verifies them. Based on the result, it continues with the cross-shareholdings only when it judges that they would qualitatively contribute to the medium- to long-term management and business strategies.

In accordance with the above policy, the Company has steadily reduced the number of listed stocks held as cross-shareholding. As a result, 60 issues held at the end of March 2015 decreased to 2 issues at the end of March 2021. At this point, the Company judges that retaining cross-shareholdings in the two issues for the reason described in (2) below, and it will continue to hold discussions with these companies at least once a year and the Board of Directors will evaluate and examine the cross-shareholdings every year and judge whether or not to retain them.

(2) All Stocks Held Primarily for Strategic Purposes

Issues	91st	92nd (Current)	Purpose of holding, impact of holding and reason for increase in number of shares	Does it own Subaru shares?
	Number of shares			
	Amount reported on the balance sheet (Millions of yen)			
The Gunma Bank, Ltd.	2,850,468	2,850,468	The Gunma Bank, a local bank of the area where the Company's main factory resides, is supporting not only the Company but also local supplier sites in Japan and abroad through its financial services. As the bank has been the Company's important partner, the Company will continue to hold the bank's shares to promote fair and smooth financial transactions.	Yes
	1,009	1,263		
Mizuho Financial Group, Inc.	372,097	372,097	The Mizuho Financial Group firms have been supporting the Company with financial transactions and other services. In particular, the Mizuho Bank has long been the Company's most important financial partner, providing support in a broad area of management. The Company will continue to hold the group's shares to promote fair and smooth transactions.	Yes
	583	699		

Notes: 1. The indication of whether the company has shareholdings in Subaru, in the case where the company is a holding company, reflects holdings by subsidiaries that Subaru mainly has dealings with (effective shareholdings).

2. The Company does not have investment shareholdings purely for investment purposes.

5. Company Framework and Policies

Framework for ensuring conformity of performance of duties by the directors to the laws and articles of incorporation, and other frameworks for ensuring appropriateness of a joint-stock company's business as well as appropriateness of business of the corporate group comprising of the Company and its subsidiaries (as of March 31, 2023)

1. Framework to ensure that the performance of duties by the directors comply with the laws and articles of incorporation

Following framework shall be established as a preventative measure against illegal acts by directors:

(1) Directors shall establish a framework for effective supervision of performance of duties by other directors and effective audits by the corporate auditors, through activities such as attendance of various meetings, review of approval forms, and receiving business reports from corporate vice presidents and employees by the directors and corporate auditors.

(2) Establish rules regarding compliance and a framework for ensuring that Directors comply with laws, articles of incorporation and internal rules.

(3) Establish whistle blowing system (Compliance Hotline) as internal reporting framework where violation of laws/articles of Incorporation by directors in performing their duties have been identified by executive officers/employees.

(4) Conduct compliance related trainings by external experts for directors as necessary.

(5) A director who identifies violation of laws/articles of incorporation by another director shall immediately report such violation to the Board of Corporate Auditors and Board of Directors, and implement corrective measures.

2. Establishment of other systems prescribed by the applicable Ordinance of the Ministry of Justice as systems necessary to ensure the properness of operations of a Stock Company and the business of the corporate group comprising of the stock company and its subsidiaries

(1) Structure concerning storage and management of information related to performance of duties of directors

i. Establish internal rules on storage and management of minutes of the Board of Directors, approval forms, other documents related to performance of duties by directors, and other information, and appropriately store and manage such information in accordance with such rules and laws.

(2) Rules and other frameworks on management of risk of loss

i. The Company shall work out rules regarding risk management and establish rules, manuals and guidelines corresponding to the business of each division to prevent risks from materializing or increasing.

ii. Business-related risks shall be scrutinized by the directors and corporate vice presidents in accordance with certain approval rules, and the Corporate Planning Department shall lead the management by each division/company and shared corporate operation departments at the headquarters.

iii. Establish a company-wide emergency communication network to ensure prompt response to emergencies and prevent spreading of losses.

To promote risk management, establish a risk management and compliance committee to deliberate/discuss, decide, exchange/communicate information on significant matters pertaining to risk management.

(3) ramework to ensure efficient performance of duties by Directors

i. An executive officer system shall be implemented to delegate the business execution authorities of directors to corporate vice presidents. Chief Operating Officer (COO), or CEO if there is no COO, shall supervise the business execution. Chief Executive Officer (CEO) shall supervise the overall management.

ii. Directors shall supervise the business execution of corporate vice presidents and employees by attending meetings and receiving regular business reports.

iii. Discuss projects to be deliberated at the Board of Directors meeting in advance at Management Meetings (a preliminary consultation body for the Board of Directors to deliberate on company-wide business projects) and Executive Meetings (decision making body for each executive unit) to clarify issues for efficient deliberation at the Board of Directors meeting.

iv. Board of Directors shall establish the medium- to long-term management goals, promote sharing of such goals, and periodically review the progress.

v. Board of Directors shall periodically conduct self-evaluation and analysis, to ensure effective performance of roles and obligations of the directors both in terms of decision making and supervision over business execution.

(4) System to ensure conformity of execution of operations of executive officers and employees with laws and articles of incorporation

i. Establish rules on compliance and a framework to ensure that executive directors and employees comply with laws, articles of incorporation and internal rules.
ii. To promote compliance, establish a risk management and compliance committee to deliberate/discuss, decide, exchange/communicate information on significant compliance matters.
iii. Structured education shall be conducted for executive directors and employees such as compliance lectures, to promote compliance awareness.
iv. Establish a whistle blowing system (Compliance Hotline) as an internal reporting framework in case executive officer or employees identify illegal business acts, etc.
v. Establish an independent audit department as an internal audit entity.

(5) Framework for securing appropriateness of business in corporate group

i. In order to enhance the Group's brand value and its overall potential through sound operation of group subsidiaries, establish rules on subsidiary management, and manage/support subsidiaries mainly through the Company's department in charge of management of business or management of each subsidiary pursuant to such rules. At the same time, create a framework where subsidiaries are to make periodic reports as well as extraordinary reports as required on necessary matters to the Company.
ii. The Company shall encourage its subsidiaries to establish rules tailored to each subsidiary's business characteristics, including rules on risk management, manuals, guidelines, etc. and build risk management systems corresponding to the characteristics of each subsidiary's business, to prevent risks from materializing or increasing.
iii. The Company shall ensure efficiency of performance of duties by directors of subsidiaries by receiving business reports from subsidiaries pursuant to the rules on subsidiary management, and conducting preliminary discussions on business for significant matters, etc.
iv. The Company shall establish Audit Department as an organization that performs internal audits, and perform periodic business audits for affiliates including subsidiaries and related companies, and extraordinary audits for necessary matters as required.
v. The Company shall periodically convene Corporate Auditors of domestic affiliates and exchange opinions with the Company's Corporate Auditors to enhance audit functions at domestic affiliates.
vi. The Company shall concurrently appoint executive officers and employees as Corporate Auditors of some of the domestic affiliates to enhance the audit function.
vii. The Company shall apply the whistle blowing system (Compliance Hotline) in (4) above to domestic affiliates.
viii. Overseas subsidiaries are to comply with the local laws, and follow a framework pursuant to this policy to the extent possible.

(6) Matters concerning an employee where Corporate Auditors request for an employee to support his/her duties

i. In response to request by Corporate Auditors, one or more staffs shall be allocated from the Company's employees to support the duties of the Corporate Auditors.

(7) Matters related to securing independence of the employee from directors and effectiveness of instruction to the employee from Corporate Auditors

i. In case such supporting staff is to be concurrently appointed to a position involving business execution, directors and executive units shall not intervene with the staff's performance of tasks supporting the Corporate Auditors; ensure the staff's independence from directors; and notify the Company's officers and employees that such supporting staff is to follow the instructions and orders of the Corporate Auditors.
ii. Appointment of such supporting staff shall require consent by the Board of Corporate Auditors.

(8) Framework for reporting by directors, executive officers, and employees of the Company and its subsidiaries to the Company's Corporate Auditors; frameworks for other reports to the Company's Corporate Auditors; and the framework for securing effective audit by the Company's Corporate Auditors

i. A system shall be established to ensure that the Company's Corporate Auditors can receive periodic reports on performance of duties from the directors, executive officers and employees of the Company or its subsidiaries.
ii. A system shall be established to ensure that the Company's Corporate Auditors can collect information on the status of performance of obligations relating to each business division, etc. by the directors, executive officers and employees of the Company and its subsidiaries.
iii. Directors of the Company or its subsidiaries shall report to the Company's Corporate Auditors where matters that may cause significant damages to the Company, material violation of laws/articles of incorporation, or other material compliance matters occur.
iv. Corporate Auditors of the Company may attend the Compliance Committee, which is an organizational body that deliberates/discusses, determines, exchange/communicate information on, important matters regarding risk management and compliance.
v. The Company and its subsidiary's Representative Directors, Directors, or Accounting Auditors shall attend meetings to exchange opinions held by the Company's Corporate Auditor at the request of such Corporate Auditor.
vi. A framework shall be established to ensure that the person reporting to the Company's Corporate Auditors shall not receive disadvantageous treatment for the reason of making the report in the preceding Item.
vii. A framework shall be established with respect to procedures for advance payment or repayment of expenses arising from performance of duties of Corporate Auditors and processing or repayment of other expenses arising from performance of such duties, to enable smooth processing in accordance with the invoice, etc. from the Corporate Auditors.

At the Company, CRMO (Chief Risk Management Officer) is leading the corporate group-wide efforts to enhance risk management, working closely with Corporate Planning Department, which performs division-encompassing functions, and different divisions and companies, with professional support from company-wide shared corporate operations departments such as Risk Management & Compliance Office and Legal Department. Audit Department audits execution of tasks by each division and subsidiary in a planned manner.

Summary of operation of framework for securing appropriateness of business

1. Risk management

To prevent the increase and expansion of the Group risks, the CRMO (Chief Risk Management Officer) appointed by the Board of Directors heads risk management and compliance activities and reports to the Board of Directors. The Company recognizes risk management activities as one of top priorities for the execution of duties by Directors and their status has been appropriately deliberated at the Board of Directors meetings and other meetings.

As a system to promote risk management, the Company has appointed risk management officers (job grade of General Managers) for each department and established "Risk Management & Compliance Committee" chaired by the CRMO to deliberate/discuss, decide, and exchange/communicate information on important matters.

Taking into consideration the group-wide "Risk Management Policy" formulated by CRMO, "Risk Management Code of Conduct" formulated by risk management officers, and its corporate characteristic, the Company has been continuing with the activities to control risks in normal times based on "Risk Map" that summarizes priority issues from a company-wide perspective.

The Company has also been implementing a third-party evaluation regarding its risk management activities and held workshops on risk management methods among other measures with the aim of vitalizing its activities and improving effectiveness.

The Company has developed "Safety Confirmation System" and other means based on "Emergency Response Basic Manual" as the company-wide emergency contact system in preparation for information sharing in the case of disasters that might affect the Company.

Key efforts regarding enhancement of risk management system

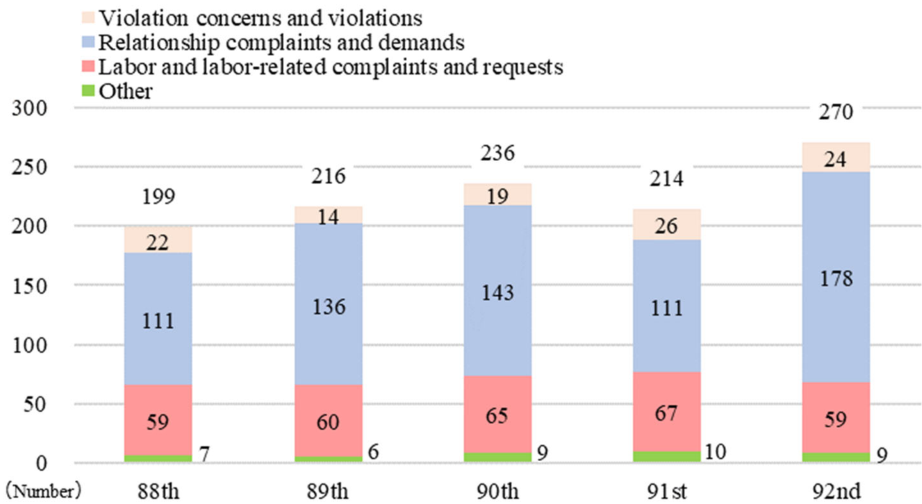
- The Company has been conducting training sessions featuring business continuity in the event of a large-scale natural disaster and implementing initiatives preparing for business continuity of each department.
- The Company formulated "Initial Response Guidelines" for large-scale disasters as part of preparations during normal times and to share and ensure implementation of the action guidelines.
- The Company implements initiatives to reduce key risks associated with the Group such as cyber-attacks and disruption of supply chains and promotes their effectiveness through regular follow-up by Risk Management & Compliance Committee.
- The Company strictly operates the Approval Rules in response to business-related risks. All approved items are reviewed and scrutinized by Directors and Corporate Auditors to confirm there are no issues.

2. Situation of efforts to enhance compliance

To ensure all executives and employees of the Group comply with laws and regulations, the articles of incorporation, and internal rules, and act in accord with social ethics and norms, the Company is working to maintain and enhance the group-wide compliance system by establishing the Corporate Code of Conduct, Conduct Guidelines, and other rules, while setting up and operating various committees.

As a system to promote compliance within the Company, the CRMO is leading compliance activities, while the Risk Management & Compliance Committee formulates policies, deliberates/discusses, decides, and exchanges/communicates information on important matters, such as the activities of each department and the operation of the whistle blowing system, and reports these activities to the Board of Directors.

The Company and its subsidiaries notify the whistle blowing system they respectively have established through compliance training and other means and appropriately and proactively operate it to detect and solve problems that cannot be grasped with the reporting systems for regular operations. The increasing trend in the number of such systems being operated keeps in check the occurrence of problems and is showing results suitable for the purpose of improving self-cleaning and effectiveness of compliance.



The Risk Management & Compliance Office manages these company-wide activities and works to promote compliance awareness throughout the Group, by creating and providing "Compliance Manual" and conducting trainings in cooperation with relevant departments.

Key efforts to enhance the compliance system

- Further improvement in compliance awareness of all employees through revision of "Compliance Manual" and promotion such as video-based training and e-learning.
- Strengthening of self-check of internal control so that the companies can autonomously implement PDCA for legal compliance system throughout the Group.
- Improvement of effectiveness and trustworthiness of the whistle blowing system by making the service available in multiple languages (English, Chinese, Portuguese, and Spanish) and designation of employees engaged in operation of whistle blowing system.

3. Securing efficient performance of duties

The Company has introduced an Executive Officer System with the aim of ensuring speedy business executions by the Directors through the delegation of business executions to the Executive Officers and supervising the Executive Officers by attending various meeting bodies and receiving periodic business reports. We position the president and other executive roles as executive officers, instead of directors, to clarify the roles and responsibilities assigned to directors and executive officers.

Significant matters requiring submission to the Board of Directors were deliberated at the Executive Meeting to deepen the discussion and discussion points that should be subjected to deliberation by the Board of Directors were clarified by sorting out discussion points and providing directionality. Deeper and efficient discussion at the Board of Directors meeting is being promoted by, for example, early distribution of materials and providing preliminary explanations.

Documents regarding performance of duties by the directors and other information is being stored and managed appropriately in accordance with the internal rules.

4. Securing appropriateness of business by the corporate group comprising of the Company and its subsidiaries

The Company is enhancing the audit and supervisory functions by appointing executive directors and employees of the Company to concurrently work as directors or Corporate Auditors of subsidiaries. In addition, the Company receives periodic and ad hoc reporting from subsidiaries through departments in charge of individual subsidiaries, has discussions where necessary, and issues that have significant impact on the Company are reported to the Executive Meeting.

To ensure that business activities are carried out strictly in accordance with “Company-wide Subsidiary Management Rules”, the subsidiaries’ projects that should be subject to preliminary discussions with the Company and projects to be determined at the discretion of subsidiaries were distinguished. In addition, the information communication routes from subsidiaries to the Company were confirmed, and ongoing confirmation is being made on the establishment of rules at subsidiaries.

To further enhance these operations, the Company has integrated business-based management by departments in charge of subsidiaries and organization-based management to realize a system that further ensures the appropriateness of subsidiaries’ businesses as a corporate group.

Furthermore, the Company’s internal audit division performs business audits for the Company and its subsidiaries in accordance with the Internal Audit Rules. Their results are reported at the Executive Meeting, and corrective measures are implemented where necessary.

5. Securing effectiveness of Corporate Auditors’ Audit

The Company has formulated rules to ensure the effectiveness of Corporate Auditors’ audit (e.g., Standards for Corporate Auditor’s Audit), developed a whistle blowing system, and established a framework where the Corporate Auditors can gather information from directors and employees in a timely and appropriate manner in case of matters that may cause significant damages to the Company, significant violation of laws/articles of incorporation, or other significant compliance matters. In addition, the framework ensures smooth performance of Corporate Auditors’ duties by assigning employees independent from directors to support duties of Corporate Auditors and making them known to all employees. Also, we have added one assisting employee from the fiscal period under review to further enhance execution of duties by Corporate Auditors and increase support.

The Company’s Corporate Auditors attend important meetings including the Board of Directors, Executive Management Board Meeting, and Risk Management & Compliance Committee meetings, and state their opinions as necessary. In addition, periodic interviews with directors and executive officers as well as on-site audits of key offices and subsidiaries are performed to confirm the status of establishment and operation of the internal control system.

Moreover, the Corporate Auditors receive monthly reports including the operational status of the whistle blowing system from Internal Audit Division, Legal Division, and Risk Management & Compliance Office, and reports on subsidiaries are received as necessary from departments in charge of managing the subsidiaries.

The Company also promotes close mutual collaboration under the three-pillar audit system by holding discussion meetings with corporate auditors of core subsidiaries and having information and opinion exchange with Accounting Auditors every quarter and whenever appropriate and with internal audit divisions as necessary.

The Company has also established a framework that can smoothly process invoices from the Corporate Auditors for expenses arising from performance of their duties.

6. Accounting Auditors

(1) Accounting Auditors KPMG AZSA LLC

(2) Accounting Auditor Compensation

Category	Audit fees (million yen)	Non-audit fees (million yen)
The Company	232	-
The Company's subsidiaries	18	7
Total	250	7

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 included in the amount of Audit fees of the Company in the above table.

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 Services

Non-audit services included tax-related services, advisory service regarding accounting and taxation related to the establishment of holding company in the US. Non-audit services for the consolidated subsidiaries are agreed upon procedures.

(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.

Consolidated Financial Statements

Consolidated Statement of Financial Position

(Unit: Millions of yen)

	FYE 2022 (as of March 31, 2022)	FYE 2023 (as of March 31, 2023)
Assets		
Current assets		
Cash and cash equivalents	883,074	979,529
Trade and other receivables	337,387	357,524
Inventories	483,113	592,999
Income taxes receivable	18,331	11,049
Other financial assets	243,204	388,634
Other current assets	77,134	99,378
Subtotal	2,042,243	2,429,113
Assets held for sale	—	652
Total current assets	**2,042,243**	**2,429,765**
Non-current assets		
Property, plant and equipment	841,553	861,846
Intangible assets and goodwill	250,897	243,926
Investment property	21,942	20,878
Investments accounted for using equity method	10,828	9,061
Other financial assets	124,574	116,507
Other non-current assets	161,167	189,108
Deferred tax assets	90,549	73,059
Total non-current assets	**1,501,510**	**1,514,385**
Total assets	**3,543,753**	**3,944,150**

(Unit: Millions of yen)

	FYE 2022 (as of March 31, 2022)	FYE 2023 (as of March 31, 2023)
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	273,546	377,279
Financing liabilities	51,645	55,596
Other financial liabilities	69,624	65,595
Income taxes payable	4,685	27,198
Provisions	143,217	141,192
Other current liabilities	309,538	346,622
Total current liabilities	**852,255**	**1,013,482**
Non-current liabilities		
Financing liabilities	282,400	257,000
Other financial liabilities	81,848	90,632
Employee benefits	58,196	55,557
Provisions	95,448	103,872
Other non-current liabilities	267,530	313,374
Deferred tax liabilities	5,057	286
Total non-current liabilities	**790,479**	**820,721**
Total Liabilities	**1,642,734**	**1,834,203**
Equity		
Equity attributable to owners of parent		
Capital stock	153,795	153,795
Capital surplus	160,178	160,178
Treasury stocks	(6,324)	(6,136)
Retained earnings	1,466,322	1,623,699
Other components of equity	116,818	169,437
Total equity attributable to owners of parent	**1,890,789**	**2,100,973**
Non-controlling interests	**10,230**	**8,974**
Total equity	**1,901,019**	**2,109,947**
Total liabilities and equity	**3,543,753**	**3,944,150**

Consolidated Statement of Income

(Unit: Millions of yen)

	FYE 2022 (April 1, 2021 to March 31, 2022)	FYE 2023 (April 1, 2022 to March 31, 2023)
Revenue	**2,744,520**	**3,774,468**
Cost of sales	**(2,240,595)**	**(3,037,993)**
Gross profit	**503,925**	**736,475**
Selling, general and administrative expenses	(303,136)	(342,015)
Research and development expenses	(103,587)	(114,400)
Other income	8,447	6,358
Other expenses	(13,887)	(19,076)
Share of profit (loss) of investments accounted for using equity method	(1,310)	141
Operating profit	**90,452**	**267,483**
Finance income	19,720	36,796
Finance costs	(3,200)	(25,913)
Profit before tax	106,972	278,366
Income tax expense	(36,376)	(79,282)
Profit for the year	**70,596**	**199,084**
Profit for the year attributable to		
Owners of parent	70,007	200,431
Non-controlling interests	589	(1,347)
Profit for the year	70,596	199,084
Profit for the year per share attributable to owners of parent		
Basic (yen)	91.28	261.33
Diluted (yen)	—	261.32

Consolidated Statement of Changes in Equity FYE 2023 (April 1, 2022 to March 31, 2023)

(Unit: Millions of yen)

	Equity attributable to owners of parent						Non-controlling interests	Total capital
	Capital stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity	Total		
Balance at the beginning of the year	153,795	160,178	(6,324)	1,466,322	116,818	1,890,789	10,230	1,901,019
Comprehensive income								
Profit (loss) for the year	–	–	–	200,431	–	200,431	(1,347)	199,084
Other comprehensive income (after deduction of tax)	–	–	–	–	60,411	60,441	91	60,502
Comprehensive income total	–	–	–	200,431	60,411	260,842	(1,256)	259,586
Transfer to retained earnings	–	–	–	7,792	(7,792)	–	–	–
Transactions with owners								
Dividends paid	–	–	–	(50,646)	–	(50,646)	–	(50,646)
Purchase of treasury stock	–	–	(4)	–	–	(4)	–	(4)
Disposal of treasury stock	–	(55)	192	–	–	137	–	137
Transfer from retained earnings to capital surplus	–	55	–	(55)	–	–	–	–
Change in scope of consolidation	–	–	–	(145)	–	(145)	–	(145)
Total transactions with owners	–	–	188	(50,846)	–	(50,658)	–	(50,658)
Balance at the end of the year	153,795	160,178	(6,136)	1,623,699	169,437	2,100,973	8,974	2,109,947

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	50	……… Fuji Machinery Co., Ltd., Ichitan Co., Ltd., Tokyo Subaru Inc., and 47 others
Overseas	23	……… Subaru USA Holdings Inc, 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	Subaru USA Holdings Inc
Excluded	Shin-Subaru Chuhan Co., Ltd.

(2) Companies accounted for using the equity method

Added	-
Excluded	-

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. 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 Group Tax Sharing system

Group Tax Sharing 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 2023 (April 1, 2022 to March 31, 2023)

(Unit: Millions of yen)

	Automotive	Aerospace	Others *3	Total
Revenue from contracts with customers				
Japan	527,251	43,401	1,694	572,346
North America	2,809,211	35,611	150	2,844,972
Europe	86,643	7	10	86,660
Asia	91,369	—	9	91,378
Others	170,372	—	26	170,398
Total	3,684,846	79,019	1,889	3,765,754
Revenue arising from other sources *2	5,705	—	3,009	8,714
Total	3,690,551	79,019	4,898	3,774,468

(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, 2023 is as follows:

	(Unit: Millions of yen) FYE 2023 (as of March 31, 2023)
Receivables included in Trade and other receivables	114,526
Contract assets included in Trade and other receivables	17,420
Contract liabilities included in other current liabilities	166,460
Contract liabilities included in other non-current liabilities	282,184

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 advance consideration for extended warranty services and other items in the Automotive business, and to contracts with defense industries in the aerospace business for which revenue is recognized upon completion of aircraft production and periodic repairs.

Of the revenues recognized in the consolidated fiscal year ended March 31, 2023, the amount included in the contract liability balance at the beginning of the consolidated fiscal year was 97,977 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 2023 (as of March 31, 2023)
Within 1 year	208,980
Over 1 year	496,596
Total	705,576

(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	73,059 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	176,189 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), 4. Accounting policies, (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	305 million yen
The allowance for doubtful other financial assets (non-current)	449 million yen

2. Accumulated depreciation of property, plant and equipment 1,424,866 million yen

3. 6,943 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:	9,091 million yen

(2) Collateralized loans

Financing liabilities (current):	376 million yen
Others:	1,708 million yen
Total	2,084 million yen

5. Contingent Liabilities

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

Customers of SUBARU Canada Inc.:	6,221 million yen
Employees:	2,879 million yen
Others:	826 million yen
Total	9,925 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 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:	7,300 million yen
Less amounts currently executed:	2,686 million yen
Unexecuted balance	4,614 million yen

7. 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 3,275 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 Stocks	Number of shares as at beginning of the consolidated fiscal year (shares)	Number of shares increased during the consolidated fiscal year (shares)	Number of shares reduced during the consolidated fiscal year (shares)	Number of shares as at end of the consolidated fiscal year (shares)
Issued shares				
Common stock	769,175,873	—	—	769,175,873
Treasury stocks				
Common stock (Note)	2,248,102	2,190	56,227	2,194,065

(Note) Increase of 2,190 shares of Treasury stocks was due to purchase of Shares less than One Unit.
Decrease of 56,227 shares of Treasury stocks was due to retirement of treasury stocks on August 4, 2022 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 stocks	Total amount of dividends (yen)	Dividend per share (yen)	Record date	Effective date
'The 91st Ordinary General Meeting of Shareholders on June 22, 2022	Common stocks	21,485	28.00	March 31, 2022	June 23, 2022
'The Board of Directors Meeting on November 2, 2022	Common stocks	29,161	38.00	September 30, 2022	December 7, 2022

(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 stocks	Total amount of dividends (yen)	Source for dividend	Dividend per share (yen)	Record date	Effective date
'The 92nd Ordinary General Meeting of Shareholders on June 21, 2023	Common stocks	29,161	Retained earnings	38.00	March 31, 2023	June 22, 2023

(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 statement of financial position and fair value at March 31, 2023 are as follows.

(Unit: Millions of yen)

	Amount on the consolidated statement of financial posiotion	Fair Value
Trade and other receivables		
Operating loans	163,540	169,357
Lease receivables	11,033	12,086
Account receivables and other receivables *1	182,951	-
Other financial assets		
Debt instruments measured at fair value	201,125	201,125
Equity instruments	120,619	120,619
Derivatives	1,610	1,610
Other *1&*4	181,787	-
Financing liabilities		
Borrowings	222,596	216,912
Bonds	90,000	88,653
Trade and other payables *1	377,279	-
Other financial liabilities		
Derivatives	2,677	2,677
Other *1&*3	39,026	-

(Note)

1) Disclosure of fair value is omitted because the fair values approximate their carrying amounts.
2) The table does not include cash and cash equivalents due to their fair values approximate their respective carrying amounts.
3) Lease liabilities (114,524 million yen on the consolidated statement of financial position) are not included in "Other financial liabilities".
4) ”Other” included in “Other financial assets” mainly consists of time deposits.

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 Leases".
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, investment trust and investments in partnerships, etc.
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 are investment trust are classified as Level 1.
The fair value of corporate bonds 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 of corporate bonds is classified as Level 2.
The fair value of investments in partnerships is measured based on the estimated fair value of the partnership assets and the Company's shares of such fair value. Fair value measurement for investments in partnerships is classified as Level 3 because it uses unobservable inputs.
Other debt instruments are reported as other financial assets (current) and other financial assets (non-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 and lease liabilities are measured in accordance with "IFRS 16 Leases".
The fair value of other financial liabilities approximates their carrying amounts.

(3) Financial assets and liabilities recognized in the consolidated statement of financial position at fair value

Financial assets and liabilities recognized in the consolidated statement of financial position 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	—	1,610	—	1,610
Debt instruments	29,927	171	1,332	31,430
Total	29,927	1,781	1,332	33,040
Financial assets measured at fair value through other comprehensive income:				
Equity instruments	114,646	—	5,973	120,619
Debt instruments	62,598	107,097	—	169,695
Total	177,244	107,097	5,973	290,314
Total	207,171	108,878	7,305	323,354
Other financial liabilities:				
Financial liabilities measured at fair value through profit or loss:				
Derivatives	—	2,677	—	2,677
Total	—	2,677	—	2,677

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)	(Unit: Millions of yen)
	FYE 2023 (April 1, 2022 to March 31, 2023)	
	Equity instruments	Debt instruments
Beginning balance	5,424	—
Total gains or losses:		
Profit or loss	—	39
Other comprehensive income	549	—
Purchases	—	1,293
Sales	—	—
Exchange differences on translating foreign operations	—	—
Ending Balance	5,973	1,332
Unrealized gains or losses included in profit or loss on assets held at March 31. 2023	—	89

(Note)

1) Gains or losses included in profit or loss for the consolidated fiscal years ended March 31, 2023 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, 2023 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.
3) Unrealized gains and losses on assets held at the end of the current fiscal year included in net gains or losses on debt instruments are included in "Financial income" in the consolidated statement of 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, 2023 is as follows:

(Unit: Millions of yen)

	FYE 2023 (as of March 31, 2023)	
	Carrying amount	Fair value
Trade and other receivables		
Operating loans	163,540	169,357
Lease receivables	11,033	12,086
Account receivables and other receivables*1	182,951	—
Other financial asset*1&2	181,787	—
Financing liabilities		
Borrowings	222,596	216,912
Bonds payables	90,000	88,653
Trade and other payables*1	377,279	—
Other financial liabilities*1&3	39,026	—

(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 2,677 million yen and lease liabilities of 114,524 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
20,878	35,550

(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 attributable to owners of parent	2,739.27 yen
2. Income per share attributable to owners of parent	
Basic	261.33 yen
Diluted	261.32 yen

(Significant Subsequent Event)

Acquisiton and cancellation of the Company's treasury stocks

The Company resolved, at a meeting of its Board of Directors held on May 11, 2023, the matters concerning the acquisition of treasury stocks pursuant to the provisions of Article 156 of the Companies Act, as applied by replacing the relevant terms pursuant to the provisions of Article 165, Paragraph 3 and the matters concerning the cancellation of treasury stocks in accordance with Article 178 of the Act.

1.Reason for conducting acquisition and cancellation of treasury stocks

The Company acquires and cancels it's treasury stocks for the purpose of improving efficiency of it's capital structure.

2.Details of the share acquisition

(1) Type of stocks to be acquired: Company's common stocks

(2) Total number of shares to be acquired: 22 million shares (upper limit)

Ratio of total number of issued shares (excluding treasury stocks): 2.9%

(3) Total share acquisition cost: 40,000 million yen (upper limit)

(4) Acquisition period: from May 12, 2023 (Estimated) to September 30, 2023 (Estimated)

(5) Acquisition method: Purchase on Tokyo Stock Exchange

Market purchases based on a discretionary trading contract regarding acquisition of treasury stocks

3. Details of the share cancellation

(1) Type of stocks to be cancelled: Company's common stocks

(2) Total number of shares to be cancelled : 22 million shares (All treasury stocks acquired pursuant to 2. above)

(3) Scheduled date of the cancellation: November 15, 2023

[Translation for Reference and Convenience Purposes Only]

Non-consolidated Financial Statements

Non-consolidated Balance Sheet

(Unit: Millions of yen)

	FYE2022 (as of March 31, 2022)	FYE2023 (as of March 31, 2023)
ASSETS		
Ⅰ **Current assets**		
Cash and deposits	783,265	985,713
Accounts receivable-trade	181,865	225,508
Merchandise and finished goods	49,636	65,359
Work in process	65,145	72,702
Raw materials and supplies	47,946	58,123
Advance payments-trade	32,851	36,369
Prepaid expenses	4,707	5,298
Short-term loans receivable to subsidiaries and affiliates	36,102	41,040
Current portion of long-term loans receivable from subsidiaries and affiliates	12,500	27,000
Deposits paid	24,480	23,575
Accounts receivable-other	54,092	50,332
Other	22,682	33,992
Total current assets	**1,315,271**	**1,625,011**
Ⅱ **Noncurrent assets**		
1. Property, plant and equipment		
Buildings, net	99,626	114,159
Structures, net	17,952	18,207
Machinery and equipment, net	109,166	105,088
Vehicles, net	2,910	3,314
Tools, furniture and fixtures, net	10,581	10,115
Land	80,909	79,202
Construction in progress	33,547	32,179
Other, net	2,705	5,862
Total property, plant and equipment	**357,396**	**368,126**
2. Intangible assets		
Software	29,870	46,109
Other	56,165	40,446
Total intangible assets	**86,035**	**86,555**
3. Investments and other assets		
Investment securities	2,133	3,847
Stocks of subsidiaries and affiliates	250,523	235,172
Investments in capital of subsidiaries and affiliates	6,210	3,947
Long-term loans receivable	3	2
Long-term loans receivable from subsidiaries and affiliates	75,526	52,260
Claims provable in bankruptcy, claims provable in rehabilitation and other	0	0
Prepaid pension cost	7,334	5,584
Deferred tax assets	104,065	74,133
Other	7,338	8,819
Allowance for doubtful accounts	(252)	(46)
Allowance for investment loss	(1,387)	(1,694)
Total investments and other assets	**451,493**	**382,024**
Total noncurrent assets	**894,924**	**836,705**
Total assets	**2,210,195**	**2,461,716**

(Unit: Millions of yen)

	FYE2022 (as of March 31, 2022)	FYE2023 (as of March 31, 2023)
LIABILITIES		
Ⅰ **Current liabilities**		
Notes payable-trade	240	236
Accounts payable-trade	160,796	217,548
Electronically recorded obligations-operating	15,910	18,007
Current portion of long-term loans payable	50,650	44,900
Current portion of bonds payable	―	10,000
Lease obligations	1,519	1,527
Accounts payable-other	23,338	20,312
Accrued expenses	43,849	47,035
Income taxes payable	793	24,893
Advances received	43,177	50,459
Deposits received	377,435	387,263
Provision for bonuses	14,822	16,681
Provision for product warranties	90,704	76,776
Provision for vehicle environmental control	3,039	4,930
Provision for loss on construction contracts	5,535	8,550
Provision for environmental measures	―	50
Other	8,189	3,766
Total current liabilities	**839,996**	**932,933**
Ⅱ **Noncurrent liabilities**		
Bonds payable	90,000	80,000
Long-term loans payable	191,900	177,000
Lease obligations	1,509	4,536
Provision for product warranties	77,902	83,159
Provision for vehicle environmental control	5,484	10,264
Provision for retirement benefits	55	―
Asset retirement obligations	16	16
Other	2,609	1,857
Total noncurrent liabilities	**369,475**	**356,832**
Total liabilities	**1,209,471**	**1,289,765**
NET ASSETS		
Ⅰ **Shareholders' equity**		
Capital stock	153,795	153,795
Capital surplus		
Legal capital surplus	160,071	160,071
Total capital surplus	160,071	160,071
Retained earnings		
Legal retained earnings	7,901	7,901
Other retained earnings		
Reserve for reduction entry of land	1,341	1,341
General reserve	35,335	35,335
Retained earnings brought forward	625,901	808,103
Total retained earnings	670,478	852,680
Treasury stocks	(6,324)	(6,136)
Total shareholders' equity	**978,020**	**1,160,410**
Ⅱ **Valuation and translation adjustments**		
Valuation difference on available-for-sale securities	22,704	11,541
Total valuation and translation adjustments	**22,704**	**11,541**
Total net assets	**1,000,724**	**1,171,951**
Total liabilities and net assets	**2,210,195**	**2,461,716**

[Translation for Reference and Convenience Purposes Only]

Non-consolidated Statement of Income

(Unit: Millions of yen)

	FYE2022 (April 1, 2021 to March 31, 2022)	FYE2023 (April 1, 2022 to March 31, 2023)
Ⅰ Net sales	1,499,898	2,174,178
Ⅱ Cost of sales	1,322,969	1,754,868
Gross profit	**176,929**	**419,310**
Ⅲ Selling, general and administrative expenses	225,184	238,965
Operating income (loss)	**(48,255)**	**180,345**
Ⅳ Non-operating income		
Interest income	1,067	17,192
Dividends income	106,052	104,386
Foreign exchange income	14,889	—
Real estate rent	2,940	2,852
Gain on valuation of derivatives	1,391	5,186
Other	7,088	3,278
Total non-operating income	133,427	132,894
Ⅴ Non-operating expenses		
Interest expenses	732	9,576
Depreciation	2,015	3,036
Foreign exchange losses	—	1,868
Compensation expenses	2,349	—
Other	3,920	10,080
Total non-operating expenses	9,016	24,560
Ordinary income	**76,156**	**288,679**
Ⅵ Extraordinary income		
Gain on sales of noncurrent assets	240	3,768
Reversal of allowance for doubtful accounts	16	199
National subsidies	36	—
Other	12	5
Total extraordinary income	304	3,972
Ⅶ Extraordinary loss		
Loss on sales and retirement of noncurrent assets	4,639	3,795
Impairment loss	—	2,369
Provision of allowance for investment loss	1,387	308
Other	73	19
Total extraordinary losses	6,099	6,491
Income before income taxes	**70,361**	**286,160**
Total income taxes	528	53,257
Income tax-current	(4,185)	18,427
Income taxes-deferred	4,713	34,830
Net income	**69,833**	**232,903**

[Translation for Reference and Convenience Purposes Only]

Non-consolidated Statements of Changes in Net Assets FYE 2023 (April 1, 2022 to March 31, 2023)

(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 the year	153,795	160,071	–	160,071	7,901	1,341	35,335	625,901	670,478
Changes of items during the year									
Dividends from surplus	–	–	–	–	–	–	–	(50,646)	(50,646)
Net income	–	–	–	–	–	–	–	232,903	232,903
Purchase of treasury stock	–	–	–	–	–	–	–	–	–
Disposal of treasury stock	–	–	(55)	(55)	–	–	–	–	–
Transfer from retained earnings to capital surplus	–	–	55	55	–	–	–	(55)	(55)
Net changes of items other than shareholders' equity	–	–	–	–	–	–	–	–	–
Total changes of items during the year	–	–	–	–	–	–	–	182,202	182,202
Balance at the end of the year	153,795	160,071	–	160,071	7,901	1,341	35,335	808,103	852,680

	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 the year	(6,324)	978,020	22,704	22,704	1,000,724
Changes of items during the year					
Dividends from surplus	–	(50,646)	–	–	(50,646)
Net income	–	232,903	–	–	232,903
Purchase of treasury stock	(4)	(4)	–	–	(4)
Disposal of treasury stock	192	137	–	–	137
Transfer to capital surplus from retained earnings	–	–	–	–	–
Net changes of items other than shareholders' equity	–	–	(11,163)	(11,163)	(11,163)
Total changes of items during the year	188	182,390	(11,163)	(11,163)	171,227
Balance at the end of the year	(6,136)	1,160,410	11,541	11,541	1,171,951

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
   (4) Property, plant and equipment (excluding lease assets): Straight-line method is mainly applied.
   Primary period of depreciation are as follows:

Buildings:	8 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

   (5) 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.

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

(6) 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.

(7) Provision for environmental measures … In provision for expenses for the purpose of environmental countermeasure construction, etc, the estimated amount to be incurred at the end of the current fiscal year is recorded.

(8) 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. 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
Group Tax Sharing system is applied.

(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)".

(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	74,133 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	159,935 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 668,999 million yen
2. 6,642 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
   There were no assets pledged as collateral and no secured debt because the mortgages on the factory foundation were discharged at the end of the fiscal year.
   In addition, 33 million yen of land has been pledged as collateral for 1,888 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	265,204 million yen
Short-term monetary obligations to affiliates	437,572 million yen
Long-term monetary claims to affiliates	53,165 million yen

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

Subaru of America, Inc.	30,329 million yen
Employees	2,878 million yen
Subaru Kohsan Co., Ltd.	832 million yen
Tan Chong Subaru Automotive (Thailand) Co., Ltd.	826 million yen
Subaru Auto Accessories Ltd.	548 million yen
Total	35,413 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. 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 3,275 million yen (all work in process).

(Income Statement)

1. Cost of Sales
   "Cost of sales" includes 3,014 million yen of provision for loss on construction contracts.

2. Transactions with affiliates

Operating Transactions	Net sales	1,808,778	million yen
	Purchase amount	466,566	million yen
	Other transactions	39,346	million yen
Non-Operating Transactions	Income	108,194	million yen
	Expenses	10,999	million yen

(Statement of Changes in Net Assets)

Type and number of treasury stocks at the end of the fiscal year

Common stock ………………………………………………………… 1,794,065 shares

(Accounting for Deferred Tax)

1. Main sources of deferred tax assets and liabilities

	As of March 31, 2023
	(Unit: Millions of yen)
Deferred tax assets	
Provision for product warranties	48,780
Valuation loss on investment securities	10,456
Accrued expenses	9,435
Amount exceeding the limit for provision for retirement benefits	8,517
Carry-forward creditable foreign tax	8,130
Depreciation of fixed assets, etc.	5,997
Provision for bonuses	5,088
Inventory	4,156
Business office tax payable	2,316
Tax loss carryforward	2,178
Amount exceeding the limit for allowance for doubtful accounts	825
Deferred expenses	495
Other	1,584
Subtotal deferred tax assets	107,957
Valuation allowance	(26,815)
Total deferred tax assets	81,142
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(5,065)
Prepaid pension cost	(1,356)
Reserve for reduction entry	(588)
Total deferred tax liabilities	(7,009)
Net deferred tax assets	74,133

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	0.1%
Dividends paid not deductible for income tax	(10.4) %
Tax Credit for R&D Expenses	(2.0) %
Total income of specified foreign subsidiaries	1.2%
Other	(0.8)%
Effective tax rate after applying tax effect accounting	18.6%

3. The accounting treatment of income taxes, local income taxes and tax effect accounting
From the beginning of the current fiscal year, the company applied the Group Tax Sharing system. And the company accounts for the accounting treatment and disclosure of income taxes and local income taxes and tax effect accounting in accordance with "Practical Solution on the Accounting and Disclosure Undere the Group Tax Sharing system" ASBJ PITF No.42, August 12, 2021).

(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	Account titles	Balance at the end of the fiscal year
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 *1		464,121	Loans receivable	119,340
				Repayment of loans *1		468,183		
Subsidiary	SUBARU of America Inc.	100% indirect ownership	Sales of SUBARU vehicles and components; Concurrent appointment of corporate officers	Sales of products		1,071,162	Accounts receivable	75,859
				Purchase of products		105,497	Accounts payable	19,542
				Acceptance of surplus fund *2	Acceptance	292,581	Deposit	274,829
					Interest expenses	6,776		
				Guarantees *3		30,329		
Subsidiary	SUBARU of Indiana Automotive Inc.	100% indirect 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		236,830	Accounts receivable	25,149
				Acceptance of surplus fund *2	Acceptance	81,094	Deposit	109,113
					Interest expenses	2,234		

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 1,527.21 yen
2. Net income per share
   - Basic 303.51 yen
   - Diluted 303.50 yen

(Significant subsequent Event)

Acquisiton and cancellation of the Company's treasury stocks

The Company resolved, at a meeting of its Board of Directors held on May 11, 2023, the matters concerning the acquisition of treasury stocks pursuant to the provisions of Article 156 of the Companies Act, as applied by replacing the relevant terms pursuant to the provisions of Article 165, Paragraph 3 and the matters concerning the cancellation of treasury stocks in accordance with Article 178 of the Act.

1.Reason for conducting acquisition and cancellation of treasury stocks

The Company acquires and cancels it's treasury stocks for the purpose of improving efficiency of it's capital structure.

2.Details of the share acquisition

(1) Type of stocks to be acquired: Company's common stocks

(2) Total number of shares to be acquired: 22 million shares (upper limit)

Ratio of total number of issued shares (excluding treasury stocks):   2.9%

(3) Total share acquisition cost: 40,000 million yen (upper limit)

(4) Acquisition period: from May 12, 2023 (Estimated) to September 30, 2023 (Estimated)

(5) Acquisition method: Purchase on Tokyo Stock Exchange

Market purchases based on a discretionary trading contract regarding acquisition of treasury stocks

3. Details of the share cancellation

(1) Type of stocks to be cancelled: Company's common stocks

(2) Total number of shares to be cancelled :   22 million shares (All treasury stocks acquired pursuant to 2. above)

(3) Scheduled date of the cancellation: November 15, 2023

[Translation for Reference and Convenience Purposes Only]

Audit Report

Accounting Audit Report on Consolidated Financial Statements

Independent Auditor's Report

May 15, 2023

To the Board of Directors of SUBARU CORPORATION:

KPMG AZSA LLC
Tokyo Office, Japan

Masakazu Hattori
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Takashi Hasumi
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Shuji Yasuzaki
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Opinion

We have audited the consolidated financial statements, which comprise the consolidated statements of financial position, the consolidated statements of income, the consolidated statement of changes in equity and the related notes of SUBARU CORPORATION ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), as at March 31, 2023 and for the year from April 1, 2022 to March 31, 2023 in accordance with Article 444-4 of the Companies Act.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position and the results of operations of the Group for the period, for which the consolidated financial statements were prepared, in accordance with the second sentence of Article 120-1 of the Regulation on Corporate Accounting that prescribes some omissions of disclosure items required under International Financial Reporting Standards.

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.

Other Information

The other information comprises the business report and its supplementary schedules. Management is responsible for the preparation and presentation of the other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 the second sentence of Article 120-1 of the Regulation on Corporate Accounting that prescribes some omissions of disclosure items required under International Financial Reporting Standards, 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 the second sentence of Article 120-1 of the Regulation on Corporate Accounting that prescribes some omissions of disclosure items required under International Financial Reporting Standards.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to 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. 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.
- 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 the second sentence of Article 120-1 of the Regulation on Corporate Accounting that prescribes some omissions of disclosure items required under International Financial Reporting Standards, 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

Our firm and its designated engagement partners do not have any interest in the Company and its subsidiaries which are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Reader of Independent Auditor's Report:
The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act for the conveniences of the reader.

[Translation for Reference and Convenience Purposes Only]

Accounting Audit Report on Non-consolidated Financial Statements

Independent Auditor's Report

May 15, 2023

To the Board of Directors of SUBARU CORPORATION:

KPMG AZSA LLC
Tokyo Office, Japan

Masakazu Hattori
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Takashi Hasumi
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Shuji Yasuzaki
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Opinion

We have audited the financial statements, which comprise the balance sheets, the statements of income, the statements of changes in net assets and the related notes, and the accompanying supplementary schedules ("the financial statements and the accompanying supplementary schedules") of SUBARU CORPORATION. ("the Company") as at March 31, 2023 and for the year from April 1, 2022 to March 31, 2023 in accordance with Article 436-2-1 of the Companies Act.

In our opinion, the financial statements and the accompanying supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of the Company for the period, for which the financial statements and the accompanying supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

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 Financial Statements and the Accompanying Supplementary Schedules* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the 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.

Other Information

The other information comprises the business report and its supplementary schedules. Management is responsible for the preparation and presentation of the other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the financial statements and the accompanying supplementary schedules does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements and the accompanying supplementary schedules, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the accompanying supplementary schedules or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Financial Statements and the Accompanying Supplementary Schedules

Management is responsible for the preparation and fair presentation of the financial statements and the accompanying supplementary schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements and the accompanying supplementary schedules that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the accompanying supplementary schedules, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements and the Accompanying Supplementary Schedules

Our objectives are to obtain reasonable assurance about whether the financial statements and the accompanying supplementary schedules 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. 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 financial statements and the accompanying supplementary schedules.

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 financial statements and the accompanying supplementary schedules, 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.
- 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 Company'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 Company'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 financial statements and the accompanying supplementary schedules 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 Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the financial statements and the accompanying supplementary schedules are in accordance with accounting standards generally accepted in Japan, the

overall presentation, structure and content of the financial statements and the accompanying supplementary schedules, including the disclosures, and whether the financial statements and the accompanying supplementary schedules represent the underlying transactions and events in a manner that achieves fair presentation.

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

Our firm and its designated engagement partners do not have any interest in the Company which are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Reader of Independent Auditor's Report:

This is an English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the conveniences of the reader.

[Translation for Reference and Convenience Purposes Only]

Board of Corporate Auditors’ Report

Audit Report

The Board of Corporate Auditors have prepared this Audit Report by analyzing the Audit Report prepared by the auditors concerning the performance of duties by the directors for the 92nd fiscal period between April 1, 2022 and March 31, 2023, and report as follows.

1. The Corporate Auditors, and the Methods and Contents of Audit by the Board of the Corporate Auditors

(1) The Board of the Corporate Auditors determined the audit policy and allocation of duties, received reports on the status and results of audits from each auditor, received reports on the status of performance of duties from directors, etc., and accounting auditors, and requested explanation where necessary.

(2) In accordance with the standards for auditor's audit prescribed by the Board of the Corporate Auditors, each auditor attempted to communicate with the directors, internal control division and other employees, etc., following the audit policy and allocation of duties, etc., strove to gather information and establish audit environment, and performed the audit using the following methods.

(i) Participated in board of directors’ meetings and other important meetings, received reports from the directors and employees, etc., on the status of performance of their duties, requesting explanations where necessary, inspected important approval documents, etc., and examined the status of the business and assets at the headquarters and major offices. With respect to subsidiaries, the Corporate Auditors sought communication and exchange of information with the directors and corporate auditors, etc., of the subsidiaries, and received reports on business from the subsidiaries where necessary.

(ii) With respect to the content of the board of directors' resolution concerning the establishment of the system prescribed in Article 100, Paragraphs 1 and 3 of the Enforcement Rule for the Company Act as necessary for securing the system to ensure that the performance of duties by the directors described in the Business report comply with the laws and articles of incorporation and appropriateness of the business of the corporate group comprising of the stock company and its subsidiaries, as well as the status of the system established based on the resolution of the board of directors' meeting (internal control system), the Corporate Auditors received periodic reports on the status of establishment and operation of such system, requested explanation and stated our opinions where necessary.

(iii) We monitored and reviewed that the accounting auditors maintained independence and performed appropriate audits and received reports from the accounting auditors on the status of performance of their duties, and requested explanation where necessary. We also received a notice from the Accounting Auditors that the "system to secure appropriate performance of duties" (matters listed in the Items of Article 131 of Company Calculation Rules) were established in accordance with the "Quality Control Standards for Audit" (October 28, 2005 Business Accounting Council), etc. and requested explanation where necessary.

Based on the above methods, we reviewed the Business Report and its supporting documents, Non-consolidated Financial Statements (Non-consolidated Balance Sheet, Non-consolidated Statements of Comprehensive Income, Non-consolidated Statement of Changes in Net Assets, and Notes to Non-consolidated Financial Statements) and their supporting documents as well as Consolidated Financial Statements (Consolidated Statement of Financial Position, Consolidated Statements of Comprehensive Income, Consolidated Statement of Changes in Equity, and Notes to Consolidated Financial Statements).

2. Audit Results

(1) Audit Result for the Business Report, etc.

(i) The business report and its supporting documents correctly represent the status of the Company in accordance with the laws and the Articles of Incorporation.

(ii) There were no unlawful acts or material facts in violation of laws or the Articles of Incorporation in relation to the performance of duties of the directors.

(iii) We acknowledge that the resolutions of the Board of Directors with respect to the internal control system are appropriate. We have found no matters to point out for the description of Business Report and the execution of duties by Directors with respect to the internal control systems.

(2) Audit Results for the Non-consolidated Financial Statements and Supporting Documents
The methods and results of the audit by the accounting auditors KPMG AZSA LLC were appropriate.

(3) Audit Results for Consolidated Financial Statements
The methods and results of the audit by the accounting auditors KPMG AZSA LLC were appropriate.

May 15, 2023

SUBARU CORPORATION Board of Corporate Auditors

Standing Corporate Auditor **Yoichi Kato**

Standing Corporate Auditor **Hiromi Tsutsumi**

Outside Corporate Auditor **Shigeru Nosaka**

Outside Corporate Auditor **Kyoko Okada**

Outside Corporate Auditor **Yuri Furusawa**