[Translation for Reference and Convenience Purposes Only]

SUBARU

Matters Omitted in the Documents Accompanying the Notice of Convocation of the 93rd Ordinary General Meeting of Shareholders

SUBARU CORPORATION

May 30, 2024

(Start date of electronic provision measures: May 22, 2024)

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”, “Employees”, “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, 2024)

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

(2) Major Places of Business, Etc. (as of March 31, 2024)

[1] Company

Name	Address
Head Office	Shibuya-ku, Tokyo
Tokyo Office	Mitaka-shi, Tokyo
Gunma Plant	Ota-shi, Gunma; Oizumi-machi, Oura-gun, Gunma; Kitamoto-shi, Saitama
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 93rd Ordinary General Meeting of Shareholders.

(3) Main Lenders (as of March 31, 2024)

Lender	Amount of Borrowings (Million yen)
Mizuho Bank, Ltd.	70,500
Sumitomo Mitsui Banking Corporation	33,000
Shinkin Central Bank	20,000
Sumitomo Mitsui Trust Bank, Limited	18,000
MUFG Bank, Ltd.	15,000
The Gunma Bank, Ltd.	15,000

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(4) Employees (as of March 31, 2024)

[1] SUBARU Group

By Business Segment	Number of employees (persons)	Change from end of previous fiscal year(persons)
Automobile Division	34,461 (7,495)	214 (40)
Aerospace Division	2,671 (459)	-45 (242)
Other Businesses	561 (410)	3 (-2)
Total	37,693 (8,364)	172 (280)

Note: Number of employees refers to number of workers. Average annual number of contingent workers (seasonal staffs, casual workers, part-time workers, secondees from external parties, support staffs, guest engineers) is shown in brackets.

[2] Company

	Number of employees (persons)	Change from end of previous fiscal year (persons)	Average age	Average years of service
Male	16,037	96	39.8	16.2
Female	1,310	23	37.2	14.8
Total	17,347	119	39.6	16.1

By Business Segment	Number of employees (persons)	Change from end of previous fiscal year(persons)
Automobile Division	15,279 (5,331)	164 (44)
Aerospace Division	2,068 (335)	-45 (174)
Total	17,347 (5,666)	119 (218)

Note: Number of employees refers to number of workers. Average annual number of contingent workers (seasonal staffs, casual workers, part-time workers, secondees from external parties, support staffs, guest engineers) is shown in brackets.

(Reference) Concepts and initiatives regarding securing diversity of the core human resources

The Group believes that securing diversity of human resources is an important factor for continuously creating values unique to SUBARU and the Group values all genders, nationalities, cultures, and lifestyles of employees and strives to create a comfortable workplace environment in order to encourage employees who possess different personalities and values to demonstrate their individual abilities to the full extent. Our subsidiaries and affiliates in Japan and abroad also are working on reflecting their respective business contents and characteristics of their regions.

<Human resource development policy and policy for development of workplace environment>

In order for individual employees to become the driving force for both achievement of Subaru Group’s sustainable growth and realization of sustainable society, the Company aims to develop human resources who act autonomously and lead changes, while pursuing the development of a corporate culture that encourage employees to think over their own career development and take on challenges and the development of an environment that allows diverse human resources to take active part.

In particular, the Company has introduced a new personnel system, education program, and open-call job rotation since FYE2022 to offer opportunities for employees to independently learn and take on challenges. We are also strengthening employees' resonance with Subaru and engagement, which are a source of sense of satisfaction and pride.

We have been promoting employee-friendly workplace environment, human resource distribution enabling the right person in the right place, and human resource development so as to facilitate active participation by all human resources including female employees, mid-career hires, and foreign employees, and working on their promotion to managerial positions.

To promote the development of an environment where all human resources can work enthusiastically, the Company has been holding online training on themes such as L.G.B.T.Q.+ and employment of people with disabilities by external lecturers on continuously and regular basis. In 2021, it also established an external consultation service.

<Promoting active roles for female employees>

At Subaru, we believe the empowerment of women is important to our sustainable growth. It is based on this belief that we support female employees in their pursuit of career development and in their efforts to balance work and childcare as two key issues. We also develop various systems and corporate culture for ensuring that female employees can continue with their careers through various life events.

Further, in nurturing female employees in managerial posts, we aim to more than double the number of female employees in managerial positions by 2025 compared with the level in 2021. As of the end of FYE2024, 31 (2.9%) out of 1,086 employees in managerial posts were female, and 43 (3.8%) out of 1,132 managerial employees were female as of April 2024. We will continue to provide support for career development of female employees in addition to raising awareness and reforming the corporate culture through company-wide efforts including the top management for achieving the target.

Specific measures include promotion of Women's Leadership Program, which engages with each and every female employee aspiring to become managers and offers guidance and education tailored to each individual, and conducting various training programs for shaping their own career paths as well as those regarding unconscious bias. In addition, the Company in November 2023 disseminated a message regarding further promotion of active roles for female employees from top management to all employees. We also held management training for managerial staff with female subordinates in efforts to further bolster the development of a corporate culture and workplace environment that enable female participation.

From the aspect of workstyle also, the Company has traditionally positioned assistance for balancing work and childcare as an important initiative, and has been operating at a level higher than that required by laws with respect to various systems such as childcare leave and short working hours.

<Foreign national employees>

The Group has been hiring, regardless of their nationalities, human resources appropriate for each base with respect to their policy and business. There were 105 foreign national employees in the Company as of the end of FYE 2024 There are five foreign national employees in managerial posts at manufacturing and engineering departments.

<Mid-career hires>

We have been actively going ahead with mid-career recruitment in recent years to respond to environmental changes and achieve sustainable growth. Of the full-time employees as of the end of March 2024, 4,344 were mid- career hires and 193 of them were in managerial positions. The number of mid-career hires reached 710 in total in the six years starting April 2018.

Further, we established SUBARU Lab, an AI development base, in Shibuya, which has a cluster of IT companies, in December 2020 as part of an initiative for enabling smooth and precise hiring of human resources required for AI development. We will continue to promote mid-career hires and bring in new wisdom and values so as to improve the corporate value.

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

We have adopted a Board of Corporate Auditors system as a corporate governance system, in which Board of Directors performs decision making and oversight of execution of important business operations while paying attention to separation of supervision and execution, and at the Board of Corporate Auditors, corporate auditors discuss and make decision regarding key matters pertaining to audit. The Board of Directors was comprised of eight members at the end of March 2023, of whom three were highly independent outside directors. The Board of Corporate Auditors is composed of four members, two 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 Tomomi Nakamura. It met eight times in the fiscal period under review and deliberated on 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 as well as nurturing of human resources for CEO and other officers by effectively using the successor plan for CEO and other officers, a 360-degree evaluation, and skill matrix of officers, revision of the skill matrix (addition of reasons for skill selection and definition of criteria for possession of skills), and acceleration of the process for deciding the officer lineup.

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	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 Director	Fuminao Hachiuma	Attended all of 10 Board of Directors meetings (attendance rate: 100%) since his appointment on June 21, 2023. Fulfilled his role as sound adviser on the Company's management, providing comments based on extensive experience and knowledge in business management as well as abundant experience and insight he gained through his tenure as a president and representative director of a manufacturing and sales company in the food industry where he was involved in corporate management in both a supervisory and executional capacity and engaged in strengthening of corporate governance and promotion of management reform. He also served as a member of the Executive Nomination and Executive Compensation Meetings.
Outside Corporate Auditor	Yuri Furusawa	Attended all of 13 Board of Directors meetings (attendance rate: 100%) and all of 12 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.
Outside Corporate Auditor	Yasumasa Masuda	Following his appointment on June 21, 2023, 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 his auditing function, providing comments regarding financial and accounting in corporate activities based on the extensive experience and broad insight as a corporate manager that he gained through holding key positions such as CFO at listed companies

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 Company's 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 its directors (excluding those who are executive directors, managers or other employees of the Company or its subsidiaries) and corporate auditors. 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.

⑺ Effectiveness of the Board of Directors: Evaluation Results

In accordance with Article 23 of the Guidelines, the Board of Directors (“BoD”), on an annual basis, analyzes and evaluates the effectiveness of the Board, considers and implements measures to improve any issues identified, and then discloses an overview of the results in a timely, appropriate manner.

In the fiscal year ended March 31, 2024, 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 expanded the scope of interviews with directors, and assessed and analyzed the reasons and underlying factors behind differences in the recognition of issues.

[1]Methods of evaluation and analysis

1. Timing: December 2023–February 2024
2. Methods: Self-evaluation survey created by a third-party body;interviews
   - Survey respondents: Directors (8) and auditors (4) for a total of 12 respondents
   - Interviewees: Chair of the BoD, Representative Director and President, Representative Director and Executive Vice President, and outside directors (3) for a total of 6 interviewees
3. Process
   - Third-party body conducts anonymous self-evaluation survey of directors and auditors
   - Third-party body conducts interviews with the chair of the BoD, Representative Director and President, and outside directors
   - Third-party body aggregates and analyzes survey responses and interviews
   - BoD verifies and discusses reports received from third-party body
4. Evaluation items on the survey

(a) BoD roles and functions	(f) BoD risk management and internal control
(b) BoD composition	(g) Executive Nomination Meeting and Executive Compensation Meeting operation
(c) BoD operation	
(d) BoD support system	(h) Shareholder dialogue
(e) BoD culture and communication	(i) Continued BoD improvements

Respondents evaluated themselves on a four-point scale in response to questions relating to the evaluation items. They were also free to add their own thoughts on the characteristics of the BoD and points that they felt would be necessary in enhancing the effectiveness thereof. Upon completing their responses, they then submitted their surveys directly to the third-party body.

[2] Evaluation results

Based on the third-party body's report detailing its aggregation and analysis, the BoD discussed and confirmed the following points.

1. General evaluation

The evaluation determined that the Subaru Corporation BoD is effective in providing strong executional support to actively propel strategies under the new management structure.

2. Characteristics of the Subaru Corporation BoD

item	Summary
A BoD with a focus on the monitoring function	BoD discussions take place on the premise that the Company occupies a unique position within the industry, a point that outside directors also understand. The BoD currently functions effectively, providing a supportive foundation for clear strategic direction-setting, enthusiastic business execution, and monitoring of execution.
An environment conducive to free and open discussion	The environment within the BoD makes it easy for members to voice their ideas and opinions, thereby enabling free and open discussion.
A strong awareness of compliance and risk management	The BoD demonstrates a strong awareness of compliance and risk management in many ways, including five reports from the Risk Management and Compliance Committee each year.
A secretariat that functions as an effective support structure	Outside directors noted almost no concerns or complaints about the provision of information, prior explanations, materials for BoD meetings, or other items. The secretariat functions effectively as a hub for supervision and execution.

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3. Status of responses to points to examine from last fiscal year's evaluation

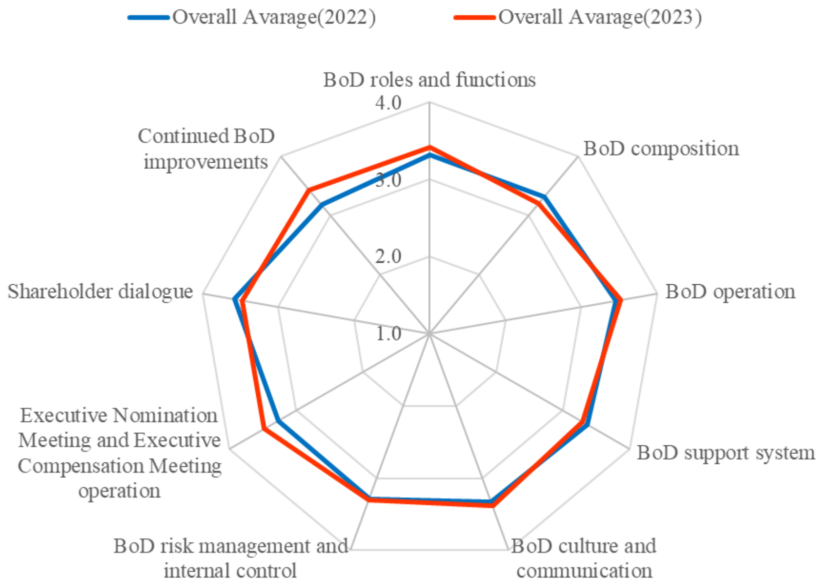
item	Summary
Discussing medium- to long-term management strategy (improvements made)	The BoD has flexibly utilized social gatherings of management personnel* and engaged in fruitful discussions. The BoD will continue to update information on the status of progress on medium- to long-term management strategy and other topics on a regular basis.
Further bolstering the support system for outside directors (improvements made)	By creating more opportunities for outside directors to obtain information, including information-sharing outside BoD meetings and visits to factories and other sites, the BoD has bolstered its framework for helping outside directors perform their functions effectively.
Further improving the effectiveness of the Executive Nomination Meeting (improvements still in progress)	Given the recent change in CEO, discussions will need to address enhancement of the succession process for the CEO position. One important point for the Executive Nomination Meeting to consider will be its involvement in the succession processes for executive officers, including the formulation of development schemes and systematic development through the effective use of skill matrices.

* Events held by directors and corporate auditors where opinions are exchanged on topics that are important for Subaru Corporation management, but do not require resolution

4. Future points to examine for further enhancing the effectiveness of the BoD

item	Summary
Establishing common ground on key agenda items for medium- to long-term management strategy and on approaches to monitoring	The BoD will continue to energize its discussions on agenda-setting and Group-wide monitoring in line with progress on electrification and other components of the New Management Policy.
Further bolstering the support system for outside directors	To help outside directors perform their functions more effectively, the BoD will provide more opportunities to communicate with top executives and auditors.
Further strengthening the functions of the Executive Nomination Meeting	The BoD will take steps to further enhance processes for developing and selecting candidates for CEO and other positions, such as revising the process for appointing outside directors, organizing and utilizing skill matrices for all executive officers, and enhancing discussions on succession.

(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 Company's Corporate Governance Guidelines, visit our website.
https://www.subaru.co.jp/en/outline/pdf/governance_guideline_e.pdf

3. Information on Shares Issued by the Company (as of March 31, 2024)

(1) Common Stock Authorized 1,500,000,000 shares

(2) Common Stock Issued 753,901,573 shares*1 (including 1,707,449 treasury shares)

(3) Number of Shareholders 121,965 persons (down 17,943, or -12.8%)

(4) Major Shareholders (top 10)

Name of shareholder	Number of shares held (in thousands)*2	Percentage of total shares held (%)*3
Toyota Motor Corporation	153,600	20.42
The Master Trust Bank of Japan, Ltd. (trust account)	106,400	14.15
Custody Bank of Japan, Ltd. (trust account)	39,734	5.28
STATE STREET BANK WEST CLIENT - TREATY 505234	11,748	1.56
Mizuho Bank, Ltd.	10,078	1.34
STATE STREET BANK AND TRUST COMPANY 505103	9,871	1.31
MIZUHO SECURITIES ASIA LIMITED - CLIENT A/C	8,408	1.12
SSBTC CLIENT OMNIBUS ACCOUNT	8,285	1.10
JP MORGAN CHASE BANK 385781	8,267	1.10
Sompo Japan Insurance Inc.	8,267	1.10

(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*4
Directors (excluding Outside Directors)	39,408	7
Outside Director	-	-
Corporate Auditors	-	-

Notes: 1. The common stock issued decreased by 15,274,300 shares (2.0%) compared to the end of the previous fiscal year due to the cancellation of treasury share stock on November 15, 2023.
2. Number of shares held is rounded off to the nearest thousand shares.
3. The percentage of total shares held is calculated based on the number of shares excluding treasury stock of 1,707,449 shares.
4. Figures in the above table include two internal directors who resigned before the last day of the fiscal period under review.

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4. Information on Shares Held by the Company (as of March 31, 2024)

(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	92nd	93rd (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
	1,263	2,503		
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
	699	1,133		

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, 2024)

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 and other 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, along with management by each division/company and company-wide management by involved divisions led by the Corporate Planning Department.

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

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

(3) Framework 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 wrongdoing, etc. for early detection and correction of wrongdoing, etc.
v. Establish an independent audit department as an internal audit entity.

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

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.

i. Framework for reporting matters regarding execution of duty by a director of a subsidiary to the said company
The Company shall receive regular reports from its subsidiaries on business performance, financial status, and other significant matters and as needed on required matters pursuant to the rules on subsidiary management.
ii. Framework regarding rules for risk management of loss incurred by subsidiaries and other matters
The Company shall encourage its subsidiaries to establish rules on risk management, other internal rules, manuals, guidelines, etc. corresponding to the nature, scale, etc. of each subsidiary's business and build risk management systems to prevent risks from materializing or increasing.
iii. Framework to ensure efficient performance of duties by directors of subsidiaries
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. Framework to ensure conformity of execution of operations of directors and employees of subsidiaries with laws and articles of incorporation
- The Company shall seek subsidiaries to carry out periodic inspection regarding the establishment and status of the framework for compliance with laws, articles of incorporation, and internal rules as well as reports on the results of such inspections, and shall verify the results at the Company's risk management and compliance committee.
- The Company shall establish a whistle blowing system (Compliance Hotline) as an internal reporting framework for itself or subsidiaries in case executive officers or employees identify illegal business acts, etc. and make efforts for early detection and correction of wrongdoing, etc.
v. Other frameworks for securing appropriateness of business in corporate group
- The Company shall establish Audit Department as an organization that performs internal audits, and perform periodic business audits for subsidiaries and affiliated companies, and extraordinary audits for necessary matters as required.
- The Company shall periodically convene corporate auditors of domestic subsidiaries and affiliated companies and exchange opinions with the Company's corporate auditors to enhance their audit functions.
- The Company shall concurrently appoint executive officers and employees as Corporate Auditors of some of the domestic subsidiaries and affiliated companies to enhance the audit function.
- Overseas subsidiaries are to comply with the local laws, and follow a framework pursuant to this policy to the extent possible depending on the prevailing situations and conditions of the respective countries.

(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, Chief Risk Management Officer (CRMO) 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.

[Translation for Reference and Convenience Purposes Only]

Summary of operation of framework for securing appropriateness of business

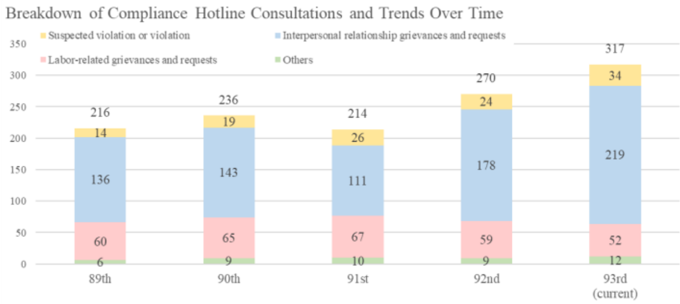
1. Situation of efforts to enhance compliance

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 concrete framework for promoting compliance, the Risk Management and Compliance Committee, headed by the CRMO appointed by the Board of Directors, deliberates, discusses, decides, and exchanges/communicates information on significant compliance matters such as formulation of various policies, status of company-wide compliance activities, and operation status of the whistle blowing system. The Company and its subsidiaries appropriately and proactively operate their respective whistle blowing systems to detect and solve problems that cannot be grasped with reporting lines of regular operations and keep in check the occurrence of problems with 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 including officers, by creating and providing Compliance Manual and other tools and conducting trainings in cooperation with relevant departments.

Key efforts to enhance the compliance management system



- Clarifying laws and regulations with which all SUBARU divisions comply: We clarify laws and regulations which each division should comply with, thereby improving transparency.
- Reinforcement of implementation of PDCA cycle of global compliance system: We autonomously evaluate the compliance system throughout the Group and carry out initiatives for implementing effective PDCA cycle.
- Improvement of literacy: With the increase in social awareness regarding harassment, we have been implementing continued video-based and discussion-based trainings to develop a sense of ownership towards the issue.
- Multiple language service for the whistle blowing system and improvement in trustworthiness. We have developed an environment where employees feel at ease utilizing the whistle blowing system by making the service available also in English, Chinese, Portuguese, and Spanish. This is also contributing to prevention and early detection of wrongdoings.

2. Risk management

The Company stipulates rules regarding risk management to appropriately manage the risks of the entire Group. As for business risks, the directors and executive officers verify the contents in accordance with the rules for the Board of Directors and various meetings, and for approvals. The Company has appointed risk management officers (job grade of General Managers) for each department for normal times, and sets up a taskforce suitable for the situation during emergencies. It has also established the Risk Management & Compliance Committee, headed by the CRMO appointed by the Board of Directors, to formulate the risk management policy and the risk map for the entire group, based on which it promotes risk control activities. Moreover, it conducts a third-party evaluation of its risk management activities for improving and revitalizing their effectiveness. The Company has developed the Safety Confirmation System and other means based on the Emergency Response Basic Manual as the company-wide emergency contact system in preparation for information sharing in the event of a disaster.

Key efforts regarding enhancement of risk management system

- The management is discussing and formulating the new Risk Map, in which priority issues have been updated based on the SUBARU New Management Policy announced in August 2023.
- The Company is conducting trainings to improve literacy of risk management methods and reputation for employees in charge.
- The Company continues to implement initiatives to reduce key risks faced by the Group such as cyberattacks, disruption of supply chains, and restoration in the event of natural disaster and the Risk Management & Compliance Committee follows it up on a regular basis.
- The directors and corporate auditors verify and confirm approved items.

3. Securing efficient performance of duties

The Company decides the fields of responsibilities of directors, the scope of responsibility of business execution of executive officers (scope of delegation of authority to execution), and CxOs including CEO at the Board of Directors meetings. We position the president and other executive roles as executive officers, rather than as directors, to further clarify the roles and responsibilities assigned to directors and executive officers.

Directors supervise the status of the businesses and accelerate their business execution by attending various meetings and receiving business reports from executive officers on a regular basis. Significant matters that need to be submitted to the Board of Directors are discussed in depth at the Management Meeting and Executive Meeting to sort out discussion points and direction so as to clarify the points that should be discussed intensively at the Board of Directors meeting. Deeper and efficient discussions at the Board of Directors meeting are being promoted by, for example, early distribution of meeting materials and providing preliminary explanations when necessary.

The Company carries out the Evaluation of the Effectiveness of the Board of Directors targeting directors and corporate auditors using a questionnaire prepared by a third party once a year and discloses the result. Based on the result of the effectiveness evaluation, the Board of Directors incorporates items identified as future issues in the agenda of the Board of Directors for the next fiscal year and the board members discuss them and work on solving them.

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 appoints executive directors and employees of the Company to concurrently work as directors or corporate auditors of subsidiaries to enhance the audit and supervisory functions. The Company receives periodic and ad hoc reporting from subsidiaries and has discussions where necessary. Issues that have significant impact on the Company are reported to the Management Meeting.

In accordance with the Company-wide Subsidiary Management Rules, the subsidiaries' projects are divided into those requiring preliminary discussions with the Company and those to be determined at the discretion of subsidiaries, and the Company confirms the information communication routes from subsidiaries to the Company. Further, the Company constantly confirms the status of establishment of rules at subsidiaries.

To further reinforce these operations, departments responsible for business management, which support business operation and establishment of management foundation at subsidiaries, voluntarily carry out administration of company organization of the subsidiaries.

Furthermore, the Company's internal audit division performs business audits for the Company and its subsidiaries in accordance with the Company-wide Internal Audit Rules. Their results are reported at the Board of Directors meeting semi-annually and at the Joint Meeting consisting of executive officers quarterly, 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, Management 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 regular 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 on a regular basis 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)
Company	234	2
The Company's subsidiaries	18	2
Total	252	4

Notes: 1. As the Audit Agreement between the Company and accounting auditors makes 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 provided by the Accounting Auditors to the Company during the current fiscal period were for preparation of comfort letters. 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.

[Translation for Reference and Convenience Purposes Only]

Consolidated Financial Statements

Consolidated Statement of Financial Position

(Unit: Millions of yen)

	FYE 2023 (as of March 31, 2023)	FYE 2024 (as of March 31, 2024)
Assets		
Current assets		
Cash and cash equivalents	979,529	1,048,000
Trade and other receivables	357,524	376,248
Inventories	592,999	588,503
Income taxes receivable	11,049	12,240
Other financial assets	388,634	874,651
Other current assets	99,378	118,791
Subtotal	2,429,113	3,018,433
Assets held for sale	652	740
Total current assets	2,429,765	3,019,173
Non-current assets		
Property, plant and equipment	861,846	969,096
Intangible assets and goodwill	243,926	291,463
Investment property	20,878	21,766
Investments accounted for using equity method	9,061	8,165
Other financial assets	116,507	206,263
Other non-current assets	189,108	225,597
Deferred tax assets	73,059	72,626
Total non-current assets	1,514,385	1,794,976
Total assets	3,944,150	4,814,149

(Unit: Millions of yen)

	FYE 2023 (as of March 31, 2023)	FYE 2024 (as of March 31, 2024)
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	377,279	384,510
Financing liabilities	55,596	69,000
Other financial liabilities	65,595	68,125
Income taxes payable	27,198	93,085
Provisions	141,192	178,850
Other current liabilities	346,622	437,372
Total current liabilities	1,013,482	1,230,942
Non-current liabilities		
Financing liabilities	257,000	330,500
Other financial liabilities	90,632	95,820
Employee benefits	55,557	62,498
Provisions	103,872	158,305
Other non-current liabilities	313,374	370,512
Deferred tax liabilities	286	178
Total non-current liabilities	820,721	1,017,813
Total Liabilities	1,834,203	2,248,755
Equity		
Equity attributable to owners of parent		
Capital stock	153,795	153,795
Capital surplus	160,178	160,031
Treasury stocks	(6,136)	(4,616)
Retained earnings	1,623,699	1,906,933
Other components of equity	169,437	347,061
Total equity attributable to owners of parent	2,100,973	2,563,204
Non-controlling interests	8,974	2,190
Total equity	2,109,947	2,565,394
Total liabilities and equity	3,944,150	4,814,149

Consolidated Statement of Income

(Unit: Millions of yen)

	FYE 2023 (April 1, 2022 to March 31, 2023)	FYE 2024 (April 1, 2023 to March 31, 2024)
Revenue	3,774,468	4,702,947
Cost of sales	(3,037,993)	(3,710,521)
Gross profit	736,475	992,426
Selling, general and administrative expenses	(342,015)	(396,864)
Research and development expenses	(114,400)	(113,508)
Other income	6,358	4,835
Other expenses	(19,076)	(17,792)
Share of profit (loss) of investments accounted for using equity method	141	(899)
Operating profit	267,483	468,198
Finance income	36,796	80,406
Finance costs	(25,913)	(16,030)
Profit before tax	278,366	532,574
Income tax expense	(79,282)	(148,004)
Profit for the year	199,084	384,570
Profit for the year attributable to		
Owners of parent	200,431	385,084
Non-controlling interests	(1,347)	(514)
Profit for the year	199,084	384,570
Profit for the year per share attributable to owners of parent		
Basic (yen)	261.33	509.20
Diluted (yen)	261.32	509.18

[Translation for Reference and Convenience Purposes Only]

Consolidated Statement of Changes in Equity FYE 2024 (April 1, 2023 to March 31, 2024)

(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	(6,136)	1,623,699	169,437	2,100,973	8,974	2,109,947
Comprehensive income								
Profit for the year	–	–	–	385,084	–	385,084	(514)	384,570
Other comprehensive income (after deduction of tax)	–	–	–	–	182,328	182,328	180	182,508
Comprehensive income total	–	–	–	385,084	182,328	567,412	(334)	567,078
Transfer to retained earnings	–	–	–	4,704	(4,704)	–	–	–
Transactions with owners								
Dividends paid	–	–	–	(65,266)	–	(65,266)	–	(65,266)
Purchase of treasury stock	–	–	(40,006)	–	–	(40,006)	–	(40,006)
Disposal of treasury stock	–	4	234	–	–	238	–	238
Cancellation of treasury stock	–	(41,292)	41,292	–	–	–	–	–
Transfer from retained earnings to capital surplus	–	41,288	–	(41,288)	–	–	–	–
Change in scope of consolidation	–	–	–	–	–	–	–	–
Changes in ownership interest in subsidiaries	–	(147)	–	–	–	(147)	(6,450)	(6,597)
Total transactions with owners	–	(147)	1,520	(106,554)	–	(105,181)	(6,450)	(111,631)
Balance at the end of the year	153,795	160,031	(4,616)	1,906,933	347,061	2,563,204	2,190	2,565,394

[Translation for Reference and Convenience Purposes Only]

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: 9

Domestic 6 ········· Nishino Machine Industries Ltd., and 5 others

Overseas 3 ········· Subaru of Taiwan, Ltd., and 2 others

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

(1) Consolidated subsidiaries

Added -

Excluded -

(2) Companies accounted for using the equity method

Added -

Excluded Subaru Ryuutuu Service Co., Ltd.

4. Accounting policies

(1) Financial instruments

1. Valuation standards and methods for financial assets

(i) Initial recognition and measurement

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

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

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

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

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

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

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

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

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

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

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

(ii) Subsequent measurement

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

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

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

Changes in the fair value of debt instruments measured at fair value through other comprehensive income are recognized in other comprehensive income, except for interest income, exchange gain and loss, and impairment loss recognized in profit and loss. Gains or losses on derecognition are recognized in profit or loss.

Meanwhile, changes in the fair value of equity instruments measured at fair value through other comprehensive income are recognized in other comprehensive income. The dividend from relevant financial assets are recognized in profit or loss as part of the financial income for the period. The cumulative amount recognized in other comprehensive income is not reclassified to profit or loss but to retained earnings when the financial asset is derecognized, or the fair value of the asset declines significantly.

(iii) Impairment of financial assets

For impairment of financial assets measured at amortized cost, debt instruments measured at fair value through other comprehensive income, lease receivables, and contract assets, expected credit losses are recognized as a loss allowance.

The Group determines, at the end of each reporting period, whether the credit risk on the asset has increased significantly since initial recognition. When the credit risk has not increased significantly since initial recognition, an amount equal to 12-month expected credit losses is measured as the loss allowance. When the credit risk has increased significantly since initial recognition, an amount equal to lifetime expected credit losses is recognized as the loss allowance.

However, for trade receivables, lease receivables and contract assets, the loss allowance is always measured at an amount equal to the lifetime expected credit losses.

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

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

・The time value of money; and

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

The amounts of these measurements are recognized in profit or loss.

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

(iv) Derecognition of financial assets

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

2. Financial liabilities

(i) Initial recognition and measurement

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

(ii) Subsequent measurement

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

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

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

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

(iii) Derecognition of financial liabilities

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

3.Derivatives and hedge accounting

The Group enters into forward exchange contracts in order to fix cash flows related to the recognized financial assets and liabilities and future transaction. Interest rate swaps are used in order to fix cash flows of interest payable related to the borrowings. There are no derivatives stated above to which hedge accounting is applied.

(2) Valuation standards and methods for inventories

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

(3) Valuation standards, valuation methods and depreciation methods for property, plant and equipment

Property, plant, and equipment is measured based on the cost model and stated at acquisition cost less accumulated depreciation and impairment losses. The acquisition cost includes costs directly attributable to the acquisition of the asset, costs related to disassembly, retirement and site restoration, as well as borrowing costs to be capitalized.

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

・Buildings and structures: 2 to 60 years

・Machinery and vehicles: 2 to 20 years

・Tools, furniture and fixtures: 2 to 20 years

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

(4) Valuation standards, valuation methods and amortization methods for intangible assets and goodwill

1.Goodwill

The Group measures goodwill as the fair value of consideration transferred including the recognized amount of any non-controlling interests in the acquiree at the acquisition date, less the net recognized amount (usually fair value) of the identifiable assets acquired and liabilities assumed at the acquisition date.

Goodwill is not amortized. Instead, it is tested for impairment annually and if any indication of potential impairment exists.

Any impairment loss for goodwill is recognized in profit or loss and is not reversed in subsequent periods.

Goodwill is recorded at acquisition cost less any accumulated impairment losses.

2.Capitalized development cost

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

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

・Capitalized development cost: 2 to 5 years

3.Other intangible assets

The Group applies the cost method in measuring separately acquired intangible assets, which are recorded at acquisition cost at initial recognition.

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

・Software: 2 to 10 years

(5) Valuation standards, valuation methods and depreciation methods for lease assets

At the inception of the lease contract, the Group assesses whether an arrangement is a lease or contains a lease.

Lease as a lessee

The Group recognizes a right-of-use asset and a lease liability at the inception of the lease.

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

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

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

Lease as a lessor

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

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

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

(6) Investment property

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

・Buildings and structures: 2 to 50 years

(7) Impairment

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

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

Corporate assets in the Group do not generate cash inflows independently. If there is any indication that corporate assets may be impaired, the Group performs an impairment test based on the recoverable amount of the cash generating unit to which corporate asset belongs. When the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount, an impairment loss is recognized in profit or loss. An impairment loss for a cash-generating unit is recognized by first reducing the carrying amount of any goodwill allocated to the cash-generating unit, and then reducing proportionally the carrying amount of other assets in the unit.

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

(8) Employee benefits

1.Short-term employee benefits

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

2.Retirement benefit plans

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

(a) Defined contribution plans

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

(b) Defined benefit plans

The Group has adopted lump-sum payment on retirement and defined benefit pension plans as defined benefit plans. The present value of defined benefit obligations related current service costs and past service costs are determined using the projected unit credit method.

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

The net defined benefit liability (asset) is determined as the present value of the defined benefit obligation less the fair value of the plan assets. Net interest on the net defined benefit liability (asset) is recognized in profit or loss as financial expenses. The Group recognizes the difference arising from remeasurement of present value of the defined benefit obligation and the fair value of the plan asset in other comprehensive income when it is incurred, and reclassifies it immediately to retained earnings from other components of equity.

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

(i) when the plan amendment or curtailment occurs; and
(ii) when related restructuring costs are recognized

(9) Revenue

1.Revenue from contracts with customer

The Group identifies a performance obligation in a contract with a customer, and recognizes as revenue the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to the customer. 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.

(Change in accounting policies)

From the fiscal year ended March 31, 2024, an amendment to IAS 12, “Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)”, has been applied. This could not cause a significant impact on the consolidated financial statements.

(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 2024 (April 1, 2023 to March 31, 2024)

(Unit: Millions of yen)

	Automotive	Aerospace	Others *3	Total
Revenue from contracts with customers				
Japan	565,678	51,571	1,642	618,891
North America	3,653,862	52,740	141	3,706,743
Europe	115,645	6	4	115,655
Asia	57,617	－	3	57,620
Others	195,315	－	10	195,325
Total	4,588,117	104,317	1,800	4,694,234
Revenue arising from other sources *2	5,522	－	3,191	8,713
Total	4,593,639	104,317	4,991	4,702,947

(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, 2024 is as follows:

(Unit: Millions of yen)

	FYE 2024 (as of March 31, 2024)
Receivables included in Trade and other receivables	118,175
Contract assets included in Trade and other receivables	24,374
Contract liabilities included in other current liabilities	182,615
Contract liabilities included in other non-current liabilities	327,728

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, 2024, the amount included in the contract liability balance at the beginning of the consolidated fiscal year was 110,836 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 2024 (as of March 31, 2024)
Within 1 year	289,393
Over 1 year	737,226
Total	1,026,619

(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 72,626 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	237,748 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	387 million yen
The allowance for doubtful other financial assets (non-current)	426 million yen

2. Accumulated depreciation and accumulated impairment loss of property, plant and equipment	1,546,174 million yen

3. 6,905 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:	8,106 million yen

(2) Collateralized loans

Other non-current liabilities:	1,627 million yen
Others current liabilities:	4 million yen

5. Contingent Liabilities

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

Customers of SUBARU Canada Inc.:	25,312 million yen
Employees:	2,285 million yen
Others:	508 million yen
Total	28,105 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:	7,800 million yen
Less amounts currently executed:	2,880 million yen
Unexecuted balance	4,920 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 3,347 million yen (all work in process).

(Consolidated Statement of Changes in Net Assets)

1) Matters related to the type and total issued and outstanding stock, and type and number of treasury stock

Type of Stock	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 *1	769,175,873	–	15,274,300	753,901,573
Treasury stock				
Common stock *2	2,194,065	15,276,655	15,363,271	2,107,449

(Note)
1) Decrease of 15,274,300 shares of Common stock was due to cancellation of Treasury Stock.
2) Increase of 15,276,655 shares of Treasury stock was mainly due to purchase of Treasury Stock.
Decrease of 15,363,271 shares of Treasury stock was mainly due to cancellation of Treasury stock.

2) Dividends

(1) Dividend payout

Resolution	Type of stock	Total amount of dividends (yen)	Dividend per share (yen)	Record date	Effective date
'The 92nd Ordinary General Meeting of Shareholders on June 21, 2023	Common stock	29,161	38.0	March 31, 2023	June 22, 2023
'The Board of Directors Meeting on November 2, 2023 *1	Common stock	36,105	48.0	September 30, 2023	December 7, 2023

(Note) Cash dividends per share of the Board of Directors Meeting on November 2, 2023 include a Commemorative dividends of 10.00 yen.

(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 stock	Total amount of dividends (yen)	Source for dividend	Dividend per share (yen)	Record date	Effective date
'The 93rd Ordinary General Meeting of Shareholders on June 19, 2024 *1	Common stock	43,627	Retained earnings	58.0	March 31, 2024	June 20, 2024

(Note) Cash dividends per share of the Ordinary General Meeting on June 19, 2024 include a Commemorative dividends of 10.00 yen.

(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.

[Translation for Reference and Convenience Purposes Only]

2. Fair Value of Financial Instruments

Amount on the consolidated statement of financial position and fair value at March 31, 2024 are as follows.

(Unit: Millions of yen)

	Amount on the consolidated statement of financial position	Fair Value
Trade and other receivables		
Operating loans	169,296	174,400
Lease receivables	10,858	11,862
Account receivables and other receivables *1	196,094	-
Other financial assets		
Debt instruments measured at fair value	260,691	260,691
Equity instruments	222,676	222,676
Derivatives	28	28
Other *1&*4	597,519	-
Financing liabilities		
Borrowings	296,500	294,597
Bonds	103,000	101,380
Trade and other payables *1	384,510	-
Other financial liabilities		
Derivatives	11,710	11,710
Other *1&*3	28,386	-

(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 (123,849 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 stock.
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	—	28	—	28
Debt instruments	40,610	122	2,190	42,922
Total	40,610	150	2,190	42,950
Financial assets measured at fair value through other comprehensive income:				
Equity instruments	215,194	—	7,482	222,676
Debt instruments	82,249	135,520	—	217,769
Total	297,443	135,520	7,482	440,445
Total	338,053	135,670	9,672	483,395
Other financial liabilities:				
Financial liabilities measured at fair value through profit or loss:				
Derivatives	—	11,710	—	11,710
Total	—	11,710	—	11,710

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 2024 (April 1, 2023 to March 31, 2024)	
	Equity instruments	Debt instruments
Beginning balance	5,973	1,332
Total gains or losses:		
Profit or loss	−	171
Other comprehensive income	1,509	−
Purchases	−	687
Sales	−	−
Exchange differences on translating foreign operations	−	−
Ending Balance	7,482	2,190
Unrealized gains or losses included in profit or loss on assets held at March 31. 2024	−	80

(Note)

1) Gains or losses included in profit or loss for the consolidated fiscal years ended March 31, 2024 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, 2024 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, 2024 is as follows:

(Unit: Millions of yen)

	FYE 2024 (as of March 31, 2024)	
	Carrying amount	Fair value
Trade and other receivables		
Operating loans	169,296	174,400
Lease receivables	10,858	11,862
Account receivables and other receivables*1	196,094	—
Other financial asset*1&2	597,519	—
Financing liabilities		
Borrowings	296,500	294,597
Bonds payables	103,000	101,380
Trade and other payables*1	384,510	—
Other financial liabilities*1&3	28,386	—

(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 11,710 million yen and lease liabilities of 123,849 million yen.
4) The table does not include cash and cash equivalents due to their fair values approximate their respective carrying amounts.

(Investment property)

1. Summary of investment properties

The Company and certain consolidated subsidiaries own rental office buildings and rental commercial facilities in Saitama prefecture and other locations.

2. Fair Value of Investment property

(Unit: Millions of yen)

Carrying Amount	Fair Value
21,766	38,091

(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. 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 3,409.45 yen
2. Income per share attributable to owners of parent

Basic	509.20	yen
Diluted	509.18	yen

[Translation for Reference and Convenience Purposes Only]

(Significant Subsequent Event)

Acquisition and cancellation of the Company's treasury stock

The Company resolved, at a meeting of its Board of Directors held on May 13, 2024, the matters concerning the acquisition of treasury stock 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 stock in accordance with Article 78 of the Act.

1. Reason for conducting acquisition and cancellation of treasury stock

The Company acquires and cancels its treasury stock for the purpose of improving efficiency of its capital structure.

2. Details of the share acquisition

(1) Type of stock to be acquired:	Company's common stock
(2) Total number of shares to be acquired:	23 million shares (upper limit)
Ratio of total number of issued shares (excluding treasury stock):	3.1%
(3) Total share acquisition cost:	60,000 million yen (upper limit)
(4) Acquisition period:	From May 14, 2024 to December 30, 2024 (Estimated)
(5) Acquisition method:	Purchase on Tokyo Stock Exchange

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

3. Details of the share cancellation

(1) Type of stock to be cancelled:	Company's common stock
(2) Total number of shares to be cancelled:	23 million shares (All treasury stock acquired pursuant to 2. above)
(3) Scheduled date of the cancellation:	To be determined

(Reference) Consolidated Statement of Income

(Unit: Millions of yen)

	FYE 2023 (April 1, 2022 to March 31, 2023)	FYE 2024 (April 1, 2023 to March 31, 2024)
Net cash provided by (used in) operating activities	503,759	767,665
Net cash provided by (used in) investing activities	(336,813)	(703,699)
Net cash provided by (used in) financing activities	(122,307)	(66,469)
Effect of exchange rate changes on cash and cash equivalents	51,816	70,974
Net increase (decrease) in cash and cash equivalents	96,455	68,471
Cash and cash equivalents at beginning of the year	883,074	979,529
Cash and cash equivalents at end of the year	979,529	1,048,000

[Translation for Reference and Convenience Purposes Only]

Non-consolidated Financial Statements

Non-consolidated Balance Sheet

(Unit: Millions of yen)

	FYE 2023 (as of March 31, 2023)	FYE 2024 (as of March 31, 2024)
ASSETS		
Ⅰ Current assets		
Cash and deposits	985,713	1,460,213
Accounts receivable-trade	225,508	244,138
Merchandise and finished goods	65,359	56,805
Work in process	72,702	68,146
Raw materials and supplies	58,123	61,492
Advance payments-trade	36,369	43,335
Prepaid expenses	5,298	6,002
Short-term loans receivable to subsidiaries and affiliates	41,040	46,622
Current portion of long-term loans receivable from subsidiaries and affiliates	27,000	14,000
Deposits paid	23,575	24,625
Accounts receivable-other	50,332	45,510
Other	33,992	43,820
Total current assets	**1,625,011**	**2,114,708**
Ⅱ Noncurrent assets		
1. Property, plant and equipment		
Buildings, net	114,159	150,944
Structures, net	18,207	20,934
Machinery and equipment, net	105,088	106,426
Vehicles, net	3,314	3,484
Tools, furniture and fixtures, net	10,115	12,870
Land	79,202	78,493
Construction in progress	32,179	41,530
Other, net	5,862	7,644
Total property, plant and equipment	**368,126**	**422,325**
2. Intangible assets		
Software	46,109	43,806
Other	40,446	70,253
Total intangible assets	**86,555**	**114,059**
3. Investments and other assets		
Investment securities	3,847	6,390
Stocks of subsidiaries and affiliates	235,172	320,960
Investments in capital of subsidiaries and affiliates	3,947	9,027
Long-term loans receivable	2	2
Long-term loans receivable from subsidiaries and affiliates	52,260	53,300
Claims provable in bankruptcy, claims provable in rehabilitation and other	0	0
Prepaid pension cost	5,584	4,023
Deferred tax assets	74,133	70,697
Other	8,819	9,457
Allowance for doubtful accounts	(46)	(5)
Allowance for investment loss	(1,694)	(1,826)
Total investments and other assets	**382,024**	**472,025**
Total noncurrent assets	**836,705**	**1,008,409**
Total assets	**2,461,716**	**3,123,117**

[Translation for Reference and Convenience Purposes Only]

(Unit: Millions of yen)

	FYE 2023 (as of March 31, 2023)	FYE 2024 (as of March 31, 2024)
LIABILITIES		
Ⅰ Current liabilities		
Notes payable-trade	236	373
Accounts payable-trade	217,548	208,727
Electronically recorded obligations-operating	18,007	27,759
Current portion of long-term loans payable	44,900	59,000
Current portion of bonds payable	10,000	10,000
Lease obligations	1,527	1,758
Accounts payable-other	20,312	27,429
Accrued expenses	47,035	58,105
Income taxes payable	24,893	80,549
Advances received	50,459	44,159
Deposits received	387,263	565,992
Provision for bonuses	16,681	19,321
Provision for product warranties	76,776	95,028
Provision for vehicle environmental control	4,930	18,671
Provision for loss on construction contracts	8,550	8,588
Provision for environmental measures	50	–
Other	3,766	16,128
Total current liabilities	**932,933**	**1,241,587**
Ⅱ Noncurrent liabilities		
Bonds payable	80,000	93,000
Long-term loans payable	177,000	237,500
Lease obligations	4,536	5,393
Provision for product warranties	83,159	121,634
Provision for vehicle environmental control	10,264	21,811
Asset retirement obligations	16	16
Other	1,857	1,781
Total noncurrent liabilities	**356,832**	**481,135**
Total liabilities	**1,289,765**	**1,722,722**
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	808,103	973,862
Total retained earnings	852,680	1,018,439
Treasury stocks	(6,136)	(4,616)
Total shareholders' equity	**1,160,410**	**1,327,689**
Ⅱ Valuation and translation adjustments		
Valuation difference on available-for-sale securities	11,541	72,706
Total valuation and translation adjustments	**11,541**	**72,706**
Total net assets	**1,171,951**	**1,400,395**
Total liabilities and net assets	**2,461,716**	**3,123,117**

[Translation for Reference and Convenience Purposes Only]

Non-consolidated Statement of Income

(Unit: Millions of yen)

	FYE 2023 (April 1, 2022 to March 31, 2023)	FYE 2024 (April 1, 2023 to March 31, 2024)
Ⅰ Net sales	2,174,178	2,573,824
Ⅱ Cost of sales	1,754,868	2,059,257
Gross profit	**419,310**	**514,567**
Ⅲ Selling, general and administrative expenses	238,965	282,468
Operating income	**180,345**	**232,099**
Ⅳ Non-operating income		
Interest income	17,192	40,981
Dividends income	104,386	86,144
Foreign exchange income	—	30,902
Real estate rent	2,852	2,771
Gain on valuation of derivatives	5,186	—
Other	3,278	4,412
Total non-operating income	132,894	165,210
Ⅴ Non-operating expenses		
Interest expenses	9,576	23,722
Depreciation	3,036	4,719
Foreign exchange losses	1,868	—
Loss on valuation of derivatives	—	10,615
Other	10,080	7,103
Total non-operating expenses	24,560	46,159
Ordinary income	**288,679**	**351,150**
Ⅵ Extraordinary income		
Gain on sales of noncurrent assets	3,768	898
Reversal of allowance for doubtful accounts	199	41
Other	5	172
Total extraordinary income	3,972	1,111
Ⅶ Extraordinary loss		
Loss on sales and retirement of noncurrent assets	3,795	7,673
Impairment loss	2,369	—
Provision of allowance for investment loss	308	131
Other	19	51
Total extraordinary losses	6,491	7,855
Income before income taxes	**286,160**	**344,406**
Total income taxes	53,257	72,093
Income tax-current	18,427	95,499
Income taxes-deferred	34,830	(23,406)
Net income	**232,903**	**272,313**

[Translation for Reference and Convenience Purposes Only]

Non-consolidated Statements of Changes in Net Assets

FYE 2024 (April 1, 2023 to March 31, 2024)

(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	808,103	852,680
Changes of items during the year									
Dividends from surplus	–	–	–	–	–	–	–	(65,266)	(65,266)
Net income	–	–	–	–	–	–	–	272,313	272,313
Purchase of treasury stock	–	–	–	–	–	–	–	–	–
Disposal of treasury stock	–	–	4	4	–	–	–	–	–
Cancellation of treasury stock	–	–	(41,292)	(41,292)	–	–	–	–	–
Transfer from retained earnings to capital surplus	–	–	41,288	41,288	–	–	–	(41,288)	(41,288)
Net changes of items other than shareholders' equity	–	–	–	–	–	–	–	–	–
Total changes of items during the year	–	–	–	–	–	–	–	165,759	165,759
Balance at the end of the year	153,795	160,071	–	160,071	7,901	1,341	35,335	973,862	1,018,439

	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	(6,136)	1,160,410	11,541	11,541	1,171,951
Changes of items during the year					
Dividends from surplus	–	(65,266)	–	–	(65,266)
Net income	–	272,313	–	–	272,313
Purchase of treasury stock	(40,006)	(40,006)	–	–	(40,006)
Disposal of treasury stock	234	238	–	–	238
Cancellation of treasury stock	41,292	–	–	–	–
Transfer to capital surplus from retained earnings	–	–	–	–	–
Net changes of items other than shareholders' equity	–	–	61,165	61,165	61,165
Total changes of items during the year	1,520	167,279	61,165	61,165	228,444
Balance at the end of the year	(4,616)	1,327,689	72,706	72,706	1,400,395

[Translation for Reference and Convenience Purposes Only]

Notes to Non-consolidated Financial Statements

(Significant accounting policies)

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

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

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

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

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

Buildings:	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

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

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

6. Standards for provisions

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

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

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

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

(5) Provision for 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 or prepaid pension costs … 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.
1. In determining retirement benefit obligations, the plan’s benefit formula is used for attributing expected benefit to periods.
2. 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.
3. Unrecognized net actuarial cost 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.

In case of the automobile segment, 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 case of the aerospace segment, the Company has contracting agreements with a customer. Revenue from construction contracts is recognized based on the progress of performance obligations and the progress is measured by using the input method based on costs incurred and other methods. The payment for contracted work is generally made in stages based on the contract with the customer.

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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	70,697 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	216,662 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 684,859 million yen
2. 6,604 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 at the end of the fiscal year.

   In addition, 33 million yen of land has been pledged as collateral for 1,503 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	260,729 million yen
Short-term monetary obligations to affiliates	627,046 million yen
Long-term monetary claims to affiliates	54,205 million yen

5. Contingent liability

(1) Guarantee obligation for loans from financial institutions

Subaru of America, Inc.	41,623 million yen
Employees	2,285 million yen
Subaru Kohsan Co., Ltd.	825 million yen
Tan Chong Subaru Automotive (Thailand) Co., Ltd.	508 million yen
Total	45,241 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 3,347 million yen (all work in process).

[Translation for Reference and Convenience Purposes Only]

(Income Statement)

1. Cost of Sales
   "Cost of sales" includes 38 million yen of provision for loss on construction contracts.

2. Transactions with affiliates

Operating Transactions	Net sales	2,152,623	million yen
	Purchase amount	514,114	million yen
	Other transactions	45,734	million yen
Non-Operating Transactions	Income	90,444	million yen
	Expenses	24,393	million yen

(Statement of Changes in Net Assets)

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

Common stock ………………………………………………………… 1,707,449 shares

(Accounting for Deferred Tax)

1. Main sources of deferred tax assets and liabilities

	As of March 31, 2024 (Unit: Millions of yen)
Deferred tax assets	
Provision for product warranties	66,082
Accrued expenses	17,412
Valuation loss on investment securities	10,496
Amount exceeding the limit for provision for retirement benefits	8,318
Provision for bonuses	5,893
Depreciation of fixed assets, etc.	5,186
Carry-forward creditable foreign tax	4,842
Business office tax payable	4,101
Inventory	3,688
Amount exceeding the limit for allowance for doubtful accounts	813
Deferred expenses	278
Other	2,408
Subtotal deferred tax assets	129,517
Valuation allowance	(25,418)
Total deferred tax assets	104,099
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(31,908)
Prepaid pension cost	(887)
Reserve for reduction entry	(588)
Other	(19)
Total deferred tax liabilities	(33,402)
Net deferred tax assets	70,697

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	(0.4)%
Dividends paid not deductible for income tax	(7.0) %
Tax Credit for R&D Expenses	(4.1) %
Total income of specified foreign subsidiaries	1.2%
Other	0.7%
Effective tax rate after applying tax effect accounting	20.9%

3. The accounting treatment of income taxes, local income taxes and tax effect accounting
   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	Loans receivable *1		499,575	Loans receivable	113,922
				Repayment of loans *1		504,993		
Subsidiary	SUBARU of America Inc.	100% indirect ownership	Sales of SUBARU vehicles and components; Concurrent appointment of corporate officers	Sales of products		1,233,845	Accounts receivable	78,116
				Purchase of products		106,201	Accounts payable	23,183
				Acceptance of surplus fund *2	Acceptance	303,023	Deposit	369,408
					Interest expenses	15,394		
				Guarantees *3		41,623		
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		321,641	Accounts receivable	33,197
				Acceptance of surplus fund *2	Acceptance	121,632	Deposit	193,687
					Interest expenses	7,345		

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	1,861.75 yen
2. Net income per share	
Basic	359.89 yen
Diluted	359.87 yen

(Significant subsequent Event)

Acquisition and cancellation of the Company's treasury stock

The Company resolved, at a meeting of its Board of Directors held on May 13, 2024, the matters concerning the acquisition of treasury stock 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 stock in accordance with Article 178 of the Act.

1. Reason for conducting acquisition and cancellation of treasury stock

The Company acquires and cancels its treasury stock for the purpose of improving efficiency of its capital structure.

2. Details of the share acquisition

(1) Type of stock to be acquired:	Company's common stock
(2) Total number of shares to be acquired:	23 million shares (upper limit)
Ratio of total number of issued shares (excluding treasury stock):	3.1%
(3) Total share acquisition cost:	60,000 million yen (upper limit)
(4) Acquisition period:	From May 14, 2024 to December 30, 2024 (Estimated)
(5) Acquisition method:	Purchase on Tokyo Stock Exchange

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

3. Details of the share cancellation

(1) Type of stock to be cancelled:	Company's common stock
(2) Total number of shares to be cancelled:	23 million shares (All treasury stock acquired pursuant to 2. above)
(3) Scheduled date of the cancellation:	To be determined

[Translation for Reference and Convenience Purposes Only]

Audit Report

Accounting Audit Report on Consolidated Financial Statements

Independent Auditor's Report

May 13, 2024

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 of March 31, 2024 and for the year from April 1, 2023 to March 31, 2024 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, actions taken to eliminate threats or safeguards applied.

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 is 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 13, 2024

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 of March 31, 2024 and for the year from April 1, 2023 to March 31, 2024 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, actions taken to eliminate threats or safeguards applied.

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 is 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 93rd fiscal period between April 1, 2023 and March 31, 2024, 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 13, 2024

SUBARU CORPORATION Board of Corporate Auditors
Standing Corporate Auditor Yoichi Kato
Standing Corporate Auditor Hiromi Tsutsumi
Outside Corporate Auditor Yuri Furusawa
Outside Corporate Auditor Yasumasa Masuda