

Consolidated Financial Summary for the First Three Months Ended 30 June 2021

[Japanese GAAP]

5 August 2021

Company Name : SUZUKI MOTOR CORPORATION
 Code No. : 7269 Listings : The First Section of Tokyo Stock Exchange
 Representative : Toshihiro Suzuki, President URL : <https://www.globalsuzuki.com>
 Contact Person : Seiji Kobayashi, General Manager, Corporate Management / IR / Cost Management Dept. Corporate Planning Office
 TEL 053-440-2030

Date of Filing Quarterly Securities Report : 6 August 2021

Start of Payment of Cash Dividends : -

Preparation of Supplementary Explanatory Materials : Yes

Holding of Presentation Meeting on Quarterly Financial Results : Yes

(Amounts less than one million yen are rounded down)

1. Consolidated Operating Results for FY2021 first three months (1 April – 30 June 2021)

(1) Consolidated Management Results

(Percentage indicates change from the same period of the previous year)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|----------------------------|-----------------|-------|------------------|-------|-----------------|-------|---|-------|
| | Millions of Yen | % | Millions of Yen | % | Millions of Yen | % | Millions of Yen | % |
| FY 2021 first three months | 845,350 | 98.8 | 54,467 | — | 110,841 | 666.0 | 84,752 | — |
| FY 2020 first three months | 425,262 | -53.1 | 1,298 | -97.9 | 14,470 | -80.0 | 1,764 | -95.6 |

[Note] Comprehensive income FY2021 first three months 57,399 Million Yen (253.7 %)
 FY2020 first three months 16,229 Million Yen (-11.1 %)

| | Profit per share, Basic | | Profit per share, Diluted | |
|----------------------------|-------------------------|--|---------------------------|--|
| | Yen | | Yen | |
| FY 2021 first three months | 174.54 | | 174.52 | |
| FY 2020 first three months | 3.63 | | 3.63 | |

[Note] "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020), etc. have been applied from the beginning of FY2021 first quarter. Net sales and profit for FY2021 first three months are the figures after the application.

(2) Consolidated Financial Position

| | Total assets | | Net assets | | Shareholders' equity ratio | |
|-----------------------|-----------------|--|-----------------|--|----------------------------|--|
| | Millions of Yen | | Millions of Yen | | % | |
| FY 2021 first quarter | 4,005,136 | | 2,062,470 | | 43.0 | |
| FY 2020 | 4,036,360 | | 2,031,964 | | 41.8 | |

[Reference] Shareholders' equity (Net assets excluding non-controlling interests and share acquisition rights):
 FY2021 first quarter 1,724,030 Million Yen FY2020 1,687,478 Million Yen

[Note] "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020), etc. have been applied from the beginning of FY2021 first quarter. The figures for FY 2021 first three months are the ones after the application.

2. Cash Dividends

| | Cash dividends per share | | | | |
|-------------------|--------------------------|----------------|---------------|--------------|--------------|
| | First quarter | Second quarter | Third quarter | Year-end | Annual |
| FY2020 | Yen - | Yen 37.00 | Yen - | Yen 53.00 | Yen 90.00 |
| FY2021 | - | - | - | - | - |
| FY2021 (Forecast) | - | - | - | - | - |

[Note] 1 Revision of the latest forecasts of cash dividends announced: None

2 The forecasts of cash dividends for FY2021 is undetermined at this moment.

3. Forecasts for Consolidated Operating Results of FY 2021 (1 April 2021 – 31 March 2022)

(Percentage indicates change from the previous fiscal year)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Profit per share |
|-----------|-----------------|-----|------------------|-------|-----------------|-------|---|-----|------------------|
| | Millions of Yen | % | Millions of Yen | % | Millions of Yen | % | Millions of Yen | % | Yen |
| Full Year | 3,400,000 | 7.0 | 170,000 | -12.6 | 220,000 | -11.4 | 150,000 | 2.4 | 308.89 |

[Note] Revisions of the latest forecasts for consolidated operating results announced: Yes

* Notes

(1) Changes in significant subsidiaries during the period

(Changes in specified subsidiaries that accompany with a change in the scope of consolidation): None

New - (Name) Exclusion - (Name)

(2) Application of accounting treatment specific to preparation of quarterly consolidated financial statements: Yes

(3) Changes in Accounting Principles, Changes in Accounting Estimates, and Retrospective Restatements

1) Changes in accounting principles due to the revision of the accounting standards : Yes

2) Changes in accounting principles other than 1) : Yes

3) Changes in accounting estimates : None

4) Retrospective restatement : None

(4) Number of outstanding shares (common stock)

(Shares)

1) Number of outstanding shares at end of period
(including treasury shares)

| | | | |
|-----------|-------------|--------|-------------|
| FY2021 Q1 | 491,098,300 | FY2020 | 491,098,300 |
|-----------|-------------|--------|-------------|

2) Number of treasury shares at the end of period

| | | | |
|-----------|-----------|--------|-----------|
| FY2021 Q1 | 5,498,318 | FY2020 | 5,540,488 |
|-----------|-----------|--------|-----------|

3) Average number of outstanding shares during period
(First three months)

| | | | |
|-----------|-------------|-----------|-------------|
| FY2021 Q1 | 485,568,347 | FY2020 Q1 | 485,332,462 |
|-----------|-------------|-----------|-------------|

* **This quarterly financial report is not required to be audited by certified public accountants or audit firm.**

* **Explanation regarding the appropriate use of forecasts for operating results, other information**

(Caution with respect to forward-looking statements)

The forward-looking statements are based on currently available information and assumptions, contain risks and uncertainty, and do not constitute guarantees of future achievement. Please note that the future results may greatly vary by the changes of various factors.

Those factors, which may influence the future results, include economic conditions and the trend of demand in major markets and the fluctuations of foreign exchange rates (mainly US dollar/Yen rate, Euro/Yen rate and Indian Rupee/Yen rate).

(Quarterly Results Supplementary Explanatory Materials)

Quarterly Results Supplementary Explanatory Materials will be available on our website

(<https://www.globalsuzuki.com>) on 5 August 2021.

Table of Contents

| | |
|--|----------|
| 1. Summary of Management Results, etc. | 2 |
| (1) Summary of Management Results and Financial Positions..... | 2 |
| (2) Forecasts for Consolidated Operating Results | 3 |
| (3) Basic Dividend Policy and Dividends for Current Fiscal Year..... | 3 |
| 2. Quarterly Consolidated Financial Statements and Significant Notes | 4 |
| (1) Quarterly Consolidated Balance Sheet..... | 4 |
| (2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income | 6 |
| (3) Quarterly Consolidated Statement of Cash Flows..... | 8 |
| (4) Notes to Quarterly Consolidated Financial Statements | 9 |
| (Assumption for Going Concern)..... | 9 |
| (Significant Changes in the Amount of Shareholders' Equity) | 9 |
| (Application of Accounting Treatment Specific to Preparation of Quarterly Consolidated Financial Statements)..... | 9 |
| (Changes in Accounting Principles)..... | 9 |
| (Notes to Quarterly Consolidated Statement of Income) | 10 |
| (Segment Information)..... | 10 |
| (Revenue Recognition) | 12 |

1. Summary of Management Results, etc.

(1) Summary of Management Results and Financial Positions

(Management results of FY2021 first three months)

With respect to the operating results for FY2021 first three months, consolidated net sales increased by ¥420.1 billion to ¥845.4 billion compared to the corresponding period of the previous fiscal year, which had been seriously impacted by the global Novel Coronavirus pandemic. Operating profit increased by ¥53.2 billion to ¥54.5 billion year-on-year, owing to increase in sales, especially from sales promotion of inventory models and foreign exchange gains. Meanwhile, net sales decreased by ¥62.1 billion and operating profit decreased by ¥8.2 billion compared to the corresponding period of the second preceding fiscal year. They have not yet recovered to the level of the second preceding fiscal year mainly owing to reduction of production due to the resurgence of Novel Coronavirus infections in India and shortage of semiconductors in Japan, increase of raw material cost, and increase of R&D expenses.

Ordinary profit increased by ¥96.3 billion to ¥110.8 billion year-on-year, mainly owing to improvement of financial revenue of ¥38.0 billion. With respect to profit attributable to owners of parent, as compared to the previous fiscal year which recorded loss on COVID-19 of ¥15.4 billion, it increased by ¥83.0 billion to ¥84.8 billion year-on-year, mainly owing to gain on sale of former Toyokawa plant site of ¥18.0 billion.

The Group has applied the “Accounting Standard for Revenue Recognition”, etc. from the beginning of FY2021 first quarter, therefore, net sales for FY2021 first three months decreased by ¥29.8 billion, operating profit, ordinary profit and profit before income taxes increased by ¥1.4 billion respectively. Please refer to “2. (4) Notes to Quarterly Consolidated Financial Statements - Changes in Accounting Principles” for details.

- Operating results by Segment

1) Automobile Business

Net sales increased by ¥391.3 billion (106.5%) to ¥758.8 billion year-on-year. Operating profit became ¥42.0 billion, owing to increase in sales, especially from sales promotion of inventory models and foreign exchange gains.

2) Motorcycle Business

Net sales increased by ¥22.6 billion (64.5%) to ¥57.5 billion year-on-year, operating profit became profitable to ¥4.4 billion, and operating profit margin was 7.7%, owing to the impact of the new Hayabusa launch, and advancement in the improvement of motorcycle business quality.

3) Marine Business

Net sales increased by ¥5.8 billion (28.7%) to ¥26.0 billion year-on-year, and operating profit increased by ¥3.0 billion (77.9%) to ¥6.8 billion year-on-year, due to the continued strong sales of outboard motors in North America.

4) Other Business

Net sales increased by ¥0.4 billion (14.3%) to ¥3.1 billion year-on-year, and operating profit increased by ¥0.8 billion (167.8%) to ¥1.3 billion year-on-year.

- Operating results by Geographical Region

Net sales and profit increased in all areas.

(Financial Positions of FY2021 first quarter)

- Assets, liabilities and net assets

With respect to the financial positions at the end of FY2021 first quarter, total assets were ¥4,005.1 billion (decreased by ¥31.2 billion from the end of the previous consolidated fiscal year). Total liabilities were ¥1,942.7 billion (decreased by ¥61.7 billion from the end of the previous consolidated fiscal year). Total net assets were ¥2,062.5 billion (increased by ¥30.5 billion from the end of the previous consolidated fiscal year).

The shareholders' equity ratio at the end of FY2021 first quarter was 43.0%. As for the borrowings in FY2020 first three months, the Company will intend to maintain the current borrowing level for the time being, as the outlook of Novel Coronavirus is uncertain. The Company will continue to work for improving the shareholders' equity ratio by improving profitability.

- Cash flows

The balance of cash and cash equivalents at the end of FY2021 first quarter amounted to ¥949.9 billion (increased by ¥25.5 billion from the end of the previous consolidated fiscal year). Cash flows for FY2021 first three months are as follows.

1) Cash flows from operating activities

Net cash provided by (used in) operating activities for FY2021 first three months amounted to ¥84.4 billion of positive due to improvement of operating results. (¥76.0 billion of negative year-on-year).

2) Cash flows from investing activities

Although there was a temporary gain on sale of former Toyokawa plant site and sale of mutual fund in India, net cash provided by (used in) investing activities for FY2021 first three months amounted to ¥28.7 billion of negative, which was used for capital investment in Japan and India, etc. (¥16.5 billion of positive year-on-year).

As a result, free cash flow amounted to ¥55.7 billion of positive (¥59.5 billion of negative year-on-year).

3) Cash flows from financing activities

Net cash provided by (used in) financing activities for FY2021 first three months amounted to ¥29.0 billion of negative (¥403.1 billion of positive year-on-year) due to payment of cash dividends and others while maintaining the current borrowing level for the time being.

(2) Forecasts for Consolidated Operating Results

As the outlook for semiconductor shortage is unclear, forecasts for the consolidated operating results for FY2021 are based on the assumption that the impact on plant operations will continue until the end of the fiscal year. Operating profit is expected to decrease, also due to the increase of raw material cost, and increase of R&D expenses, etc. R&D expenses are expected to increase by ¥43.8 billion to ¥190.0 billion year-on-year, and we will actively promote research and development, mainly on electrification.

The Group will work as one to reform in every field, and implement measures to improve profitability, such as fixed cost reduction, to accomplish more than the below forecasts for the consolidated operating results.

(Forecasts for the consolidated operating results-Full Year)

| | | |
|---|-------------------|---------------------------|
| Net Sales | ¥ 3,400.0 billion | (up 7.0% year-on-year) |
| Operating Profit | ¥170.0 billion | (down 12.6% year-on-year) |
| Ordinary Profit | ¥220.0 billion | (down 11.4% year-on-year) |
| Profit attributable to owners of parent | ¥150.0 billion | (up 2.4% year-on-year) |

(Foreign Exchange Rate) ¥108/US\$, ¥129/Euro, ¥1.47/Indian Rupee, ¥0.76/100 Indonesian Rupiah, ¥3.36/Thai Baht

*Forecasts for the consolidated operating results are based on currently available information and assumptions, contain risks and uncertainty and do not constitute guarantees of future achievement. Please note that the actual results may greatly vary by the changes of various factors. Those factors, which may influence the future results, include economic conditions and the trend of demand in major markets and the fluctuations of foreign exchange rates (mainly U.S. dollar/Yen rate, Euro/Yen rate, Indian Rupee/Yen rate).

(3) Basic Dividend Policy and Dividends for Current Fiscal Year

The Company recognizes shareholder return as one of the most important management issues.

As for dividends, we hold the basic policy to pay dividends continuously with a target payout ratio of 30% as announced in the "Mid-Term Management Plan (April 2021 to March 2026) ~ "Sho-Sho-Kei-Tan-Bi" ~" released on February 24 of this year.

As for dividends for current fiscal year, neither mid-term dividend nor year-end dividend are determined at this moment since forecast for FY 2021 assumes the risk of the semiconductor shortage.

**"Sho-Sho-Kei-Tan-Bi" is an abbreviation for Japanese meaning "Smaller" "Fewer" "Lighter" "Shorter" and "Neater".

2. Quarterly Consolidated Financial Statement and Significant Notes

(1) Quarterly Consolidated Balance Sheets

(Amount: Millions of yen)

| | FY2020 (As of 31 March 2021) | FY2021 first quarter (As of 30 June 2021) |
|---|---------------------------------|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 1,024,553 | 1,054,190 |
| Notes and accounts receivable-trade | 448,601 | 423,367 |
| Securities | 201,549 | 201,103 |
| Merchandise and finished goods | 246,567 | 212,530 |
| Work in process | 46,298 | 51,631 |
| Raw materials and supplies | 63,045 | 74,489 |
| Other | 132,315 | 165,474 |
| Allowance for doubtful accounts | (4,138) | (4,164) |
| Total current assets | 2,158,793 | 2,178,623 |
| Non-current assets | | |
| Property, plant and equipment | 978,916 | 979,975 |
| Intangible assets | 2,351 | 2,317 |
| Investments and other assets | | |
| Investment securities | 704,305 | 657,933 |
| Other | 192,555 | 186,871 |
| Allowance for doubtful accounts | (329) | (330) |
| Allowance for investment loss | (232) | (254) |
| Total investments and other assets | 896,298 | 844,219 |
| Total non-current assets | 1,877,566 | 1,826,513 |
| Total assets | 4,036,360 | 4,005,136 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable-trade | 330,522 | 276,630 |
| Electronically recorded obligations-operating | 78,663 | 73,978 |
| Short-term borrowings | 568,855 | 365,716 |
| Income taxes payable | 32,138 | 25,244 |
| Provision for product warranties | 254,076 | 243,910 |
| Other | 424,207 | 413,451 |
| Total current liabilities | 1,688,462 | 1,398,931 |
| Non-current liabilities | | |
| Bonds with share acquisition rights | 8,560 | 8,560 |
| Long-term borrowings | 193,413 | 389,655 |
| Other provisions | 16,956 | 16,607 |
| Retirement benefit liability | 62,081 | 58,474 |
| Other | 34,922 | 70,437 |
| Total non-current liabilities | 315,932 | 543,734 |
| Total liabilities | 2,004,395 | 1,942,666 |

(Amount: Millions of yen)

| | FY2020 (As of 31 March 2021) | FY2021 first quarter (As of 30 June 2021) |
|---|---------------------------------|--|
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 138,262 | 138,262 |
| Capital surplus | 143,400 | 143,311 |
| Retained earnings | 1,519,826 | 1,584,990 |
| Treasury shares | (21,027) | (20,865) |
| Total shareholders' equity | 1,780,462 | 1,845,699 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 121,133 | 98,826 |
| Deferred gains or losses on hedges | (484) | (328) |
| Foreign currency translation adjustment | (193,295) | (200,775) |
| Remeasurements of defined benefit plans | (20,337) | (19,390) |
| Total accumulated other comprehensive income | (92,984) | (121,668) |
| Share acquisition rights | 115 | 41 |
| Non-controlling interests | 344,371 | 338,398 |
| Total net assets | 2,031,964 | 2,062,470 |
| Total liabilities and net assets | 4,036,360 | 4,005,136 |

**(2) Quarterly Consolidated Statement of Income and
Quarterly Consolidated Statement of Comprehensive Income
(First Three months ended 30 June 2021)
【Quarterly Consolidated Statement of Income】**

(Amount: Millions of yen)

| | FY2020 first three months (1 April – 30 June 2020) | FY2021 first three months (1 April – 30 June 2021) |
|--|---|---|
| Net sales | 425,262 | 845,350 |
| Cost of sales | 285,543 | 629,178 |
| Gross profit | 139,719 | 216,171 |
| Selling, general and administrative expenses | 138,420 | 161,703 |
| Operating profit | 1,298 | 54,467 |
| Non-operating income | | |
| Interest income | 16,182 | 53,637 |
| Dividend income | 2,021 | 2,000 |
| Share of profit of entities accounted for using equity method | 15 | 2,190 |
| Other | 1,579 | 3,717 |
| Total non-operating income | 19,799 | 61,546 |
| Non-operating expenses | | |
| Interest expenses | 1,303 | 773 |
| Foreign exchange losses | 1,716 | 2,014 |
| Other | 3,606 | 2,383 |
| Total non-operating expenses | 6,627 | 5,172 |
| Ordinary profit | 14,470 | 110,841 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 73 | 18,301 |
| Total extraordinary income | 73 | 18,301 |
| Extraordinary losses | | |
| Loss on sale of non-current assets | 10 | 302 |
| Loss on COVID-19 | ※ 15,399 | - |
| Total extraordinary losses | 15,409 | 302 |
| Profit (loss) before income taxes | (865) | 128,839 |
| Income taxes | (314) | 20,658 |
| Profit (loss) | (550) | 108,181 |
| Profit (loss) attributable to non-controlling interests | (2,314) | 23,428 |
| Profit (loss) attributable to owners of parent | 1,764 | 84,752 |

【Quarterly Consolidated Statement of Comprehensive Income】

(Amount: Millions of yen)

| | FY2020 first three months (1 April – 30 June 2020) | FY2021 first three months (1 April – 30 June 2021) |
|--|---|---|
| Profit (loss) | (550) | 108,181 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 11,990 | (40,647) |
| Deferred gains or losses on hedges | 123 | 165 |
| Foreign currency translation adjustment | 4,269 | (11,581) |
| Remeasurements of defined benefit plans, net of tax | 491 | 792 |
| Share of other comprehensive income of entities accounted for using equity method | (96) | 488 |
| Total other comprehensive income | 16,779 | (50,781) |
| Comprehensive income | 16,229 | 57,399 |
| Comprehensive income attributable to: | | |
| owners of parent | 18,568 | 56,928 |
| non-controlling interests | (2,338) | 470 |

(3) Quarterly Consolidated Statement of Cash Flows

(Amount: Millions of yen)

| | FY2020 first three months (1 April – 30 June 2020) | FY2021 first three months (1 April – 30 June 2021) |
|--|---|---|
| Cash flows from operating activities | | |
| Profit (loss) before income taxes | (865) | 128,839 |
| Depreciation and amortization | 30,263 | 34,322 |
| Increase (decrease) in allowance for doubtful accounts | 316 | 36 |
| Increase (decrease) in retirement benefit liability | (7,013) | (3,537) |
| Increase (decrease) in provision for product warranties | (7,045) | (2,184) |
| Interest and dividend income | (18,203) | (55,638) |
| Interest expenses | 1,303 | 773 |
| Foreign exchange losses (gains) | (2,649) | (880) |
| Share of loss (profit) of entities accounted for using equity method | (15) | (2,190) |
| Loss (gain) on sale of property, plant and equipment | (63) | (17,998) |
| Decrease (increase) in trade receivables | 45,874 | 63,457 |
| Decrease (increase) in inventories | 15,130 | 18,484 |
| Increase (decrease) in trade payables | (104,347) | (59,822) |
| Increase (decrease) in accrued expenses | (34,142) | (19,172) |
| Other, net | (6,363) | (34,136) |
| Subtotal | (87,820) | 50,353 |
| Interest and dividends received | 18,208 | 55,600 |
| Interest paid | (1,570) | (1,332) |
| Income taxes paid | (4,828) | (20,218) |
| Net cash provided by (used in) operating activities | (76,011) | 84,404 |
| Cash flows from investing activities | | |
| Payments into time deposits | (18,957) | (16,582) |
| Proceeds from withdrawal of time deposits | 25,485 | 11,434 |
| Purchase of securities | (101,214) | (194,943) |
| Proceeds from sale and redemption of securities | 105,325 | 145,474 |
| Purchases of property, plant and equipment | (35,651) | (42,672) |
| Proceeds from sales of property, plant and equipment | 659 | 22,954 |
| Other, net | 40,885 | 45,607 |
| Net cash provided by (used in) investing activities | 16,533 | (28,727) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | 195,371 | (108,538) |
| Proceeds from long-term borrowings | 246,042 | 242,932 |
| Repayments of long-term borrowings | (15,016) | (137,461) |
| Dividends paid | (23,304) | (25,741) |
| Dividends paid to non-controlling interests | (0) | (0) |
| Other, net | (2) | (157) |
| Net cash provided by (used in) financing activities | 403,091 | (28,966) |
| Effect of exchange rate changes on cash and cash equivalents | 3,216 | (1,165) |
| Net increase (decrease) in cash and cash equivalents | 346,830 | 25,544 |
| Cash and cash equivalents at the beginning of period | 420,392 | 924,392 |
| Cash and cash equivalents at the end of period | 767,223 | 949,937 |

(4) Notes to Quarterly Consolidated Financial Statement

(Assumption for Going Concern)

None

(Significant Changes in the Amount of Shareholders' Equity)

None

(Application of Accounting Treatment Specific to Preparation of Quarterly Consolidated Financial Statements)

[Calculation of income taxes]

With respect to income taxes, the effective tax rates were reasonably estimated after applying the tax effect accounting to the income before income taxes of the consolidated fiscal year. And income tax was calculated by multiplying the income before income taxes by this estimated effective tax rate.

(Changes in Accounting Principles)

[Application of Accounting Standard for Revenue Recognition, etc.]

The Group has applied "Accounting Standard for Revenue Recognition"(ASBJ Statement No. 29, March 31, 2020. Hereinafter referred to as "Revenue Recognition Accounting Standard"), etc. from the beginning of FY2021 first quarter, and recognized revenue in the amount that it expects to receive in exchange for promised goods or services when controls of those goods or services are transferred to customers.

The changes in accounting methods by application of Revenue Recognition Accounting Standard, etc. are as follows:

1. Performance obligations satisfied over time

For royalties received in sales of vehicles, the Group used to recognize revenue when the amount was determined. However, the Group now recognize revenue by estimating the amount in line with vehicle sales.

For extended warranty services, the Group used to recognize revenue in a lump sum when the service was sold. However, if warranties provide customers with services except for the assurance that the products compile with agreed specifications, the Group now recognize revenue for the services over the warranty periods.

2. Performance obligations satisfied at a point in time

The Group used to recognize revenue from sales of new vehicles accessories at the same time as sales of vehicles, however, the Group now recognize at the time of delivery to customers.

3. Sales rebates

The Group used to record sales rebates as "Selling, general and administrative expenses", however, the Group now reduce them from the transaction price.

The application of the Revenue Recognition Accounting Standard, etc. is in accordance with the transitional treatment as provided in the proviso of Article 84 of the Revenue Recognition Accounting Standard. The cumulative effect by retroactively applying the standard prior to the beginning of FY2021 first quarter is added or deducted from the retained earnings at the beginning of FY2021 first quarter, and the new accounting policy is applied from the balance at the beginning of FY2021 first quarter.

As a result, for FY2021 first three months, net sales decreased by ¥29,754 million, cost of sales increased by ¥448 million, and operating profit, ordinary profit and profit (loss) before income taxes increased by ¥1,440 million each. The retained earnings at the beginning of FY2021 first quarter increased by ¥6,150 million.

In accordance with the transitional treatment as provided in Article 28-15 of "Accounting Standard for Quarterly Financial Reporting"(ASBJ Statement No. 12, March 31, 2020), the Group has not noted breakdown of revenue from contracts with customers for FY2020 first three months.

[Application of Accounting Standard for Fair Value Measurement]

The Group has applied "Accounting Standard for Fair Value Measurement" (ASBJ Statement No.30, July 4, 2019. Hereinafter referred to as "Fair Value Accounting Standard"), etc. from the beginning of FY2021 first quarter. In accordance with the transitional treatment as provided in Article 19 of Fair Value Accounting Standard and Article 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No.10, July 4, 2019), the Group has applied prospectively a new accounting policy prescribed by Fair Value Accounting Standards, etc. This has no effect on the quarterly consolidated financial statements.

[Change of principal methods for hedge accounting]

The Group used to apply deferred hedge accounting and exceptional hedge accounting to forward exchange contracts, however, from FY2021 first quarter, the Group changed its method to measure at fair market value at the end of the period and recognize the valuation difference as profit and loss for the period. In addition, the Group used to apply special exceptional hedge accounting and integration method if interest rate swap contracts and cross currency interest rate swap contracts had met certain criteria. However, the Group changed its method to apply deferred hedge accounting. These changes were owing to reflect the status of derivative contracts on consolidated financial statements more accurately.

This change in accounting policy is not retrospectively applied to past periods, as the effect of this change was immaterial. Moreover, the effect of this change on profit and loss for FY2021 first three months is immaterial.

(Notes to Quarterly Consolidated Statement of Income)

※Loss on COVID-19

FY2020 first three months (1 April - 30 June 2020)

¥15,399 million equivalent to fixed expenses related to production suspension due to lockdown in countries including India and Hungary to prevent the spread of Novel Coronavirus pandemic was recorded as extraordinary losses.

(Segment Information)

1. Net sales and Profit (Loss) of Each Reportable Segment

FY2020 first three months (1 April - 30 June 2020)

(Amount: Millions of yen)

| | Reportable Segments | | | | |
|-------------------------|---------------------|---------------------|-----------------|----------------|---------|
| | Automobile business | Motorcycle business | Marine business | Other business | Total |
| Net Sales | 367,422 | 34,932 | 20,214 | 2,692 | 425,262 |
| Segment profit (loss)*1 | 24 | (3,009) | 3,798 | 485 | 1,298 |

FY2021 first three months (1 April - 30 June 2021)

(Amount: Millions of yen)

| | Reportable Segments | | | | |
|--------------------------|---------------------|---------------------|-----------------|----------------|---------|
| | Automobile business | Motorcycle business | Marine business | Other business | Total |
| Net Sales | 758,773 | 57,477 | 26,020 | 3,078 | 845,350 |
| Segment profit (loss) *1 | 41,973 | 4,436 | 6,758 | 1,298 | 54,467 |

[Notes] *1. Segment profit (loss) is an operating profit in the quarterly consolidated statement of income.

2. Main products and services of each segment are as follows:

| Segment | Main products and services |
|---------------------|--|
| Automobile business | Mini vehicles, Sub-compact vehicles, Standard-sized vehicles |
| Motorcycle business | Motorcycles, All terrain vehicles |
| Marine business | Outboard motors |
| Other business | Motorized wheelchairs, Solar power generation, Real estate |

2. The Change in Reportable Segments

The Group used to classify reportable segments into three, "Automobile business", "Motorcycle business", "Marine business, etc.". To present the Group's business operations more clearly, the Group classified Marine business and reportable segments have now been classified into four, "Automobile business", "Motorcycle business", "Marine business" and "Other business" from FY2021 first quarter.

The results for FY2020 first three months (1 April - 30 June 2020) are also included in the new reportable segments.

(Reference)

As reference information, operating results by geographical region are as follows;

[Operating Results by Geographical Region]

FY2020 first three months (1 April - 30 June 2020)

(Amount: Millions of yen)

| | Japan | Europe | Asia | Other | Total | Eliminations | Consolidated |
|--|---------|--------|---------|--------|---------|--------------|--------------|
| Net Sales | | | | | | | |
| 1) Net sales to external customers | 234,831 | 58,765 | 97,624 | 34,040 | 425,262 | — | 425,262 |
| 2) Internal net sales or transfer among geographic regions | 96,140 | 16,673 | 7,607 | 13 | 120,434 | (120,434) | — |
| Total | 330,971 | 75,438 | 105,232 | 34,054 | 545,697 | (120,434) | 425,262 |
| Operating profit (loss) | 1,017 | (452) | (6,732) | 1,078 | (5,088) | 6,387 | 1,298 |

FY2021 first three months (1 April - 30 June 2021)

(Amount: Millions of yen)

| | Japan | Europe | Asia | Other | Total | Eliminations | Consolidated |
|--|---------|---------|---------|--------|-----------|--------------|--------------|
| Net Sales | | | | | | | |
| 1) Net sales to external customers | 330,988 | 112,456 | 344,473 | 57,431 | 845,350 | — | 845,350 |
| 2) Internal net sales or transfer among geographic regions | 145,649 | 40,919 | 28,308 | 65 | 214,943 | (214,943) | — |
| Total | 476,637 | 153,375 | 372,782 | 57,497 | 1,060,293 | (214,943) | 845,350 |
| Operating profit (loss) | 30,062 | 7,250 | 9,192 | 4,789 | 51,295 | 3,172 | 54,467 |

[Notes] 1. Classification of countries or regions is based on a geographical adjacency.

2. The major countries or regions belonging to classifications other than Japan:

(1) Europe..... Hungary, Germany, United Kingdom and France

(2) Asia..... India, Pakistan, Indonesia and Thailand

(3) Other..... United States, Australia, Mexico, Colombia and South Africa

3. Classification is counted based on the location of the Company and its consolidated subsidiaries.

(Revenue Recognition)

[Breakdown of Revenue from Contracts with Customers]

FY2021 first three months (1 April - 30 June 2021)

(Amount: Millions of yen)

| | Reportable Segments | | | | Total |
|---------------------------------------|---------------------|---------------------|-----------------|----------------|---------|
| | Automobile business | Motorcycle business | Marine business | Other business | |
| Japan | 256,588 | 6,060 | 826 | 3,078 | 266,554 |
| Europe | 115,012 | 8,789 | 7,045 | — | 130,847 |
| Asia | 300,897 | 25,501 | 3,179 | — | 329,578 |
| Other | 78,440 | 16,739 | 14,967 | — | 110,147 |
| Revenue from contracts with customers | 750,938 | 57,090 | 26,019 | 3,078 | 837,126 |
| Other revenue* ² | 7,834 | 387 | 1 | — | 8,223 |
| Net sales to external customers | 758,773 | 57,477 | 26,020 | 3,078 | 845,350 |

[Notes] *1. Revenue is classified by region based on the location of the customers.

2. Other revenue include lease revenue of the lessor, etc.