

Consolidated Financial Results

For the Second Quarter of the Fiscal Year Ending March 31, 2021 (IFRS basis)



November 4, 2020

Company Name : **SUBARU CORPORATION** (Tokyo Stock Exchange First Section, Code No.7270)
 URL : <https://www.subaru.co.jp/en/ir/>
 Representative : Tomomi Nakamura, President and CEO
 Contact for Inquiries : Yasushi Nagae, Vice President and General Manager of Investor Relations Department

Phone +81-3-6447-8825

Scheduled date of submitting Quarterly Report : November 11, 2020
 Scheduled date for dividend payment : December 1, 2020
 Quarterly earnings supplementary explanatory documents : Yes
 Holding of quarterly financial results meeting : Yes (for investment analysts and institutional investors)

(All amounts have been rounded off to the nearest million yen, unless otherwise specified)

1. Consolidated Results for the 2nd Quarter of FYE 2021 (April 1, 2020 to September 30, 2020)

(1) Consolidated Financial Results (for six-month period)

(%: Changes from the previous fiscal year /period)

	Revenue	Operating Profit	Profit before tax	Profit for the period	Profit for the period attributable to owners of parent	Total comprehensive income
2nd Quarter of FYE 2021	1,218,392 (24.1)%	30,611 (67.7)%	36,100 (61.2)%	24,388 (64.2)%	23,706 (65.3)%	12,399 (77.4)%
2nd Quarter of FYE 2020	1,605,673 7.7%	94,847 68.1%	93,104 54.0%	68,129 60.5%	68,285 58.4%	54,869 (23.1)%

	Profit for the period per share, basic (yen)	Profit for the period per share, diluted (yen)
2nd Quarter of FYE 2021	30.91	—
2nd Quarter of FYE 2020	89.05	—

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
2nd Quarter of FYE 2021	3,287,953	1,711,181	1,703,161	51.8%
FYE 2020	3,293,908	1,720,123	1,712,881	52.0%

2. Dividends

	Cash dividends per share (yen)				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual
FYE 2020	—	72.00	—	28.00	100.00
FYE 2021	—	28.00	—	—	—
FYE 2021 (Forecast)	—	—	—	28.00	56.00

Note: Revision of the forecasts in the first quarter of the fiscal year ending March 31, 2021: No

3. Projection of Consolidated Results for FYE 2021 (April 1, 2020 to March 31, 2021)

(%: Changes from the previous fiscal year)

	Revenue	Operating profit	Profit before tax	Profit for the period attributable to owners of parent	Profit for the period per share, basic(yen)
Full Year	2,950,000(11.8)%	110,000 (47.7)%	117,000 (43.7)%	80,000 (47.6)%	104.32

Note: Revision of the forecasts in the first quarter of the fiscal year ending March 31, 2021: Yes

4. Others

(1) Changes of significant subsidiaries in the 2nd quarter of FYE 2021 : No

(2) Changes in accounting policy and changes in accounting estimates

1) Changes in accounting policy required by IFRS : No

2) Changes other than the above 1) : No

3) Changes in accounting estimates : No

(3) Number of issued shares (common stock)

1) Number of outstanding shares (including treasury stock)	As of September 30, 2020:	769,175,873shares	As of March 31, 2020:	769,175,873shares
2) Number of treasury stock	As of September 30, 2020:	2,299,997shares	As of March 31, 2020:	2,360,368shares
3) Average number of shares (for six-month period)	2nd Quarter of FYE 2021:	766,841,317shares	2nd Quarter of FYE 2020:	766,784,802shares

*The status of the implementation of the quarterly review

This quarterly earnings report is not subject to quarterly review based upon the Financial Instruments and Exchange Act.

*Proper use of projection of operating results, and other information

The performance projections were based on the information available as of the date when this document was released. Therefore, actual results may differ considerably due to various factors that might occur in the future.

Index of the attachments

Condensed Quarterly Consolidated Financial Statements.....	2
(1) Condensed Quarterly Consolidated Statement of Financial Position.....	2
(2) Condensed Quarterly Consolidated Statement of Income and Condensed Quarterly Consolidated Statements of Comprehensive Income.....	4
Condensed Quarterly Consolidated Statement of Income.....	4
Condensed Quarterly Consolidated Statement of Comprehensive Income.....	5
(3) Condensed Quarterly Consolidated Statement of Changes in Equity.....	6
(4) Condensed Quarterly Consolidated Statement of Cash Flows.....	7
(5) Notes to Condensed Quarterly Consolidated Financial Statements.....	8
(Notes on Premise of Going Concern).....	8
(Segment Information).....	8
(Significant Subsequent Event).....	8

1. Condensed Quarterly Consolidated Financial Statements

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Unit: Millions of yen)

	FYE 2020 (as of March 31, 2020)	2nd Quarter of FYE 2021 (as of September 30, 2020)
Assets		
Current assets		
Cash and cash equivalents	858,966	888,125
Trade and other receivables	364,839	347,894
Inventories	459,940	458,293
Income taxes receivable	15,648	9,280
Other financial assets	204,373	208,414
Other current assets	74,748	73,231
Subtotal	1,978,514	1,985,237
Assets held for sale	251	—
Total current assets	1,978,765	1,985,237
Non-current assets		
Property, plant and equipment	820,491	809,226
Intangible assets and goodwill	209,775	206,955
Investment property	23,986	24,353
Investments accounted for using equity method	9,831	9,747
Other financial assets	19,730	22,249
Other non-current assets	112,843	113,593
Deferred tax assets	118,487	116,593
Total non-current assets	1,315,143	1,302,716
Total assets	3,293,908	3,287,953

	(Unit: Millions of yen)	
	FYE 2020 (as of March 31, 2020)	2nd Quarter of FYE 2021 (as of September 30, 2020)
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	336,223	312,504
Financing liabilities	12,173	22,898
Other financial liabilities	44,126	49,795
Income taxes payable	2,642	4,916
Provisions	261,162	217,702
Other current liabilities	328,081	284,903
Total current liabilities	984,407	892,718
Non-current liabilities		
Financing liabilities	227,037	312,387
Other financial liabilities	67,855	75,512
Employee benefits	56,525	59,855
Provisions	46,398	43,176
Other non-current liabilities	179,849	186,190
Deferred tax liabilities	11,714	6,934
Total non-current liabilities	589,378	684,054
Total Liabilities	1,573,785	1,576,772
Equity		
Equity attributable to owners of parent		
Capital stock	153,795	153,795
Capital surplus	160,178	160,178
Treasury shares	(6,722)	(6,514)
Retained earnings	1,397,239	1,399,491
Other components of equity	8,391	(3,789)
Total equity attributable to owners of parent	1,712,881	1,703,161
Non-controlling interests	7,242	8,020
Total equity	1,720,123	1,711,181
Total liabilities and equity	3,293,908	3,287,953

(2) Condensed Quarterly Consolidated Statement of Income and Condensed Quarterly Consolidated Statement of Comprehensive Income
Condensed Quarterly Consolidated Statement of Income (for six-month period)

(Unit: Millions of yen)

	FYE 2020 (April 1, 2019 to September 30, 2019)	FYE 2021 (April 1, 2020 to September 30, 2020)
Revenue	1,605,673	1,218,392
Cost of sales	(1,318,121)	(1,003,961)
Gross profit	287,552	214,431
Selling, general and administrative expenses	(146,348)	(127,103)
Research and development expenses	(42,819)	(55,507)
Other income	1,867	3,887
Other expenses	(5,423)	(5,008)
Share of profit (loss) of investments accounted for using equity method	18	(89)
Operating profit	94,847	30,611
Finance income	7,288	11,328
Finance costs	(9,031)	(5,839)
Profit before tax	93,104	36,100
Income tax expense	(24,975)	(11,712)
Profit for the period	68,129	24,388
Profit for the period attributable to		
Owners of parent	68,285	23,706
Non-controlling interests	(156)	682
Profit for the period	68,129	24,388
Profit for the period per share attributable to owners of parent		
Basic (yen)	89.05	30.91

Condensed Quarterly Consolidated Statement of Comprehensive Income (for six-month period)

(Unit: Millions of yen)

	FYE 2020 (April 1, 2019 to September 30, 2019)	FYE 2021 (April 1, 2020 to September 30, 2020)
Profit for the period	68,129	24,388
Other comprehensive income (after deduction of tax)		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	—	—
Net changes in revaluation of capital financial assets measured at fair value through other comprehensive income	468	316
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(14,925)	(13,293)
Share of other comprehensive income of investments accounted for using equity method	(34)	(119)
Net changes in revaluation of liability financial assets measured at fair value through other comprehensive income	1,231	1,107
Other comprehensive income (after deduction of tax) total	(13,260)	(11,989)
Comprehensive income	54,869	12,399
Comprehensive income attributable to		
Owners of parent	55,491	11,621
Non-controlling interests	(622)	778
Comprehensive income	54,869	12,399

**(3) Condensed Quarterly Consolidated Statement of Changes in Equity
FYE 2020 (April 1, 2019 to September 30, 2019)**

(Unit: Millions of yen)

	Equity attributable to owners of parent						Non-controlling interests	Total capital
	Capital stock	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Total		
Balance at the beginning of the year	153,795	160,192	(6,910)	1,350,639	24,532	1,682,248	7,651	1,689,899
Comprehensive income								
Profit (loss) for the period	—	—	—	68,285	—	68,285	(156)	68,129
Other comprehensive income (after deduction of tax)	—	—	—	—	(12,794)	(12,794)	(466)	(13,260)
Comprehensive income total	—	—	—	68,285	(12,794)	55,491	(622)	54,869
Transfer to retained earnings	—	—	—	84	(84)	—	—	—
Transactions with owners								
Dividends paid	—	—	—	(55,236)	—	(55,236)	—	(55,236)
Purchase of treasury shares	—	—	(3)	—	—	(3)	—	(3)
Disposal of treasury shares	—	(44)	194	—	—	150	—	150
Transfer from retained earnings to capital surplus	—	30	—	(30)	—	—	—	—
Total transactions with owners	—	(14)	191	(55,266)	—	(55,089)	—	(55,089)
Balance at the end of the year	153,795	160,178	(6,719)	1,363,742	11,654	1,682,650	7,029	1,689,679

FYE 2021 (April 1, 2020 to September 30, 2020)

(Unit: Millions of yen)

	Equity attributable to owners of parent						Non-controlling interests	Total capital
	Capital stock	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Total		
Balance at the beginning of the year	153,795	160,178	(6,722)	1,397,239	8,391	1,712,881	7,242	1,720,123
Comprehensive income								
Profit for the period	—	—	—	23,706	—	23,706	682	24,388
Other comprehensive income (after deduction of tax)	—	—	—	—	(12,085)	(12,085)	96	(11,989)
Comprehensive income total	—	—	—	23,706	(12,085)	11,621	778	12,399
Transfer to retained earnings	—	—	—	95	(95)	—	—	—
Transactions with owners								
Dividends paid	—	—	—	(21,482)	—	(21,482)	—	(21,482)
Purchase of treasury shares	—	—	(2)	—	—	(2)	—	(2)
Disposal of treasury shares	—	(67)	210	—	—	143	—	143
Transfer from retained earnings to capital surplus	—	67	—	(67)	—	—	—	—
Total transactions with owners	—	—	208	(21,549)	—	(21,341)	—	(21,341)
Balance at the end of the year	153,795	160,178	(6,514)	1,399,491	(3,789)	1,703,161	8,020	1,711,181

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(Unit: Millions of yen)

	FYE 2020 (April 1, 2019 to September 30, 2019)	FYE 2021 (April 1, 2020 to September 30, 2020)
Net cash provided by (used in) operating activities		
Profit before tax	93,104	36,100
Depreciation and amortization	94,475	98,827
Share of loss (profit) of investments accounted for using equity method	(18)	89
Finance income	(7,288)	(11,328)
Finance costs	9,031	5,839
Decrease (increase) in trade and other receivables	(4,534)	16,781
Decrease (increase) in inventories	(15,408)	(6,491)
Increase (decrease) in trade and other payables	(79,386)	(9,133)
Increase (decrease) in provisions and employee benefits	(7,936)	(43,661)
Others	3,061	(12,440)
Subtotal	85,101	74,583
Interest received	6,609	2,393
Dividends received	398	224
Interest paid	(1,069)	(965)
Income taxes paid	(11,877)	(7,855)
Net cash provided by (used in) operating activities	79,162	68,380
Net cash provided by (used in) investing activities		
Net decrease (increase) in time deposits	94,990	(1,871)
Purchase of property, plant and equipment	(70,035)	(66,855)
Proceeds from sale of property, plant and equipment	1,550	480
Purchase of intangible assets and expenditure on internally generated intangible assets	(39,588)	(22,739)
Purchase of other financial assets	(132,401)	(110,903)
Proceeds from sale and collection of other financial assets	170,181	116,323
Others	(2,091)	(627)
Net cash provided by (used in) investing activities	22,606	(86,192)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term borrowings	(1,041)	(270)
Net increase (decrease) in commercial papers	20,000	—
Repayments of long-term borrowings	(2,003)	(721)
Proceeds from long-term borrowings	12,900	60,000
Proceeds from issuance of bonds	—	40,000
Repayments of lease liabilities	(21,684)	(19,234)
Dividends paid to owners of parent	(55,172)	(21,472)
Others	(26)	(188)
Net cash provided by (used in) financing activities	(47,026)	58,115
Effect of exchange rate changes on cash and cash equivalents	(15,099)	(11,144)
Net increase (decrease) in cash and cash equivalents	39,643	29,159
Cash and cash equivalents at beginning of period	702,328	858,966
Cash and cash equivalents at end of period	741,971	888,125

(5) Note to Condensed Quarterly Consolidated Financial Statements

(Note on Premise of Going Concern)

FYE 2021 (April 1, 2020 to September 30, 2020)

Not Applicable

(Segment information)

Information on revenue, profit or loss, and other significant items by segment

Segment information by business type of the Company and its consolidated subsidiaries during the second quarter of FYE 2020 and the second quarter of FYE 2021 is as follows.

FYE 2020 (April 1, 2019 to September 30, 2019)

	(Unit: Millions of yen)					
	Automobiles	Aerospace	Subtotal	Others	Adjustment	Consolidated
Revenue						
(1) Outside customers	1,530,324	70,955	1,601,279	4,394	—	1,605,673
(2) Inter-segment	1,433	—	1,433	13,268	(14,701)	—
Total revenue	1,531,757	70,955	1,602,712	17,662	(14,701)	1,605,673
Share of profit (loss) of investments accounted for using equity method	136	—	136	(118)	—	18
Operating profit	87,360	5,061	92,421	2,404	22	94,847
Finance income						7,288
Finance costs						(9,031)
Profit before tax						93,104

FYE 2021 (April 1, 2020 to September 30, 2020)

	(Unit: Millions of yen)					
	Automobiles	Aerospace	Subtotal	Others	Adjustment	Consolidated
Revenue						
(1) Outside customers	1,168,804	47,153	1,215,957	2,435	—	1,218,392
(2) Inter-segment	1,085	3	1,088	13,924	(15,012)	—
Total revenue	1,169,889	47,156	1,217,045	16,359	(15,012)	1,218,392
Share of profit (loss) of investments accounted for using equity method	154	—	154	(243)	—	(89)
Operating profit (loss)	31,577	(3,034)	28,543	1,996	72	30,611
Finance income						11,328
Finance costs						(5,839)
Profit before tax						36,100

Note: The method of calculating operating profit (loss) for each segment is consistent with the method of calculating operating profit (loss) in the condensed quarterly consolidated statements of income, and does not include financial income, financial costs, and income tax expense. In addition, operating expenses that can not be charged directly to each segment are allocated to each segment based on the most reasonable allocation criteria.

(Significant Subsequent Event)

Not applicable



Subaru Corporation Announces Consolidated Financial Results for the First Half of FYE 2021

Tokyo, November 4, 2020 – Subaru Corporation today announced its consolidated financial results for the first half of the fiscal year ending March 31, 2021.

Results for April–September 2020: Consolidated Revenue

While vehicle sales in North America made a faster-than-expected recovery in the second quarter (July–September 2020), consolidated global vehicle sales decreased 27.9% to 363,000 units due to the major impact of the Covid-19 pandemic on first quarter operations.

Overseas vehicle sales fell 26.4% to 321,000 units, while vehicle sales in Japan dropped 37.4% to 43,000 units.

Due to the same reason noted above, consolidated revenue decreased 24.1% to 1,218.4 billion yen.

Global production fell 28.9% to 354,000 units for the aforementioned reason as well. Overseas production fell 22.7% to 133,000 units, while production in Japan declined 32.2% to 221,000 units.

Results for April–September 2020: Consolidated Profit and Loss

Due to the heavy impact of Covid-19 on first quarter operations, operating profit decreased 64.2 billion yen to 30.6 billion yen, profit before tax fell 57 billion yen to 36.1 billion yen, and profit for the period attributable to owners of parent declined 44.6 billion yen to 23.7 billion yen.

Forecasts for FYE 2021

In light of the faster-than-expected sales recovery especially in the U.S., the Company revises its previous forecasts for FYE 2021 (announced on August 4, 2020) and projects consolidated global vehicle sales of 911,000 units (down 11.9% from the previous year), consolidated revenue of 2,950 billion yen (down 11.8%), operating profit of 110 billion yen (down 47.7%), profit before tax of 117 billion yen (down 43.7%), and profit for the period attributable to owners of parent of 80 billion yen (down 47.6%).

The projections are based on exchange rate assumptions of 106 yen to the U.S. dollar and 120 yen to the euro.

Notes on results:

Vehicle volume figures are rounded off to the nearest thousand. Yen figures are rounded off to the nearest hundred million.

Forward-looking statements in this document including financial and other forecasts are based on the information available at the time of announcement and are subject to various risks and uncertainties that could cause actual results to vary materially.

###

< Reference for the First Half of FYE 2021 Consolidated Financial Results >

(Yen in 100 millions, Units in thousands)

	FYE2020 1st Half [2019. 4-9] RESULTS	FYE2021 1st Half [2020. 4-9] RESULTS		FYE2020 Full Year ['19.4-'20.3] RESULTS	FYE2021 Full Year [2020.4 - 2021.3] FORECASTS			FYE2021 Full Year ['20.4-'21.3] PREVIOUS FORECASTS	
		Change	%		Change	%			
Revenue	16,057	12,184	(3,873)	(24.1)	33,441	29,500	(3,941)	(11.8)	29,000
Japan	2,975	2,102	(873)	(29.3)	5,727	5,397	(330)	(5.8)	—
Overseas	13,082	10,082	(3,000)	(22.9)	27,714	24,103	(3,611)	(13.0)	—
Operating profit	948	306	(642)	(67.7)	2,103	1,100	(1,003)	(47.7)	800
Profit margin (%)	5.9	2.5			6.3	3.7			2.8
Profit before tax	931	361	(570)	(61.2)	2,077	1,170	(907)	(43.7)	870
Profit margin (%)	5.8	3.0			6.2	4.0			3.0
Profit for the period attributable to owners of parent	683	237	(446)	(65.3)	1,526	800	(726)	(47.6)	600
Profit margin (%)	4.3	1.9			4.6	2.7			2.1
Factors contributing to change in operating profit									
			Decrease in SG&A exp., etc.	784			Decrease in SG&A exp., etc.	404	
			Sales volume, mix, etc.	(1,149)			Sales volume, mix, etc.	(929)	
			Increase in R&D exp.	(127)			Effects of foreign exchange rates	(272)	
			Cost reduction efforts, etc.	(106)			Increase in R&D exp.	(137)	
			Effects of foreign exchange rates	(67)			Cost reduction efforts, etc.	(82)	
			Other	23			Other	13	
Exchange rates	JPY/US\$ 109/US\$ JPY/EUR 123/EUR	107/US\$ 120/EUR			109/US\$ 121/EUR	106/US\$ 120/EUR			105/US\$ 120/EUR
Capital expenditures	732	334			1,260	1,000			1,000
Depreciation	457	471			961	1,000			1,000
R&D expenditures *	548	506			1,187	1,000			1,000
Interest bearing debts	1,333	3,353			2,392	—			—
Performance description									
			- First decrease in revenue in 2 yrs.				- First decrease in revenue in 2 yrs.		
			- First decrease in profit at each stage in 2 yrs.				- First decrease in profit at each stage in 2 yrs.		
			- First decrease in consolidated unit sales in 2 yrs.				- First decrease in consolidated unit sales in 2 yrs.		
Consolidated unit sales	68	43	(25)	(37.4)	126	117	(8)	(6.7)	—
< Japan >									
Passenger Cars	55	33	(22)	(40.8)	102	95	(7)	(6.5)	—
Minicars	13	10	(3)	(23.1)	24	22	(2)	(7.4)	—
Consolidated unit sales	436	321	(115)	(26.4)	908	793	(115)	(12.6)	—
< Overseas >									
North America	364	284	(80)	(21.9)	762	687	(75)	(9.8)	—
Europe	17	7	(10)	(59.6)	46	23	(23)	(49.4)	—
China	11	13	2	21.3	21	29	8	38.2	—
Other	44	17	(27)	(62.1)	80	55	(25)	(31.6)	—
Consolidated unit sales total	504	363	(140)	(27.9)	1,034	911	(123)	(11.9)	900
Production units total	498	354	(144)	(28.9)	1,031	881	(150)	(14.5)	880
Japan	326	221	(105)	(32.2)	664	556	(107)	(16.2)	—
U.S.	172	133	(39)	(22.7)	367	325	(42)	(11.5)	—
Revenue by business segment									
Automobile	15,303	11,688	(3,615)	(23.6)	31,939				
Aerospace	710	472	(238)	(33.5)	1,421				
Other	44	24	(20)	(44.6)	80				
Operating profit by business segment									
Automobile	874	316	(558)	(63.9)	2,003				
Aerospace	51	(30)	(81)	—	51				
Other	24	20	(4)	(17.0)	36				
Elimination & Corporate	0	1	1	227.3	14				

* "R&D expenditures" indicate R&D activity related costs incurred during the reporting period. Under IFRS, a part of these costs that meets capitalization criteria is recognized as an intangible asset and amortized over its estimated useful life; thus, the amount of "R&D expenditures" stated here does not match that of "R&D expenses" stated on the Consolidated Statement of Income.

< Forward-looking statements in this document are based on the information available at the time of the announcement and are subject to various risks and uncertainties that could cause actual results to vary materially. >