

## Financial Results for FYE 2022 Analyst Briefing Q&A

May 11, 2021  
SUBARU CORPORATION

**Q : To what extent has the impact of the short supply of semiconductors been incorporated into the full year plan for the fiscal year ending March 31, 2022?**

A : Operations were partially suspended at the Gunma Plant (Japan) and SIA (U.S.) so there was an impact of around 25,000 units in April alone, but operations were resumed in early May. Although the situation remains uncertain, we have been working on preparing for a flexible response, so the assumption of the plan is that we will be able to recover during the year, even if we have to make further production adjustments.

**Q : What does “Effort for improvement +¥30 billion” mean with respect to the analysis of variance in operating profit for FYE 2022?**

A : There are many uncertainties, but this includes reducing incentives and SG&A expenses and lowering costs and so on.

In particular, reducing incentives in the U.S. and improving efficiency will be major drivers. Last year, incentives per unit were \$1,300, and the assumption for this year is that they will be \$1,600. However, we hope to manage incentives and control costs while balancing that with the competitive environment and dealer inventory levels.

**Q : With regard to expenses related to recalls, service campaigns and so on, please explain the results for the fiscal year ended March 31, 2021 and your thoughts on the forecast for the fiscal year ending March 31, 2022 and beyond?**

A : In the fiscal year ended March 31, 2021, they were slightly higher than the normal level of 1.5% of revenue. As with the fiscal year ended March 31, 2020, we were unable to produce results with our quality reform efforts. In the fiscal year ending March 31, 2022, we are looking forward to seeing results from our quality improvement activities, so we are assuming that these expenses will be around 1% of revenue. We have incorporated quality measures into the new models coming out, and we believe that we will and that we must produce results in this regard. At the same time, we are engaged in efforts to reduce the number of applicable units among vehicles already delivered to customers by investigating the cause and responding more swiftly.

**Q : How are you going to achieve an operating margin of 8%? Will you be controlling Capex and R&D expenditures?**

A : There is no change in our policy of securing one of the highest operating margins in the industry. We will aim for an operating margin of 8% primarily by increasing sales and continuing to curb quality costs, which have recently been a factor working to significantly decrease profits. In addition, change has accelerated in the automobile industry in the last few

years, and changes in the external environment such as COVID-19, the short supply of semiconductors, and the deterioration of commodity market conditions have continued to have a significant impact on business performance. However, we will carry out the necessary investment and R&D activities for our business strategy.

**Q : Have there been any changes made to your electrification road map announced at the SUBARU Technology Briefing in January 2020?**

A : The road map itself remains unchanged, but over the past year, we have seen rapid growth in interest shown in electric models. While monitoring market trends, we have launched a CTO Office and have updated the structure of our technological development division in order to accelerate review and efforts such as moving product releases up and adding applicable models.

**Q : How will the “Subaru difference,” including the characteristics of Subaru customers who are notable for their high social and environmental awareness and for taking further steps to help others in need, be reflected in your strategy for the future?**

A : We consider the deep relationship between Subaru and our customers that separates us from other brands a “Subaru difference,” and we believe that further developing this relationship will lead to differentiation of our products and services, improvement of our brand value, and social contribution as well. We identify environmental value within the Subaru value of providing enjoyment and peace of mind, and we work to deliver products that meet the expectations of like-minded customers. In addition, while focusing more than ever on our own social contribution activities, we will support the various social contribution activities of our customers. This will allow us to contribute toward the realization of a sustainable society. We will continue to emphasize this approach that only Subaru is capable of.

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