

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

May 12, 2022  
SUBARU CORPORATION

**Q : Your production target for this fiscal year is a highly aggressive 1 million units. What are the prospects for achieving this figure?**

A : There are still some uncertainties regarding semiconductor supply, and due to the current lockdown in China and other factors, our operations are somewhat touch-and-go. However, in line with the information we have access to, we currently believe it is a target. It is being said within the auto industry that the semiconductor supply situation will recover from summer onwards. We ourselves have also been implementing a range of initiatives. Although the plan includes a certain level of risk, the production of 1 million units is a challenge we will take on.

**Q : Why is the semiconductor shortage affecting you more than other companies?**

A : We have a limited product lineup, and with our two production sites in Japan and the U.S., we have built an efficient production system through which we share a considerable number of components. However, if there are supply issues with a single component, the impact on both our Japanese and U.S. production sites is huge. While it is difficult to do anything about these structural factors, we are examining product-based and technological countermeasures, the use of substitutes, the creation of a cooperative framework with our suppliers, and a range of other countermeasures. Although it will take time for things to return to normal, from last year we have already seen the effects of improvements, and we will do everything we can to produce as many units as possible.

**Q : Supposing you fell below your plan by tens of thousands of units, could you absorb the impact it would have on your results?**

A : While our plan is to produce 1 million units, our forecast for consolidated unit sales is 60 thousand units less at 940 thousand units. At the very least, this fiscal year we hope to build up a global inventory of around 60 thousand units. In the U.S. market, an inventory of 60 thousand units is enough for around 30 days' supply. Further, even if production volume was to fall by tens of thousands of units, we believe we can achieve our sales target with our increasingly efficient sales operation. Elsewhere, we are engaging in companywide cost-cutting activities, and will promote other necessary measures to aim for 200 billion yen in operating profit.

**Q** : Regarding your year-on-year decline of 104.2 billion yen in material cost, etc., what is having the biggest impact? Also, how do you plan to offset these soaring costs?

**A** : The impact from steel and precious metals is the most significant, while the cost of aluminum, copper, and plastic is also rising. The aim is to counter these soaring costs by improving our price & mixture (by 90.6 billion yen over the previous year), through revised selling prices and a shift to more profitable models and grades. In our core U.S. market, previously we have adjusted prices alongside the changes in specifications and equipment when launching a new model year. More recently, however, we have been revising prices twice in a single model year, mainly for our core models. We are also looking at further price revisions. Last fiscal year, price & mixture increased by approximately 33 billion yen.

**Q** : Has there been any impact on sales in your core U.S. market due to revised selling prices?

**A** : Currently, there has been no major reaction from the market. Demand remains strong and we are accumulating backorders, so we feel as though we are maintaining our sales momentum.

**Q** : Regarding your investment in BEV production including a dedicated production line, what are your thoughts on the scale of production? Also, how do you see profitability and business potential?

**A** : As one strategy ahead of an era in which BEVs become mainstream, this time we spoke about reorganizing our domestic production structure. Regarding in-house BEV production, to begin with, we will use one of the two production lines at our Yajima Plant for mixed production of ICE vehicles and BEVs, and aim to begin at a level of several tens of thousands of units. Further, as we are at the dawn of BEV market development, in the BEV transition period, we will make full use of our flexible mixed production system which will enable us to adjust production volume among BEVs, HEVs, and ICE vehicles. However, production will be inefficient due to the major differences in each of their production processes. Highly efficient production will be essential to increase profitability, so we will keep an eye on when we can expect a certain level of BEV demand, with the opening of a dedicated production line for BEVs at the Oizumi Plant also on our radar from 2027 onwards. For the scale of production, we will start small and grow big. In addition, we believe that moving forward, BEV production will continue to require new approaches and rationalizations that cannot be achieved with existing knowledge. It's important that we first thoroughly accumulate know-how in these in Japan, and we anticipate a certain level of profitability when we extend production to our overseas sites. We will disclose other plans on products, technologies, and procurement at the appropriate time.

Thank you.