

Financial Results for FYE 2025 Analyst Briefing Q&A

May 14, 2025
SUBARU CORPORATION

Q : Please provide a summary of results for the full-year results for FYE 2025.

A : The introduction of the new Forester and the Crosstrek with next generation HEV made a contribution to sales. On the other hand, due to an increase in sales incentives in the key U.S. market, and managing production and shipments while taking into account the balance between inventory levels and sales incentives in overseas markets, both unit sales and operating profit fell below previous-year levels. Incentives per vehicle in the U.S. for the full year of FYE 2025 were \$2,000 per unit, up \$800 per unit year on year.

Q : What is the outlook for FYE 2026? You said that even if additional tariffs are in effect throughout the fiscal year, you have devised various measures to deal with them and are aiming, as a first step, for operating profit at the level of 100 billion yen. What initiatives will you implement to aim for that level?

A : We aim to generate profit by taking various steps, such as building up unit sales, raising the profit per vehicle by improving the model/grade mix, controlling sales incentives, and reducing costs. That operating profit of 100 billion yen is the minimum level that we should achieve in terms of management's intent, and our objective is to increase this further.

Q : What will be the impact on earnings of additional tariffs in the U.S.?

A : If we take no measures to address this then the impact will be more than \$2.5 billion. This impact includes additional tariffs on completed vehicles imported from Japan and some imported components that are used in vehicle production locally in the U.S. These forecasts are predicated on additional tariffs being in place throughout the fiscal year.

Q : Do you have a production system capable of generating 900 thousand units in FYE 2026?

A : There will be temporary constraints on output at the Yajima Plant as a result of construction work in preparation for BEV production. This will lead to a reduction in production of around 100,000 units, but as a means of recouping this we will make efficient use of other production lines (two in Japan and two in the U.S.) and aim for 900 thousand units.

Q : Will there be any changes in the production systems in Japan and the U.S. as a result of manufacturing the Forester in the U.S. plant?

A : The Forester shares a high percentage of parts with the Crosstrek, which is already being manufactured in the U.S. plant. We expect productivity to be improved by the transfer of Forester production to the U.S. plant. This transfer will allow the Forester to be manufactured in both the Yajima Plant and the U.S. plant, enabling us to build a production system that can respond flexibly to changes in the environment.

On the other hand, because we will transfer production of the Outback to a domestic plant, production capacity in the U.S. will remain unchanged at around 400,000 units. FYE 2025 production in the U.S. was 345,000 units, so there is still capacity to increase the production, but further increases would require us to secure supply chain capacity. We will consider optimal production systems taking into account the situation in Japan and the U.S.

Q : What is your pricing strategy in the U.S.? Is there any initiative utilizing SUBARU brand?

A : We have implemented pricing increases at the start of the new model year and during the model year after taking into account recent increases in such costs as raw material and general expenses. In terms of initiatives utilizing our brand, as you might expect we are continuing to work steadily away at a business model that generates the virtuous cycle of low inventories, low incentives, and high residual value. We are expecting the effects of the introduction of the Forester with next generation HEV, which was launched this spring, to be felt in earnest from the middle of May onward. We are also planning the launch of the Crosstrek with next generation HEV, the new Outback, and the new BEV that we are developing jointly with Toyota Motor. We will also leverage these new launches to enhance the brand, and further refine our business model.

Q : Taking into account the impact of additional tariffs in the U.S., are you considering strengthening sales in markets other than the U.S.?

A : There is no change in our view that the U.S. is our most important market, and we will recoup the impact on earnings of additional tariffs and maintain unit sales. Outside the U.S., the Canadian market remains extraordinarily strong, and we hope to grow sales further there. Sales in the domestic market have been growing steadily since the introduction of the new HEV model, and we plan to maintain that momentum.

Q : I have a question about R&D expenditures. You are forecasting that this will fall from 160 billion yen in FYE 2025 to 140 billion yen in FYE 2026. Does this forecast incorporate attempts to control expenses based on the impact of additional tariffs and so on?

A : This is unrelated to the impact of tariffs. In FYE 2025 we had significant temporary increases related to new ICE, HEV, and BEV development. 140 billion yen is the normal level R&D expenses for us, so you should think of FYE 2026 as returning to that normal level.

Q : My question concerns shareholder returns. What is the background to your deferment of a decision to implement share repurchases? Also, if we get some clarity on the impact of tariffs and the business environment, will you consider returning to the decision on share repurchases that you made in FYE 2025?

A : Having set a shareholder return policy with a DOE of 3.5% and a total return ratio of 40%, in FYE 2025 we plan to pay a dividend per share of 115 yen (a DOE of 3.5%). This is a total return ratio of 25.1%, and while it does not reach the policy figure of 40%, we have deferred a decision on whether or not to implement share repurchases due to significant concerns about the prolongation of tariff negotiations between Japan and the U.S. We hope to return to decide whether or not to implement share purchases once we have some visibility on the impact of tariffs and on the outlook for earnings. I would like shareholders to understand that there has been no change in the policy itself, which is one of steadfastly delivering returns to shareholders.

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