

## Financial Results for the 2nd Quarter of FYE 2021 Analyst Briefing Q&A

November 4, 2020  
SUBARU CORPORATION

**Q : What is your evaluation of 2nd quarter (three-month period) results?**

A : Operating profit came in at ¥46.3 billion owing primarily to an earlier-than-anticipated recovery of our main market of the US, a decrease in warranty expenses, including expenses related to recalls, service campaigns and so on, a decrease in sales incentives, and a decrease in SG&A expenses, including advertising costs. In the 2nd quarter, inventory, which had been a factor working to increase profit by tens of billions of yen in the 1st quarter due to how consolidated accounting is handled (adjustment for unrealized gain on inventory), returned at the end of September to the level it was at the end of the previous fiscal year, and is working to decrease profit. As such, we think the actual results were better than the ¥46.3 billion in operating profit in the 2nd quarter (three-month period).

**Q : What are your thoughts on expenses related to recalls, service campaigns and so on for the full-year plan?**

A : Our basic approach to expenses related to recalls, service campaigns and so on remains unchanged. The costs that arose in the first half were low, and we believe that was the result of our efforts at quality reform. On the other hand, it is impossible to predict future recalls, so we continue to incorporate the equivalent of 1.5% of normal annual revenue in the forecast.

**Q : What is the background behind the quick recovery of demand in the US market, and what will future developments be like?**

A : Due to movement restrictions, money not spent on travel or restaurants, etc. is going to the purchase of home appliances and automobiles, and because it is safer to get around by car, we believe people are taking another look at personal ownership instead of sharing rides. Our retail sales are doing slightly better than overall demand, and we believe that this is because of support from our customer base. Furthermore, thanks to our teamwork, including the retailers, these strengths are allowing us to have a good showing to an extent even in the midst of crisis. However, the future remains uncertain, so we cannot look at things through rose-colored glasses.

**Q : This question is about incentives in the US. What is behind the view that the amount of incentives per vehicle will go up in the second half compared to the first half results?**

A : In the first half, on top of changes in usage rates of loans and leases and improvement in the model mix, there were some temporary factors arising from the decreased sales volume resulting from COVID-19, so we were able to keep the amount of incentives per vehicle down. In the plan for the second half, although we do not expect major changes to the program at this point in time, we have taken into account the sales and inventory situations at each competitor,

the trend in incentives, the Share the LOVE Event\* and other campaigns such as Christmas sales when coming up with the figure. We hope to carefully balance costs and number of vehicles sold, focusing on the sales situation and market trends.

\*A campaign that Subaru of America, Inc. (SOA) has held from mid-November to the end of the year since 2008. SOA donates \$250 per vehicle to the charity of the customer's choice when they purchase a car.

**Q : What is the sales situation in Japan?**

A : Orders for the new LEVORG have come to just under 10,000 vehicles. Additionally, in October and November, the Impreza and SUBARU XV switched over to new models with minor changes, and the e-BOXER system was newly adopted in Impreza. The Forester also got a minor change and now has a new 1.8L direct injection turbo engine for superior environmental performance. We will have a well-rounded lineup, so we hope to see a recovery in sales in Japan.

**Q : What about the EyeSight X roll-out?**

A : The new LEVORG will come with the next-generation EyeSight that offers functional improvements compared to the current system and EyeSight X, which offers additional functions such as a hands-off function available under certain conditions. Once preparations are in place, we plan to ramp up the roll-out of the next-generation EyeSight overseas as well. As for EyeSight X, the laws in each country come into play, so we will be promoting it primarily in Japan for the time being as we keep an eye on the situation.

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