Financial Results for the 1st Quarter of FYE 2022
Analyst Briefing Q&A

August 3, 2021
SUBARU CORPORATION

Q ：How big of an impact did the semiconductor shortage have in the first quarter? Also, what do you expect the impact to be in the second quarter and beyond?

A ：The impact in the first quarter was about 60,000 fewer units manufactured. The impact will continue to an extent in the second quarter, but we expect a recovery beginning in the second half, so the full-year impact will be around 40,000 units.

Q ：Inventory is very low at U.S. dealers. When and to what extent do you expect that situation to improve? Also, could your thinking on dealer inventory levels change in the future?

A ：Our normal dealer inventory levels are around 45 days' supply, and dealers have always leveraged inventory in our pipeline for highly efficient sales, so we have know-how in that regard. The most recent levels have been very low at around a six- or seven-day supply, and this has led to dealers actively selling pipeline inventory even more than before. This situation will improve when manufacturing returns to normal, but for the time being, the vehicles will be delivered to waiting customers as soon as they arrive, so it will take a little time for inventory levels to return to normal. Going forward, I think there is a possibility that customer buying patterns may change, but we will thoroughly monitor customer and competitor trends while listening to feedback from the front lines.

Q ：In the full-year plan, you say that material cost, etc. are expected to deteriorate by ¥15.4 billion compared to the previous plan. What is the background behind this?

A ：Other than rhodium, commodity prices are generally on the rise. In the initial plan, the impact of precious metals was calculated based on prices from January to March. This time, we reflected the latest situation.

Q ：This question is in regard to full-year variance in operating profit compared to the results of the previous year. How will you achieve "effort for improvement +¥22.3 billion"?

A ：We are making efforts to improve various items, including fixed costs, SG&A, incentives, and warranty claims. As for U.S. incentives, the plan is to come down to $1,350 per vehicle from $1,600 in the initial plan, but we will work on bringing it down further while keeping an eye on the competitive environment and inventory balances.

Q ：The full-year plan for U.S. incentives is $1,350 per vehicle, but the result in the first quarter was $1,100 per vehicle. What is the background behind your view that the amount of incentives will increase?

A ：In addition to the possibility of interest rates increasing, we believe that the competitive environment may intensify when vehicle supply bounces back in the industry starting in the second half. This is the level we are assuming at this stage.

Q ：How big is the profit-increasing effect of the sharply rising prices of used cars in the U.S.?

A ：The increased demand in the used car market has helped improve our revenue per vehicle, but because our used car prices were high to begin with and we do not have a large volume of fleet sales, there has not been a major impact. However, because residual prices (transaction prices) will increase due to the rise in used car prices, there are likely to be secondary effects such as suppression of incentives for lease sales.

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