Financial Results for FYE 2023
Analyst Briefing Q&A

May 11, 2023
SUBARU CORPORATION

Q ：What is the background to operating profit for last fiscal year not attaining the level previously forecast?

A ：The entire company worked as one to achieve the operating profit target of ¥300 billion, but was unable to do so due to a shortfall in consolidated unit sales of 18 thousand units, and due to an increase in provisions resulting from repair costs per unit in the U.S. being higher than expected.

Q ：What is the level of confidence in your production plan (1,010 thousand units) and consolidated unit sales forecast (1,010 thousand units)?

A ：The semiconductor shortage that newly arose in the fourth quarter is gradually easing, and actual production in April increased year on year. At this point we do not foresee any other issues that would have a significant impact on operations. Also, our ability to deal with parts supply shortages has improved, so this fiscal year we think we have a pretty good chance of achieving 1,010 thousand units of production. Overall global demand remains strong, and currently we have backorders of around 70 thousand units. By manufacturing and supplying as many units as possible and delivering them to customers, we should achieve our sales target.

Q ：What are the risks and opportunities associated with the operating profit forecast of ¥300 billion this fiscal year?

A ：Currently, we have yet to secure a commitment for the supply of enough semiconductors to manufacture 1,010 thousand units, so there is the risk of a shortfall in production and sales units. Conversely, there is room to increase production, so if we are able to reliably secure the parts, we could grow unit sales. Also, we are keeping a close eye on the situation regarding raw materials and market conditions, as well as demand trends in our main market of the U.S., as these are variables that could affect our performance, and we will respond as necessary.

Q ：Last fiscal year you achieved improvements in price & mixture of ¥95.8 billion through revisions to selling prices and so on. This fiscal year, will there be even larger effects from this?

A ：Last fiscal year, we implemented revisions to selling prices at the start of the new model year and also during the model year. Moreover, given low levels of inventory for the industry as a whole due to the impact of semiconductor shortages, we improved our mix of regions and grades, and the resulting changes in sales volume & mixture, etc. led to a significant year-on-year increase in profit. This fiscal year, we plan to revise selling prices again while keeping an eye on the competitive environment, and we also plan to normalize regional/grade mix in line with demand in global markets and inventory levels. We expect the year-on-year impact of price & mixture to be negative by around ¥10 billion.

Q：I have a question about your plans for incentives in the U.S. this fiscal year. Taking into account overall demand in the U.S., the competitive environment, and other factors, is it possible that these expenses will increase further going forward?

A：This fiscal year we are planning incentives per unit of $1,100. Because demand for SUBARU vehicles remains strong, and because we expect financing costs to decrease going forward based on the outlook for U.S. interest rates, we are planning for incentives to stay at the same level as the second half of last fiscal year.

Q：What is your approach to making a decision on a production site for BEV?

A：We are taking a comprehensive view that takes into account such issues as differences in production costs between Japan and the U.S., quality, and the supply chain. With the objective of accumulating know-how and ensuring quality, we will first begin in-house production of BEVs at the mother factory in Japan, and consider production of BEVs in the U.S. as the next step.

Q：With further investments related to electrification imminent going forward, what is the background to your decision to conduct share repurchase?

A：In line with our existing shareholder return policy, we made the decision to repurchase and cancel our own shares in order to improve capital efficiency. We believe that in order to raise the PBR from below 1x, we also need to address profitability, the outlook for the future, and our positioning in the industry as a whole, and we see this latest share repurchase as being part of that. While keeping further improvements in capital efficiency in mind, we will discuss our shareholder return policy internally going forward.

Q：What does the next president, Mr. Osaki, intend to tackle going forward?

A：First, whatever products we create in our effort to achieve carbon neutrality, I want to make sure we preserve “the SUBARU difference” that we have developed thus far. Also, under the leadership of outgoing president Mr. Nakamura, our reform efforts to enhance quality in particular have steadily yielded results, but I think it will take a little longer to reach the level at which customers really feel the improvement in quality. I regard the high quality that is the basis of the SUBARU brand and the depth of our relationships with customers as our strengths, and as I follow Mr. Nakamura I will ensure that we do not deviate from this path.

Thank you.