

## Financial Results for the 2nd Quarter of FYE 2022 Analyst Briefing Q&A

November 5, 2021  
SUBARU CORPORATION

**Q : Can you tell us what impact the semiconductor shortage has had on production?**

A : At the time of the last announcement of results, we said the impact in the first quarter was around 60,000 units and that it would be around 40,000 units for the full year. However, this time, we have revised the production forecast downward by another 130,000 units. The background behind this is that in addition to the problem with semiconductor supply, there have been constraints on supply of parts arising from the spread of COVID-19 in Southeast Asia since late August, which has resulted in temporary suspension of operations and production adjustments at production facilities in Japan and the United States. The impact in the first half was around 160,000 units. The supply constraints have not yet been resolved, but we will continue to work on increasing production and plan to keep the impact in the second half down to 10,000 units.

**Q : When will the inventory levels depleted due to constraints on semiconductor supply return to normal?**

A : In the US market, 45 days' supply was considered adequate inventory, but under the current low levels of inventory, we have been executing highly efficient operations and believe that we can meet demand with around 30 day's supply of inventory without losing opportunities. I think that retailers are beginning to feel the same way. In the United States, strong demand will continue, so we see inventory levels gradually returning to 30 days' supply in about a year.

**Q : Can you tell us about the impact of sharply rising material costs? What is the background behind the ¥2 billion increase in profit compared to the previous full-year plan?**

A : Last time, we were expecting the sharp rise in the prices of precious metals palladium and rhodium to continue, but we reviewed the numbers based on current market conditions. On the other hand, steel and other material costs are generally rising, and distribution expenses have also increased, so material costs, etc. have improved by ¥2 billion compared to the previous plan.

**Q : How do you think the US sales business will have changed after COVID-19, the semiconductor supply shortage, and other such situations have normalized to an extent?**

A : In the automotive industry, incentives have gone down as inventory levels have decreased substantially, working to boost profits significantly. In terms of the industry as a whole, we feel that there have been some significant benefits of low inventory levels such as increased efficiency of business operations among retailers in terms of financing and used car prices stabilizing at higher levels, which has led to higher profitability, so we in the industry do not think that the high inventory levels of the past will return.

**Q : If BEV models are expanded to accelerate your environmental response, will you have sufficient capacity with your resources? Will you address this by increasing costs, delaying ICE and HEV development, etc.?**

A : We have been looking into man-hours for some time, and with SOLTERRA, our first BEV, we took advantage of our alliance and engaged in joint development. BEV development eliminates the need to deal with exhaust gas regulations by destination, which takes a considerable amount of time and man-hours when working on ICE development. In addition, we are beginning to see that very high AWD performance, which is our core technology, can be achieved through a motor and battery combination and that we can reduce man-hours. In regard to other areas of cooperation, we believe we can engage in even more efficient BEV development and develop a sustainable product lineup without making any big sacrifices to scrounge up man-hours by promoting collaboration with alliance partners and suppliers.

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