Financial Results for the 3rd Quarter of FYE 2024
Analyst Briefing Q&A

February 8, 2024
SUBARU CORPORATION

Q ：Please provide a summary of the Q3 (3 months). Also, what do you see as the points of variation for the Q4 (3 months) forecasts relative to Q3 results?

A ：In the Q3, with the Group working as one to ensure that production and sales progressed in line with plans, and also due to reductions in expenses and further depreciation of the yen, quarterly operating profit hit a new record of 185.2 billion yen. We expect operating profit in the Q4 to be 79.0 billion yen. Compared to the Q3, there are less working days and typically there is a tendency for expenses to rise. Within warranty claims, we have revised recall service campaign expenses to be lower than we assumed in the initial earnings forecast, so this is expected to have a positive impact, but we project that expenses will surge by approximately 20 billion yen due to increased warranty claims, etc. owing to one-off accounting factors.

Q ：Why have you revised up the positive impact of sales volume & mixture, etc. on operating profit by 28.3 billion yen compared to the previous full-year forecast?

A ：While consolidated unit sales in regions other than the U.S. are about 30 thousand units lower, the proportion of shipments to the relatively high-margin U.S. market will increase, so improvements in the market mix are expected to make a significant contribution.

Q ：What is the background to that 30 thousand-unit decline in consolidated unit sales relative to the previous forecast for markets other than the U.S.?

A ：In the Japanese market, we had a sales target of 100 thousand passenger cars, but we revised this down to 91 thousand units to reflect the order status in the first half. However, the launch of the Layback has stimulated a recovery in orders since late December, so we hope to recover this going forward. Demand in the Canadian market is strong, but shipments to the West Coast and inland transportation from local ports are congested, so we expect a decrease of 6 thousand units relative to the previous forecast. In other regions overall demand has fallen, so we revised the forecast to take into account sales and the inventory situation going forward.

Q ：What is the forecast for production next fiscal year?

A ：Production for next fiscal year is still under consideration, but I think we need to be a little bit cautious, taking into account the outlook for overall demand, sales trends, and the inventory situation in each market, including North America. In the main market of the U.S., we think overall demand for calendar 2024 will be roughly the same as last year at around 15.7 million units (+0.3% y/y). With a rise in inventories at many companies predicted to lead to intensified competition, we are targeting an increase in our retail sales by around 40 thousand units, to 680 thousand units. However, retailers in the U.S. have more than 30 days' supply in inventory, and we intend to manage production and inventories while keeping a close eye on sales trends going forward.

Q：Since you announced the new management policy in August 2023, have there been any changes in the business environment or plans related to electrification?

A：We announced the new management policy based on the idea that the acceleration towards BEVs will undergo a temporary leveling-off in the main market of the U.S., but that there will be no major change in the trend towards electrification, and at this point in time we have not changed our plans. We think this sales environment further reinforces the idea that the only way forward is to strive for the "world-leading Value Creation" that we mentioned in that policy, and to enhance the competitiveness of our products. Currently, we are focusing on first establishing BEVs properly in Japan, discussing how we should respond with flexibility to market trends, and steadily moving forward with our preparations. I hope to be able to give you specific details in the near future.

Q：What are the roles of the Chief Digital Car Officer (CDCO) and Chief Connected Business Officer (CCBO)?

A：The recent rapid electrification of automobiles has led to an increase in the sophistication of technology and functionality. At Subaru also, as we accelerate electrification and digitalization that include software and high-precision semiconductor development, it has become necessary to build a foundation based on forecasts of the capacity required for electronic platforms, the systems and operating systems that integrate them, and the software that runs on them, and this area is the responsibility of the CDCO. The CCBO is responsible for building a competitive business out of the value and services we provide to customers, such as connected services and cloud services.

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